

VERMONT ELECTRIC COOPERATIVE, INC.
UNAUDITED FINANCIAL REPORTING
FOR THE MONTH AND SIX MONTHS ENDED:
JUNE, 2011

Financial Highlights – June, 2011

	<u>Variance (K's)</u>	<u>YTD Variance (K's)</u>
June Net Income	\$33	\$1,129

Analysis:

- Operating Revenue**
\$36
\$746

Sold KWH in June was 0.3% higher than budget for a positive variance of \$18k with YTD 2% higher and \$576k better than budget. Heating degree days for the first 6 months were within 4% of normal and 16% colder than 2010. The average price/KWH sold was \$13k lower than budget in June but is \$25k better than budget YTD. Non-energy services, pole attachments, and wheeling revenues contributed more revenue than expected for a positive variance of \$22k in June and \$60k YTD. Unbilled revenues were \$9k better than budget in June and are \$84k better than budget YTD.

- Purchased Power Costs**
\$16
(\$50)

Purchases were 2% and \$41k higher than expected in June and are 3% and \$463k higher YTD. Our overall costs/KWH was 2% and \$56k lower than budget in June and 2% and \$402k lower YTD.

- Transmission Costs**
\$22
(\$32)

Transmission by other costs was under budget by \$26k in June and \$39k YTD. Transmission vegetative maintenance was \$3k over budget in June and is \$53k over budget YTD.

- Distribution Operations/Mtce**
(\$30)
\$200

Overhead line maintenance costs were \$54k over budget in June and are \$270k over budget YTD. Substation maintenance cost was \$31k over budget in June and are \$104k over YTD. Major storm expenses were under budget by \$83k in June and are \$323k under budget YTD. Distribution vegetative maintenance program spending was over budget by \$3k in June but is under budget \$253k YTD. Vegetative maintenance program (transmission + distribution) is \$6k over budget for June but is \$200k under YTD.

- Customer Accounts**
\$19
\$102

Meter reading & meter disconnects are \$9k better than budget in June and \$88k better YTD. Member services had a positive variance to budget of \$4k in June and \$24k YTD. Changes in the communications area resulted in a positive variance in June of \$5k but YTD has a negative variance of \$11k.

- Administrative & General**
(\$53)
(\$56)

Regulatory related costs were \$12k over budget in June but is \$56k under budget YTD including lower rate case costs, timing with the consumer behavior study costs, special member vote and audit of our easement process and records. A&G Payroll & Benefits exceeded budget by \$33k in June and \$81k YTD. Partially offsetting this is reductions in outside services of \$3k in June and \$33k YTD. COOP Life exceeded budget by \$6k in June and \$20k YTD. Facility related maintenance costs exceeded budget by \$3k in June and \$25k YTD. Timing associated with NRECA dues contributed negative variances of \$3k in June and \$21k YTD.

MONTHLY

STATEMENT OF OPERATIONS

VEC

	June 2011 Actual	June 2011 Budget	June 2011 Actual- Budget Variance Fav (Unfav)	%	June 2010 Actual	June 2011 Actual - June 2010 Variance Fav (Unfav)	%
Revenue							
Operating Revenue	5,414,445	5,378,495	35,950	0.7%	5,237,280	177,165	3.4%
Sales for Resale	75,179	44,355	30,824	69.5%	113,657	(38,478)	33.9%
Total revenues	\$ 5,489,624	\$ 5,422,850	\$ 66,774	1.2%	\$ 5,350,937	\$ 138,687	2.6%
Power supply cost							
Purchased power cost	(2,686,820)	(2,702,939)	16,119	0.6%	(2,950,248)	263,428	8.9%
Sales for Resale	(75,179)	(44,355)	(30,824)	-69.5%	(113,657)	38,478	33.9%
Transmission	(689,808)	(712,129)	22,320	3.1%	(557,488)	(132,320)	-23.7%
Total Power supply cost	(3,451,807)	(3,459,423)	7,616	0.2%	(3,621,393)	169,586	4.7%
Gross Margin	\$ 2,037,817	\$ 1,963,427	\$ 74,390	3.8%	\$ 1,729,544	\$ 308,273	-17.8%
Operating expenses							
Distribution: Operations & Mtce	(892,535)	(862,481)	(30,054)	-3.5%	(841,750)	(50,785)	-6.0%
Customer accounts	(187,832)	(206,542)	18,710	9.1%	(193,792)	5,961	3.1%
Administrative & general	(329,147)	(276,037)	(53,110)	-19.2%	(258,607)	(70,539)	-27.3%
Total operating expenses	(1,409,514)	(1,345,059)	(64,454)	-4.8%	(1,294,150)	(115,364)	-8.9%
Depreciation & amortization	(308,716)	(307,314)	(1,402)	-0.5%	(299,393)	(9,323)	-3.1%
Gross revenue & receipts taxes	(55,045)	(53,988)	(1,057)	-2.0%	(53,444)	(601)	-3.0%
Interest on long-term debt	(239,997)	(266,223)	26,227	9.9%	(232,881)	(7,116)	-3.1%
Other interest expenses	(6,905)	(10,729)	3,824	35.6%	(14,671)	7,766	52.9%
Other Deductions	-	(3,100)	3,100	100.0%	262	(262)	100.0%
Total depreciation & other expenses	(610,663)	(641,355)	30,692	4.8%	(600,127)	(10,536)	-1.8%
Income from operations	17,641	(22,987)	40,628	-176.7%	(164,733)	182,373	110.7%
Interest income	330,620	338,134	(7,514)	-2.2%	236,940	93,680	39.5%
Other income (expenses)	325	460	(135)	-29.4%	(2,525)	2,850	-112.9%
Other capital credits & dividends	-	-	-	N/A	-	-	N/A
Total non-operating margins	330,945	338,594	(7,649)	-2.3%	234,414	96,530	41.2%
Net income (loss)	348,585	315,607	32,978	10.4%	69,682	278,903	-400.3%
Extraordinary expenses	-	-	-	N/A	-	-	N/A
Total net income (loss)	\$ 348,585	\$ 315,607	\$ 32,978	10.4%	\$ 69,682	\$ 278,903	-400.3%

YEAR-TO-DATE

STATEMENT OF OPERATIONS

VEC

	June 2011 Actual	June 2011 Budget	June 2011 Actual- Budget Variance Fav (Unfav) \$	%	June 2010 Actual	June 2011 Actual - June 2010 Variance Fav (Unfav) \$	%
Revenue							
Operating Revenue	36,657,582	35,911,350	746,232	2.1%	34,816,640	1,840,943	5.3%
Sales for Resale	539,043	484,712	54,331	11.2%	690,611	(151,568)	21.9%
Total revenues	\$ 37,196,625	\$ 36,396,062	\$ 800,564	2.2%	\$ 35,507,251	\$ 1,689,375	4.8%
Power supply cost							
Purchased power cost	(18,016,810)	(17,966,446)	(50,364)	-0.3%	(17,428,499)	(588,311)	-3.4%
Sales for Resale	(539,043)	(484,712)	(54,331)	-11.2%	(690,611)	151,568	21.9%
Transmission:	(4,494,646)	(4,462,974)	(31,671)	-0.7%	(4,047,565)	(447,080)	-11.0%
Total Power supply cost	(23,050,499)	(22,914,132)	(136,367)	-0.6%	(22,166,676)	(883,823)	-4.0%
Gross Margin	\$ 14,146,127	\$ 13,481,930	\$ 664,197	4.9%	\$ 13,340,575	\$ 805,552	-6.0%
Operating expenses							
Distribution: Operations & Mtce	(4,952,457)	(5,152,057)	199,600	3.9%	(5,142,584)	190,128	3.7%
Customer accounts	(1,140,864)	(1,242,503)	101,640	8.2%	(1,119,813)	(21,051)	-1.9%
Administrative & general	(1,821,392)	(1,764,943)	(56,450)	-3.2%	(1,421,237)	(400,156)	-28.2%
Total operating expenses	(7,914,713)	(8,159,503)	244,790	3.0%	(7,683,634)	(231,079)	-3.0%
Depreciation & amortization	(1,859,725)	(1,812,069)	(47,656)	-2.6%	(1,783,891)	(75,834)	-4.3%
Gross revenue & receipts taxes	(361,431)	(354,884)	(6,547)	-1.8%	(344,798)	(16,633)	-4.8%
Interest on long-term debt	(1,511,009)	(1,610,302)	99,293	6.2%	(1,452,818)	(58,191)	-4.0%
Other interest expenses	(50,561)	(50,238)	(323)	-0.6%	(69,925)	19,364	27.7%
Other deductions	(10,547)	(18,775)	8,228	43.8%	(14,808)	4,261	28.8%
Total depreciation & other expenses	(3,793,273)	(3,846,269)	52,996	1.4%	(3,666,240)	(127,033)	-3.5%
Income from operations	2,438,141	1,476,158	961,983	65.2%	1,990,701	447,440	-22.5%
Interest income	812,128	805,663	6,465	0.8%	558,521	253,608	45.4%
Other income (expenses)	17,311	2,759	14,551	527.3%	17,696	(385)	-2.2%
Other capital credits & dividends	281,563	135,895	145,668	107.2%	224,791	56,772	25.3%
Total non-operating margins	1,111,002	944,317	166,685	17.7%	801,007	309,995	38.7%
Net income (loss)	3,549,143	2,420,476	1,128,667	46.6%	2,791,708	757,435	27.1%
Extraordinary expenses	-	-	-	N/A	-	-	N/A
Total net income (loss)	\$ 3,549,143	\$ 2,420,476	\$ 1,128,667	46.6%	\$ 2,791,708	\$ 757,435	27.1%

BALANCE SHEETS (ASSETS)

VEC

	June 2011 Actual	May 2011 Actual	Variance Fav/(Unfav) \$	%	June 2010 Actual	Variance Fav/(Unfav) \$	%
Electric plant, at cost:							
Electric plant in service	110,454,216	110,011,484	442,732	0.40%	104,229,992	6,224,224	5.97%
Less accumulated depreciation	(29,499,171)	(29,303,957)	195,214	0.67%	(27,306,946)	2,192,225	8.03%
Net electric plant in service	80,955,045	80,707,527	247,518	0.31%	76,923,046	4,031,999	5.24%
Construction work in progress	6,814,130	6,387,871	426,260	6.67%	6,823,616	(9,486)	-0.14%
Net electric plant	87,769,176	87,095,398	673,778	0.77%	83,746,662	4,022,513	4.80%
Other assets:							
Non-utility property	65,697	65,697	-	0.00%	65,697	-	0.00%
Other investments	13,851,724	13,870,945	(19,221)	-0.14%	9,854,844	3,996,880	40.56%
Deferred charges	(171,381)	(213,954)	42,573	-19.90%	(312,213)	140,832	-45.11%
Total other assets	13,746,040	13,722,688	23,352	0.17%	9,608,327	4,137,712	43.06%
Current assets:							
Cash	928,288	1,247,559	(319,272)	-25.59%	318,893	609,395	191.10%
Notes receivable (net)	55	86	(31)	-36.49%	773	(718)	-92.95%
Accounts receivable (net)	9,313,901	9,440,157	(126,256)	-1.34%	9,226,453	87,448	0.95%
Other receivables (net)	2,549,377	2,391,869	157,508	6.59%	1,385,141	1,164,236	84.05%
Inventories	2,972,727	2,949,558	23,169	0.79%	2,829,906	142,821	5.05%
Prepaid expenses	490,101	485,349	4,752	0.98%	247,948	242,153	97.66%
Total current assets	16,254,449	16,514,579	(260,130)	-1.58%	14,009,114	2,245,335	16.03%
Total assets	\$ 117,769,664	\$ 117,332,665	\$ 436,999	0.37%	\$ 107,364,104	\$ 10,405,561	9.69%

	June 2011 Actual	May 2011 Actual	Variance Fav/(Unfav) \$	%	June 2010 Actual	Variance Fav/(Unfav) \$	%
Equities:							
Memberships issued & subscribed	-	-	-	#DIV/0!	-	-	#DIV/0!
Patronage capital assignable	24,286,494	24,286,494	-	0.00%	20,251,163	4,035,331	16.62%
Other earnings	6,122,551	5,773,957	348,594	5.69%	5,365,080	757,471	12.37%
Contributions in aid of construction	17,186,363	17,186,363	-	0.00%	16,741,727	444,636	2.59%
Net equity	47,595,408	47,246,814	348,594	0.73%	42,357,970	5,237,439	11.00%
Long-term debt	54,949,130	55,130,954	(181,824)	-0.33%	48,022,753	6,926,377	12.61%
Capital leases - non current	289,150	290,238	(1,088)	-0.38%	302,618	(13,468)	-4.66%
Current liabilities:							
Current portion of long-term debt	2,051,592	2,146,343	(94,751)	-4.62%	2,080,491	(28,899)	-1.41%
Line of Credit	3,000,000	2,600,000	400,000	13.33%	5,200,000	(2,200,000)	-73.33%
Accounts payable	5,394,312	5,424,830	(30,518)	-0.57%	5,592,562	(198,249)	-3.68%
Customer deposits	442,583	425,446	17,137	3.87%	313,723	128,860	29.12%
Other accrued expenses	3,698,416	3,712,389	(13,972)	-0.38%	3,098,982	599,434	16.21%
Total current liabilities	14,586,904	14,309,008	277,896	1.91%	16,285,758	(1,698,854)	-11.65%
Deferred credits	349,072	355,650	(6,578)	-1.88%	395,005	(45,932)	-13.16%
Total liabilities and equity	\$ 117,769,664	\$ 117,332,665	\$ 436,999	0.37%	\$ 107,364,104	\$ 10,405,561	9.69%

STATEMENT OF CASH FLOWS

	Month		June 2010 Actual	June 2011 Actual	June 2010 Actual	Year-to-date June 2010 Actual	Variance Fav (Unfav) \$	%
	June 2011 Actual	June 2010 Actual						
Cash flows from operating activities:								
Net income	\$ 348,585	\$ 69,682	\$ 69,682	\$ 3,549,143	\$ 2,791,708	\$ 757,435	27%	
Noncash expenses (income) included in earnings:								
Depreciation & amortization	390,476	348,989	348,989	2,280,662	2,434,982	(154,319)	-6%	
(Gain) loss on sale of investments	(2,030)	(590)	(590)	(7,063)	(3,180)	(3,883)	-122%	
Changes in assets and liabilities:								
Decrease (increase) in notes receivable	31	133	133	253	1,142	(886)	-78%	
Decrease (increase) in accounts receivable	126,256	374,339	374,339	589,180	93,183	489,997	494%	
Decrease (increase) in other receivable	(157,508)	(223,376)	(223,376)	841,263	(791,039)	1,632,302	206%	
Decrease (increase) in inventories	(23,169)	(385,582)	(385,582)	(60,096)	(230,674)	170,579	-74%	
Decrease (increase) in prepayments	(4,752)	23,753	23,753	(225,128)	92,227	(317,355)	344%	
Decrease (increase) in deferred charges	(45,432)	(9,626)	(9,626)	(159,468)	(131,415)	(28,053)	-21%	
Increase (decrease) in accounts payable	(30,518)	349,514	349,514	(2,027,315)	(15,387)	(2,011,929)	13076%	
Increase (decrease) in customer deposits	17,137	11,301	11,301	59,651	74,263	(14,612)	20%	
Increase (decrease) in accrued expenses	(13,972)	178,940	178,940	822,201	1,194,484	(372,293)	-31%	
Increase (decrease) in deferred credits	(6,578)	(25,845)	(25,845)	102,176	75,195	26,981	36%	
Net cash provided (used) by operating activities	598,527	711,702	711,702	5,765,460	5,591,500	173,961	3%	
Cash flows from investing activities:								
Additions to electric plant in service and construction work in progress	(1,039,292)	(712,686)	(712,686)	(5,758,229)	(6,179,911)	421,681	7%	
Proceeds from retirements of electric plant in service	(20,072)	(157,839)	(157,839)	842,838	(479,697)	1,322,535	-276%	
Return on capital investments				(96,569)	(77,039)	(19,550)	25%	
Proceeds (payments) from sale (purchase) of investments	19,221	-	-	26,370	27,822	(1,453)	-5%	
Net cash provided (used) in investing activities	(1,040,143)	(870,535)	(870,535)	(4,985,610)	(6,708,824)	1,723,214	26%	
Cash flows from financing activities:								
Proceeds from borrowings LOC	-	-	-	-	-	-	N/A	
Payments to creditors Long-Term	400,000	300,000	300,000	1,000,000	1,800,000	(800,000)	44%	
Payments to creditors LOC	(277,664)	(282,303)	(282,303)	(1,066,088)	(1,033,648)	(32,389)	-3%	
Increase in contributions in aid of construction	-	158,583	158,583	-	384,287	(384,287)	-100%	
Memberships issued, net of refunds	-	-	-	-	-	-	N/A	
Additions to donated capital, net	9	-	-	20	8	12	157%	
Net cash provided (used) by financing activities	122,345	196,380	196,380	(66,018)	1,150,645	(1,216,664)	106%	
Net increase (decrease) in cash and equivalents	(319,272)	37,547	37,547	713,832	33,322	680,510	2042%	
Cash & cash equivalents at beginning of period	1,247,559	281,346	281,346	214,456	285,571	(71,115)	-25%	
Cash & cash equivalents at end of period	\$ 928,288	\$ 318,893	\$ 318,893	\$ 928,288	\$ 318,893	\$ 609,395	191%	
Supplemental cash flow information:								
Cash paid during the period for interest	\$ (405,237)	\$ (406,472)	\$ (406,472)	\$ (446,912)	\$ (287,750)	\$ (159,161)	-55%	