

VERMONT ELECTRIC COOPERATIVE, INC.
UNAUDITED FINANCIAL STATEMENTS
FOR THE MONTH AND THREE MONTHS ENDED:
MARCH 2007

Financial Highlights – March

	Variance (K's)	YTD Variance (K's)
March 2007 Net Income	\$243	\$186

Analysis:

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|----------------------------|-------------|----------------|
| • Operating Revenue | \$96 | (\$534) |
|----------------------------|-------------|----------------|

Overall operating revenues were 2% better than budget in the current month but are 3% below budget YTD. There are a few factors that have impacted 1Q07 revenue variances. The first factor will be an issue for the balance of the year, as the budget was completed assuming a 2007 rate increase of 8.33%. VEC finalized on an approved rate increase of 7.15% after the budget was completed largely as a result of improvements in purchased power costs and A&G costs that were agreed to in our MOU (this represents about \$200k of the YTD variance). Secondly, Sold KWH is running about 4% below budget and 2% down from 2006 (represents about \$660k YTD variance). Lastly, the mix of sales has resulted in lower revenues/KWH of 2.6% or an additional \$250k YTD after factoring in rate increase. Offsetting these three factors was an improvement to revenues for unbilled revenue. The number of meter reading days through the first quarter has been less than expected. Therefore, unbilled revenues had a positive 1Q07 variance of about \$580k.

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|--------------------------------|--------------|--------------|
| • Purchased Power Costs | \$189 | \$684 |
|--------------------------------|--------------|--------------|

Current month purchases were 3% below budget (YTD is 4% under budget or about \$395k). Additionally, our overall costs/KWH finished better than budget by 3% YTD or approximately \$278k. It is expected our costs/KWH will remain under budget for the year and will finish approximately 1% below budget by year end.

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|-----------------------------|-------------|--------------|
| • Transmission Costs | \$59 | \$138 |
|-----------------------------|-------------|--------------|

Current month and YTD transmission costs were less than plan as a result of action taken at the FERC reducing the return on equity the New England transmission owners were charging. Additionally, VEC's peak occurred at times different than other owners resulting in an improvement to budget (our peak less costly). Finally, Velco adjusted real estate taxes to actual resulting in further savings to VEC.

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|---------------------------------------|----------------|----------------|
| • Distribution Operations/Mtce | (\$213) | (\$386) |
|---------------------------------------|----------------|----------------|

Distribution tree trimming was over budget by \$68k for March and \$188k YTD. Our total tree trimming spending for the year from our MOU resulting from sale of the South will be \$1,424k. We expect trimming to run over budget until April. Secondly, as a result of the Richford incident we have opened an investigation into the incident and the cost in March was \$33k with \$82k YTD which was not budgeted. The 4/1/07 physical inventory resulted in an adjustment of \$31k in March for those items of inventory that had not been properly charged to maintenance accounts. An additional \$25k had been reserved for inventory losses as part of the sale of the Southern District (or 4% of our overall inventory). Overhead & substation maintenance was over budget by \$96k in current month and \$101k YTD as more maintenance related work was performed at our substations and on our overhead lines than anticipated.

BALANCE SHEETS (ASSETS)

	March 2007 Actual	February 2007 Actual	Variance Fav/(Unfav) \$	%	March 2006 Actual	Variance Fav/(Unfav) \$	%
Electric plant, at cost:							
Electric plant in service	82,779,018	82,840,618	(61,599)	-0.07%	84,494,334	(1,715,316)	-2.03%
Less accumulated depreciation	(23,410,480)	(23,292,198)	118,281	0.51%	(23,068,479)	342,000	1.48%
Net electric plant in service	59,368,539	59,548,419	(179,880)	-0.30%	61,425,855	(2,057,316)	-3.35%
Construction work in progress	2,584,206	2,399,675	184,532	7.69%	2,613,522	(29,316)	-1.12%
Net electric plant	61,952,745	61,948,094	4,651	0.01%	64,039,377	(2,086,632)	-3.26%
Other assets:							
Non-utility property	65,697	65,697	-	0.00%	119,211	(53,514)	-44.89%
Other investments	8,778,607	8,729,102	49,504	0.57%	4,177,420	4,601,187	110.14%
Deferred charges	(59,505)	(11,883)	(47,622)	400.77%	557,902	(617,407)	-110.67%
Total other assets	8,784,799	8,782,916	1,882	0.02%	4,854,533	3,930,266	80.96%
Current assets:							
Cash	4,891,094	3,535,243	1,355,851	38.35%	5,848,963	(957,870)	-16.38%
Notes receivable (net)	52,910	58,562	(5,652)	-9.65%	158,502	(105,592)	-66.62%
Accounts receivable (net)	9,186,603	9,088,915	97,688	1.07%	8,457,964	728,639	8.61%
Other receivables (net)	422,576	921,941	(499,365)	-54.16%	227,564	195,012	85.70%
Inventories	1,603,102	1,723,565	(120,463)	-6.99%	1,308,197	294,905	22.54%
Prepaid expenses	238,877	242,651	(3,774)	-1.56%	219,289	19,588	8.93%
Total current assets	16,395,161	15,570,877	824,284	5.29%	16,220,479	174,682	1.08%
Total assets	\$ 87,132,705	\$ 86,301,888	\$ 830,818	0.96%	\$ 85,114,389	\$ 2,018,316	2.37%

BALANCE SHEETS (LIABILITIES/EQUITY)

	March 2007 Actual	February 2007 Actual	Variance Fav/(Unfav) \$	%	March 2006 Actual	Variance Fav/(Unfav) \$	%
Equities:							
Memberships issued & subscribed	-	-	-	#DIV/0!	-	-	#DIV/0!
Patronage capital assignable	12,605,038	12,605,038	-	0.00%	8,706,083	3,898,955	30.93%
Other earnings	4,081,953	3,202,397	879,556	21.55%	5,600,404	(1,518,451)	-37.20%
Contributions in aid of construction	14,407,630	14,401,656	5,975	0.04%	12,980,375	1,427,255	9.91%
Net equity	31,094,621	30,209,090	885,531	2.85%	27,286,862	3,807,759	12.25%
Long-term debt	44,180,834	44,419,305	(238,470)	-0.54%	46,208,814	(2,027,980)	-4.59%
Capital leases - non current	375,133	377,269	(2,137)	-0.57%	377,238	(2,106)	-0.56%
Current liabilities:							
Current portion of long-term debt	2,078,768	2,078,768	-	0.00%	2,087,304	(8,536)	-0.41%
Line of Credit	-	-	-	#DIV/0!	-	-	#DIV/0!
Accounts payable	4,991,303	4,368,567	622,735	12.48%	4,416,702	574,601	11.51%
Customer deposits	109,091	111,923	(2,833)	-2.60%	115,244	(6,154)	-5.64%
Other accrued expenses	2,639,720	3,054,720	(415,000)	-15.72%	2,699,433	(59,713)	-2.26%
Total current liabilities	9,818,881	9,613,978	204,903	2.09%	9,318,683	500,198	5.09%
Deferred credits	1,663,236	1,682,245	(19,009)	-1.14%	1,922,791	(259,555)	-15.61%
Total liabilities and equity	\$ 87,132,705	\$ 86,301,888	\$ 830,818	0.96%	\$ 85,114,389	\$ 2,018,316	2.37%

MONTHLY

STATEMENT OF OPERATIONS

VEC

	March 2007 Actual	March 2007 Budget	March 2007 Actual- Budget Variance Fav (Unfav)	March 2006 Actual	March 2007 Actual - March 2006 Variance Fav (Unfav)	%
Revenue						
Operating Revenue	6,174,423	6,078,855	95,568	5,831,633	342,791	5.9%
Sales for Resale	215,049	248,843	(33,794)	420,961	(205,912)	48.9%
Total revenues	\$ 6,389,472	\$ 6,327,698	\$ 61,774	\$ 6,252,594	\$ 136,879	2.2%
Power supply cost						
Purchased power cost	(3,360,327)	(3,549,675)	189,348	(2,766,144)	(594,182)	-21.5%
Sales for Resale	(215,049)	(248,843)	33,794	(420,961)	205,912	48.9%
Transmission	(388,395)	(447,756)	59,361	(453,348)	64,953	14.3%
Total Power supply cost	(3,963,771)	(4,246,274)	282,503	(3,640,454)	(323,317)	-8.9%
Gross Margin	\$ 2,425,701	\$ 2,081,424	\$ 344,277	\$ 2,612,140	\$ (186,439)	7.1%
Operating expenses						
Distribution: Operations & Mice	(751,271)	(538,671)	(212,600)	(476,467)	(274,804)	-57.7%
Customer accounts	(211,490)	(213,572)	2,082	(218,706)	7,217	3.3%
Administrative & general	(226,098)	(284,524)	58,426	(261,839)	35,741	13.6%
Total operating expenses	(1,188,858)	(1,036,767)	(152,092)	(957,012)	(231,846)	-24.2%
Depreciation & amortization	(320,333)	(331,851)	11,518	(327,446)	7,113	2.2%
Gross revenue & receipts taxes	(55,903)	(59,569)	3,666	(54,749)	(1,153)	-2.1%
Interest on long-term debt	(243,753)	(256,298)	12,545	(254,398)	10,645	4.2%
Other interest expenses	(2,388)	(4,481)	2,093	(1,724)	(664)	-38.5%
Other Deductions	(1,096)	(25)	(1,071)	(500)	(596)	-119.3%
Total depreciation & other expenses	(623,473)	(652,224)	28,751	(638,817)	15,344	2.4%
Income from operations	613,370	392,433	220,937	1,016,311	(402,941)	39.6%
Interest income	205,908	211,398	(5,490)	84,284	121,624	144.3%
Other income (expenses)	5,981	4,023	1,958	28,830	(22,849)	-79.3%
Other capital credits & dividends	54,292	29,063	25,229	58,125	(3,834)	-6.6%
Total non-operating margins	266,181	244,484	21,697	171,239	94,942	55.4%
Net income (loss)	879,551	636,917	242,634	1,187,550	(307,999)	25.9%
Extraordinary expenses	-	-	-	-	-	N/A
Total net income (loss)	\$ 879,551	\$ 636,917	\$ 242,634	\$ 1,187,550	\$ (307,999)	25.9%

	1Q 2007 Actual	1Q 2007 Budget	1Q 2007 Actual- Budget Variance Fav (Unfav) \$	%	4Q 2006 Actual	1Q 2007 Actual - 4Q 2006 Variance Fav (Unfav) \$	%
Revenue							
Operating Revenue	17,849,822	18,384,032	(534,210)	-2.9%	14,670,821	3,179,002	21.7%
Sales for Resale	675,580	742,395	(66,815)	-9.0%	1,225,950	(550,370)	-44.9%
Total revenues	\$ 18,525,402	\$ 19,126,427	(\$ 601,025)	-3.1%	\$ 15,896,771	\$ 2,628,632	16.5%
Power supply cost							
Purchased power cost	(10,228,200)	(10,911,985)	683,785	6.3%	(8,487,304)	(1,740,897)	-20.5%
Sales for Resale	(675,580)	(742,395)	66,815	9.0%	(1,225,950)	550,370	44.9%
Transmission:	(1,180,879)	(1,319,282)	138,403	10.5%	(766,326)	(414,553)	-54.1%
Total Power supply cost	(12,084,659)	(12,973,662)	889,003	6.9%	(10,479,579)	(1,605,080)	-15.3%
Gross Margin	\$ 6,440,743	\$ 6,152,765	287,978	4.7%	\$ 5,417,192	\$ 1,023,552	-18.9%
Operating expenses							
Distribution: Operations & Mice	(2,034,692)	(1,648,410)	(386,281)	-23.4%	(1,720,612)	(314,079)	-18.3%
Customer accounts	(589,482)	(564,016)	(25,466)	-4.5%	(585,462)	(4,020)	-0.7%
Administrative & general	(650,580)	(825,123)	174,543	21.2%	(788,048)	137,467	17.4%
Total operating expenses	(3,274,754)	(3,037,549)	(237,205)	-7.8%	(3,094,123)	(180,632)	-5.8%
Depreciation & amortization	(961,033)	(992,553)	31,520	3.2%	(1,028,661)	67,628	6.6%
Gross revenue & receipts taxes	(174,693)	(184,904)	10,211	5.5%	(149,042)	(25,650)	-17.2%
Interest on long-term debt	(756,902)	(768,894)	11,992	1.6%	(763,901)	6,999	0.9%
Other interest expenses	(6,739)	(13,455)	6,716	49.9%	(14,098)	7,359	52.2%
Other deductions	1,314	(75)	1,389	1851.5%	(88,914)	90,228	101.5%
Total depreciation & other expenses	(1,898,053)	(1,959,881)	61,828	3.2%	(2,044,616)	146,563	7.2%
Income from operations	1,267,936	1,155,335	112,601	9.7%	278,453	989,483	-355.4%
Interest income	238,758	223,284	15,494	6.9%	250,257	(11,499)	-4.6%
Other income (expenses)	13,114	(10,831)	23,945	-221.1%	(1,386,625)	1,399,739	-100.9%
Other capital credits & dividends	62,794	29,053	33,731	116.1%	189,965	(127,171)	-66.9%
Total non-operating margins	314,666	241,496	73,170	30.3%	(946,403)	1,261,069	-133.2%
Net income (loss)	1,582,603	1,396,831	185,772	13.3%	(667,950)	2,250,552	-336.9%
Extraordinary expenses	-	-	-	N/A	-	-	N/A
Total net income (loss)	\$ 1,582,603	\$ 1,396,831	\$ 185,772	13.3%	\$ (667,950)	\$ 2,250,552	-336.9%

	March 2007 Actual	March 2007 Budget	March 2007 Actual- Budget Variance Fav (Unfav) %	March 2006 Actual	March 2007 Actual - March 2006 Variance Fav (Unfav) %
Revenue					
Operating Revenue	17,849,822	18,384,032	-2.9%	17,546,406	303,417
Sales for Resale	675,580	742,395	-9.0%	1,120,357	(444,777)
Total revenues	\$ 18,525,402	\$ 19,126,427	-3.1%	\$ 18,666,763	\$ (141,360)
Power supply cost					
Purchased power cost	(10,228,200)	(10,911,985)	6.3%	(8,593,823)	(1,634,377)
Sales for Resale	(675,580)	(742,395)	9.0%	(1,120,357)	444,777
Transmission:	(1,180,879)	(1,319,282)	10.5%	(1,439,105)	258,226
Total Power supply cost	(12,084,659)	(12,973,662)	6.9%	(11,153,285)	(931,374)
Gross Margin	\$ 6,440,743	\$ 6,152,765	4.7%	\$ 7,513,478	\$ (1,072,734)
Operating expenses					
Distribution: Operations & Mice	(2,034,692)	(1,648,410)	-23.4%	(1,529,842)	(504,849)
Customer accounts	(589,482)	(564,016)	-4.5%	(557,259)	(32,223)
Administrative & general	(650,580)	(825,123)	21.2%	(678,996)	28,416
Total operating expenses	(3,274,754)	(3,037,549)	-7.8%	(2,766,098)	(508,657)
Depreciation & amortization	(961,033)	(992,553)	3.2%	(979,841)	18,808
Gross revenue & receipts taxes	(174,693)	(184,904)	5.5%	(171,383)	(3,310)
Interest on long-term debt	(756,902)	(768,894)	1.6%	(773,616)	16,714
Other interest expenses	(6,739)	(13,455)	49.9%	(12,462)	5,723
Other deductions	1,314	(75)	1851.5%	(500)	1,814
Total depreciation & other expenses	(1,898,053)	(1,959,881)	3.2%	(1,937,801)	39,749
Income from operations	1,267,936	1,155,335	9.7%	2,809,579	(1,541,643)
Interest income	238,758	223,264	6.9%	108,107	130,651
Other income (expenses)	13,114	(10,831)	-221.1%	13,056	59
Other capital credits & dividends	62,794	29,063	116.1%	170,354	(107,560)
Total non-operating margins	314,666	241,496	30.3%	291,517	23,150
Net income (loss)	1,582,603	1,396,831	13.3%	3,101,095	(1,518,493)
Extraordinary expenses	-	-	N/A	-	-
Total net income (loss)	\$ 1,582,603	\$ 1,396,831	13.3%	\$ 3,101,095	\$ (1,518,493)

STATEMENT OF CASH FLOWS

	Month		March 2006 Actual	Year-to-date		Variance Fav (Unfav)	%
	March 2007 Actual	March 2007 Actual		March 2006 Actual	\$		
Cash flows from operating activities:							
Net income	\$ 879,551	\$ 1,187,550	\$ 3,101,095	(1,516,493)	-48.97%		
Noncash expenses (income) included in earnings:							
Depreciation & amortization	445,909	441,549	1,364,888	(115,339)	-8.45%		
(Gain) loss on sale of fixed assets	(6,683)	(8,530)	(9,590)	1,847	19.26%		
Changes in assets and liabilities:							
Decrease (increase) in notes receivable	5,652	11,925	38,181	(18,809)	-49.26%		
Decrease (increase) in accounts receivable	(97,688)	438,777	(121,468)	(730,275)	601.21%		
Decrease (increase) in other receivable	499,365	33,602	212,406	(14,999)	7.06%		
Decrease (increase) in inventories	120,463	101,991	163,801	(37,457)	-20.38%		
Decrease (increase) in prepayments	3,774	13,999	(76,796)	1,575	2.05%		
Decrease (increase) in deferred charges	(47,586)	(40,422)	(284,943)	66,013	23.17%		
Increase (decrease) in accounts payable	622,735	208,727	(113,005)	42,143	-27.16%		
Increase (decrease) in customer deposits	(2,833)	(530)	(503)	(7,607)	-1513.32%		
Increase (decrease) in accrued expenses	(415,000)	(363,610)	588,010	(77,263)	-13.14%		
Increase (decrease) in deferred credits	(19,009)	(9,872)	35,299	10,729	30.39%		
Net cash provided (used) by operating activities	1,988,652	2,014,654	4,875,232	(2,397,935)	-49.19%		
Cash flows from investing activities:							
Additions to electric plant in service and construction work in progress	(545,497)	(661,595)	(1,667,960)	292,925	17.35%		
Proceeds from retirements of electric plant in service	196,827	(2,846)	140,098	211,678	-295.72%		
Return on capital investments	(55,229)	(60,221)	(171,083)	109,738	-64.14%		
Proceeds (payments) from sale (purchase) of investments	5,725	10,158	10,158	(4,434)	-43.64%		
Net cash provided (used) in investing activities	(398,174)	(714,504)	(1,920,466)	609,908	31.76%		
Cash flows from financing activities:							
Proceeds from borrowings LOC	-	-	-	-	N/A		
Payments to creditors Long-Term	-	-	4,250,000	(4,250,000)	-100.00%		
Payments to creditors LOC	-	-	(4,000,000)	4,000,000	100.00%		
Payments to creditors Long-Term	(240,607)	(199,632)	(317,107)	(22,661)	-7.15%		
Increase in contributions in aid of construction	5,975	44,471	125,366	(75,852)	-60.50%		
Memberships issued, net of refunds	-	-	-	-	N/A		
Additions to donated capital, net	5	-	4	3	72.81%		
Net cash provided (used) by financing activities	(234,627)	(155,361)	58,263	(348,510)	598.17%		
Net increase (decrease) in cash and equivalents	1,355,851	1,144,790	3,013,029	(2,136,537)	-70.91%		
Cash & cash equivalents at beginning of period	3,535,243	4,704,174	2,635,935	1,178,668	41.56%		
Cash & cash equivalents at end of period	\$ 4,891,094	\$ 5,848,963	\$ 5,648,963	(967,870)	-16.38%		
Supplemental cash flow information:							
Cash paid during the period for interest	\$ (496,465)	\$ (500,958)	\$ (12,448)	(70,188)	-563.84%		