

Financial Highlights – December, 2017

	<u>Variance (K's)</u>	<u>YTD Variance (K's)</u>
December Net Income	\$510	\$2,454

Analysis:

• Operating Revenue	(\$98)	\$202
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KWH sales in December are \$417k better than budget for the month and is \$1,512k better YTD. The average price/KWH sold is \$110k less than budget for the month and \$998k less for the year. Degree days for the year are 9% less than normal but flat to the previous year. Non-energy services, pole attachments, and wheeling revenues are \$18k lower than budget for the month but is \$55k better for the year. Unbilled revenues are \$75k lower than budget for the month and is \$47k less YTD. The sale of Renewable Energy Credits is \$312k less than budget for the month and \$320k less YTD.

• Purchased Power Costs	(\$234)	\$1,305
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Purchased KWH is over budget by \$494k for the month and is \$781k over for the year. Our overall costs/KWH is \$260k under budget for the month but is \$2,086k under YTD.

• Transmission Costs	\$165	\$347
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Transmission support for substations and supervision is \$4k under budget for the month and \$98k under YTD. Transmission by Others is \$159k under budget for the month and \$125k under YTD. Maintenance for SCADA and overhead lines is \$3k over budget for the month and is \$9k over for the year. Transmission vegetative maintenance is \$2k under budget for the month and is \$137k under or the year. Property taxes are under budget by \$3k for the month but is over \$4k YTD

• Distribution Operations/Mtce	\$580	(\$116)
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Major Storm costs are under budget by \$949k for the month and \$67k under budget for the year. Meter/AMI Expense is \$9k under budget for the month and \$99k under for the year. Supervisory related costs are over budget by \$7k for the month and \$67k over YTD. Overall Distribution Maintenance costs are \$59k under for the month and \$156k under YTD. Miscellaneous Distribution and Customer Installation expenses are over budget by \$6k for the month but is \$3k under YTD. Distribution vegetative maintenance program spending is over budget by \$425k for the month and is \$374k over YTD. The overall vegetative maintenance program (transmission + distribution) is \$423k over budget for the month and is \$238k over for the year.

• Customer Accounts	\$76	\$411
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Meter Reading & Disconnect Services are \$3k under budget for the month and \$22k under YTD. Member service administration is \$3k under for the month and \$19k under YTD. Uncollectible Accounts are under budget by \$77k for the month and \$405k YTD (Jay Peak Receivership Settlement). Patronage Capital expenses are on budget for the month but is \$3k over for the year. Communications and SQRP Costs are \$6k over budget for the month and \$33k over for the year.

- **Administrative & General** (\$17) \$52

Regulatory related expense is over budget by \$22k for the month but is \$19k under YTD. Payroll and Benefits are \$3k under budget for the month but is \$89k over YTD. Outside Services is \$1k under budget for the month but is \$25k over YTD. Director Expenses are \$2k under budget for the month and \$25k under YTD. Internal costs incurred for Community Solar and TIER 3 Projects are \$14k under budget for the month and \$173k under YTD. Expenses for Coop-life, Business Development, Dues, and Meeting expenses are \$2k over budget for the month but are \$35k over YTD. Office related expenses are \$7k over budget for the month and are \$11k over budget for the year. Safety and Facility related expenses are over budget by \$6k for the month and \$5k over YTD.

- **Total Depreciation & Other Exp** \$14 \$52

Depreciation expense is \$9k under budget for the month but is \$9k over YTD. Interest expense is \$7k under budget for the month and \$79k under budget YTD. Gross Receipt & Revenue Taxes are \$1k over budget for the month and \$4k over year. Other Expenses are \$1k over budget for the month and \$14k over YTD.

- **Total Non-Operating Margins** \$24 \$201

Capital Credits from CFC, CoBank and NISC are on budget for the month but are \$231k better than budget YTD. Interest and Dividend Income is \$86k better than budget for the month but is \$46k less YTD. Miscellaneous Jobbing Revenue and other expenses are \$62k lower than budget for the month but is \$16k better for the year.

- **Capital Spending Plan** (\$1,163) \$389

Transformers and increased capacity are under budget by \$34k for the month and \$440k under for the year. Line projects, Reconductoring and Ordinary Replacements are \$371k over budget for the month and \$277k over YTD. Pole Replacements are \$59k under budget for the month but is \$166k over for the year. SCADA projects are \$40k over budget for the month and \$49k over YTD. New Services and Construction are \$462k over budget for the month and \$39k over for the year. Facilities, Fleet and IT projects are over budget by \$452k for the month but is \$164k under for the year. Substation projects are \$14k under budget for the month but is \$35k over for the year. Security lights are under budget by \$6k for the month and \$72k under YTD. Meters and AMI are \$16k under budget for the month but are over by \$168k for the year. Tools are under budget by \$1k for the month but are \$30k over YTD. TIER 3 CAP Projects are under budget by \$32k for the month and \$477k under YTD.

TIER and Debt Service Coverage

The 2017 Operating Budget did exceed the approved budgeted TIER of 2.18. Our Debt Service payments for 2017 were \$7.3 million.

Cash Flow and Line of Credit

In December, we used up to a peak of \$5.5M on our line of credit on December 28th. The January high for the line of credit was \$2M on January 25th.

Balance Sheet

Our equity ratio in December is 43% down from November at 44%. Our current ratio, a measure of liquidity, is 1.17, up from November at .98. VEC's FFO ratio for 2017 YTD ("Funds from Operations/Capital Expenditures Ratio"; Target of 80% desirable) is 1.37, down from November at 1.44.

Vermont Electric Cooperative, Inc.
Statement of Operations
Month to Date

	December, 2017 Actual	December, 2017 Budget	Actual-Budget Variance Fav (Unfav) \$	%	December, 2016 Actual	Variance Fav (Unfav) \$	Prior Year Variance Fav (Unfav) \$	%
Revenue								
Operating Revenue	6,519,027	6,617,340	(98,312)	-1.5%	6,994,311	(475,283)	(475,283)	-6.8%
Sales for Resale	86,395	119,608	(33,213)	-27.8%	243,415	(157,020)	(157,020)	64.5%
Total revenues	\$ 6,605,422	\$ 6,736,947	\$ (131,525)	-2.0%	\$ 7,237,726	\$ (632,303)	\$ (632,303)	-8.7%
Power supply cost								
Purchased power cost	3,567,229	3,333,217	(234,012)	-7.0%	3,581,970	14,742	14,742	-0.4%
Sales for Resale	86,395	119,608	33,213	27.8%	243,415	157,020	157,020	-64.5%
Transmission	909,234	1,073,998	164,765	15.3%	1,075,438	166,204	166,204	-15.5%
Total Power supply cost	4,562,857	4,526,822	(36,035)	0.8%	4,900,823	337,966	337,966	-6.9%
Gross Margin	\$ 2,042,565	\$ 2,210,125	\$ (167,559)	-7.6%	\$ 2,336,903	\$ (294,337)	\$ (294,337)	12.6%
Operating expenses								
Distribution: Operations & Mtce	473,507	1,053,702	580,196	55.1%	1,647,368	1,173,862	1,173,862	-71.3%
Customer accounts	129,672	205,978	76,306	37.0%	271,337	141,665	141,665	-52.2%
Administrative & general	337,048	319,785	(17,263)	-5.4%	317,708	(19,339)	(19,339)	6.1%
Total operating expenses	\$ 940,226	\$ 1,579,465	\$ 639,239	40.5%	\$ 2,236,414	\$ 1,296,188	\$ 1,296,188	-58.0%
Depreciation & amortization	498,579	507,962	9,384	1.8%	469,481	(29,098)	(29,098)	6.2%
Gross revenue & receipts taxes	63,766	62,580	(1,186)	-1.9%	65,810	2,044	2,044	-3.1%
Interest on long-term debt	283,626	282,714	(912)	-0.3%	264,874	(18,753)	(18,753)	7.1%
Other interest expenses	12,064	19,781	7,717	39.0%	13,465	1,401	1,401	-10.4%
Other Deductions	2,148	1,000	(1,148)	-114.8%	7,541	5,393	5,393	-71.5%
Total depreciation & other expenses	860,183	874,038	13,855	-1.6%	821,171	(39,012)	(39,012)	4.8%
Income from operations	\$ 242,156	\$ (243,379)	\$ 485,535	-199.5%	\$ (720,682)	\$ 962,838	\$ 962,838	133.6%
Interest income	950,834	864,418	86,416	10.0%	849,748	101,086	101,086	11.9%
Other income (expenses)	(60,988)	1,023	(62,011)	-6064.2%	1,957	(62,946)	(62,946)	-3216.0%
Other capital credits & dividends	-	-	-	N/A	-	-	-	N/A
Total non-operating margins	889,846	865,441	24,405	2.8%	851,706	38,140	38,140	4.5%
Net income (loss)	1,132,002	622,062	509,940	82.0%	131,023	1,000,979	1,000,979	-764.0%
Extraordinary expenses	-	-	-	N/A	-	-	-	N/A
Total net income (loss)	\$ 1,132,002	\$ 622,062	\$ 509,940	82.0%	\$ 131,023	\$ 1,000,979	\$ 1,000,979	-764.0%

Vermont Electric Cooperative, Inc.
Statement of Operations
Year to Date

	December, 2017 Actual	December, 2017 Budget	Actual- Budget Variance Fav (Unfav)	%	* December, 2016 Actual	Prior Year Variance Fav (Unfav)	%
Revenue							
Operating Revenue	77,160,434	76,958,610	201,824	0.3%	78,331,076	(1,170,641)	-1.5%
Sales for Resale	1,741,956	1,227,450	514,506	41.9%	849,941	892,015	-105.0%
Total revenues	\$ 78,902,390	\$ 78,186,060	\$ 716,330	0.9%	\$ 79,181,017	(\$ 278,626)	-0.4%
Power supply cost							
Purchased power cost	34,274,627	35,579,882	1,305,255	3.7%	37,040,551	2,765,924	-7.5%
Sales for Resale	1,741,956	1,227,450	(514,506)	-41.9%	849,941	(892,015)	105.0%
Transmission:	11,377,219	11,724,140	346,921	3.0%	11,286,641	(90,579)	0.8%
Total Power supply cost	47,393,802	48,531,472	1,137,670	-2.3%	49,177,133	1,783,330	-3.6%
Gross Margin	\$ 31,508,588	\$ 29,654,588	\$ 1,854,000	6.3%	\$ 30,003,884	\$ 1,504,704	-5.0%
Operating expenses							
Distribution: Operations & Mlce	13,142,309	13,025,919	(116,391)	-0.9%	13,006,637	(135,673)	1.0%
Customer accounts	2,206,880	2,617,617	410,737	15.7%	3,032,125	825,246	-27.2%
Administrative & general	3,682,602	3,734,518	51,916	1.4%	3,682,679	77	0.0%
Total operating expenses	19,031,792	19,378,054	346,262	1.8%	19,721,442	689,650	-3.5%
Depreciation & amortization	5,937,757	5,929,162	(8,595)	-0.1%	5,736,318	(201,439)	3.5%
Gross revenue & receipts taxes	748,909	745,330	(3,579)	-0.5%	756,846	7,938	-1.0%
Interest on long-term debt	3,453,052	3,418,737	(34,315)	-1.0%	3,118,692	(334,360)	10.7%
Other interest expenses	71,142	184,170	113,028	61.4%	155,479	84,337	-54.2%
Other deductions	26,430	12,000	(14,430)	-120.2%	22,124	(4,306)	19.5%
Total depreciation & other ext	10,237,290	10,289,399	52,108	-0.5%	9,789,460	(447,831)	4.6%
Income from operations	2,239,506	(12,865)	2,252,371	-17507.9%	492,983	1,746,523	-354.3%
Interest income	3,775,500	3,821,845	(46,345)	-1.2%	3,199,337	576,163	18.0%
Other income (expenses)	47,006	30,765	16,241	52.8%	24,607	22,399	91.0%
Other capital credits & dividends	643,140	411,685	231,455	56.2%	580,728	62,412	10.7%
Total non-operating margins	4,465,646	4,264,295	201,351	4.7%	3,804,672	660,974	17.4%
Net income (loss)	6,705,152	4,251,430	2,453,722	57.7%	4,297,655	2,407,497	-56.0%
Extraordinary expenses	-	-	-	N/A	-	-	N/A
Total net income (loss)	\$ 6,705,152	\$ 4,251,430	\$ 2,453,722	57.7%	\$ 4,297,655	\$ 2,407,497	-56.0%

Vermont Electric Cooperative, Inc.
Balance Sheet (Assets)
December, 2017

	December, 2017 Actual	November, 2017 Actual	Variance Fav/(Unfav) \$	%	December, 2016 Actual	Variance Fav/(Unfav) \$	%
Electric plant, at cost:							
Electric plant in service	165,588,272	164,872,659	715,613	0.43%	162,975,796	2,612,476	1.60%
Less accumulated depreciation	(47,653,336)	(47,845,728)	(192,392)	-0.40%	(44,587,708)	3,065,627	6.88%
Net electric plant in service	117,934,937	117,026,932	908,005	0.78%	118,388,088	(453,151)	-0.38%
Construction work in progress	1,636,302	1,509,950	126,352	8.37%	1,061,630	574,673	54.13%
Net electric plant	119,571,239	118,536,882	1,034,357	0.87%	119,449,717	121,522	0.10%
Other assets:							
Non-utility property	65,697	65,697	-	0.00%	65,697	-	0.00%
Other investments	37,352,385	33,623,098	3,729,288	11.09%	30,327,358	7,025,028	23.16%
Deferred charges	144,685	147,979	(3,293)	-2.23%	146,627	(1,942)	-1.32%
Total other assets	37,562,768	33,836,773	3,725,995	11.01%	30,539,682	7,023,086	23.00%
Current assets:							
Cash	1,418,514	962,172	456,342	47.43%	2,308,647	(890,133)	-38.56%
Notes receivable (net)	-	-	-	0.00%	-	-	#DIV/0!
Accounts receivable (net)	10,284,912	9,912,295	372,617	3.76%	9,978,219	306,694	3.07%
Other receivables (net)	2,643,187	1,790,899	852,288	47.59%	1,913,349	729,838	38.14%
Inventories	5,061,766	5,446,331	(384,565)	-7.06%	4,280,313	781,453	18.26%
Prepaid expenses	475,939	586,281	(110,342)	-18.82%	451,964	23,975	5.30%
Total current assets	19,884,317	18,697,977	1,186,340	6.34%	18,932,491	951,826	5.03%
Total assets	\$ 177,018,324	\$ 171,071,632	\$ 5,946,692	3.48%	\$ 168,921,891	\$ 8,096,433	4.79%

Vermont Electric Cooperative, Inc.
Balance Sheet (Liabilities & Equity)
December, 2017

	December, 2017 Actual	November, 2017 Actual	Variance Fav/(Unfav) \$	%	December, 2016 Actual	Variance Fav/(Unfav) \$	%
Equities:							
Memberships issued & subscribed	-	-	-	0.00%	-	-	0.00%
Patronage capital assignable	(3)	(3)	-	0.00%	(2)	(0)	5.88%
Other earnings	75,534,268	74,408,543	1,125,725	1.49%	69,709,960	5,824,309	7.71%
Contributions in aid of construction	-	-	-	0.00%	-	-	0.00%
Net equity	75,534,266	74,408,540	1,125,725	1.49%	69,709,957	5,824,308	7.71%
Long-term debt	84,076,521	77,199,031	6,877,490	8.18%	80,265,004	3,811,517	4.53%
Capital leases - non current	396,586	385,424	11,161	2.81%	360,869	35,716	9.01%
Current liabilities:							
Current portion of long-term debt	4,208,393	3,817,835	390,559	9.28%	3,817,835	390,559	9.28%
Line of Credit	1,553,224	4,119,999	(2,566,775)	-165.25%	2,300,000	(746,776)	-48.08%
Accounts payable	7,154,041	6,827,926	326,115	4.56%	6,192,121	961,921	13.45%
Customer deposits	1,234,302	1,221,268	13,034	1.06%	1,040,164	194,138	15.73%
Other accrued expenses	2,805,105	3,026,850	(221,745)	-7.91%	4,839,550	(2,034,445)	-72.53%
Total current liabilities	16,955,065	19,013,878	(2,058,812)	-12.14%	18,189,669	(1,234,603)	-7.28%
Deferred credits	55,886	64,759	(8,873)	-15.88%	396,391	(340,505)	-609.28%
Total liabilities and equity	\$ 177,018,324	\$ 171,071,632	\$ 5,946,692	3.36%	\$ 168,921,891	\$ 8,096,433	4.79%

Vermont Electric Cooperative, Inc.
Statement of Cash Flows

	Month		Year-to-date		Variance Fav (Unfav)
	December, 2017	December, 2016	December, 2017	December, 2016	
	Actual	Actual	Actual	Actual	\$
Cash flows from operating activities:					
Net income	\$ 1,132,002	\$ 131,023	\$ 6,705,152	\$ 4,297,655	\$ 2,407,497
Noncash expenses (income) included in earnings:					
Depreciation & amortization	\$ 578,810	\$ 617,278	\$ 6,837,029	\$ 6,551,176	\$ 285,853
(Gain) loss on sale of investments	\$ -	\$ -	\$ -	\$ -	\$ -
(Gain) loss on sale of fixed assets	\$ 61,767	\$ 1,510	\$ 27,632	\$ 924	\$ 26,708
Changes in assets and liabilities:					
Decrease (increase) in notes receivable	\$ -	\$ -	\$ -	\$ -	\$ -
Decrease (increase) in accounts receivable	\$ (372,617)	\$ (297,377)	\$ (306,694)	\$ 207,545	\$ (514,239)
Decrease (increase) in other receivable	\$ (852,288)	\$ (248,595)	\$ (729,838)	\$ 297,874	\$ (1,027,712)
Decrease (increase) in inventories	\$ 384,565	\$ 78,193	\$ (781,453)	\$ (49,995)	\$ (731,457)
Decrease (increase) in prepayments	\$ 110,342	\$ 122,373	\$ (23,975)	\$ 18,488	\$ (42,463)
Decrease (increase) in deferred charges	\$ 6,152	\$ 693,048	\$ 36,250	\$ 709,596	\$ (673,346)
Increase (decrease) in accounts payable	\$ 326,115	\$ 1,039,176	\$ 961,921	\$ (825,192)	\$ 1,787,113
Increase (decrease) in customer deposits	\$ 13,034	\$ 32,811	\$ 194,138	\$ 452,881	\$ (258,742)
Increase (decrease) in accrued expenses	\$ (221,745)	\$ 1,688,559	\$ (2,034,445)	\$ 1,939,620	\$ (3,974,065)
Increase (decrease) in deferred credits	\$ (8,873)	\$ 173,575	\$ (340,505)	\$ 213,292	\$ (553,797)
Net cash provided (used) by operating activities	1,157,265	4,031,574	10,545,213	13,813,863	(3,268,650)
Cash flows from investing activities:					
Additions to electric plant in service and construction work in progress	\$ (1,893,960)	\$ (3,904,095)	\$ (15,867,892)	\$ (16,553,262)	\$ 685,370
Proceeds from retirements of electric plant in service	\$ 216,165	\$ 235,024	\$ 8,847,401	\$ 3,830,405	\$ 5,016,995
Return on capital investments	\$ -	\$ -	\$ (198,014)	\$ (166,449)	\$ (31,565)
Proceeds (payments) from sale (purchase) of investment:	\$ (3,715,450)	\$ (5,037,576)	\$ (6,771,390)	\$ (7,037,576)	\$ 266,186
Net cash provided (used) in investing activities	(5,393,244)	(8,706,647)	(13,989,896)	(19,926,883)	5,936,987
Cash flows from financing activities:					
Proceeds from financing activities:	\$ -	\$ -	\$ -	\$ -	\$ -
Proceeds from borrowings LOC	\$ -	\$ -	\$ -	\$ -	\$ -
Payments to creditors Long-Term	\$ (2,566,775)	\$ (1,700,000)	\$ (746,776)	\$ (6,900,000)	\$ 6,153,224
Payments to creditors LOC	\$ 7,265,373	\$ 7,870,389	\$ 4,182,169	\$ 14,626,060	\$ (10,443,891)
Patronage Capital Retirements - Net	\$ (6,276)	\$ (4,437)	\$ (880,844)	\$ (449,975)	\$ (430,869)
Memberships issued, net of refunds	\$ -	\$ -	\$ -	\$ -	\$ -
Additions to donated capital, net	\$ -	\$ -	\$ -	\$ 9	\$ (9)
Net cash provided (used) by financing activities	4,692,321	6,165,952	2,554,549	7,276,094	(4,721,545)
Net increase (decrease) in cash and equivalents	456,342	1,490,879	(890,133)	1,163,075	(2,053,208)
Cash & cash equivalents at beginning of period	\$ 962,172	\$ 817,768	\$ 2,308,647	\$ 1,145,572	\$ 1,163,075
Cash & cash equivalents at end of period	\$ 1,418,514	\$ 2,308,647	\$ 1,418,514	\$ 2,308,647	\$ (890,133)