

Financial Highlights – March, 2017

	<u>Variance (K's)</u>	<u>YTD Variance (K's)</u>
March Net Income	\$745	\$1,238

Analysis:

• Operating Revenue	\$321	\$604
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KWH sales in March are \$178k less than budget for the month but \$578k better YTD. The average price/KWH sold is \$43k better than budget for the month but \$163k less for the year. Degree days for the year are 15% less than normal but are consistent with the previous year. Non-energy services, pole attachments, and wheeling revenues are \$1k less than budget for the month and \$8k less for the year. Unbilled revenues are \$380k better than budget for the month and \$97k better for the year. The sale of Renewable Energy Credits is \$77k better than budget for the month and \$100k better YTD.

• Purchased Power Costs	\$78	(\$38)
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Purchased KWH is over budget by \$66k for the month but is under \$39k for the year. Our overall costs/KWH is \$144k under budget for the month but is \$77k over YTD.

• Transmission Costs	\$13	\$39
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Transmission support for substations and supervision is \$9k under budget for the month and \$29k under YTD. Transmission by Others \$2k under budget for the month and YTD. Maintenance for SCADA and overhead lines is \$8k under budget for the month and \$23k under for the year. Transmission vegetative maintenance is over budget by \$6k for the month and \$15k over for the year.

• Distribution Operations/Mtce	\$148	\$472
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Major Storm costs are under budget by \$70k for the month and \$211k for the year. Meter/AMI Expense is \$4k under budget for the month and \$21k under for the year. Supervisory related costs are over budget by \$6k for the month but are under \$18k YTD. Overall Distribution Maintenance costs are \$3k under for the month and \$72k under YTD. Miscellaneous Distribution and Customer Installation expenses are over budget by \$9k for the month and \$5k over YTD. Distribution vegetative maintenance program spending is under budget by \$86k for the month and \$155k YTD. The overall vegetative maintenance program (transmission + distribution) is \$81k under budget for the month and \$140k under for the year.

• Customer Accounts	(\$2)	(\$6)
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Meter Reading & Disconnect Services are \$2k over budget for the month but are \$3k under YTD. Member Services are \$10k under budget for the month and \$18k under for the year. Uncollectible Accounts are over budget \$6k for the month and \$19k over YTD. Patronage Capital expenses are \$2k over for the month and \$4k over for the year. Communications and SQRP Costs are \$2k over budget for the month and \$5k over for the year.

- **Administrative & General** (\$23) (\$3)

Regulatory related expenses are under budget by \$2k for the month and \$35k YTD. Payroll and Benefits are over budget by \$18k for the month and \$73k over YTD. Outside Services is \$5k over budget for the month and \$2k over YTD. Director Expenses are \$4k under budget for the month and \$11k under YTD. Internal costs incurred for Community Solar and TIER 3 Projects are \$18k under budget for the month and \$57k under YTD. Expenses for Coop-life, Business Development, Dues, and Meeting expenses are over budget by \$28k for the month and \$43k YTD. Office related expenses are under budget by \$7k for the month and \$14k for the year. Safety and Facility related expenses are over budget by \$4k for the month and \$3k over YTD.

- **Total Depreciation & Other Exp** \$8 (\$25)

Depreciation expense is over budget by \$4k for the month and \$32k YTD. Interest expense is under budget by \$18k for the month and \$19k YTD. Gross Receipt & Revenue Taxes are \$1k under budget for the month but are \$5k over for the year. Other Expenses are \$7k over budget for the month and YTD.

- **Total Non-Operating Margins** \$201 \$195

Patronage Dividends from CFC, CoBank and NISC are better than budget by \$145k for the month and \$169k for the year. Interest Income is on budget for the month and is \$31k less than budget YTD. Miscellaneous Jobbing Revenue and other expenses are \$56k better than budget for the month and year.

- **Capital Spending Plan** (\$62) (\$29)

Transformers and increased capacity are under budget by \$59k for the month and \$131k for the year. Line projects and Ordinary Replacements are \$58k under budget for the month and \$135k under YTD, Pole Replacements are under budget by \$53k for the month and \$59k for the year. SCADA projects are over budget by \$39k for the month and \$43k over YTD. New Services and Construction are \$267k over budget for the month and \$388k over for the year. Facilities, Fleet and IT projects are under budget by \$56k for the month and \$115k for the year. Substation projects are \$1k under budget for the month but \$36k over for the year. Security lights are under budget \$2k for the month and \$12k YTD. Meters and AMI are over budget \$31k for the month and \$44k for the year. Tools are under budget \$46k for the month and \$50k under YTD. TIER 3 CAP Projects have a negative variance to budget of \$20k YTD.

TIER and Debt Service Coverage

We expect the 2017 Operating budget to be on target with our approved budgeted TIER of 2.18. Our Debt Service payments for 2017 are projected to be \$7.3 million.

Cash Flow and Line of Credit

In March, we used up to a peak of \$3.3M on our line of credit on March 27th. The April high for the line of credit is expected to be \$2.9M 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 1.20, up from February at 1.06. VEC's FFO ratio for 2016 YTD ("Funds from Operations/Capital Expenditures Ratio"; Target of 80% desirable) is 1.47, up from February at .94.

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

	March, 2017 Actual	March, 2017 Budget	Actual- Budget Variance Fav (Unfav) \$	%	March, 2016 Actual	Prior Year Variance Fav (Unfav) \$	%
Revenue							
Operating Revenue	7,705,648	7,384,309	321,339	4.4%	7,300,503	405,145	5.5%
Sales for Resale	174,436	123,272	51,164	41.5%	21,479	152,957	-712.1%
Total revenues	\$ 7,880,084	\$ 7,507,581	\$ 372,503	5.0%	\$ 7,321,982	\$ 558,102	7.6%
Power supply cost							
Purchased power cost	3,277,332	3,355,639	78,307	2.3%	3,373,475	96,143	-2.8%
Sales for Resale	174,436	123,272	(51,164)	-41.5%	21,479	(152,957)	712.1%
Transmission	1,035,743	1,048,642	12,899	1.2%	1,097,358	61,615	-5.6%
Total Power supply cost	4,487,511	4,527,554	40,042	-0.9%	4,492,313	4,801	-0.1%
Gross Margin	\$ 3,392,573	\$ 2,980,028	\$ 412,545	13.8%	\$ 2,829,669	\$ 562,904	-19.9%
Operating expenses							
Distribution: Operations & Mtce	890,489	1,038,457	147,968	14.2%	982,157	91,668	-9.3%
Customer accounts	231,238	229,430	(1,807)	-0.8%	218,821	(12,416)	5.7%
Administrative & general	329,182	306,130	(23,052)	-7.5%	316,742	(12,439)	3.9%
Total operating expenses	\$ 1,450,908	\$ 1,574,017	\$ 123,109	7.8%	\$ 1,517,720	\$ 66,812	-4.4%
Depreciation & amortization	489,623	485,273	(4,350)	-0.9%	475,078	(14,545)	3.1%
Gross revenue & receipts taxes	65,046	66,015	969	1.5%	66,122	1,076	-1.6%
Interest on long-term debt	280,222	291,979	11,757	4.0%	245,362	(34,859)	14.2%
Other interest expenses	5,945	12,687	6,741	53.1%	19,705	13,760	-69.8%
Other Deductions	8,165	1,000	(7,165)	-716.5%	980	(7,185)	733.5%
Total depreciation & other expenses	849,001	856,953	7,953	-0.9%	807,247	(41,754)	5.2%
Income from operations	\$ 1,092,664	\$ 549,057	\$ 543,607	99.0%	\$ 504,702	\$ 587,962	-116.5%
Interest income	864,334	864,418	(84)	0.0%	560,549	303,784	54.2%
Other income (expenses)	62,551	6,585	55,966	849.9%	6,695	55,856	834.3%
Other capital credits & dividends	492,900	347,522	145,377	41.8%	454,098	38,801	8.5%
Total non-operating margins	1,419,784	1,218,525	201,259	16.5%	1,021,343	398,441	39.0%
Net income (loss)	2,512,448	1,767,582	744,866	42.1%	1,526,045	986,403	-64.6%
Extraordinary expenses	-	-	-	N/A	-	-	N/A
Total net income (loss)	\$ 2,512,448	\$ 1,767,582	\$ 744,866	42.1%	\$ 1,526,045	\$ 986,403	-64.6%

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

	March, 2017 Actual	March, 2017 Budget	Actual- Budget Variance Fav (Unfav) \$	%	March, 2016 Actual	Prior Year Variance Fav (Unfav) \$	%
Revenue							
Operating Revenue	21,558,052	20,953,619	604,433	2.9%	21,249,088	308,964	1.5%
Sales for Resale	527,102	472,995	54,107	11.4%	173,055	354,047	-204.6%
Total revenues	\$ 22,085,154	\$ 21,426,614	\$ 658,540	3.1%	\$ 21,422,143	\$ 663,011	3.1%
Power supply cost							
Purchased power cost	10,040,334	10,002,548	(37,786)	-0.4%	10,363,458	323,123	-3.1%
Sales for Resale	527,102	472,995	(54,107)	-11.4%	173,055	(354,047)	204.6%
Transmission:	3,110,059	3,149,432	39,373	1.3%	3,110,601	543	0.0%
Total Power supply cost	13,677,495	13,624,976	(52,519)	0.4%	13,647,114	(30,381)	0.2%
Gross Margin	\$ 8,407,659	\$ 7,801,638	\$ 606,020	7.8%	\$ 7,775,029	\$ 632,630	-8.1%
Operating expenses							
Distribution: Operations & Mtce	2,696,636	3,168,600	471,963	14.9%	3,245,503	548,867	-16.9%
Customer accounts	657,322	650,853	(6,469)	-1.0%	645,961	(11,361)	1.8%
Administrative & general	925,178	921,724	(3,454)	-0.4%	885,936	(39,242)	4.4%
Total operating expenses	4,279,136	4,741,176	462,040	9.7%	4,777,400	498,264	-10.4%
Depreciation & amortization	1,479,899	1,448,257	(31,642)	-2.2%	1,422,958	(56,941)	4.0%
Gross revenue & receipts taxes	205,289	200,678	(4,611)	-2.3%	202,904	(2,385)	1.2%
Interest on long-term debt	866,070	863,231	(2,839)	-0.3%	752,730	(113,340)	15.1%
Other interest expenses	13,977	35,662	21,684	60.8%	54,796	40,819	-74.5%
Other deductions	10,491	3,000	(7,491)	-249.7%	1,426	(9,065)	635.7%
Total depreciation & other ext	2,575,727	2,550,828	(24,899)	1.0%	2,434,815	(140,912)	5.8%
Income from operations	1,552,795	509,634	1,043,161	204.7%	562,814	989,982	-175.9%
Interest income	916,902	947,762	(30,860)	-3.3%	682,219	234,684	34.4%
Other income (expenses)	64,293	7,862	56,431	717.7%	7,763	56,530	728.2%
Other capital credits & dividends	524,036	354,933	169,102	47.6%	477,824	46,211	9.7%
Total non-operating margins	1,505,231	1,310,557	194,673	14.9%	1,167,806	337,425	28.9%
Net income (loss)	3,058,026	1,820,191	1,237,835	68.0%	1,730,620	1,327,406	-76.7%
Extraordinary expenses	-	-	-	N/A	-	-	N/A
Total net income (loss)	\$ 3,058,026	\$ 1,820,191	\$ 1,237,835	68.0%	\$ 1,730,620	\$ 1,327,406	-76.7%

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

	March, 2017 Actual	February, 2017 Actual	Variance Fav/(Unfav) \$	%	March, 2016 Actual	Variance Fav/(Unfav) \$	%
Electric plant, at cost:							
Electric plant in service	162,487,013	163,386,761	(899,748)	-0.55%	153,728,433	8,758,580	5.70%
Less accumulated depreciation	(45,827,552)	(45,407,006)	420,546	0.93%	(41,989,190)	3,838,362	9.14%
Net electric plant in service	116,659,461	117,979,756	(1,320,294)	-1.12%	111,739,243	4,920,218	4.40%
Construction work in progress	1,672,148	1,433,248	238,900	16.67%	3,334,971	(1,662,822)	-49.86%
Net electric plant	118,331,609	119,413,003	(1,081,394)	-0.91%	115,074,214	3,257,396	2.83%
Other assets:							
Non-utility property	65,697	65,697	-	0.00%	65,697	-	0.00%
Other investments	30,479,597	30,344,149	135,448	0.45%	23,177,768	7,301,829	31.50%
Deferred charges	149,271	149,433	(162)	-0.11%	841,009	(691,738)	-82.25%
Total other assets	30,694,564	30,559,278	135,286	0.44%	24,084,474	6,610,091	27.45%
Current assets:							
Cash	1,868,843	1,361,525	507,318	37.26%	895,478	973,365	108.70%
Notes receivable (net)	-	-	-	0.00%	-	-	#DIV/0!
Accounts receivable (net)	11,106,334	10,657,729	448,605	4.21%	10,888,077	218,257	2.00%
Other receivables (net)	2,367,290	2,071,751	295,539	14.27%	2,317,356	49,933	2.15%
Inventories	5,278,902	4,387,169	891,733	20.33%	4,614,229	664,673	14.40%
Prepaid expenses	546,385	480,092	66,292	13.81%	631,039	(84,655)	-13.42%
Total current assets	21,167,753	18,958,266	2,209,487	11.65%	19,346,179	1,821,573	9.42%
Total assets	\$ 170,193,927	\$ 168,930,548	\$ 1,263,379	0.75%	\$ 158,504,867	\$ 11,689,060	7.37%

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

	March, 2017 Actual	February, 2017 Actual	Variance Fav/(Unfav) \$	Variance Fav/(Unfav) %	March, 2016 Actual	Variance Fav/(Unfav) \$	Variance Fav/(Unfav) %
Equities:							
Memberships issued & subscribed	-	-	-	0.00%	-	-	0.00%
Patronage capital assignable	4,297,653	(2)	4,297,655	100.00%	3,656,525	641,128	14.92%
Other earnings	68,450,387	70,250,225	(1,799,838)	-2.63%	63,932,372	4,518,014	6.60%
Contributions in aid of construction	-	-	-	0.00%	-	-	0.00%
Net equity	72,748,039	70,250,223	2,497,817	3.43%	67,588,897	5,159,142	7.09%
Long-term debt	79,178,260	79,896,464	(718,204)	-0.91%	65,194,149	13,984,111	17.66%
Capital leases - non current	370,596	359,916	10,680	2.88%	315,056	55,540	14.99%
Current liabilities:							
Current portion of long-term debt	3,817,835	3,817,835	-	0.00%	3,365,485	452,350	11.85%
Line of Credit	3,400,000	2,100,000	1,300,000	38.24%	11,000,000	(7,600,000)	-223.53%
Accounts payable	5,919,754	5,780,033	139,721	2.36%	6,406,818	(487,063)	-8.23%
Customer deposits	1,173,815	1,132,555	41,260	3.52%	579,675	594,140	50.62%
Other accrued expenses	3,322,318	5,027,343	(1,705,025)	-51.32%	3,634,183	(311,866)	-9.39%
Total current liabilities	17,633,722	17,857,766	(224,044)	-1.27%	24,986,161	(7,352,439)	-41.70%
Deferred credits	263,309	566,179	(302,870)	-115.02%	420,603	(157,294)	-59.74%
Total liabilities and equity	\$ 170,193,927	\$ 168,930,548	\$ 1,263,379	0.74%	\$ 158,504,867	\$ 11,689,060	7.37%

Vermont Electric Cooperative, Inc.
Statement of Cash Flows

	Month		Year-to-date		Variance Fav (Unfav)
	March, 2017 Actual	March, 2016 Actual	March, 2017 Actual	March, 2016 Actual	
Cash flows from operating activities:					
Net income	\$ 2,512,448	\$ 1,526,045	\$ 3,058,026	\$ 1,730,620	\$ 1,327,406
Noncash expenses (income) included in earnings:					
Depreciation & amortization	\$ 510,034	\$ 587,294	\$ 1,551,772	\$ 1,592,963	\$ (41,191)
(Gain) loss on sale of investments	\$ -	\$ -	\$ -	\$ -	\$ -
(Gain) loss on sale of fixed assets	\$ (530)	\$ (530)	\$ (1,841)	\$ (1,590)	\$ (251)
Changes in assets and liabilities:					
Decrease (increase) in notes receivable	\$ -	\$ -	\$ -	\$ -	\$ -
Decrease (increase) in accounts receivable	\$ (448,605)	\$ (473,285)	\$ (1,128,115)	\$ (702,313)	\$ (425,802)
Decrease (increase) in other receivable	\$ (295,539)	\$ (258,729)	\$ (453,940)	\$ (106,133)	\$ (347,808)
Decrease (increase) in inventories	\$ (891,733)	\$ (21,119)	\$ (998,589)	\$ (383,912)	\$ (614,677)
Decrease (increase) in prepayments	\$ (66,292)	\$ 1,722	\$ (94,421)	\$ (160,588)	\$ 66,167
Decrease (increase) in deferred charges	\$ 3,021	\$ (20,917)	\$ 5,934	\$ (10,517)	\$ 16,450
Increase (decrease) in accounts payable	\$ 139,721	\$ (883,031)	\$ (272,366)	\$ (610,495)	\$ 338,129
Increase (decrease) in customer deposits	\$ 41,260	\$ (5,719)	\$ 133,652	\$ (7,608)	\$ 141,259
Increase (decrease) in accrued expenses	\$ (1,705,025)	\$ (313,125)	\$ (1,517,232)	\$ 784,451	\$ (2,301,683)
Increase (decrease) in deferred credits	\$ (302,870)	\$ (14,747)	\$ (133,082)	\$ 237,505	\$ (370,587)
Net cash provided (used) by operating activities	(504,109)	123,859	149,797	2,362,383	(2,212,586)
Cash flows from investing activities:					
Additions to electric plant in service and construction work in progress	\$ (913,396)	\$ (1,133,078)	\$ (2,837,391)	\$ (3,534,497)	\$ 697,106
Proceeds from retirements of electric plant in service	\$ 1,482,427	\$ 36,632	\$ 2,396,991	\$ 173,602	\$ 2,223,389
Return on capital investments	\$ (123,225)	\$ (105,237)	\$ (137,907)	\$ (114,662)	\$ (23,245)
Proceeds (payments) from sale (purchase) of investment:	\$ -	\$ -	\$ -	\$ -	\$ -
Net cash provided (used) in investing activities	445,806	(1,201,683)	(578,307)	(3,475,557)	2,897,250
Cash flows from financing activities:					
Proceeds from borrowings LOC	\$ -	\$ -	\$ -	\$ -	\$ -
Proceeds from borrowings Long-Term	\$ -	\$ -	\$ -	\$ -	\$ -
Payments to creditors LOC	\$ 1,300,000	\$ 661,557	\$ 1,100,000	\$ 1,800,000	\$ (700,000)
Payments to creditors Long-Term	\$ (719,747)	\$ (615,199)	\$ (1,091,350)	\$ (932,930)	\$ (158,419)
Patronage Capital Retirements - Net	\$ (14,632)	\$ (1,220)	\$ (19,944)	\$ (3,999)	\$ (15,945)
Memberships issued, net of refunds	\$ -	\$ -	\$ -	\$ -	\$ -
Additions to donated capital, net	\$ -	\$ -	\$ -	\$ 9	\$ (9)
Net cash provided (used) by financing activities	565,621	45,138	(11,294)	863,079	(874,373)
Net increase (decrease) in cash and equivalents	507,318	(1,032,686)	(439,804)	(250,094)	(189,710)
Cash & cash equivalents at beginning of period	\$ 1,361,525	\$ 1,928,164	\$ 2,308,647	\$ 1,145,572	\$ 1,163,075
Cash & cash equivalents at end of period	\$ 1,868,843	\$ 895,478	\$ 1,868,843	\$ 895,478	\$ 973,365