

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

Financial Highlights – June, 2012

	<u>Variance (K's)</u>	<u>YTD Variance (K's)</u>
June Net Income	\$367	\$1,455

Analysis:

- Operating Revenue**
\$13
\$303

Sold KWH in June was on budget with a positive variance of \$27k but has a negative variance of \$10k YTD. Degree days for the first six months were 20% lower than normal and 16% lower than last year. The average price/KWH sold was 1% and \$36k lower than budget for the month and 1% and \$407k lower YTD. Non-energy services, pole attachments, and wheeling revenues had a negative variance of \$11k for June but were better than budget by \$9k YTD. Unbilled revenues were \$13k less than budget for June and are \$47k under YTD. The sale of Renewable Energy Credits created a positive variance of \$46k for June and \$757k YTD in revenues. (REC's were actually budgeted in 2012 as part of our power supply costs).

- Purchased Power Costs**
(\$282)
\$126

Purchased KWH was 2% and \$61k over budget for June but is 1% and \$140k better than budget YTD. Our overall costs/KWH was 8% and \$220k over budget for the month and \$14k over budget for the year.

- Transmission Costs**
\$567
\$667

Transmission by Others was under budget by \$529k for June and \$573k YTD under budget primarily related to a one-time audit adjustment by VELCO. Control Center costs for transmission support resulted in a negative variance of \$7k for June and is better than budget \$28k YTD. Maintenance of overhead lines and Substation/SCADA maintenance was over budget by \$3k for June but is \$4k under YTD. Property Taxes are over budget by \$4k for June and \$24k YTD. Transmission vegetative maintenance had a positive variance of \$51k for the month and \$86k YTD.

- Distribution Operations/Mtce**
\$69
\$213

Major Storm costs have a positive variance to budget of \$283k for June and \$755k YTD. Overhead and Underground Maintenance costs were over budget by \$100k for June but is under by \$78k YTD. Distribution vegetative maintenance program spending was over budget by \$129k in June and \$622k YTD. The overall vegetative maintenance program (transmission + distribution) is \$78k over budget for June and \$536k over YTD.

- Customer Accounts**
\$0
(\$24)

Meter reading & meter disconnects were under budget by \$9k for the month and \$27k YTD. Member Services have a negative variance to budget by \$10k for June and \$72k YTD. Property taxes allocated to Customer Accounts has a negative variance of \$3k YTD. Communications has a negative variance of \$2k for the month but has a positive variance of \$6k YTD. The SQRP related costs were \$4k under budget for the month and \$18k YTD.

• **Administrative & General** (23) (11)

Payroll & Benefits were over budget by \$8k for June and \$72k YTD. Outside Services has a negative variance for the month of \$10k but a positive variance of \$18k YTD. Expenses for Coop-life, Business Development, Meeting expenses have a negative variance of \$7k for June but are under budget by \$62k YTD. Safety and Office/Facility expenses are over budget by \$4k for the month and \$27k YTD. Director related expenses are under budget by \$6k for the month and \$9k YTD.

• **Total Depreciation & Other Exp** (0) 19

Depreciation expense was over budget by \$17k for June and \$76k YTD largely related to greater than expected general plant assets closed to plant in service in 2011. Interest expense was better than budget by \$27k for June and \$96k YTD resulting from lower rates from CoBank's fixed short-term variable program and less overall usage on our line of credit. Other deductions were over budget by \$9k for June and \$1k YTD.

• **Total Non-Operating Margins** 23 163

Patronage Dividends from CoBank and NISC has a positive variance of \$127k YTD. \$95k of our YTD positive variance is from non-cash patronage and does not count towards TIER. Interest Income was better than budget by \$23k for June and \$14k YTD. Services for Other Utilities have a positive variance of \$12k YTD. Net proceeds from the sale of vehicles and equipment resulted in a positive variance of \$12k YTD.

• **Capital Spending Plan** 1,018 1,461

Kingdom Community Wind is under budget for the month by \$88k and by \$330k YTD. A timing difference related to the billing to VELCO for the statewide radio project created a positive variance in Communications of \$328k for the month, but is over budget by \$65k YTD. DOE projects are under budget by \$428k for the month and \$471k YTD. Pole Replacements, Line Changes and New Services are over budget by \$140k for June and over budget \$661k YTD. Project timing of construction at the Jay Resort Substation created a temporary positive variance of \$39k for June and \$283k YTD. Transformers are under budget by \$33k for June and \$136k YTD. Due to project delays, the NEK project is also under budget by \$153k for the month and \$970k for the year. It is expected that the NEK project will continue to be under budget throughout the year as we expect construction to be begin in early 2013.

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 \$5.2 million.

Cash Flow and Line of Credit

In June, we used up to a peak of \$5 million on our line of credit on June 21st. It is expected the July high for the line of credit will be \$1.1 million on July 24th.

Balance Sheet

Our equity ratio in June is 43.4% a slight increase from May's 43%. Our current ratio, a measure of liquidity, is 1.28, an increase from May at .88 (primarily impacted by the 1st draw on our bond with a pay down of the line of credit). VEC's FFO ratio for 2012 YTD ("Funds from Operations/Capital Expenditures Ratio"; Target of 80% desirable) is 1.51 up from May at 1.32.

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

	June, 2012 Actual	June, 2012 Budget	Actual - Budget Variance Fav (Unfav) \$	%	June, 2011 Actual	Variance Fav (Unfav) \$	%
Revenue							
Operating Revenue	5,423,323	5,410,654	12,668	0.2%	5,414,445	8,877	0.2%
Sales for Resale	53,131	83,472	(30,341)	-36.3%	75,179	(22,048)	29.3%
Total revenues	\$ 5,476,454	\$ 5,494,126	(\$ 17,673)	-0.3%	\$ 5,489,624	(\$ 13,171)	-0.2%
Power supply cost							
Purchased power cost	2,843,580	2,561,929	(281,651)	-11.0%	2,686,820	(156,760)	5.8%
Sales for Resale	53,131	83,472	30,341	36.3%	75,179	22,048	-29.3%
Transmission	213,832	781,191	567,359	72.6%	689,808	475,976	-69.0%
Total Power supply cost	3,110,544	3,426,592	316,049	-9.2%	3,451,807	341,263	-9.9%
Gross Margin	\$ 2,365,910	\$ 2,067,534	\$ 298,376	14.4%	\$ 2,037,817	\$ 328,093	-16.1%
Operating expenses							
Distribution: Operations & Mite	906,456	975,382	68,926	7.1%	892,535	(13,921)	1.6%
Customer accounts	193,180	193,240	60	0.0%	187,832	(5,348)	2.8%
Administrative & general	295,550	272,288	(23,262)	-8.5%	329,147	33,597	-10.2%
Total operating expenses	\$ 1,395,186	\$ 1,440,910	\$ 45,724	3.2%	\$ 1,409,514	\$ 14,328	-1.0%
Depreciation & amortization	347,025	330,332	(16,692)	-5.1%	308,716	(38,309)	12.4%
Gross revenue & receipts taxes	55,054	54,118	(936)	-1.7%	55,045	(8)	0.0%
Interest on long-term debt	233,313	242,155	8,842	3.7%	239,997	6,683	-2.8%
Other interest expenses	5,880	24,180	18,300	75.7%	6,905	1,024	-14.8%
Other Deductions	12,397	3,100	(9,297)	-299.9%	-	(12,397)	N/A
Total depreciation & other expenses	653,669	653,886	217	0.0%	610,663	(43,007)	7.0%
Income from operations	\$ 317,055	\$ (27,262)	\$ 344,317	-1263.0%	\$ 17,641	\$ 299,414	-1697.3%
Interest income	362,038	339,464	22,574	6.6%	330,620	31,418	9.5%
Other income (expenses)	1,517	1,461	56	3.8%	325	1,193	367.1%
Other capital credits & dividends	-	-	-	N/A	-	-	N/A
Total non-operating margins	363,555	340,925	22,630	6.6%	330,945	32,610	9.9%
Net income (loss)	680,610	313,664	366,946	117.0%	348,585	332,024	-95.2%
Extraordinary expenses	-	-	-	N/A	-	-	N/A
Total net income (loss)	\$ 680,610	\$ 313,664	\$ 366,946	117.0%	\$ 348,585	\$ 332,024	-95.2%

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

	June, 2012 Actual	June, 2012 Budget	Actual- Budget Variance Fav (Unfav) \$	%	June, 2011 Actual	Prior Year Variance Fav (Unfav) \$	%
Revenue							
Operating Revenue	37,001,532	36,698,739	302,793	0.8%	36,657,582	343,950	0.9%
Sales for Resale	444,792	790,900	(346,108)	-43.8%	539,043	(94,251)	17.5%
Total revenues	\$ 37,446,324	\$ 37,489,639	\$ (43,315)	-0.1%	\$ 37,196,625	\$ 249,699	0.7%
Power supply cost							
Purchased power cost	17,711,862	17,837,561	125,699	0.7%	18,016,810	304,949	-1.7%
Sales for Resale	444,792	790,900	(346,108)	43.8%	539,043	94,251	-17.5%
Transmission:	4,181,513	4,848,690	667,176	13.8%	4,494,646	313,132	-7.0%
Total Power supply cost	22,338,167	23,477,151	1,138,984	-4.9%	23,050,499	712,332	-3.1%
Gross Margin	\$ 15,108,157	\$ 14,012,488	\$ 1,095,669	7.8%	\$ 14,146,127	\$ 962,031	-6.8%
Operating expenses							
Distribution: Operations & Mtce	5,229,206	5,441,729	212,523	3.9%	4,952,457	(276,749)	5.6%
Customer accounts	1,179,164	1,155,265	(23,899)	-2.1%	1,140,864	(38,300)	3.4%
Administrative & general	1,699,496	1,688,459	(11,037)	-0.7%	1,821,392	121,897	-6.7%
Total operating expenses	8,107,865	8,285,452	177,587	2.1%	7,914,713	(193,152)	2.4%
Depreciation & amortization	2,012,497	1,936,739	(75,758)	-3.9%	1,859,725	(152,772)	8.2%
Gross revenue & receipts taxes	362,421	362,401	(20)	0.0%	361,431	(990)	0.3%
Interest on long-term debt	1,440,535	1,463,393	22,859	1.6%	1,511,009	70,474	-4.7%
Other interest expenses	53,179	126,352	73,172	57.9%	50,561	(2,619)	5.2%
Other deductions	19,942	18,650	(1,292)	-6.9%	10,547	(9,394)	89.1%
Total depreciation & other exp	3,888,574	3,907,535	18,961	-0.5%	3,793,273	(95,301)	2.5%
Income from operations	3,111,718	1,819,501	1,292,217	71.0%	2,438,141	673,577	-27.6%
Interest income	820,234	806,403	13,831	1.7%	812,128	8,106	1.0%
Other income (expenses)	29,927	8,511	21,416	251.6%	17,311	12,616	72.9%
Other capital credits & dividends	264,722	137,293	127,430	92.8%	281,563	(16,841)	-6.0%
Total non-operating margins	1,114,884	952,207	162,677	17.1%	1,111,002	3,882	0.3%
Net income (loss)	4,226,602	2,771,708	1,454,893	52.5%	3,549,143	677,459	-19.1%
Extraordinary expenses	-	-	-	N/A	-	-	N/A
Total net income (loss)	\$ 4,226,602	\$ 2,771,708	\$ 1,454,893	52.5%	\$ 3,549,143	\$ 677,459	-19.1%

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

	June, 2012 Actual	May, 2012 Actual	Variance Fav/(Unfav) \$	Variance Fav/(Unfav) %	June, 2011 Actual	Variance Fav/(Unfav) \$	Variance Fav/(Unfav) %
Electric plant, at cost:							
Electric plant in service	118,652,549	117,906,642	745,907	0.63%	110,454,216	8,198,333	7.42%
Less accumulated depreciation	(32,101,330)	(31,867,102)	234,228	0.74%	(29,499,171)	2,602,159	8.82%
Net electric plant in service	86,551,219	86,039,540	511,679	0.59%	80,955,045	5,596,173	6.91%
Construction work in progress	7,690,810	8,347,904	(657,094)	-7.87%	6,814,130	876,680	12.87%
Net electric plant	94,242,029	94,387,443	(145,415)	-0.15%	87,769,176	6,472,853	7.37%
Other assets:							
Non-utility property	65,697	65,697	-	0.00%	65,697	-	0.00%
Other investments	14,048,994	14,048,994	-	0.00%	13,851,724	197,270	1.42%
Deferred charges	(13,318)	(20,853)	7,535	-36.13%	(171,381)	158,063	-92.23%
Total other assets	14,101,373	14,093,838	7,535	0.05%	13,746,040	355,333	2.58%
Current assets:							
Cash	464,664	968,698	(504,033)	-52.03%	928,288	(463,623)	-49.94%
Notes receivable (net)	-	-	-	0.00%	55	(55)	-100.00%
Accounts receivable (net)	9,522,574	9,227,103	295,470	3.20%	9,313,901	208,673	2.24%
Other receivables (net)	1,726,021	1,327,519	398,502	30.02%	2,549,377	(823,356)	-32.30%
Inventories	3,256,949	3,202,871	54,078	1.69%	2,972,727	284,222	9.56%
Prepaid expenses	513,701	544,381	(30,680)	-5.64%	490,101	23,600	4.82%
Total current assets	15,483,909	15,270,572	213,337	1.40%	16,254,449	(770,540)	-4.74%
Total assets	\$ 123,827,311	\$ 123,751,853	\$ 75,458	0.06%	\$ 117,769,664	\$ 6,057,647	5.14%

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

	June, 2012 Actual	May, 2012 Actual	Variance Fav/(Unfav) \$	Variance Fav/(Unfav) %	June, 2011 Actual	Variance Fav/(Unfav) \$	Variance Fav/(Unfav) %
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	6,778,084	6,097,469	680,615	10.04%	6,122,551	655,533	9.67%
Contributions in aid of construction	-	-	-	0.00%	17,186,363	(17,186,363)	0.00%
Net equity	53,828,728	53,148,113	680,615	1.26%	47,595,408	6,233,320	11.58%
Long-term debt	57,374,956	52,746,624	4,628,332	8.07%	54,949,130	2,425,826	4.23%
Capital leases - non current	276,006	276,006	-	0.00%	289,150	(13,144)	-4.76%
Current liabilities:							
Current portion of long-term debt	2,376,815.03	2,196,127.91	180,687	7.60%	2,051,592.05	325,223	13.68%
Line of Credit	600,000	4,800,000	(4,200,000)	-700.00%	3,000,000	(2,400,000)	-400.00%
Accounts payable	4,387,095	5,634,334	(1,247,239)	-28.43%	5,394,312	(1,007,217)	-22.96%
Customer deposits	551,371	547,255	4,116	0.75%	442,583	108,788	19.73%
Other accrued expenses	4,147,732	4,116,013	31,719	0.76%	3,698,416	449,316	10.83%
Total current liabilities	12,063,013	17,293,730	(5,230,717)	-43.36%	14,586,904	(2,523,891)	-20.92%
Deferred credits	284,608	287,381	(2,773)	-0.97%	349,072	(64,464)	-22.65%
Total liabilities and equity	\$ 123,827,311	\$ 123,751,853	\$ 75,458	0.06%	\$ 117,769,664	\$ 6,057,647	5.14%

Vermont Electric Cooperative, Inc.
Statement of Cash Flows

	Month		Year-to-date		Variance Fav (Unfav) \$	%
	June, 2012 Actual	June, 2011 Actual	June, 2012 Actual	June, 2011 Actual		
Cash flows from operating activities:						
Net income	\$ 680,610	\$ 348,585	\$ 4,226,602	\$ 3,549,143	\$ 677,459	19%
Noncash expenses (income) included in earnings:						
Depreciation & amortization	\$ 397,994	\$ 390,476	\$ 2,403,805	\$ 2,280,662	\$ 123,143	5%
(Gain) loss on sale of investments	\$ -	\$ -	\$ -	\$ -	\$ -	N/A
(Gain) loss on sale of fixed assets	\$ (530)	\$ (2,030)	\$ (15,324)	\$ (7,063)	\$ (8,261)	-117%
Changes in assets and liabilities:						
Decrease (increase) in notes receivable	\$ -	\$ 31	\$ -	\$ 253	\$ (253)	-100%
Decrease (increase) in accounts receivable	\$ (295,470)	\$ 126,256	\$ 743,737	\$ 589,180	\$ 154,557	26%
Decrease (increase) in other receivable	\$ (398,502)	\$ (157,508)	\$ (535,148)	\$ 841,263	\$ (1,376,411)	164%
Decrease (increase) in inventories	\$ (54,078)	\$ (23,169)	\$ (407,548)	\$ (60,096)	\$ (347,452)	578%
Decrease (increase) in prepayments	\$ 30,680	\$ (4,752)	\$ (263,543)	\$ (225,128)	\$ (38,415)	-17%
Decrease (increase) in deferred charges	\$ (4,676)	\$ (45,432)	\$ (55,573)	\$ (159,468)	\$ 103,895	65%
Increase (decrease) in accounts payable	\$ (1,247,239)	\$ (30,518)	\$ (2,856,560)	\$ (2,027,315)	\$ (829,244)	41%
Increase (decrease) in customer deposits	\$ 4,116	\$ 17,137	\$ 43,553	\$ 59,651	\$ (16,098)	27%
Increase (decrease) in accrued expenses	\$ 31,719	\$ (13,972)	\$ 1,048,500	\$ 822,201	\$ 226,298	28%
Increase (decrease) in deferred credits	\$ (2,773)	\$ (6,578)	\$ 42,268	\$ 102,176	\$ (59,908)	-59%
Net cash provided (used) by operating activities	(858,150)	598,527	4,374,768	5,765,460	(1,390,692)	-24%
Cash flows from investing activities:						
Additions to electric plant in service and construction work in progress	\$ (725,894)	\$ (1,039,292)	\$ (6,722,914)	\$ (5,758,229)	\$ (964,685)	-17%
Proceeds from retirements of electric plant in service	\$ 470,985	\$ (20,072)	\$ 997,629	\$ 842,838	\$ 154,791	18%
Return on capital investments	\$ -	\$ -	\$ (95,446)	\$ (96,589)	\$ 1,143	-1%
Proceeds (payments) from sale (purchase) of investments	\$ -	\$ 19,221	\$ 30,077	\$ 26,370	\$ 3,707	14%
Net cash provided (used) in investing activities	(254,909)	(1,040,143)	(5,790,654)	(4,985,610)	(805,044)	-16%
Cash flows from financing activities:						
Proceeds from borrowings LOC	\$ -	\$ -	\$ -	\$ -	\$ -	N/A
Payments to creditors Long-Term	\$ -	\$ -	\$ -	\$ -	\$ -	N/A
Payments to creditors LOC	\$ (4,200,000)	\$ 400,000	\$ (3,900,000)	\$ 1,000,000	\$ (4,900,000)	490%
Payments to creditors Long-Term	\$ 4,809,019	\$ (277,664)	\$ 3,911,191	\$ (1,066,038)	\$ 4,977,229	467%
Increase in contributions in aid of construction	\$ -	\$ -	\$ -	\$ -	\$ -	N/A
Memberships issued, net of refunds	\$ -	\$ -	\$ -	\$ -	\$ -	N/A
Additions to donated capital, net	\$ 5	\$ 9	\$ 15	\$ 20	\$ (4)	-23%
Net cash provided (used) by financing activities	609,025	122,345	11,206	(66,018)	77,224	117%
Net increase (decrease) in cash and equivalents	(504,033)	(319,272)	(1,404,680)	713,832	(2,118,512)	-297%
Cash & cash equivalents at beginning of period	\$ 968,698	\$ 1,247,559	\$ 1,869,344	\$ 214,456	\$ 1,654,888	772%
Cash & cash equivalents at end of period	\$ 464,664	\$ 928,288	\$ 464,664	\$ 928,288	\$ (463,623)	-50%