

VERMONT ELECTRIC COOPERATIVE, INC.
UNAUDITED FINANCIAL REPORTING
FOR THE MONTH AND THREE MONTHS ENDED:
MARCH, 2012

Financial Highlights – March, 2012

	<u>Variance (K's)</u>	<u>YTD Variance (K's)</u>
March Net Income	\$489	\$747

Analysis:

- Operating Revenue**
\$59
(\$71)

Sold KWH in March was 1% better than budget for a positive variance of \$52k and \$36k YTD. Degree days for the first three months were 22% lower than normal and 21% lower than last year. The average price/KWH sold was 1% and \$50k lower than budget for the month and 1% and \$228K lower YTD. Non-energy services, pole attachments, and wheeling revenues contributed more revenue than expected of \$25k in March and \$37k YTD. Unbilled revenues were \$149k under budget for March and \$96k under YTD. In March we booked our first sale of Renewable Energy Credits to revenue following GAAP which created a positive variance of \$181k in revenues (REC's were actually budgeted in 2012 as part of our power supply costs).

- Purchased Power Costs**
\$122
\$393

Purchased KWH was 2% and \$66k better than budget in March and 1% and \$77k better YTD. Our overall costs/KWH was 2% and \$56k better than budget for the month and \$3% and \$316k YTD.

- Transmission Costs**
\$47
\$96

Transmission by Others is better than budget by \$17k in March and \$36k better YTD. Control Center costs for transmission support resulted in a positive variance of \$42k in March and \$35k YTD. Maintenance of overhead lines is better than budget by \$9k in March and \$19k YTD. Slightly offsetting positive variances, Property Taxes were over budget by \$4k in March and \$12k YTD. Transmission vegetative maintenance is over budget by \$18k for the month but is under budget \$17k under YTD.

- Distribution Operations/Mtce**
\$12
\$34

Major Storm costs have a positive variance to budget of \$98k in March and \$278k YTD. Overhead and Underground Maintenance costs were under budget by \$81k in March and \$134k YTD. Load Dispatching and Metering expenses were under budget by \$2k but are over budget by \$33k YTD. Distribution vegetative maintenance program spending was over budget by \$168k in March and \$340k YTD. The overall vegetative maintenance program (transmission + distribution) is \$186k over budget for March and \$323k YTD.

- Customer Accounts**
\$2
(\$8)

Meter reading & meter disconnects are \$5k better than budget in March and \$10k YTD. Member Services had a negative variance to budget by \$9k in March and \$38k. This is partially offset by a positive variance in Communications by \$3k for the month and \$12k YTD. The SQRP related costs are \$3k under budget for the month and \$8k YTD.

- Administrative & General**
\$0
\$24

Payroll & Benefits were over budget by \$5k in March and \$38k YTD. This is partially offset by a positive variance in Outside Services of \$9k in March and \$30k YTD.

Regulatory Costs are under budget by \$8k in March and \$7k YTD. Cost related to Coop-life and annual meeting created a negative variance of \$8k in March but has a positive variance of \$27k YTD. Facility Maintenance and Safety related costs were under budget by \$5k for the month but over by \$2k YTD.

• **Total Depreciation & Other Exp** **\$15** **\$16**

Depreciation expense is over budget by \$12k in March and \$35k YTD largely related to greater than expected general plant assets closed to plant in service in 2011. Interest expense was better than budget by \$25k in March and \$44k YTD resulting from lower rates from CoBank's fixed short-term variable program and less overall usage on our line of credit.

• **Total Non-Operating Margins** **\$232** **\$263**

Patronage Dividends from CoBank and NISC created a positive variance of \$240k for the month and \$262k YTD. CoBank's \$240k positive variance this month is temporary occurring two months ahead of original budget expectations. However, \$95k of our YTD positive variance is from non-cash patronage and does not count towards TIER. Interest Income was under budget by \$9k for the month and YTD. Services for Other Utilities have a positive variance of \$1k in March and \$10k YTD.

• **Capital Spending Plan** **\$80** **(\$8)**

KCW & NEK projects were under budget by \$269k in March and \$793k YTD due to project timing. Facility projects along with Tools and Equipment is over budget by \$22k in March and by \$118k YTD. DOE Smart Grid Projects were under budget by \$42k in March but is over budget by \$178k YTD. Pole Replacements, Line Changes, Cutouts, and New Services are over budget by \$186k in March and \$421k YTD. Transmission projects and Substation Construction are under budget by \$8k in March but are over budget by \$79k YTD. Construction at the Jay Resort Substation created a negative variance of \$69k in March and \$71k YTD. Transformers and Underground Distribution projects are under budget by \$27k in March and by \$67k YTD.

TIER and Debt Service Coverage

We are projecting that VEC will be on track with our approved budget of a 2.18 TIER. Our Debt Service payments for 2012 are expected to be \$5.1 million.

Cash Flow and Line of Credit

In March, we used up to a peak of \$5.1M on our line of credit on March 22nd. It is expected the April high for the line of credit will be \$5.5M on April 20th.

Balance Sheet

Our equity ratio in March is 42.7% an increase from February's 41.93%. Our current ratio, a measure of liquidity, is .92, a slight increase from February at .91. VEC's FFO ratio for 2012 YTD ("Funds from Operations/Capital Expenditures Ratio"; Target of 80% desirable) is 1.44 up from January at 1.22.

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

	March, 2012 Actual	March, 2012 Budget	Actual - Budget Variance Fav (Unfav) \$	%	March, 2011 Actual	Variance Fav (Unfav) \$	Prior Year Variance Fav (Unfav) \$	%
Revenue								
Operating Revenue	6,631,461	6,572,503	58,958	0.9%	6,717,048	(85,587)	(85,587)	-1.3%
Sales for Resale	64,334	94,130	(29,796)	-31.7%	78,067	(13,733)	(13,733)	17.6%
Total revenues	\$ 6,695,795	\$ 6,666,633	\$ 29,162	0.4%	\$ 6,795,115	\$ (99,320)	\$ (99,320)	-1.5%
Power supply cost								
Purchased power cost	3,030,995	3,152,663	121,669	3.9%	3,282,349	251,355	251,355	-7.7%
Sales for Resale	64,334	94,130	29,796	31.7%	78,067	13,733	13,733	-17.6%
Transmission	752,533	799,274	46,740	5.8%	761,403	8,869	8,869	-1.2%
Total Power supply cost	3,847,862	4,046,067	198,205	-4.9%	4,121,819	273,957	273,957	-6.6%
Gross Margin	\$ 2,847,933	\$ 2,620,566	\$ 227,367	8.7%	\$ 2,673,296	\$ 174,637	\$ 174,637	-6.5%
Operating expenses								
Distribution: Operations & Mtce	893,489	905,971	12,482	1.4%	775,646	(117,843)	(117,843)	15.2%
Customer accounts	198,307	200,074	1,767	0.9%	182,993	(15,314)	(15,314)	8.4%
Administrative & general	280,078	280,255	177	0.1%	287,602	7,523	7,523	-2.6%
Total operating expenses	\$ 1,371,873	\$ 1,386,300	\$ 14,426	1.0%	\$ 1,246,240	\$ (125,633)	\$ (125,633)	10.1%
Depreciation & amortization	332,885	321,161	(11,724)	-3.7%	308,733	(24,152)	(24,152)	7.8%
Gross revenue & receipts taxes	59,145	61,999	2,853	4.6%	59,354	209	209	-0.4%
Interest on long-term debt	232,906	246,717	13,810	5.6%	245,904	12,997	12,997	-5.3%
Other interest expenses	9,633	20,368	10,734	52.7%	9,567	(67)	(67)	0.7%
Other Deductions	3,880	3,100	(780)	-25.2%	68	(3,812)	(3,812)	5597.4%
Total depreciation & other expenses	638,450	653,344	14,894	-2.3%	623,625	(14,825)	(14,825)	2.4%
Income from operations	\$ 837,609	\$ 580,922	\$ 256,687	44.2%	\$ 803,431	\$ 34,179	\$ 34,179	-4.3%
Interest income	330,721	339,464	(8,743)	-2.6%	352,108	(21,386)	(21,386)	-6.1%
Other income (expenses)	1,988	1,441	547	38.0%	(48,075)	50,063	50,063	-104.1%
Other capital credits & dividends	240,469	-	240,469	N/A	268,750	(28,281)	(28,281)	-10.5%
Total non-operating margins	573,178	340,905	232,274	68.1%	572,782	396	396	0.1%
Net income (loss)	1,410,788	921,827	488,961	53.0%	1,376,213	34,575	34,575	-2.5%
Extraordinary expenses	-	-	-	N/A	-	-	-	N/A
Total net income (loss)	\$ 1,410,788	\$ 921,827	\$ 488,961	53.0%	\$ 1,376,213	\$ 34,575	\$ 34,575	-2.5%

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

	March, 2012 Actual	March, 2012 Budget	Actual - Budget Variance Fav (Unfav) \$	%	March, 2011 Actual	Prior Year Variance Fav (Unfav) \$	%
Revenue							
Operating Revenue	19,783,727	19,854,237	(70,510)	-0.4%	19,807,028	(23,300)	-0.1%
Sales for Resale	213,559	523,635	(310,076)	-59.2%	232,575	(19,016)	8.2%
Total revenues	\$ 19,997,286	\$ 20,377,873	\$ (380,586)	-1.9%	\$ 20,039,603	\$ (42,316)	-0.2%
Power supply cost							
Purchased power cost	9,291,773	9,685,121	393,349	4.1%	9,767,830	476,057	4.9%
Sales for Resale	213,559	523,635	310,076	59.2%	232,575	19,016	8.2%
Transmission:	2,369,082	2,464,778	95,696	3.9%	2,222,585	(146,498)	6.6%
Total Power supply cost	11,874,414	12,673,535	799,121	-6.3%	12,222,989	348,576	-2.9%
Gross Margin	\$ 8,122,872	\$ 7,704,338	\$ 418,535	5.4%	\$ 7,816,613	\$ 306,259	-3.9%
Operating expenses							
Distribution: Operations & Mfct	2,579,444	2,613,388	33,944	1.3%	2,355,753	(223,691)	9.5%
Customer accounts	579,262	570,968	(8,294)	-1.5%	593,062	13,800	-2.3%
Administrative & general	799,134	822,663	23,529	2.9%	824,707	25,573	-3.1%
Total operating expenses	3,957,840	4,007,019	49,180	1.2%	3,773,522	(184,318)	4.9%
Depreciation & amortization	993,738	958,963	(34,775)	-3.6%	925,184	(68,555)	7.4%
Gross revenue & receipts taxes	191,817	194,846	3,029	1.6%	191,538	(278)	0.1%
Interest on long-term debt	721,285	733,741	12,456	1.7%	758,336	37,051	-4.9%
Other interest expenses	25,707	57,472	31,765	55.3%	25,769	62	-0.2%
Other deductions	5,603	9,325	3,722	39.9%	10,690	5,087	-47.6%
Total depreciation & other ext	1,938,150	1,954,347	16,197	-0.8%	1,911,517	(26,633)	1.4%
Income from operations	2,226,883	1,742,971	483,911	27.8%	2,131,575	95,307	-4.5%
Interest income	394,458	403,201	(8,743)	-2.2%	415,845	(21,386)	-5.1%
Other income (expenses)	14,580	4,186	10,394	248.3%	(45,698)	60,279	-131.9%
Other capital credits & dividends	264,722	3,165	261,557	8264.1%	281,563	(16,841)	-6.0%
Total non-operating margins	673,761	410,552	263,209	64.1%	651,709	22,052	3.4%
Net income (loss)	2,900,644	2,153,524	747,120	34.7%	2,783,285	117,359	-4.2%
Extraordinary expenses	-	-	-	N/A	-	-	N/A
Total net income (loss)	\$ 2,900,644	\$ 2,153,524	\$ 747,120	34.7%	\$ 2,783,285	\$ 117,359	-4.2%

Vermont Electric Cooperative, Inc.
Balance Sheet (Assets)
March, 2012

	March, 2012 Actual	February, 2012 Actual	Variance Fav/(Unfav) \$	%	March, 2011 Actual	Variance Fav/(Unfav) \$	%
Electric plant, at cost:							
Electric plant in service	116,084,842	115,944,457	140,386	0.12%	108,719,589	7,365,253	6.77%
Less accumulated depreciation	(31,415,022)	(31,147,823)	267,199	0.86%	(28,746,891)	2,668,132	9.28%
Net electric plant in service	84,669,820	84,796,634	(126,814)	-0.15%	79,972,698	4,697,122	5.87%
Construction work in progress	8,616,361	7,522,705	1,093,656	14.54%	6,803,634	1,812,727	26.64%
Net electric plant	93,286,181	92,319,339	966,843	1.05%	86,776,332	6,509,849	7.50%
Other assets:							
Non-utility property	65,697	65,697	-	0.00%	65,697	-	0.00%
Other investments	14,048,994	13,995,479	53,516	0.38%	13,870,945	178,049	1.28%
Deferred charges	(50,858)	(62,322)	11,464	-18.39%	(256,220)	205,363	-80.15%
Total other assets	14,063,833	13,998,854	64,979	0.46%	13,680,422	383,412	2.80%
Current assets:							
Cash	976,196	726,848	249,348	34.31%	709,999	266,198	37.49%
Notes receivable (net)	-	-	-	0.00%	148	(148)	-100.00%
Accounts receivable (net)	9,856,179	9,834,828	21,351	0.22%	10,573,762	(717,584)	-6.79%
Other receivables (net)	1,226,798	1,127,368	99,430	8.82%	2,886,832	(1,660,035)	-57.50%
Inventories	3,058,271	3,377,415	(319,144)	-9.45%	2,869,997	188,274	6.56%
Prepaid expenses	483,947	463,772	20,175	4.35%	514,043	(30,096)	-5.85%
Total current assets	15,601,391	15,530,232	71,159	0.46%	17,554,783	(1,953,392)	-11.13%
Total assets	\$ 122,951,405	\$ 121,848,424	\$ 1,102,981	0.91%	\$ 118,011,537	\$ 4,939,869	4.19%

Vermont Electric Cooperative, Inc.
Balance Sheet (Liabilities & Equity)
March, 2012

	March, 2012	February, 2012	Variance Fav/(Unfav)	March, 2011	Variance Fav/(Unfav)
	Actual	Actual	\$ %	Actual	\$ %
Equities:					
Memberships issued & subscribed					
Patronage capital assignable	47,050,644	47,050,644	- 0.00%	24,286,494	22,764,150 48.38%
Other earnings	5,452,114	4,041,324	1,410,790 25.88%	5,356,682	95,432 1.75%
Contributions in aid of construction	-	-	- 0.00%	17,186,363	(17,186,363) 0.00%
Net equity	52,502,758	51,091,968	1,410,790 2.69%	46,829,539	5,673,218 10.81%
Long-term debt	52,981,538	53,169,940	(188,402) -0.36%	55,364,740	(2,383,202) -4.50%
Capital leases - non current	278,300	279,438	(1,138) -0.41%	292,399	(14,099) -5.07%
Current liabilities:					
Current portion of long-term debt	2,196,127.91	2,196,127.91	- 0.00%	2,146,343.23	49,785 2.27%
Line of Credit	4,250,000	3,700,000	550,000 12.94%	3,350,000	900,000 21.18%
Accounts payable	6,502,561	7,097,454	(594,893) -9.15%	6,242,701	259,860 4.00%
Customer deposits	537,379	524,459	12,921 2.40%	411,858	125,521 23.36%
Other accrued expenses	3,403,759	3,469,588	(65,830) -1.93%	2,993,202	410,556 12.06%
Total current liabilities	16,889,827	16,987,628	(97,802) -0.58%	15,144,105	1,745,722 10.34%
Deferred credits	298,983	319,450	(20,467) -6.85%	380,754	(81,772) -27.35%
Total liabilities and equity	\$ 122,951,405	\$ 121,848,424	\$ 1,102,981 0.90%	\$ 118,011,537	\$ 4,939,869 4.19%

Vermont Electric Cooperative, Inc.
Statement of Cash Flows

	Month		March, 2011 Actual	March, 2012 Actual	Year-to-date March, 2011		Variance Fav \$	%
	March, 2012 Actual	March, 2011 Actual			Actual	%		
Cash flows from operating activities:								
Net income	\$ 1,410,788	\$ 1,376,213	\$ 1,376,213	\$ 2,900,644	\$ 2,783,285	\$ 117,359	4%	
Noncash expenses (income) included in earnings:								
Depreciation & amortization	\$ 353,688	\$ 362,801	\$ 362,801	\$ 1,263,561	\$ 1,122,245	\$ 141,316	13%	
(Gain) loss on sale of investments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	N/A	
(Gain) loss on sale of fixed assets	\$ (530)	\$ (530)	\$ (530)	\$ (1,590)	\$ (2,907)	\$ 1,317	45%	
Changes in assets and liabilities:								
Decrease (increase) in notes receivable	\$ -	\$ 31	\$ 31	\$ -	\$ 159	\$ (159)	-100%	
Decrease (increase) in accounts receivable	\$ (21,351)	\$ 466,807	\$ 466,807	\$ 410,132	\$ (670,681)	\$ 1,080,813	-161%	
Decrease (increase) in other receivable	\$ (99,430)	\$ 43,173	\$ 43,173	\$ (35,924)	\$ 503,808	\$ (539,732)	107%	
Decrease (increase) in inventories	\$ 319,144	\$ (172,815)	\$ (172,815)	\$ (208,870)	\$ 42,634	\$ (251,504)	-590%	
Decrease (increase) in prepayments	\$ (20,175)	\$ (205,939)	\$ (205,939)	\$ (233,790)	\$ (249,071)	\$ 15,281	6%	
Decrease (increase) in deferred charges	\$ (8,605)	\$ (9,527)	\$ (9,527)	\$ (26,610)	\$ (66,051)	\$ 39,441	60%	
Increase (decrease) in accounts payable	\$ (594,993)	\$ (236,998)	\$ (236,998)	\$ (741,094)	\$ (1,178,927)	\$ 437,833	-37%	
Increase (decrease) in customer deposits	\$ 12,921	\$ 6,529	\$ 6,529	\$ 29,562	\$ 28,926	\$ 635	-2%	
Increase (decrease) in accrued expenses	\$ (65,830)	\$ (249,754)	\$ (249,754)	\$ 304,526	\$ 116,988	\$ 187,539	160%	
Increase (decrease) in deferred credits	\$ (20,467)	\$ 12,515	\$ 12,515	\$ 56,643	\$ 133,858	\$ (77,215)	-58%	
Net cash provided (used) by operating activities	1,265,261	1,392,506	1,392,506	3,717,190	2,564,266	1,152,924	45%	
Cash flows from investing activities:								
Additions to electric plant in service and construction work in progress	\$ (1,337,469)	\$ (617,528)	\$ (617,528)	\$ (3,708,842)	\$ (3,159,862)	\$ (548,980)	-17%	
Proceeds from retirements of electric plant in service	\$ 14,609	\$ 15,431	\$ 15,431	\$ 74,491	\$ 382,999	\$ (308,508)	-81%	
Return on capital investments	\$ (83,593)	\$ (93,774)	\$ (93,774)	\$ (95,446)	\$ (96,589)	\$ 1,143	-1%	
Proceeds (payments) from sale (purchase) of investment:	\$ 30,077	\$ 7,149	\$ 7,149	\$ 30,077	\$ 7,149	\$ 22,929	321%	
Net cash provided (used) in investing activities	(1,376,375)	(688,722)	(688,722)	(3,699,720)	(2,866,303)	(833,416)	-29%	
Cash flows from financing activities:								
Proceeds from borrowings LOC	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	N/A	
Proceeds from borrowings Long-Term	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	N/A	
Payments to creditors LOC	\$ 550,000	\$ (400,000)	\$ (400,000)	\$ (250,000)	\$ 1,350,000	\$ (1,600,000)	119%	
Payments to creditors Long-Term	\$ (189,540)	\$ (273,246)	\$ (273,246)	\$ (660,621)	\$ (552,428)	\$ (108,192)	-20%	
Increase in contributions in aid of construction	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	N/A	
Memberships issued, net of refunds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	N/A	
Additions to donated capital, net	\$ 2	\$ 9	\$ 9	\$ 3	\$ 9	\$ (6)	-65%	
Net cash provided (used) by financing activities	360,462	(673,237)	(673,237)	(910,617)	797,581	(1,708,198)	214%	
Net increase (decrease) in cash and equivalents	249,348	30,547	30,547	(893,148)	495,543	(1,388,691)	-280%	
Cash & cash equivalents at beginning of period	\$ 726,848	\$ 679,452	\$ 679,452	\$ 1,869,344	\$ 214,456	\$ 1,654,888	772%	
Cash & cash equivalents at end of period	\$ 976,196	\$ 709,999	\$ 709,999	\$ 976,196	\$ 709,999	\$ 266,198	37%	
Supplemental cash flow information:								
Cash paid during the period for interest	\$ (160,254)	\$ 407,164	\$ 407,164	\$ (40,273)	\$ 854,076	\$ (894,349)	105%	