

Financial Highlights – March, 2016

	<u>Variance (K's)</u>	<u>YTD Variance (K's)</u>
March Net Income	(\$48)	(\$438)

Analysis:

- Operating Revenue**
(\$152)
(\$945)

KWH sales in March are \$143k less than budget for the month and \$808k less YTD. The average price/KWH sold is \$70k less than budget for the month and \$262k for the year. Degree days this year are running 15% and 25% below normal and 2015 respectively. Non-energy services, pole attachments, and wheeling revenues are \$67k better than budget for the month and \$139k better YTD. Unbilled revenues are \$43k better than budget for the month and \$75k better for the year. The sale of Renewable Energy Credits is under budget by \$50k for the month and \$98k YTD.

- Purchased Power Costs**
\$88
\$501

Purchased KWH is under budget by \$28k for the month and \$309k for the year. Our overall costs/KWH is \$60k under budget for the month and \$192k under YTD.

- Transmission Costs**
(\$105)
(\$103)

Transmission support for substations and supervision is \$9k under budget for the month and \$33k under YTD. Transmission by Others is \$60k over budget for the month and \$108k over YTD. Maintenance for SCADA and overhead lines is over budget by \$67k for the month and \$52k for the year. Transmission vegetative maintenance is under budget by \$13k for the month and \$23k YTD.

- Distribution Operations/Mtce**
\$54
(\$62)

Major Storm costs are under budget by \$61k for the month and \$181k for the year. Meter/AMI Expense is \$2k over budget for the month and \$13k over for the year. Supervisory related costs are over budget by \$7k for the month and \$35k YTD. Overall Distribution Maintenance costs are under budget by \$62k for the month but over budget \$94k YTD. Miscellaneous Distribution and Customer Installation expenses are under budget by \$2k for the month but over \$2k YTD. Distribution vegetative maintenance program spending is over budget by \$62k for the month and \$98k YTD. The overall vegetative maintenance program (transmission + distribution) is \$49k over budget for the month and \$74k over for the year.

- Customer Accounts**
\$4
\$26

Meter Reading & Disconnect Services are over budget by \$6k for the month and \$11k YTD. Member Services are under budget by \$14k for the month and \$40k for the year. Patronage Capital expenses are over budget by \$1k for the month and \$3k for the year. Communications and SQRP Costs are over budget by \$2k for the month but on budget for the year.

- **Administrative & General** (\$24) \$47

Regulatory related expenses are over budget \$3k for the month but are under \$12k YTD. Payroll & Benefits are over budget \$1k for March but under \$9k YTD. Outside Services is over budget \$2k for the month and \$13k YTD. Director Expenses are under budget \$6k for the month and \$18k YTD. Internal costs incurred for the Community Solar Project create a negative variance of \$41k for the month and \$48k YTD. Expenses for Coop-life, Business Development, Dues, and Meeting expenses are under budget \$12k for the month and \$3k YTD. Safety, Office and Facility related expenses are under budget \$6k for the month and \$66k YTD.

- **Total Depreciation & Other Exp** (\$9) (\$42)

Depreciation expense is over budget by \$17k for the month and \$49k YTD. Interest expense is under budget by \$6k for the month but is over \$5k for the year. Gross Receipt Taxes are \$2k under for the month and \$11k under for the year. Other Expenses are under \$2k YTD.

- **Total Non-Operating Margins** \$96 \$139

Patronage Dividends from CFC, CoBank and NISC are better than budget by \$139k for the month and \$153k for the year. Interest Income is less than budget by \$48k for the month and \$17k YTD. Miscellaneous Jobbing Revenue and other expenses are better than budget by \$6k for the month and \$4k for the year.

- **Capital Spending Plan** (\$188) (\$1,282)

Transformers and increased capacity had a negative variance of \$1k for the month and \$238k for the year. Distribution line projects and Ordinary Replacements are over budget by \$238k for the month and \$380k for the year. Pole Replacements are under budget by \$60k for the month but are over \$185k YTD. SCADA projects are over budget \$34k for the month and \$147k YTD. New Services and Construction are over budget \$9k for the month but under \$54k the year. Facilities and IT projects are under budget for the month by \$32k and \$14k under for the year. Substation projects are under budget \$36k for the month but over \$394k for the year. Security lights are under budget \$13k for the month and \$30k for the year. Meters and AMI are over budget \$47k for the month and \$36k for the year.

TIER and Debt Service Coverage

We still expect the 2016 operating budget will be on target with our approved budgeted TIER of 2.18. Our Debt Service payments for 2016 are projected to be \$6.4 million.

Cash Flow and Line of Credit

In March, we used up to a peak of \$11.5M on our line of credit on March 28th. The April high for the line of credit is expected to be \$12M on April 25th.

Balance Sheet

Our equity ratio in March is 43% up from February's 42%. Our current ratio, a measure of liquidity, is .77, consistent with February. VEC's FFO ratio for 2016 YTD ("Funds from Operations/Capital Expenditures Ratio"; Target of 80% desirable) is .98, up from February at .52.

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

	March, 2016 Actual	March, 2016 Budget	Actual- Budget Variance Fav (Unfav) \$	%	March, 2015 Actual	Prior Year Variance Fav (Unfav) \$	%
Revenue							
Operating Revenue	7,300,503	7,452,860	(152,357)	-2.0%	7,635,232	(334,729)	-4.4%
Sales for Resale	21,479	676,651	(655,172)	-96.8%	127,690	(106,211)	83.2%
Total revenues	\$ 7,321,982	\$ 8,129,511	\$(807,529)	-9.9%	\$ 7,762,922	\$(440,940)	-5.7%
Power supply cost							
Purchased power cost	3,373,475	3,461,211	87,736	2.5%	3,587,033	213,558	-6.0%
Sales for Resale	21,479	676,651	655,172	96.8%	127,690	106,211	-83.2%
Transmission	1,097,358	991,885	(105,473)	-10.6%	954,444	(142,914)	15.0%
Total Power supply cost	4,492,313	5,129,747	637,434	-12.4%	4,669,167	176,855	-3.8%
Gross Margin	\$ 2,829,669	\$ 2,999,764	\$(170,095)	-5.7%	\$ 3,093,755	\$(264,086)	8.5%
Operating expenses							
Distribution: Operations & Mtce	982,157	1,036,139	53,982	5.2%	955,177	(26,980)	2.8%
Customer accounts	218,821	223,143	4,322	1.9%	202,860	(15,961)	7.9%
Administrative & general	316,742	292,738	(24,004)	-8.2%	296,406	(20,336)	6.9%
Total operating expenses	\$ 1,517,720	\$ 1,552,020	\$ 34,300	2.2%	\$ 1,454,442	\$(63,278)	4.4%
Depreciation & amortization	475,078	457,842	(17,236)	-3.8%	447,807	(27,271)	6.1%
Gross revenue & receipts taxes	66,122	68,503	2,381	3.5%	68,618	2,496	-3.6%
Interest on long-term debt	245,362	255,555	10,193	4.0%	258,468	13,106	-5.1%
Other interest expenses	19,705	15,475	(4,230)	-27.3%	10,960	(8,745)	79.8%
Other Deductions	980	1,000	20	2.0%	-	(980)	N/A
Total depreciation & other expenses	807,247	798,375	\$(8,872)	1.1%	785,853	\$(21,394)	2.7%
Income from operations	\$ 504,702	\$ 649,369	\$(144,667)	-22.3%	\$ 853,460	\$(348,758)	40.9%
Interest income	560,549	608,925	(48,376)	-7.9%	611,875	(51,325)	-8.4%
Other income (expenses)	6,695	1,023	5,672	554.5%	795	5,901	742.6%
Other capital credits & dividends	454,098	315,000	139,098	44.2%	421,663	32,435	7.7%
Total non-operating margins	1,021,343	924,948	96,395	10.4%	1,034,333	\$(12,990)	-1.3%
Net income (loss)	1,526,045	1,574,317	\$(48,272)	-3.1%	1,887,793	\$(361,748)	19.2%
Extraordinary expenses	-	-	-	N/A	-	-	N/A
Total net income (loss)	\$ 1,526,045	\$ 1,574,317	\$(48,272)	-3.1%	\$ 1,887,793	\$(361,748)	19.2%

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

	March, 2016 Actual	March, 2016 Budget	Actual- Budget Variance Fav (Unfav) \$	%	March, 2015 Actual	Prior Year Variance Fav (Unfav) \$	%
Revenue							
Operating Revenue	21,249,088	22,194,469	(945,381)	-4.3%	22,238,963	(989,875)	-4.5%
Sales for Resale	173,055	2,684,859	(2,511,804)	-93.6%	650,714	(477,659)	73.4%
Total revenues	\$ 21,422,143	\$ 24,879,328	\$ (3,457,185)	-13.9%	\$ 22,889,677	\$ (1,467,534)	-6.4%
Power supply cost							
Purchased power cost	10,363,458	10,864,809	501,351	4.6%	11,120,385	756,927	6.8%
Sales for Resale	173,055	2,684,859	2,511,804	93.6%	650,714	477,659	-73.4%
Transmission:	3,110,601	3,006,971	(103,630)	-3.4%	2,869,748	(240,853)	8.4%
Total Power supply cost	13,647,114	16,556,639	2,909,525	-17.6%	14,640,847	993,734	-6.8%
Gross Margin	\$ 7,775,029	\$ 8,322,689	\$ (547,660)	-6.6%	\$ 8,248,830	\$ (473,801)	5.7%
Operating expenses							
Distribution: Operations & Mtce	3,245,503	3,184,000	(61,503)	-1.9%	2,978,054	(267,449)	9.0%
Customer accounts	645,961	672,253	26,292	3.9%	603,118	(42,843)	7.1%
Administrative & general	885,936	932,919	46,983	5.0%	910,927	24,991	-2.7%
Total operating expenses	4,777,400	4,789,172	11,772	0.2%	4,492,099	(285,302)	6.4%
Depreciation & amortization	1,422,958	1,373,732	(49,226)	-3.6%	1,340,290	(82,668)	6.2%
Gross revenue & receipts taxes	202,904	213,644	10,740	5.0%	212,059	9,155	-4.3%
Interest on long-term debt	752,730	760,065	7,335	1.0%	787,359	34,629	-4.4%
Other interest expenses	54,796	42,174	(12,622)	-29.9%	31,575	(23,221)	73.5%
Other deductions	1,426	3,000	1,574	52.5%	642	(784)	122.0%
Total depreciation & other exp	2,434,815	2,392,615	(42,200)	1.8%	2,371,926	(62,889)	2.7%
Income from operations	562,814	1,140,902	(578,088)	-50.7%	1,384,805	(821,991)	59.4%
Interest income	682,219	699,199	(16,980)	-2.4%	685,059	(2,841)	-0.4%
Other income (expenses)	7,763	4,107	3,656	89.0%	1,994	5,769	289.2%
Other capital credits & dividends	477,824	324,600	153,224	47.2%	452,442	25,382	5.6%
Total non-operating margins	1,167,806	1,027,906	139,900	13.6%	1,139,496	28,310	2.5%
Net income (loss)	1,730,620	2,168,808	(438,188)	-20.2%	2,524,301	(793,681)	31.4%
Extraordinary expenses	-	-	-	N/A	-	-	N/A
Total net income (loss)	\$ 1,730,620	\$ 2,168,808	\$ (438,188)	-20.2%	\$ 2,524,301	\$ (793,681)	31.4%

Vermont Electric Cooperative, Inc.
Balance Sheet (Assets)
March, 2016

	March, 2016 Actual	February, 2016 Actual	Variance Fav/(Unfav) \$	%	March, 2015 Actual	Variance Fav/(Unfav) \$	%
Electric plant, at cost:							
Electric plant in service	153,728,433	153,445,972	282,461	0.18%	142,288,142	11,440,291	8.04%
Less accumulated depreciation	(41,989,190)	(41,648,191)	340,999	0.82%	(39,195,156)	2,794,034	7.13%
Net electric plant in service	111,739,243	111,797,781	(58,538)	-0.05%	103,092,986	8,646,257	8.39%
Construction work in progress	3,334,971	2,769,610	565,361	20.41%	5,156,076	(1,821,106)	-35.32%
Net electric plant	115,074,214	114,567,391	506,823	0.44%	108,249,062	6,825,152	6.31%
Other assets:							
Non-utility property	65,697	65,697	-	0.00%	65,697	-	0.00%
Other investments	23,177,768	23,064,812	112,956	0.49%	22,934,882	242,886	1.06%
Deferred charges	841,009	817,232	23,776	2.91%	2,627,246	(1,786,237)	-67.99%
Total other assets	24,084,474	23,947,742	136,732	0.57%	25,627,825	(1,543,351)	-6.02%
Current assets:							
Cash	895,478	1,928,164	(1,032,686)	-53.56%	1,591,761	(696,283)	-43.74%
Notes receivable (net)	-	-	-	0.00%	-	-	#DIV/0!
Accounts receivable (net)	10,888,077	10,414,792	473,285	4.54%	11,257,129	(369,053)	-3.28%
Other receivables (net)	2,317,356	2,058,627	258,729	12.57%	6,301,010	(3,983,654)	-63.22%
Inventories	4,614,229	4,593,110	21,119	0.46%	3,898,629	715,600	18.36%
Prepaid expenses	631,039	632,762	(1,722)	-0.27%	591,849	39,190	6.62%
Total current assets	19,346,179	19,627,454	(281,275)	-1.43%	23,640,378	(4,294,199)	-18.16%
Total assets	\$ 158,504,867	\$ 158,142,586	\$ 362,280	0.23%	\$ 157,517,265	\$ 987,601	0.63%

Vermont Electric Cooperative, Inc.
Balance Sheet (Liabilities & Equity)
March, 2016

	March, 2016 Actual	February, 2016 Actual	Variance Fav/(Unfav) \$	Variance Fav/(Unfav) %	March, 2015 Actual	Variance Fav/(Unfav) \$	Variance Fav/(Unfav) %
Equities:							
Memberships issued & subscribed	-	-	-	0.00%	-	-	0.00%
Patronage capital assignable	3,656,525	(1)	3,656,526	100.00%	3,671,408	(14,883)	-0.41%
Other earnings	63,932,372	66,064,074	(2,131,701)	-3.33%	61,507,628	2,424,744	3.79%
Contributions in aid of construction	-	-	-	0.00%	-	-	0.00%
Net equity	67,588,897	66,064,072	1,524,825	2.26%	65,179,036	2,409,861	3.57%
Long-term debt	65,194,149	65,807,895	(613,746)	-0.94%	68,513,596	(3,319,446)	-5.09%
Capital leases - non current	315,056	308,790	6,266	1.99%	261,478	53,578	17.01%
Current liabilities:							
Current portion of long-term debt	3,365,485	3,365,485	-	0.00%	3,341,063	24,422	0.73%
Line of Credit	11,000,000	10,338,443	661,557	6.01%	8,854,364	2,145,636	19.51%
Accounts payable	6,406,818	7,289,849	(883,031)	-13.78%	7,053,256	(646,439)	-10.09%
Customer deposits	579,675	585,394	(5,719)	-0.99%	586,323	(6,648)	-1.15%
Other accrued expenses	3,634,183	3,947,308	(313,125)	-8.62%	3,420,386	213,798	5.88%
Total current liabilities	24,986,161	25,526,479	(540,318)	-2.16%	23,255,391	1,730,770	6.93%
Deferred credits	420,603	435,350	(14,747)	-3.51%	307,764	112,839	26.83%
Total liabilities and equity	\$ 158,504,867	\$ 158,142,586	\$ 362,280	0.23%	\$ 157,517,265	\$ 987,601	0.63%

Vermont Electric Cooperative, Inc.
Statement of Cash Flows

	Month		Year-to-date		* Variance Fav (Unfav)
	March, 2016 Actual	March, 2015 Actual	March, 2016 Actual	March, 2015 Actual	
Cash flows from operating activities:					
Net income	\$ 1,526,045	\$ 1,887,793	\$ 1,730,620	\$ 2,524,301	(793,681)
Noncash expenses (income) included in earnings:					
Depreciation & amortization	\$ 587,294	\$ 500,635	\$ 1,592,963	\$ 1,447,171	145,791
(Gain) loss on sale of investments	\$ -	\$ -	\$ -	\$ -	-
(Gain) loss on sale of fixed assets	\$ (530)	\$ (530)	\$ (1,590)	\$ (1,590)	-
Changes in assets and liabilities:					
Decrease (increase) in notes receivable	\$ -	\$ -	\$ -	\$ -	-
Decrease (increase) in accounts receivable	\$ (473,285)	\$ 306,418	\$ (702,313)	\$ (157,903)	(544,410)
Decrease (increase) in other receivable	\$ (258,729)	\$ (1,785,782)	\$ (106,133)	\$ (2,399,569)	2,293,436
Decrease (increase) in inventories	\$ (21,119)	\$ 154,616	\$ (383,912)	\$ (33,300)	(350,611)
Decrease (increase) in prepayments	\$ 1,722	\$ 50,170	\$ (160,588)	\$ (28,234)	(132,354)
Decrease (increase) in deferred charges	\$ (20,917)	\$ (4,460)	\$ (10,517)	\$ 8,802	(19,318)
Increase (decrease) in accounts payable	\$ (883,031)	\$ (1,554,579)	\$ (610,495)	\$ (2,601,507)	1,991,012
Increase (decrease) in customer deposits	\$ (5,719)	\$ (5,987)	\$ (7,608)	\$ 6,231	(13,839)
Increase (decrease) in accrued expenses	\$ (313,125)	\$ (59,844)	\$ 784,451	\$ 462,875	321,576
Increase (decrease) in deferred credits	\$ (14,747)	\$ (11,599)	\$ 237,505	\$ 92,194	145,311
Net cash provided (used) by operating activities	123,859	(523,151)	2,362,383	(680,529)	3,042,912
Cash flows from investing activities:					
Additions to electric plant in service and construction work in progress	\$ (1,133,078)	\$ (1,772,775)	\$ (3,534,497)	\$ (3,899,498)	365,002
Proceeds from retirements of electric plant in service	\$ 36,632	\$ 48,975	\$ 173,602	\$ 532,871	(359,269)
Return on capital investments	\$ (105,237)	\$ (97,415)	\$ (114,662)	\$ (111,777)	(2,885)
Proceeds (payments) from sale (purchase) of investment:	\$ -	\$ -	\$ -	\$ -	-
Net cash provided (used) in investing activities	(1,201,683)	(1,821,215)	(3,475,557)	(3,478,404)	2,847
Cash flows from financing activities:					
Proceeds from borrowings LOC	\$ -	\$ -	\$ -	\$ -	-
Payments to creditors LOC	\$ 661,557	\$ 3,052,171	\$ 1,800,000	\$ 5,854,364	(4,054,364)
Payments to creditors Long-Term	\$ (615,199)	\$ (222,242)	\$ (932,930)	\$ (974,178)	41,248
Patronage Capital Retirements - Net	\$ (1,220)	\$ (75)	\$ (3,999)	\$ (6,145)	2,145
Memberships issued, net of refunds	\$ -	\$ -	\$ -	\$ -	-
Additions to donated capital, net	\$ -	\$ 6	\$ 9	\$ 6	3
Net cash provided (used) by financing activities	45,138	2,829,861	863,079	4,874,047	(4,010,968)
Net increase (decrease) in cash and equivalents	(1,032,686)	485,494	(250,094)	715,114	(965,209)
Cash & cash equivalents at beginning of period	\$ 1,928,164	\$ 1,106,267	\$ 1,145,572	\$ 876,647	268,925
Cash & cash equivalents at end of period	\$ 895,478	\$ 1,591,761	\$ 895,478	\$ 1,591,761	\$ (696,283)