

VERMONT ELECTRIC COOPERATIVE, INC.  
UNAUDITED FINANCIAL REPORTING  
FOR THE MONTH AND SIX MONTHS ENDED:  
JUNE, 2011

## Financial Highlights – June, 2011

	<u>Variance (K's)</u>	<u>YTD Variance (K's)</u>
<b>June Net Income</b>	<b>\$33</b>	<b>\$1,129</b>

**Analysis:**

- Operating Revenue**
**\$36**
**\$746**

Sold KWH in June was 0.3% higher than budget for a positive variance of \$18k with YTD 2% higher and \$576k better than budget. Heating degree days for the first 6 months were within 4% of normal and 16% colder than 2010. The average price/KWH sold was \$13k lower than budget in June but is \$25k better than budget YTD. Non-energy services, pole attachments, and wheeling revenues contributed more revenue than expected for a positive variance of \$22k in June and \$60k YTD. Unbilled revenues were \$9k better than budget in June and are \$84k better than budget YTD.

- Purchased Power Costs**
**\$16**
**(\$50)**

Purchases were 2% and \$41k higher than expected in June and are 3% and \$463k higher YTD. Our overall costs/KWH was 2% and \$56k lower than budget in June and 2% and \$402k lower YTD.

- Transmission Costs**
**\$22**
**(\$32)**

Transmission by other costs was under budget by \$26k in June and \$39k YTD. Transmission vegetative maintenance was \$3k over budget in June and is \$53k over budget YTD.

- Distribution Operations/Mtce**
**(\$30)**
**\$200**

Overhead line maintenance costs were \$54k over budget in June and are \$270k over budget YTD. Substation maintenance cost was \$31k over budget in June and are \$104k over YTD. Major storm expenses were under budget by \$83k in June and are \$323k under budget YTD. Distribution vegetative maintenance program spending was over budget by \$3k in June but is under budget \$253k YTD. Vegetative maintenance program (transmission + distribution) is \$6k over budget for June but is \$200k under YTD.

- Customer Accounts**
**\$19**
**\$102**

Meter reading & meter disconnects are \$9k better than budget in June and \$88k better YTD. Member services had a positive variance to budget of \$4k in June and \$24k YTD. Changes in the communications area resulted in a positive variance in June of \$5k but YTD has a negative variance of \$11k.

- Administrative & General**
**(\$53)**
**(\$56)**

Regulatory related costs were \$12k over budget in June but is \$56k under budget YTD including lower rate case costs, timing with the consumer behavior study costs, special member vote and audit of our easement process and records. A&G Payroll & Benefits exceeded budget by \$33k in June and \$81k YTD. Partially offsetting this is reductions in outside services of \$3k in June and \$33k YTD. COOP Life exceeded budget by \$6k in June and \$20k YTD. Facility related maintenance costs exceeded budget by \$3k in June and \$25k YTD. Timing associated with NRECA dues contributed negative variances of \$3k in June and \$21k YTD.





YEAR-TO-DATE

STATEMENT OF OPERATIONS

VEC

	June 2011 Actual	June 2011 Budget	June 2011 Actual- Budget Variance Fav (Unfav) \$	%	June 2010 Actual	June 2011 Actual - June 2010 Variance Fav (Unfav) \$	%
<b>Revenue</b>							
Operating Revenue	36,657,582	35,911,350	746,232	2.1%	34,816,640	1,840,943	5.3%
Sales for Resale	539,043	484,712	54,331	11.2%	690,611	(151,568)	21.9%
<b>Total revenues</b>	<b>\$ 37,196,625</b>	<b>\$ 36,396,062</b>	<b>\$ 800,564</b>	<b>2.2%</b>	<b>\$ 35,507,251</b>	<b>\$ 1,689,375</b>	<b>4.8%</b>
<b>Power supply cost</b>							
Purchased power cost	(18,016,810)	(17,966,446)	(50,364)	-0.3%	(17,428,499)	(588,311)	-3.4%
Sales for Resale	(539,043)	(484,712)	(54,331)	-11.2%	(690,611)	151,568	21.9%
Transmission:	(4,494,646)	(4,462,974)	(31,671)	-0.7%	(4,047,565)	(447,080)	-11.0%
<b>Total Power supply cost</b>	<b>(23,050,499)</b>	<b>(22,914,132)</b>	<b>(136,367)</b>	<b>-0.6%</b>	<b>(22,166,676)</b>	<b>(883,823)</b>	<b>-4.0%</b>
<b>Gross Margin</b>	<b>\$ 14,146,127</b>	<b>\$ 13,481,930</b>	<b>\$ 664,197</b>	<b>4.9%</b>	<b>\$ 13,340,575</b>	<b>\$ 805,552</b>	<b>-6.0%</b>
<b>Operating expenses</b>							
Distribution: Operations & Mtce	(4,952,457)	(5,152,057)	199,600	3.9%	(5,142,584)	190,128	3.7%
Customer accounts	(1,140,864)	(1,242,503)	101,640	8.2%	(1,119,813)	(21,051)	-1.9%
Administrative & general	(1,821,392)	(1,764,943)	(56,450)	-3.2%	(1,421,237)	(400,156)	-28.2%
<b>Total operating expenses</b>	<b>(7,914,713)</b>	<b>(8,159,503)</b>	<b>244,790</b>	<b>3.0%</b>	<b>(7,683,634)</b>	<b>(231,079)</b>	<b>-3.0%</b>
Depreciation & amortization	(1,859,725)	(1,812,069)	(47,656)	-2.6%	(1,783,891)	(75,834)	-4.3%
Gross revenue & receipts taxes	(361,431)	(354,884)	(6,547)	-1.8%	(344,798)	(16,633)	-4.8%
Interest on long-term debt	(1,511,009)	(1,610,302)	99,293	6.2%	(1,452,818)	(58,191)	-4.0%
Other interest expenses	(50,561)	(50,238)	(323)	-0.6%	(69,925)	19,364	27.7%
Other deductions	(10,547)	(18,775)	8,228	43.8%	(14,808)	4,261	28.8%
<b>Total depreciation &amp; other expenses</b>	<b>(3,793,273)</b>	<b>(3,846,269)</b>	<b>52,996</b>	<b>1.4%</b>	<b>(3,666,240)</b>	<b>(127,033)</b>	<b>-3.5%</b>
<b>Income from operations</b>	<b>2,438,141</b>	<b>1,476,158</b>	<b>961,983</b>	<b>65.2%</b>	<b>1,990,701</b>	<b>447,440</b>	<b>-22.5%</b>
Interest income	812,128	805,663	6,465	0.8%	558,521	253,608	45.4%
Other income (expenses)	17,311	2,759	14,551	527.3%	17,696	(385)	-2.2%
Other capital credits & dividends	281,563	135,895	145,668	107.2%	224,791	56,772	25.3%
<b>Total non-operating margins</b>	<b>1,111,002</b>	<b>944,317</b>	<b>166,685</b>	<b>17.7%</b>	<b>801,007</b>	<b>309,995</b>	<b>38.7%</b>
<b>Net income (loss)</b>	<b>3,549,143</b>	<b>2,420,476</b>	<b>1,128,667</b>	<b>46.6%</b>	<b>2,791,708</b>	<b>757,435</b>	<b>27.1%</b>
Extraordinary expenses	-	-	-	N/A	-	-	N/A
<b>Total net income (loss)</b>	<b>\$ 3,549,143</b>	<b>\$ 2,420,476</b>	<b>\$ 1,128,667</b>	<b>46.6%</b>	<b>\$ 2,791,708</b>	<b>\$ 757,435</b>	<b>27.1%</b>

BALANCE SHEETS (ASSETS)

VEC

	June 2011 Actual	May 2011 Actual	Variance Fav/(Unfav) \$	%	June 2010 Actual	Variance Fav/(Unfav) \$	%
Electric plant, at cost:							
Electric plant in service	110,454,216	110,011,484	442,732	0.40%	104,229,992	6,224,224	5.97%
Less accumulated depreciation	(29,499,171)	(29,303,957)	195,214	0.67%	(27,306,946)	2,192,225	8.03%
<b>Net electric plant in service</b>	<b>80,955,045</b>	<b>80,707,527</b>	<b>247,518</b>	<b>0.31%</b>	<b>76,923,046</b>	<b>4,031,999</b>	<b>5.24%</b>
<b>Construction work in progress</b>	<b>6,814,130</b>	<b>6,387,871</b>	<b>426,260</b>	<b>6.67%</b>	<b>6,823,616</b>	<b>(9,486)</b>	<b>-0.14%</b>
<b>Net electric plant</b>	<b>87,769,176</b>	<b>87,095,398</b>	<b>673,778</b>	<b>0.77%</b>	<b>83,746,662</b>	<b>4,022,513</b>	<b>4.80%</b>
Other assets:							
Non-utility property	65,697	65,697	-	0.00%	65,697	-	0.00%
Other investments	13,851,724	13,870,945	(19,221)	-0.14%	9,854,844	3,996,880	40.56%
Deferred charges	(171,381)	(213,954)	42,573	-19.90%	(312,213)	140,832	-45.11%
<b>Total other assets</b>	<b>13,746,040</b>	<b>13,722,688</b>	<b>23,352</b>	<b>0.17%</b>	<b>9,608,327</b>	<b>4,137,712</b>	<b>43.06%</b>
Current assets:							
Cash	928,288	1,247,559	(319,272)	-25.59%	318,893	609,395	191.10%
Notes receivable (net)	55	86	(31)	-36.49%	773	(718)	-92.95%
Accounts receivable (net)	9,313,901	9,440,157	(126,256)	-1.34%	9,226,453	87,448	0.95%
Other receivables (net)	2,549,377	2,391,869	157,508	6.59%	1,385,141	1,164,236	84.05%
Inventories	2,972,727	2,949,558	23,169	0.79%	2,829,906	142,821	5.05%
Prepaid expenses	490,101	485,349	4,752	0.98%	247,948	242,153	97.66%
<b>Total current assets</b>	<b>16,254,449</b>	<b>16,514,579</b>	<b>(260,130)</b>	<b>-1.58%</b>	<b>14,009,114</b>	<b>2,245,335</b>	<b>16.03%</b>
<b>Total assets</b>	<b>\$ 117,769,664</b>	<b>\$ 117,332,665</b>	<b>\$ 436,999</b>	<b>0.37%</b>	<b>\$ 107,364,104</b>	<b>\$ 10,405,561</b>	<b>9.69%</b>

	June 2011 Actual	May 2011 Actual	Variance Fav/(Unfav) \$	%	#DIV/0!	June 2010 Actual	Variance Fav/(Unfav) \$	%	#DIV/0!
<b>Equities:</b>									
Memberships issued & subscribed	-	-	-			-	-		
Patronage capital assignable	24,286,494	24,286,494	-	0.00%		20,251,163	4,035,331	16.62%	
Other earnings	6,122,551	5,773,957	348,594	5.69%		5,365,080	757,471	12.37%	
Contributions in aid of construction	17,186,363	17,186,363	-	0.00%		16,741,727	444,636	2.59%	
<b>Net equity</b>	<b>47,595,408</b>	<b>47,246,814</b>	<b>348,594</b>	<b>0.73%</b>		<b>42,357,970</b>	<b>5,237,439</b>	<b>11.00%</b>	
<b>Long-term debt</b>	<b>54,949,130</b>	<b>55,130,954</b>	<b>(181,824)</b>	<b>-0.33%</b>		<b>48,022,753</b>	<b>6,926,377</b>	<b>12.61%</b>	
<b>Capital leases - non current</b>	<b>289,150</b>	<b>290,238</b>	<b>(1,088)</b>	<b>-0.38%</b>		<b>302,618</b>	<b>(13,468)</b>	<b>-4.66%</b>	
<b>Current liabilities:</b>									
Current portion of long-term debt	2,051,592	2,146,343	(94,751)	-4.62%		2,080,491	(28,899)	-1.41%	
Line of Credit	3,000,000	2,600,000	400,000	13.33%		5,200,000	(2,200,000)	-73.33%	
Accounts payable	5,394,312	5,424,830	(30,518)	-0.57%		5,592,562	(198,249)	-3.68%	
Customer deposits	442,583	425,446	17,137	3.87%		313,723	128,860	29.12%	
Other accrued expenses	3,698,416	3,712,389	(13,972)	-0.38%		3,098,982	599,434	16.21%	
<b>Total current liabilities</b>	<b>14,586,904</b>	<b>14,309,008</b>	<b>277,896</b>	<b>1.91%</b>		<b>16,285,758</b>	<b>(1,698,854)</b>	<b>-11.65%</b>	
<b>Deferred credits</b>	<b>349,072</b>	<b>355,650</b>	<b>(6,578)</b>	<b>-1.88%</b>		<b>395,005</b>	<b>(45,932)</b>	<b>-13.16%</b>	
<b>Total liabilities and equity</b>	<b>\$ 117,769,664</b>	<b>\$ 117,332,665</b>	<b>\$ 436,999</b>	<b>0.37%</b>		<b>\$ 107,364,104</b>	<b>\$ 10,405,561</b>	<b>9.69%</b>	

STATEMENT OF CASH FLOWS

	Month		June 2010 Actual	June 2011 Actual	June 2010 Actual	Year-to-date		Variance Fav (Unfav) \$ %
	June 2011 Actual	June 2010 Actual				June 2010 Actual	%	
<b>Cash flows from operating activities:</b>								
Net income	\$ 348,585	\$ 69,682	\$ 69,682	\$ 3,549,143	\$ 2,791,708	\$ 757,435	27%	
Noncash expenses (income) included in earnings:								
Depreciation & amortization	390,476	348,989	348,989	2,280,662	2,434,982	(154,319)	-6%	
(Gain) loss on sale of investments	(2,030)	(590)	(590)	(7,063)	(3,180)	(3,883)	-122%	
Changes in assets and liabilities:								
Decrease (increase) in notes receivable	31	133	133	253	1,142	(886)	-78%	
Decrease (increase) in accounts receivable	126,256	374,339	374,339	589,180	93,183	489,997	494%	
Decrease (increase) in other receivable	(157,508)	(223,376)	(223,376)	841,263	(791,039)	1,632,302	206%	
Decrease (increase) in inventories	(23,169)	(385,582)	(385,582)	(60,096)	(230,674)	170,579	-74%	
Decrease (increase) in prepayments	(4,752)	23,753	23,753	(225,128)	92,227	(317,355)	344%	
Decrease (increase) in deferred charges	(45,432)	(9,626)	(9,626)	(159,468)	(131,415)	(28,053)	-21%	
Increase (decrease) in accounts payable	(30,518)	349,514	349,514	(2,027,315)	(15,387)	(2,011,929)	13076%	
Increase (decrease) in customer deposits	17,137	11,301	11,301	59,651	74,263	(14,612)	20%	
Increase (decrease) in accrued expenses	(13,972)	178,940	178,940	822,201	1,194,484	(372,293)	-31%	
Increase (decrease) in deferred credits	(6,578)	(25,845)	(25,845)	102,176	75,195	26,981	36%	
<b>Net cash provided (used) by operating activities</b>	<b>598,527</b>	<b>711,702</b>	<b>711,702</b>	<b>5,765,460</b>	<b>5,591,500</b>	<b>173,961</b>	<b>3%</b>	
<b>Cash flows from investing activities:</b>								
Additions to electric plant in service and construction work in progress	(1,039,292)	(712,686)	(712,686)	(5,758,229)	(6,179,911)	421,681	7%	
Proceeds from retirements of electric plant in service	(20,072)	(157,839)	(157,839)	842,838	(479,697)	1,322,555	-276%	
Return on capital investments				(96,569)	(77,039)	(19,550)	25%	
Proceeds (payments) from sale (purchase) of investments	19,221	-	-	26,370	27,822	(1,453)	-5%	
<b>Net cash provided (used) in investing activities</b>	<b>(1,040,143)</b>	<b>(870,535)</b>	<b>(870,535)</b>	<b>(4,985,610)</b>	<b>(6,708,824)</b>	<b>1,723,214</b>	<b>26%</b>	
<b>Cash flows from financing activities:</b>								
Proceeds from borrowings LOC	-	-	-	-	-	-	N/A	
Payments to creditors Long-Term	400,000	300,000	300,000	1,000,000	1,800,000	(800,000)	44%	
Payments to creditors LOC	(277,664)	(282,303)	(282,303)	(1,066,088)	(1,033,648)	(32,389)	-3%	
Increase in contributions in aid of construction	-	158,583	158,583	-	384,287	(384,287)	-100%	
Memberships issued, net of refunds	-	-	-	-	-	-	N/A	
Additions to donated capital, net	9	-	-	20	8	12	157%	
<b>Net cash provided (used) by financing activities</b>	<b>122,345</b>	<b>196,380</b>	<b>196,380</b>	<b>(66,018)</b>	<b>1,150,645</b>	<b>(1,216,664)</b>	<b>106%</b>	
<b>Net increase (decrease) in cash and equivalents</b>	<b>(319,272)</b>	<b>37,547</b>	<b>37,547</b>	<b>713,832</b>	<b>33,322</b>	<b>680,510</b>	<b>2042%</b>	
Cash & cash equivalents at beginning of period	1,247,559	281,346	281,346	214,456	285,571	(71,115)	-25%	
<b>Cash &amp; cash equivalents at end of period</b>	<b>\$ 928,288</b>	<b>\$ 318,893</b>	<b>\$ 318,893</b>	<b>\$ 928,288</b>	<b>\$ 318,893</b>	<b>\$ 609,395</b>	<b>191%</b>	
<b>Supplemental cash flow information:</b>								
Cash paid during the period for interest	\$ (405,237)	\$ (406,472)	\$ (406,472)	\$ (446,912)	\$ (287,750)	\$ (159,161)	-55%	