

VERMONT ELECTRIC COOPERATIVE, INC.
UNAUDITED FINANCIAL REPORTING
FOR THE MONTH AND SIX MONTHS ENDED:
JUNE 2009

Financial Highlights – June

	<u>Variance (K's)</u>	<u>YTD Variance (K's)</u>
June 2009 Net Income	(\$245)	(\$342)

Analysis:

- **Operating Revenue** (\$439) (\$1,003)

Overall operating revenues were less than budget in June by 8% and are 3% below budget YTD. Sold KWH in June was 12% below budget for a negative variance of \$669k and is 3% below YTD and \$1,398k. Degree days are running about 4% below normal levels through June. The average price/KWH was 3% and \$150k better than budget in June and is \$226k better YTD. Unbilled revenues were \$83k higher in June and are \$146k higher YTD as there were more unbilled days than expected at this point of the year.

- **Purchased Power Costs** \$114 (\$153)

Power costs were 4% and \$114k lower than budget in June but are 1% and \$153k higher than budget YTD. Purchases were 5% and \$178k less than expected in June and are 3% and \$494k under budget YTD. Our overall costs/KWH was 2% and \$44k higher than budget in June and are 3% and \$647k higher YTD.

- **Transmission Costs** \$99 \$426

An upgrade to PSNH transmission facilities has been cancelled resulting in savings in timing of \$199k YTD. Transmission pole treatment program has created positive timing variances of \$35k in June and \$103k YTD. Transmission trimming resulted in a positive timing variance of \$97k in June and is \$100k lower than budget YTD.

- **Distribution Operations/Mtce** (\$82) (\$73)

Overhead line maintenance costs were higher than budget by \$11k in June but is \$131k better than budget YTD. Major storm expenses were \$60k better than budget in June and are better than budget by \$168k YTD. Make ready work has continued in Grand Isle resulting in a negative variance of \$59k in June and \$63k YTD. Substation maintenance work is \$99k higher YTD. Much of the variances on OH line mtce & substation mtce offset each other and are the result of a greater emphasis on substation work. Distribution vegetative maintenance program spending is more than budget by \$87k in June and \$254k YTD.

- **Customer Accounts** \$11 \$102

Collections activities have been higher than budget by \$9k in June and \$39k YTD. However, on the positive side collections has been more successful than expected resulting in positive variances in June of \$5k and \$56k YTD. Major account management, meter reading, SQRP administration and member service have performed better than expected to budget by \$15k and \$85k YTD.

- **Administrative & General** \$22 \$196

Outside services was over budget by \$19k in June but is below budget by \$14k YTD. Regulatory related costs were \$27k in June and \$139k YTD lower than budget. Annual meeting expenses were higher than expected by \$11k in June and \$61k YTD as a result of greater VEC employee involvement and a more significant program. Director's fees &

BALANCE SHEETS (ASSETS)

	June 2009 Actual	May 2009 Actual	Variance Fav/(Unfav) \$	%	June 2008 Actual	Variance Fav/(Unfav) \$	%
Electric plant, at cost:							
Electric plant in service	95,530,415	95,247,416	282,999	0.30%	90,532,438	4,997,977	5.52%
Less accumulated depreciation	(25,944,533)	(25,751,129)	193,405	0.75%	(25,881,836)	62,697	0.24%
Net electric plant in service	69,585,882	69,496,288	89,594	0.13%	64,650,602	4,935,280	7.63%
Construction work in progress	5,206,777	3,986,506	1,220,271	30.61%	2,571,484	2,635,293	102.48%
Net electric plant	74,792,659	73,482,793	1,309,866	1.78%	67,222,086	7,570,573	11.26%
Other assets:							
Non-utility property	65,697	65,697	-	0.00%	65,697	-	0.00%
Other investments	9,692,755	9,685,238	7,517	0.08%	9,448,645	244,110	2.58%
Deferred charges	(458,574)	(483,913)	25,340	-5.24%	(173,291)	(285,283)	164.63%
Total other assets	9,299,878	9,267,022	32,856	0.35%	9,341,051	(41,172)	-0.44%
Current assets:							
Cash	1,429,877	1,080,590	349,287	32.32%	2,172,499	(742,622)	-34.18%
Notes receivable (net)	3,630	4,179	(549)	-13.14%	12,186	(8,556)	-70.21%
Accounts receivable (net)	8,473,637	9,126,595	(652,958)	-7.15%	7,993,642	479,995	6.00%
Other receivables (net)	298,935	359,744	(60,810)	-16.90%	583,026	(284,092)	-48.73%
Inventories	2,447,563	2,602,476	(154,913)	-5.95%	2,489,004	(41,440)	-1.66%
Prepaid expenses	205,082	255,930	(50,849)	-19.87%	211,280	(6,199)	-2.93%
Total current assets	12,858,724	13,429,515	(570,791)	-4.25%	13,461,638	(602,914)	-4.48%
Total assets	\$ 96,951,261	\$ 96,179,330	\$ 771,931	0.80%	\$ 90,024,774	\$ 6,926,487	7.69%

BALANCE SHEETS (LIABILITIES/EQUITY)

	June 2009 Actual	May 2009 Actual	Variance Fav/(Unfav) \$	%	June 2008 Actual	Variance Fav/(Unfav) \$	%
Equities:							
Memberships issued & subscribed	-	-	-	#DIV/0!	-	-	#DIV/0!
Patronage capital assignable	16,561,252	16,561,252	-	0.00%	15,149,492	1,411,760	8.52%
Other earnings	4,229,919	4,251,954	(22,036)	-0.52%	2,299,688	1,930,231	45.63%
Contributions in aid of construction	15,863,508	15,818,763	44,746	0.28%	15,541,565	321,943	2.03%
Net equity	36,654,680	36,631,970	22,710	0.06%	32,990,745	3,663,935	10.00%
Long-term debt	44,172,827	44,419,749	(246,921)	-0.56%	41,686,819	2,486,009	5.63%
Capital leases - non current	315,499	316,464	(965)	-0.31%	339,614	(24,115)	-7.64%
Current liabilities:							
Current portion of long-term debt	1,926,230	1,927,722	(1,493)	-0.08%	1,713,468	212,762	11.05%
Line of Credit	4,998,666	4,400,000	598,666	11.98%	4,530,054	468,612	9.37%
Accounts payable	5,369,428	5,149,317	220,112	4.10%	4,760,825	608,604	11.33%
Customer deposits	118,947	118,127	820	0.69%	102,715	16,232	13.65%
Other accrued expenses	3,007,062	2,814,199	192,863	6.41%	2,820,568	186,494	6.20%
Total current liabilities	15,420,333	14,409,365	1,010,968	6.56%	13,927,630	1,492,703	9.68%
Deferred credits	387,923	401,783	(13,860)	-3.57%	1,079,967	(692,044)	-178.40%
Total liabilities and equity	\$ 96,951,261	\$ 96,179,330	\$ 771,931	0.80%	\$ 90,024,774	\$ 6,926,487	7.69%

MONTHLY

STATEMENT OF OPERATIONS

VEC

	June 2009 Actual	June 2009 Budget	June 2009 Actual- Budget Variance Fav (Unfav) \$	June 2009 Actual- Budget Variance Fav (Unfav) %	June 2008 Actual	June 2009 Actual - June 2008 Variance Fav (Unfav) \$	June 2009 Actual - June 2008 Variance Fav (Unfav) %
Revenue							
Operating Revenue	4,963,506	5,402,303	(438,797)	-8.1%	4,843,823	119,683	2.5%
Sales for Resale	177,991	412,098	(234,107)	-56.8%	618,953	(440,962)	71.2%
Total revenues	\$ 5,141,497	\$ 5,814,401	(\$ 672,904)	-11.6%	\$ 5,462,776	(\$ 321,279)	-5.9%
Power supply cost							
Purchased power cost	(2,757,742)	(2,872,225)	114,483	4.0%	(2,826,146)	68,404	2.4%
Sales for Resale	(177,991)	(412,098)	234,107	56.8%	(618,953)	440,962	71.2%
Transmission	(621,535)	(720,835)	99,300	13.8%	(590,594)	(30,941)	-5.2%
Total Power supply cost	(3,557,268)	(4,005,158)	447,890	11.2%	(4,035,693)	478,425	11.9%
Gross Margin	\$ 1,584,228	\$ 1,809,243	(\$ 225,014)	-12.4%	\$ 1,427,082	\$ 157,146	-11.0%
Operating expenses							
Distribution: Operations & Mitce	(842,027)	(759,950)	(82,077)	-10.8%	(747,044)	(94,983)	-12.7%
Customer accounts	(199,806)	(210,827)	11,021	5.2%	(229,630)	29,824	13.0%
Administrative & general	(243,082)	(264,952)	21,870	8.3%	(221,194)	(21,888)	-9.9%
Total operating expenses	(1,284,915)	(1,235,729)	(49,186)	-4.0%	(1,197,868)	(87,047)	-7.3%
Depreciation & amortization	(273,743)	(272,937)	(806)	-0.3%	(736,855)	463,112	62.8%
Gross revenue & receipts taxes	(50,409)	(54,592)	4,183	7.7%	(50,068)	(341)	-0.7%
Interest on long-term debt	(221,415)	(236,698)	15,283	6.5%	(226,550)	5,134	2.3%
Other interest expenses	(11,230)	(12,675)	1,445	11.4%	(14,134)	2,904	20.5%
Other Deductions	-	(3,500)	3,500	100.0%	(503)	503	100.0%
Total depreciation & other expenses	(556,797)	(580,402)	23,605	4.1%	(1,028,110)	471,313	45.8%
Income from operations	(257,483)	(6,888)	(250,595)	3638.2%	(798,895)	541,412	67.8%
Interest income	233,997	231,335	2,662	1.2%	215,290	18,707	8.7%
Other income (expenses)	1,445	(1,446)	2,891	-200.0%	(1,289)	2,734	-212.1%
Other capital credits & dividends	-	-	-	N/A	-	-	N/A
Total non-operating margins	235,442	229,889	5,553	2.4%	214,001	21,441	10.0%
Net income (loss)	(22,041)	223,001	(245,042)	-109.9%	(584,894)	562,853	96.2%
Extraordinary expenses	-	-	-	N/A	-	-	N/A
Total net income (loss)	\$ (22,041)	\$ 223,001	(\$ 245,042)	-109.9%	(\$ 584,894)	\$ 562,853	96.2%

YEAR-TO-DATE

STATEMENT OF OPERATIONS

VEC

	June 2009 Actual	June 2009 Budget	June 2009 Actual- Budget Variance Fav (Unfav)	June 2008 Actual	June 2009 Actual - June 2008 Variance Fav (Unfav)	%
Revenue						
Operating Revenue	34,301,348	35,304,016	(1,002,668)	32,308,153	1,993,195	6.2%
Sales for Resale	1,497,635	2,267,798	(770,163)	2,425,099	(927,464)	38.2%
Total revenues	\$ 35,798,983	\$ 37,571,814	(1,772,831)	\$ 34,733,252	\$ 1,065,731	3.1%
Power supply cost						
Purchased power cost	(19,019,413)	(18,866,674)	(152,739)	(18,651,131)	(368,282)	-2.0%
Sales for Resale	(1,497,635)	(2,267,798)	770,163	(2,425,099)	927,464	38.2%
Transmission:	(3,777,878)	(4,204,238)	426,360	(3,621,755)	(156,123)	4.3%
Total Power supply cost	(24,294,926)	(25,338,710)	1,043,784	(24,697,985)	403,059	1.6%
Gross Margin	\$ 11,504,057	\$ 12,233,104	(729,047)	\$ 10,035,267	\$ 1,468,789	-14.6%
Operating expenses						
Distribution: Operations & Mtce	(4,149,956)	(4,076,817)	(73,139)	(4,016,056)	(133,900)	-3.3%
Customer accounts	(1,189,556)	(1,291,273)	101,718	(1,261,958)	72,402	5.7%
Administrative & general	(1,473,173)	(1,668,684)	195,511	(1,477,471)	4,298	0.3%
Total operating expenses	(6,812,685)	(7,036,774)	224,090	(6,755,485)	(57,200)	-0.8%
Depreciation & amortization	(1,867,616)	(1,853,022)	(14,594)	(2,247,755)	380,139	16.9%
Gross revenue & receipts taxes	(340,568)	(350,749)	10,181	(321,621)	(18,946)	-5.9%
Interest on long-term debt	(1,382,895)	(1,428,728)	45,833	(1,450,953)	68,058	4.7%
Other interest expenses	(62,730)	(61,410)	(1,320)	(52,163)	(10,566)	-20.3%
Other deductions	(3,070)	(21,000)	17,930	(535)	(2,536)	-474.2%
Total depreciation & other expenses	(3,656,879)	(3,714,909)	58,030	(4,073,028)	416,149	10.2%
Income from operations	1,034,494	1,481,421	(446,927)	(793,245)	1,827,739	230.4%
Interest income	490,966	470,770	20,196	459,167	31,799	6.9%
Other income (expenses)	20,516	(3,177)	23,693	435	20,081	4618.6%
Other capital credits & dividends	110,592	49,323	61,269	60,008	50,584	84.3%
Total non-operating margins	622,074	516,916	105,158	519,610	102,464	19.7%
Net income (loss)	1,656,567	1,998,337	(341,770)	(273,636)	1,930,203	-705.4%
Extraordinary expenses	-	-	-	-	-	N/A
Total net income (loss)	\$ 1,656,567	\$ 1,998,337	(341,770)	(273,636)	\$ 1,930,203	-705.4%

STATEMENT OF CASH FLOWS

	Month		Year-to-date		Variance Fav (Unfav)	
	June 2009	June 2008	June 2009	June 2008	\$	%
	Actual	Actual	Actual	Actual		
Cash flows from operating activities:						
Net income	\$ (22,041)	\$ (584,894)	\$ 1,656,567	\$ (273,636)	1,930,203	-705.39%
Noncash expenses (income) included in earnings:						
Depreciation & amortization	336,017	857,845	2,347,884	3,160,197	(812,313)	-25.70%
(Gain) loss on sale of investments	(530)	(530)	(30,465)	(4,840)	(25,625)	-529.45%
Changes in assets and liabilities:						
Decrease (increase) in notes receivable	549	928	2,758	8,092	(5,334)	-65.92%
Decrease (increase) in accounts receivable	652,958	130,952	393,635	1,697,449	(1,303,814)	-76.81%
Decrease (increase) in other receivable	60,810	(32,346)	544,002	(356,036)	900,038	252.79%
Decrease (increase) in inventories	154,913	(275,432)	(104,289)	(786,714)	582,425	-86.74%
Decrease (increase) in prepayments	50,849	51,143	(1,549)	98,196	(99,738)	101.57%
Decrease (increase) in deferred charges	(40,674)	(655,216)	(133,023)	(997,777)	864,754	86.67%
Increase (decrease) in accounts payable	220,112	517,325	(54,671)	(245,578)	190,907	-77.74%
Increase (decrease) in customer deposits	820	2,307	15,588	(1,489)	17,077	1146.64%
Increase (decrease) in accrued expenses	192,863	(28,635)	669,320	428,821	240,499	56.08%
Increase (decrease) in deferred credits	(13,860)	(12,695)	(153,119)	(221,279)	68,160	-30.80%
Net cash provided (used) by operating activities	1,592,785	(29,247)	5,152,643	2,505,404	2,647,239	105.66%
Cash flows from investing activities:						
Additions to electric plant in service and construction work in progress	(1,643,262)	(666,321)	(6,436,989)	(4,348,715)	(2,088,273)	-48.02%
Proceeds from retirements of electric plant in service	13,244	(15,533)	(113,960)	164,994	(278,954)	-169.07%
Return on capital investments	(7,517)	(39,108)	(52,942)	(96,292)	43,350	-45.02%
Proceeds (payments) from sale (purchase) of investments	-	27,596	-	27,596	(27,596)	-100.00%
Net cash provided (used) in investing activities	(1,637,535)	(693,365)	(6,603,890)	(4,252,416)	(2,351,474)	-55.30%
Cash flows from financing activities:						
Proceeds from borrowings LOC	-	-	-	-	-	N/A
Payments to creditors Long-Term	598,666	930,054	2,448,724	3,130,220	(681,496)	21.77%
Payments to creditors LOC	(249,380)	247,743	(957,109)	(1,206,140)	249,031	20.65%
Increase in contributions in aid of construction	44,746	73,134	199,237	128,293	70,944	55.30%
Memberships issued, net of refunds	-	-	-	-	-	N/A
Additions to donated capital, net	5	4	18	4	14	375.07%
Net cash provided (used) by financing activities	394,037	1,250,934	1,690,871	2,052,377	(361,506)	17.61%
Net increase (decrease) in cash and equivalents	349,287	528,322	239,624	305,364	(65,741)	-21.53%
Cash & cash equivalents at beginning of period	1,080,590	1,844,177	1,190,253	1,867,135	(676,881)	-36.25%
Cash & cash equivalents at end of period	\$ 1,429,877	\$ 2,172,499	\$ 1,429,877	\$ 2,172,499	\$ (742,622)	-34.18%
Supplemental cash flow information:						
Cash paid during the period for interest	\$ (439,119)	\$ (578,110)	\$ (12,840)	\$ (76,063)	63,222	83.12%