

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

Financial Highlights – March, 2011

	<u>Variance (K's)</u>	<u>YTD Variance (K's)</u>
March Net Income	\$532	\$832

Analysis:

- Operating Revenue**
\$364
\$303

Sold KWH in March was 3% higher than budget for a positive variance of \$163k with YTD also 1% higher and \$168k better than budget. Heating degree days for the 1st quarter were within 1% of normal and 16% colder than 2010. The average price/KWH sold was 1% and \$45k better than budget in March but is .2% and \$42k lower than budget YTD. Non-energy services, pole attachments, and wheeling revenues contributed less revenue than expected for a negative variance of \$2k in March and \$13k YTD. Unbilled revenues were \$156k higher than budget in March and is \$189k better than budget YTD, but the unbilled positive variance is expected to be a temporary one.

- Purchased Power Costs**
(\$65)
(\$45)

Purchases were 4% and \$135k higher than expected in March and are 2% and \$207k higher YTD. Our overall costs/KWH was 2% and \$68k lower than budget in March and 2% and \$158k lower YTD.

- Transmission Costs**
(\$20)
\$59

Transmission by other costs was better than budget by \$9k in March and is \$66k better YTD mostly from timing related costs at Velco and better than expected ISO-NE OATT charges. Transmission vegetative maintenance was \$26k over budget in March and is \$9k over budget YTD.

- Distribution Operations/Mtce**
\$91
\$241

Overhead line maintenance costs were \$25k over budget in March and are \$114k over budget YTD. Substation mtce cost was \$15k over budget in March and are \$71k over YTD. Major storm expenses were under budget by \$82k in March and \$215k YTD. Distribution vegetative maintenance program spending was under budget by \$73k in March and \$198k YTD. Vegetative mtce program (transmission + distribution) is \$47k under budget for March and is \$189k under YTD.

- Customer Accounts**
\$26
\$28

Meter reading & meter disconnects are \$11k better than budget in March and \$43k better YTD. Member services had a positive variance to budget of \$5k in March and \$10k YTD. Changes in the communications area resulted in a positive variance in March of \$9k but YTD has a negative variance of \$24k.

- Administrative & General**
\$15
\$118

Regulatory related costs were \$33k under budget in March and \$150k YTD including lower rate case costs, and timing with the consumer behavior study costs, special mailing member vote and an audit of our easement process and records. Facility related maintenance costs exceeded budget by \$7k in March and \$18k YTD. Timing associated with NRECA dues contributed negative variances of \$3k in March and \$13k YTD.

YEAR-TO-DATE

STATEMENT OF OPERATIONS

VEC

	March 2011 Actual	March 2011 Budget	March 2011 Actual- Budget Variance Fav (Unfav)	March 2011 Actual- Budget Variance Fav (Unfav)	March 2011 Actual- Budget Variance Fav (Unfav)	March 2011 Actual- Budget Variance Fav (Unfav)
			\$	%	\$	%
Revenue						
Operating Revenue	19,807,028	19,503,766	303,261	1.6%	18,934,104	872,923
Sales for Resale	232,575	242,069	(9,494)	-3.9%	344,286	(111,711)
Total revenues	\$ 20,039,603	\$ 19,745,835	\$ 293,767	1.5%	\$ 19,278,390	\$ 761,212
Power supply cost						
Purchased power cost	(9,767,830)	(9,722,622)	(45,207)	-0.5%	(9,197,336)	(570,494)
Sales for Resale	(232,575)	(242,069)	9,494	3.9%	(344,286)	111,711
Transmission:	(2,222,585)	(2,281,820)	59,235	2.6%	(2,115,702)	(106,883)
Total Power supply cost	(12,222,989)	(12,246,511)	23,522	0.2%	(11,657,324)	(565,666)
Gross Margin	\$ 7,816,613	\$ 7,499,324	\$ 317,289	4.2%	\$ 7,621,067	\$ 195,546
Operating expenses						
Distribution: Operations & Mtce	(2,355,753)	(2,597,096)	241,343	9.3%	(2,412,198)	56,445
Customer accounts	(593,062)	(621,477)	28,415	4.6%	(558,528)	(34,534)
Administrative & general	(824,707)	(943,135)	118,428	12.6%	(665,802)	(158,905)
Total operating expenses	(3,773,522)	(4,161,708)	388,186	9.3%	(3,636,528)	(136,994)
Depreciation & amortization	(925,184)	(896,490)	(28,694)	-3.2%	(887,738)	(37,446)
Gross revenue & receipts taxes	(191,585)	(191,585)	47	0.0%	(184,384)	(7,155)
Interest on long-term debt	(758,336)	(806,767)	48,431	6.0%	(728,252)	(30,083)
Other interest expenses	(25,769)	(20,879)	(4,890)	-23.4%	(31,363)	5,593
Other deductions	(10,690)	(9,475)	(1,215)	-12.8%	(8,551)	(2,138)
Total depreciation & other expenses	(1,911,517)	(1,925,196)	13,680	0.7%	(1,840,288)	(71,229)
Income from operations	2,131,575	1,412,420	719,155	50.9%	2,144,251	(12,676)
Interest income	415,845	401,865	13,980	3.5%	240,243	175,602
Other income (expenses)	(45,698)	1,380	(47,078)	-3412.3%	4,156	(49,855)
Other capital credits & dividends	281,563	135,895	145,668	107.2%	224,791	56,772
Total non-operating margins	651,709	539,140	112,570	20.9%	469,189	182,520
Net income (loss)	2,783,285	1,951,560	831,725	42.6%	2,613,441	169,844
Extraordinary expenses	-	-	-	N/A	-	-
Total net income (loss)	\$ 2,783,285	\$ 1,951,560	\$ 831,725	42.6%	\$ 2,613,441	\$ 169,844

BALANCE SHEETS (ASSETS)

	March 2011 Actual	February 2011 Actual	Variance Fav/(Unfav) \$	Variance Fav/(Unfav) %	March 2010 Actual	Variance Fav/(Unfav) \$	Variance Fav/(Unfav) %
Electric plant, at cost:							
Electric plant in service	108,719,589	108,523,175	196,414	0.18%	103,507,571	5,212,018	5.04%
Less accumulated depreciation	(28,746,891)	(28,528,071)	218,820	0.77%	(26,773,471)	1,973,420	7.37%
Net electric plant in service	79,972,698	79,995,104	(22,405)	-0.03%	76,734,100	3,238,599	4.22%
Construction work in progress	6,803,634	6,538,544	265,090	4.05%	5,096,370	1,707,264	33.50%
Net electric plant	86,776,332	86,533,647	242,685	0.28%	81,830,469	4,945,863	6.04%
Other assets:							
Non-utility property	65,697	65,697	-	0.00%	65,697	-	0.00%
Other investments	13,870,945	13,784,320	86,625	0.63%	9,854,844	4,016,101	40.75%
Deferred charges	(256,220)	(262,888)	6,668	-2.54%	(334,222)	78,002	-23.34%
Total other assets	13,680,422	13,587,128	93,294	0.69%	9,586,318	4,094,103	42.71%
Current assets:							
Cash	709,999	679,452	30,547	4.50%	856,531	(146,532)	-17.11%
Notes receivable (net)	148	180	(31)	-17.42%	1,246	(1,097)	-88.08%
Accounts receivable (net)	10,573,762	11,040,570	(466,807)	-4.23%	9,231,537	1,342,226	14.54%
Other receivables (net)	2,886,832	2,930,005	(43,173)	-1.47%	500,909	2,385,924	476.32%
Inventories	2,869,997	2,697,183	172,815	6.41%	2,477,107	392,890	15.86%
Prepaid expenses	514,043	308,104	205,939	66.84%	265,976	248,068	93.27%
Total current assets	17,554,783	17,655,494	(100,711)	-0.57%	13,333,305	4,221,478	31.66%
Total assets	\$ 118,011,537	\$ 117,776,269	\$ 235,267	0.20%	\$ 104,750,093	\$ 13,261,444	12.66%

	March 2011 Actual	February 2011 Actual	Variance Fav/(Unfav) \$	%	March 2010 Actual	Variance Fav/(Unfav) \$	%
Equities:							
Memberships issued & subscribed	-	-	-	#DIV/0!	-	-	#DIV/0!
Patronage capital assignable	24,286,494	24,286,494	-	0.00%	20,251,163	4,035,331	16.62%
Other earnings	5,356,682	3,980,460	1,376,222	25.69%	5,186,806	169,876	3.17%
Contributions in aid of construction	17,186,363	17,186,363	-	0.00%	16,481,444	704,920	4.10%
Net equity	46,829,539	45,453,317	1,376,222	2.94%	41,919,412	4,910,127	10.49%
Long-term debt	55,364,740	55,543,907	(179,167)	-0.32%	48,516,733	6,848,007	12.37%
Capital leases - non current	292,399	293,471	(1,072)	-0.37%	305,678	(13,280)	-4.54%
Current liabilities:							
Current portion of long-term debt	2,146,343	2,239,351	(93,007)	-4.33%	2,080,491	65,852	3.07%
Line of Credit	3,350,000	3,750,000	(400,000)	-11.94%	3,000,000	350,000	10.45%
Accounts payable	6,242,701	6,479,699	(236,998)	-3.80%	6,024,473	218,228	3.50%
Customer deposits	411,858	405,330	6,529	1.59%	262,489	149,369	36.27%
Other accrued expenses	2,993,202	3,242,956	(249,754)	-8.34%	2,347,913	645,289	21.56%
Total current liabilities	15,144,105	16,117,335	(973,231)	-6.43%	13,715,367	1,428,738	9.43%
Deferred credits	380,754	368,239	12,515	3.29%	292,903	87,852	23.07%
Total liabilities and equity	\$ 118,011,537	\$ 117,776,269	\$ 235,267	0.20%	\$ 104,750,093	\$ 13,261,444	12.66%

STATEMENT OF CASH FLOWS

	Month		Year-to-date		Variance Fav (Unfav)	%
	March 2011 Actual	March 2010 Actual	March 2011 Actual	March 2010 Actual		
Cash flows from operating activities:						
Net income	\$ 700,029	\$ 612,244	\$ 2,783,285	\$ 2,613,441	159,844	6%
Noncash expenses (income) included in earnings:						
Depreciation & amortization	408,261	393,723	1,122,245	1,143,585	(21,340)	-2%
(Gain) loss on sale of investments	(1,847)	(530)	(2,907)	(1,590)	(1,317)	-83%
Changes in assets and liabilities:						
Decrease (increase) in notes receivable	64	223	159	669	(509)	-76%
Decrease (increase) in accounts receivable	(55,501)	244,956	(670,681)	94,100	(764,781)	-813%
Decrease (increase) in other receivable	196,480	147,796	503,808	93,194	410,614	-441%
Decrease (increase) in inventories	(91,928)	20,883	42,634	122,125	(79,490)	-65%
Decrease (increase) in prepayments	(184,827)	(73,909)	(249,071)	74,199	(323,269)	436%
Decrease (increase) in deferred charges	(28,935)	(22,309)	(66,051)	(63,403)	(2,649)	-4%
Increase (decrease) in accounts payable	(767,813)	200,053	(1,178,927)	416,524	(1,595,451)	-363%
Increase (decrease) in customer deposits	9,787	6,383	28,926	23,029	5,897	-26%
Increase (decrease) in accrued expenses	202,294	329,675	116,988	443,426	(326,438)	-74%
Increase (decrease) in deferred credits	(70,212)	(184,394)	133,858	(25,907)	160,765	-597%
Net cash provided (used) by operating activities	395,854	1,874,803	2,564,266	4,932,391	(2,368,125)	-48%
Cash flows from investing activities:						
Additions to electric plant in service and construction work in progress	(1,396,309)	(865,438)	(3,159,862)	(3,352,530)	192,568	6%
Proceeds from retirements of electric plant in service	290,231	(118,945)	382,999	(147,081)	530,080	-360%
Return on capital investments	(2,815)	(419)	(96,589)	(77,039)	(19,550)	25%
Proceeds (payments) from sale (purchase) of investments	-	-	7,149	27,822	(20,674)	-74%
Net cash provided (used) in investing activities	(1,108,892)	(984,802)	(2,866,303)	(3,548,828)	682,524	19%
Cash flows from financing activities:						
Proceeds from borrowings LOC	-	-	-	-	-	N/A
Payments to creditors Long-Term	-	-	-	-	-	N/A
Payments to creditors LOC	250,000	(550,000)	1,350,000	(400,000)	1,750,000	438%
Increase in contributions in aid of construction	(251,738)	(211,242)	(552,428)	(536,609)	(15,820)	-3%
Memberships issued, net of refunds	-	30,490	-	124,003	(124,003)	-100%
Additions to donated capital, net	-	1	9	2	8	N/A
Net cash provided (used) by financing activities	(1,738)	(730,751)	797,581	(812,604)	1,610,185	198%
Net increase (decrease) in cash and equivalents	(714,776)	(40,751)	495,543	570,950	(75,416)	-13%
Cash & cash equivalents at beginning of period	1,394,228	635,445	214,456	285,571	(71,115)	-25%
Cash & cash equivalents at end of period	\$ 679,452	\$ 594,694	\$ 709,999	\$ 856,521	\$ (146,532)	-17%
Supplemental cash flow information:						
Cash paid during the period for interest	\$ (345,687)	\$ (201,492)	\$ (446,912)	\$ (287,750)	(159,161)	-55%