

VERMONT ELECTRIC COOPERATIVE, INC.
UNAUDITED FINANCIAL REPORTING
FOR THE MONTH AND TWELVE MONTHS ENDED:
DECEMBER, 2009

Financial Highlights – December

	<u>Variance (K's)</u>	<u>YTD Variance (K's)</u>
December 2009 Net Income	(\$122)	\$35

Analysis:

- Operating Revenue**
(\$419)
(\$2,173)

Overall operating revenues were lower than budget in December by 7% and are 3% below budget YTD. Sold KWH in December was 10% below budget for a negative variance of \$612k and is 5% below YTD and \$3,334k. Degree days ran about 5% below normal levels for 2009. The average price/KWH was 2% and \$98k better than budget in December and is 1% and \$796k better YTD. Miscellaneous services contributed additional revenues from the update to our non-energy tariffs as well as additional Comcast attachments for a positive variance of \$55k in December and \$70k YTD. Wheeling revenues are better than budget by \$78k YTD. Unbilled revenues were \$40k better in December and \$218k higher YTD from full impact of last years 9.24% increase.

- Purchased Power Costs**
\$456
\$980

Power costs were 12% better than budget in December and are 3% better YTD. Purchases were 10% and \$384k less than expected in December and are 5% and \$1,777k under budget YTD. Our overall costs/KWH was 2% and \$81k lower than budget in December but are 2% and \$798k higher YTD.

- Transmission Costs**
(\$46)
\$239

Transmission control center costs finished higher than budget by \$5k in December and \$72k YTD with greater emphasis on transmission dispatching. Transmission pole treatment program has been less costly than expected resulting in a positive variance to budget for December of \$3k and \$110k YTD. Transmission vegetative maintenance was over budget by \$14k but is \$202k under budget YTD.

- Distribution Operations/Mtce**
(\$43)
\$147

Overhead line maintenance costs were better than budget by \$24k in December and is \$450k better YTD. Major storm expenses were \$123k over budget in December from the 12/9 storm but are better than budget by \$119k YTD. AMI project was over budget by \$11k in December but is under budget by \$50k YTD. Make ready work resulted in a positive variance of \$20k in December but the Comcast Islands work contributed to a negative variance of \$183k YTD. Substation maintenance work is \$116k higher YTD. Distribution vegetative maintenance program spending was under budget by \$44k in December but is \$189k over YTD. Vegetative mtce program overall is \$13k under budget YTD.

- Customer Accounts**
\$19
\$305

Collections activities have been higher than budget by \$3k in December and \$81k YTD. However, on the positive side collections has been more successful than expected resulting in positive variances in December of \$10k and \$136k YTD. Major account management, meter reading, SQRP administration and member service have performed better than expected to budget by \$10k and \$239k YTD.

- Administrative & General**
(\$97)
\$300

A&G salaries are running better than budget by \$3k in December and \$96k YTD. The sale of School Street resulted in a one-time charge of \$95k to outside services toward remediation resulting in a negative variance to budget of \$93k in December and \$61k YTD. Regulatory related costs were \$4k under budget in December and \$148k YTD. Annual meeting expenses were higher than expected by \$64k YTD. Director's fees & expenses are better than budget by \$7k in December and \$94k YTD. Strategic planning expenses have been better than budget by \$3k in December and \$38k YTD. Building maintenance costs are \$33k better than budget YTD. Office expenses were lower than expected contributing \$26k YTD.

• **Non-Operating Margins** **\$1** **\$148**

Interest income largely from the 2008 VPPSA assignment agreement contributed \$68k YTD. School Street sale resulted in a loss on sale of assets of \$129k in December but sales of vehicles contributed gains for a cumulative negative variance of \$98k YTD. VEC earned additional equity in CFC but it was non-cash and does not count towards TIER but had positive impact on budget of \$131k for December and \$179k YTD.

• **Capital Spending Plan** **(\$549)** **(\$1,523)**

Work in Highgate Springs is over budget by \$15k in December and \$132k YTD. Scada installations were \$15k over in December and \$156k over YTD. The Eden substation was \$101k over budget in December and \$317k YTD. The Richford transmission switches were over budget in December by \$173k and are \$59k over YTD. The Enosburg substation finished over budget by \$784k YTD as more of the work was carried into 2009 than planned. Ordinary replacements are running over budget by \$29k in December and \$429k YTD. Pole replacement work was over budget in December by \$58k and is \$1,667k over YTD largely related to the Comcast work in the Islands. Lastly, reconductoring, line changes, & sectionalizing also were over budget by \$27k in December and \$618k YTD. On the positive side for under spending to budget, the Irasburg Consolidation Plan is behind schedule and was \$163k better than budget YTD. The Rte 2 rebuild for North Hero City Beach was \$288k under budget YTD. The Steel Tower Line project is running behind schedule although it had a negative variance of \$110k in December but has a positive variance of \$1,576k YTD. The Taft Corners Velco substation project is under budget by \$196k YTD. Facility and Equipment (including Colchester Service Center) is behind our original plans but was \$78k over budget in December but is \$360k under budget YTD. YTD budget variance is 15.8% overall.

TIER and Debt Service Coverage

Our 2009 final unaudited numbers compute to a Y/E TIER performance of 2.19 compared to a budget of 2.18. Our Debt Service payments for 2009 were \$4.7 million.

Cash Flow and Line of Credit

In December, we used up to a peak of \$3.9M on our line of credit. January reached a level of \$4.9M on Monday 1/25.

Balance Sheet

Our equity ratio improved in December to 38.4% from 38.2%. Our current ratio, a measure of liquidity, declined to .99 from last months 1.04. VEC's FFO ratio for 2009 ("Funds from Operations/Capital Expenditures Ratio"; Target of 80% desirable) was .65 up from the previous month of .64.

	December 2009 Actual	November 2009 Actual	Variance Fav/(Unfav) \$	%	December 2008 Actual	Variance Fav/(Unfav) \$	%
Electric plant, at cost:							
Electric plant in service	102,390,237	100,431,205	1,959,031	1.95%	92,836,258	9,553,978	10.29%
Less accumulated depreciation	(26,135,936)	(26,590,660)	(454,724)	-1.71%	(25,033,192)	1,102,744	4.41%
Net electric plant in service	76,254,301	73,840,545	2,413,755	3.27%	67,803,066	8,451,235	12.46%
Construction work in progress	3,172,549	5,257,374	(2,084,825)	-39.66%	2,426,157	746,392	30.76%
Net electric plant	79,426,850	79,097,920	328,930	0.42%	70,229,223	9,197,627	13.10%
Other assets:							
Non-utility property	65,697	65,697	-	0.00%	65,697	-	0.00%
Other investments	9,805,627	9,667,154	138,473	1.43%	9,639,813	165,814	1.72%
Deferred charges	(351,621)	(364,665)	13,043	-3.58%	(261,690)	(89,931)	34.37%
Total other assets	9,519,703	9,368,186	151,517	1.62%	9,443,820	75,883	0.80%
Current assets:							
Cash	285,571	1,417,241	(1,131,670)	-79.85%	1,190,253	(904,682)	-76.01%
Notes receivable (net)	1,915	2,171	(257)	-11.82%	6,388	(4,473)	-70.03%
Accounts receivable (net)	9,325,637	8,394,322	931,315	11.09%	8,867,272	458,365	5.17%
Other receivables (net)	594,102	320,509	273,593	85.36%	842,936	(248,834)	-29.52%
Inventories	2,599,232	2,696,355	(97,124)	-3.60%	2,343,274	255,958	10.92%
Prepaid expenses	340,175	407,332	(67,157)	-16.49%	203,539	136,635	67.13%
Total current assets	13,146,631	13,237,931	(91,300)	-0.69%	13,453,663	(307,032)	-2.28%
Total assets	\$ 102,993,184	\$ 101,704,037	\$ 389,148	0.38%	\$ 93,126,706	\$ 8,966,478	9.63%

BALANCE SHEETS (LIABILITIES/EQUITY)

	December 2009 Actual	November 2009 Actual	Variance Fav/(Unfav) \$	%	#DIV/0!	December 2008 Actual	Variance Fav/(Unfav) \$	%	#DIV/0!
Equities:									
Memberships issued & subscribed	-	-	-			-	-		
Patronage capital assignable	16,561,252	16,561,252	-	0.00%		15,149,492	1,411,760	8.52%	
Other earnings	6,263,274	5,966,467	296,807	4.74%		3,985,094	2,278,180	36.37%	
Contributions in aid of construction	16,357,441	16,315,961	41,480	0.25%		15,664,271	693,169	4.24%	
Net equity	39,181,967	38,843,681	338,287	0.86%		34,798,857	4,383,110	11.19%	
Long-term debt	49,047,218	49,467,923	(420,705)	-0.86%		45,115,376	3,931,842	8.02%	
Capital leases - non current	308,693	310,599	(1,906)	-0.62%		324,135	(15,443)	-5.00%	
Current liabilities:									
Current portion of long-term debt	2,083,601	1,920,178	163,422	7.84%		1,932,153	151,447	7.27%	
Line of Credit	3,400,000	3,300,000	100,000	2.94%		2,549,942	850,058	25.00%	
Accounts payable	5,607,949	5,332,603	275,345	4.91%		5,424,099	183,849	3.28%	
Customer deposits	239,460	215,919	23,541	9.83%		103,359	136,101	56.84%	
Other accrued expenses	1,904,488	1,950,241	(45,753)	-2.40%		2,337,742	(433,254)	-22.75%	
Total current liabilities	13,235,497	12,718,941	516,556	3.90%		12,347,295	888,202	6.71%	
Deferred credits	319,810	362,894	(43,084)	-13.47%		541,042	(221,232)	-69.18%	
Total liabilities and equity	\$ 102,093,184	\$ 101,704,037	\$ 389,148	0.38%		\$ 93,126,706	\$ 8,966,478	9.63%	

MONTHLY

STATEMENT OF OPERATIONS

VEC

	December 2009 Actual	December 2009 Budget	December 2009 Actual- Budget Variance Fav (Unfav) \$	December 2009 Actual- Budget Variance Fav (Unfav) %	December 2008 Actual	December 2009 Actual - December 2008 Variance Fav (Unfav) \$	December 2009 Actual - December 2008 Variance Fav (Unfav) %
Revenue							
Operating Revenue	5,939,718	6,359,057	(419,339)	-6.6%	5,584,314	355,404	6.4%
Sales for Resale	211,976	305,405	(93,429)	-30.6%	264,200	(52,224)	19.8%
Total revenues	\$ 6,151,694	\$ 6,664,462	\$ (512,768)	-7.7%	\$ 5,848,514	\$ 303,180	5.2%
Power supply cost							
Purchased power cost	(3,237,432)	(3,693,538)	456,106	12.3%	(3,295,706)	58,274	1.8%
Sales for Resale	(211,976)	(305,405)	93,429	30.6%	(264,200)	52,224	19.8%
Transmission	(741,965)	(695,705)	(46,260)	-6.6%	(644,721)	(97,244)	-15.1%
Total Power supply cost	(4,191,373)	(4,694,648)	503,275	10.7%	(4,204,627)	13,254	0.3%
Gross Margin	\$ 1,960,320	\$ 1,969,814	\$ (9,493)	-0.5%	\$ 1,643,887	\$ 316,434	-19.2%
Operating expenses							
Distribution: Operations & Mfice	(779,707)	(736,517)	(43,190)	-5.9%	(627,350)	(152,357)	-24.3%
Customer accounts	(188,821)	(207,477)	18,656	9.0%	(216,155)	27,334	12.6%
Administrative & general	(328,021)	(231,032)	(96,989)	-42.0%	(220,572)	(107,449)	-48.7%
Total operating expenses	(1,296,549)	(1,175,026)	(121,523)	-10.3%	(1,064,077)	(232,472)	-21.8%
Depreciation & amortization	(284,943)	(281,937)	(3,006)	-1.1%	(312,857)	27,914	8.9%
Gross revenue & receipts taxes	(54,921)	(63,267)	8,346	13.2%	(53,581)	(1,340)	-2.5%
Interest on long-term debt	(242,064)	(234,180)	(7,884)	-3.4%	(221,118)	(20,947)	-9.5%
Other interest expenses	(8,898)	(22,859)	13,961	61.1%	(13,266)	4,368	32.9%
Other Deductions	(7,275)	(3,500)	(3,775)	-107.9%	(11,413)	4,138	36.3%
Total depreciation & other expenses	(598,102)	(605,743)	7,641	1.3%	(612,235)	14,133	2.3%
Income from operations	65,669	189,044	(123,375)	-65.3%	(32,425)	98,095	302.5%
Interest income	229,744	231,335	(1,591)	-0.7%	734,040	(504,296)	-68.7%
Other income (expenses)	(129,564)	(1,442)	(128,122)	8885.0%	106,612	(236,176)	-221.5%
Other capital credits & dividends	130,958	-	130,958	N/A	175,452	(44,494)	-25.4%
Total non-operating margins	231,137	229,893	1,244	0.5%	1,016,103	(784,966)	-77.3%
Net income (loss)	296,807	418,937	(122,131)	-29.2%	983,678	(686,871)	69.8%
Extraordinary expenses	-	-	-	N/A	-	-	N/A
Total net income (loss)	\$ 296,807	\$ 418,937	\$ (122,131)	-29.2%	\$ 983,678	\$ (686,871)	69.8%

YEAR-TO-DATE

STATEMENT OF OPERATIONS

VEC

	December 2009 Actual	December 2009 Budget	December 2009 Actual- Budget Variance Fav (Unfav) %	December 2008 Actual	December 2009 Actual - December 2008 Variance Fav (Unfav) %
Revenue					
Operating Revenue	67,681,908	69,854,882	-3.1%	63,488,258	4,193,650
Sales for Resale	2,356,266	4,302,697	-45.2%	4,404,395	(2,048,129)
Total revenues	\$ 70,038,174	\$ 74,157,579	-5.6%	\$ 67,892,653	\$ 2,145,521
Power supply cost					
Purchased power cost	(36,969,741)	(37,949,396)	2.6%	(36,713,347)	(256,394)
Sales for Resale	(2,356,266)	(4,302,697)	45.2%	(4,404,395)	2,048,129
Transmission:	(7,640,973)	(7,880,014)	3.0%	(6,476,135)	(1,164,838)
Total Power supply cost	(46,966,980)	(50,132,107)	6.3%	(47,593,877)	626,896
Gross Margin	\$ 23,071,194	\$ 24,025,472	-4.0%	\$ 20,298,776	\$ 2,772,418
Operating expenses					
Distribution: Operations & Mtce	(8,296,520)	(8,443,545)	1.7%	(7,724,301)	(572,219)
Customer accounts	(2,279,795)	(2,584,540)	11.8%	(2,528,640)	248,845
Administrative & general	(2,783,122)	(3,083,524)	9.7%	(2,782,793)	(329)
Total operating expenses	(13,359,437)	(14,111,609)	5.3%	(13,035,734)	(323,703)
Depreciation & amortization	(3,544,607)	(3,522,144)	-0.6%	(4,107,282)	562,675
Gross revenue & receipts taxes	(666,857)	(690,991)	3.5%	(628,480)	(38,377)
Interest on long-term debt	(2,792,052)	(2,836,857)	1.6%	(2,749,715)	(42,337)
Other interest expenses	(158,277)	(183,924)	13.9%	(159,211)	934
Other deductions	(25,331)	(42,000)	39.7%	(12,300)	(13,032)
Total depreciation & other expenses	(7,187,124)	(7,275,916)	1.2%	(7,656,988)	469,863
Income from operations	2,524,632	2,637,946	-4.3%	(393,945)	2,918,578
Interest income	1,001,905	933,440	7.3%	1,423,764	(421,859)
Other income (expenses)	(105,412)	(6,348)	1560.6%	106,028	(211,441)
Other capital credits & dividends	268,786	89,795	199.3%	277,007	(8,221)
Total non-operating margins	1,165,278	1,016,887	14.6%	1,806,799	(641,521)
Net income (loss)	3,689,910	3,654,833	1.0%	1,412,854	2,277,057
Extraordinary expenses	-	-	N/A	(1,093)	1,093
Total net income (loss)	\$ 3,689,910	\$ 3,654,833	1.0%	\$ 1,411,760	\$ 2,278,150

	Month		December 2008 Actual	December 2009 Actual	Year-to-date		Variance Fav (Unfav) \$	%
	December 2009	December 2008			December 2008	December 2009		
	Actual	Actual			Actual	Actual		
Cash flows from operating activities:								
Net income	\$ 296,807	\$ 963,878	\$ 3,689,910	\$ 1,411,760	\$ 2,278,150	181.37%		
Noncash expenses (income) included in earnings:								
Depreciation & amortization	615,200	538,759	4,757,600	5,608,085	(850,485)	-15.17%		
(Gain) loss on sale of investments	-	-	-	-	-	N/A		
(Gain) loss on sale of fixed assets	128,999	(630)	91,519	(8,020)	99,539	1241.14%		
Changes in assets and liabilities:								
Decrease (increase) in notes receivable	257	1,520	4,473	13,890	(9,417)	-67.80%		
Decrease (increase) in accounts receivable	(931,315)	(184,050)	(458,365)	823,819	(1,282,184)	-155.64%		
Decrease (increase) in other receivable	(273,593)	(535,948)	248,634	(615,946)	864,780	140.40%		
Decrease (increase) in inventories	97,124	(71,102)	(255,958)	385,027	(385,027)	-60.07%		
Decrease (increase) in prepayments	67,157	24,774	(136,635)	105,937	(242,572)	228.98%		
Decrease (increase) in deferred charges	(28,378)	(62,938)	(331,982)	1,283,278	951,296	74.13%		
Increase (decrease) in accounts payable	275,345	8,936	183,849	417,697	(233,847)	-55.98%		
Increase (decrease) in customer deposits	23,541	60	136,101	(845)	136,946	16203.17%		
Increase (decrease) in accrued expenses	(43,084)	(45,753)	(433,254)	(54,005)	(379,249)	702.25%		
Increase (decrease) in deferred credits		(508,175)	(221,232)	(760,204)	538,972	-70.90%		
Net cash provided (used) by operating activities	182,307	428,739	7,274,860	5,017,904	2,256,956	44.98%		
Cash flows from investing activities:								
Additions to electric plant in service and construction work in progress	(1,240,265)	(1,011,146)	(14,950,243)	(9,287,098)	(5,563,146)	-59.90%		
Proceeds from retirements of electric plant in service	182,470	71,227	1,225,410	25,431	1,199,979	4718.47%		
Return on capital investments	(138,473)	(183,310)	(198,932)	(287,461)	88,529	-30.80%		
Proceeds (payments) from sale (purchase) of investments	-	-	33,118	27,596	5,521	20.01%		
Net cash provided (used) in investing activities	(1,196,268)	(1,123,230)	(13,790,647)	(9,521,530)	(4,269,117)	-44.84%		
Cash flows from financing activities:								
Proceeds from borrowings LOC	-	-	-	-	-	N/A		
Proceeds from borrowings Long-Term	-	-	-	-	-	N/A		
Payments to creditors LOC	100,000	(3,973,414)	850,058	1,150,108	(300,049)	26.09%		
Payments to creditors Long-Term	(259,189)	4,257,499	4,067,847	2,425,623	1,642,223	-67.70%		
Increase in contributions in aid of construction	41,480	11,345	693,169	250,999	442,170	176.16%		
Memberships issued, net of refunds	-	-	-	-	-	N/A		
Additions to donated capital, net	-	-	30	14	16	118.83%		
Net cash provided (used) by financing activities	(117,709)	295,430	5,611,105	3,826,744	1,784,360	-46.63%		
Net increase (decrease) in cash and equivalents	(1,131,670)	(399,061)	(904,662)	(676,881)	(227,801)	33.65%		
Cash & cash equivalents at beginning of period	1,417,241	1,589,314	1,190,253	1,867,135	(676,881)	-36.25%		
Cash & cash equivalents at end of period	\$ 285,571	\$ 1,190,253	\$ 285,571	\$ 1,190,253	\$ (904,662)	-76.01%		
Supplemental cash flow information:								
Cash paid during the period for interest	\$ (408,938)	\$ (466,951)	\$ (12,840)	\$ (76,063)	\$ 63,222	83.12%		