

Financial Highlights – June, 2016

	<u>Variance (K's)</u>	<u>YTD Variance (K's)</u>
June Net Income	\$111	\$28

Analysis:

- Operating Revenue**
(\$51)
(\$1,428)

KWH sales in June are \$63k better than budget for the month but \$796k less YTD. The average price/KWH sold is \$107k less than budget for the month and \$609k less for the year. Degree days for the year are 11% less than normal and 17% less than the previous year. Non-energy services, pole attachments, and wheeling revenues are \$4k less than budget for the month but \$136k better YTD. Unbilled revenues are \$14k better than budget for the month and \$63k better for the year. The sale of Renewable Energy Credits is under budget by \$17k for the month and \$235k YTD.

- Purchased Power Costs**
\$244
\$1,360

Purchased KWH is over budget by \$103k for the month but under \$179k for the year. Our overall costs/KWH is \$347k under budget for the month and \$1,182k under YTD.

- Transmission Costs**
\$80
(\$110)

Transmission support for substations and supervision is \$6k under budget for the month and \$47k under YTD. Transmission by Others is \$102k under budget for the month but \$110k over YTD. Maintenance for SCADA and overhead lines is over \$18k for the year. Transmission vegetative maintenance is over budget by \$27k for the month and \$30k YTD.

- Distribution Operations/Mtce**
(\$91)
(\$11)

Major Storm costs are under budget by \$53k for the month and \$342k for the year. Meter/AMI Expense is \$4k over budget for the month and \$21k over for the year. Supervisory related costs are over budget by \$6k for the month and \$66k YTD. Overall Distribution Maintenance costs are over budget by \$31k for the month but are under by \$131k YTD. Miscellaneous Distribution and Customer Installation expenses are over budget by \$2k for the month and \$18k YTD. Distribution vegetative maintenance program spending is over budget by \$102k for the month and \$378k YTD. The overall vegetative maintenance program (transmission + distribution) is \$128k over budget for the month and \$407k over for the year.

- Customer Accounts**
(\$25)
(\$24)

Meter Reading & Disconnect Services are under budget by \$2k for the month and \$7k YTD. Member Services are under budget by \$3k for the month and \$69k for the year. Uncollectible Accounts are over budget by \$37k for the month and \$100k over for the year. Patronage Capital expenses are over budget by \$4k for the year. Communications and SQRP Costs are under budget by \$7k for the month and \$3k for the year.

- **Administrative & General** (\$42) \$86

Regulatory related expenses are over budget by \$9k for the month and \$13k YTD. Payroll & Benefits are over budget \$17k for June but are under \$27k YTD. Outside Services is under budget by \$10k for the month but is over \$13k YTD. Director Expenses are over budget \$13k for the month and \$4k YTD. Internal costs incurred for Community Solar and TIER 3 Projects are \$8k over budget for the month and \$9k over YTD. Expenses for Coop-life, Business Development, Dues, and Meeting expenses are over budget \$7k for the month but are under \$21k YTD. Safety, Office and Facility related expenses are under budget \$3k for the month and \$77k under YTD.

- **Total Depreciation & Other Exp** (\$2) (\$80)

Depreciation expense is over budget by \$13k for the month and \$94k YTD. Interest expense is under budget by \$9k for the month but is on budget for the year. Gross Receipt Taxes are \$14k under budget for the year. Other Expenses are \$1k under for the month but \$1k over YTD.

- **Total Non-Operating Margins** (\$3) \$235

Patronage Dividends from CFC, CoBank and NISC are better than budget by \$153k for the year. Interest Income is better than budget by \$81k YTD. Miscellaneous Jobbing Revenue and other expenses are over budget by \$3k for the month but under \$1k for the year.

- **Capital Spending Plan** \$575 (\$200)

Transformers and increased capacity are over budget by \$16k for the month and \$242k for the year. Distribution line projects and Ordinary Replacements are over budget by \$31k for the month and \$509k for the year. Pole Replacements are under budget by \$14k for the month but \$181k over YTD. SCADA projects are under budget \$82k for the month but are over \$41k YTD. New Services and Construction are under budget by \$53k for the month but over \$78k the year. Facilities and IT projects are under budget for the month by \$194k and \$337k under for the year. Substation projects are under budget \$307k for the month and \$529k for the year. Security lights are under budget \$11k for the month and \$56k for the year. Meters and AMI are over budget \$39k for the month and \$72k for the year.

TIER and Debt Service Coverage

We expect the 2016 operating budget will be on target with our approved budgeted TIER of 2.18. Our Debt Service payments for 2016 are projected to be \$6.5 million.

Cash Flow and Line of Credit

In June, we used up to a peak of \$9.8M on our line of credit on June 13th. The July high for the line of credit is expected to be \$2.4M on July 25th. VEC made our 1st draw of \$9.5M on the pre-approved \$42M four year bond on 6/13. As a result on the week of 6/13, VEC was able to reduce the outstanding balance on our line of credit to \$0 freeing up \$18.5M on our available line of credit.

Balance Sheet

Our equity ratio in June is 43% consistent with May. Our current ratio, a measure of liquidity, is 1.16, up from May at .76. VEC's FFO ratio for 2016 YTD ("Funds from Operations/Capital Expenditures Ratio"; Target of 80% desirable) is .91, up from May at .87.

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

	June, 2016 Actual	June, 2016 Budget	Actual- Budget Variance Fav (Unfav) \$	%	June, 2015 Actual	Variance Fav (Unfav) \$	Prior Year Variance Fav (Unfav) %
Revenue							
Operating Revenue	5,847,592	5,898,250	(50,658)	-0.9%	5,762,300	85,292	1.5%
Sales for Resale	42,161	224,139	(181,978)	-81.2%	39,809	2,352	-5.9%
Total revenues	\$ 5,889,753	\$ 6,122,389	\$ (232,636)	-3.8%	\$ 5,802,109	\$ 87,644	1.5%
Power supply cost							
Purchased power cost	2,806,137	3,050,094	243,957	8.0%	2,828,739	22,602	-0.8%
Sales for Resale	42,161	224,139	181,978	81.2%	39,809	(2,352)	5.9%
Transmission	830,961	911,157	80,196	8.8%	765,679	(65,281)	8.5%
Total Power supply cost	3,679,258	4,185,390	506,132	-12.1%	3,634,227	(45,032)	1.2%
Gross Margin	\$ 2,210,495	\$ 1,936,999	\$ 273,496	14.1%	\$ 2,167,882	\$ 42,613	-2.0%
Operating expenses							
Distribution: Operations & Mtce	1,158,953	1,068,105	(90,848)	-8.5%	925,851	(233,101)	25.2%
Customer accounts	296,571	231,710	(24,861)	-10.7%	235,145	(21,425)	9.1%
Administrative & general	322,921	281,100	(41,821)	-14.9%	323,293	373	-0.1%
Total operating expenses	\$ 1,738,444	\$ 1,580,915	\$ (157,529)	-10.0%	\$ 1,484,290	\$ (254,154)	17.1%
Depreciation & amortization	478,332	465,384	(12,948)	-2.8%	449,748	(28,583)	6.4%
Gross revenue & receipts taxes	57,758	58,304	546	0.9%	57,414	(345)	0.6%
Interest on long-term debt	252,126	249,836	(2,290)	-0.9%	249,528	(2,598)	1.0%
Other interest expenses	10,164	21,686	11,522	53.1%	8,365	(1,799)	21.5%
Other Deductions	-	1,000	1,000	100.0%	2,724	2,724	-100.0%
Total depreciation & other expenses	798,380	796,210	(2,170)	0.3%	767,779	(30,602)	4.0%
Income from operations	\$ (326,330)	\$ (440,126)	\$ 113,796	-25.9%	\$ (84,187)	\$ (242,143)	-287.6%
Interest income	609,093	609,093	0	0.0%	609,093	-	0.0%
Other income (expenses)	530	3,244	(2,714)	-83.7%	(79,144)	79,674	-100.7%
Other capital credits & dividends	-	-	-	N/A	-	-	N/A
Total non-operating margins	609,623	612,337	(2,714)	-0.4%	529,949	79,674	15.0%
Net income (loss)	283,294	172,211	111,083	64.5%	445,762	(162,468)	36.4%
Extraordinary expenses	-	-	-	N/A	-	-	N/A
Total net income (loss)	\$ 283,294	\$ 172,211	\$ 111,083	64.5%	\$ 445,762	\$ (162,468)	36.4%

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

	June, 2016 Actual	June, 2016 Budget	Actual-Budget Variance Fav (Unfav) \$	%	June, 2015 Actual	Prior Year Variance Fav (Unfav) \$	%
Revenue							
Operating Revenue	39,651,965	41,079,937	(1,427,972)	-3.5%	40,776,931	(1,124,966)	-2.8%
Sales for Resale	347,857	3,468,337	(3,120,480)	-90.0%	826,242	(478,385)	-57.9%
Total revenues	\$ 39,999,822	\$ 44,548,274	\$ (4,548,452)	-10.2%	\$ 41,603,173	\$ (1,603,351)	-3.9%
Power supply cost							
Purchased power cost	18,819,474	20,179,959	1,360,485	6.7%	20,027,174	1,207,699	-6.0%
Sales for Resale	347,857	3,468,337	3,120,480	90.0%	826,242	478,385	-57.9%
Transmission:	6,019,043	5,908,566	(110,477)	-1.9%	5,566,588	(452,455)	8.1%
Total Power supply cost	25,186,374	29,556,862	4,370,488	-14.8%	26,420,004	1,233,630	-4.7%
Gross Margin	\$ 14,813,448	\$ 14,991,412	\$ (177,964)	-1.2%	\$ 15,183,169	\$ (369,722)	2.4%
Operating expenses							
Distribution: Operations & Mtce	6,448,758	6,437,566	(11,192)	-0.2%	5,920,717	(528,041)	8.9%
Customer accounts	1,393,922	1,369,568	(24,354)	-1.8%	1,311,282	(82,640)	6.3%
Administrative & general	1,776,170	1,862,269	86,099	4.6%	1,919,607	143,437	-7.5%
Total operating expenses	9,618,850	9,669,403	50,553	0.5%	9,151,606	(467,244)	5.1%
Depreciation & amortization	2,856,474	2,762,478	(93,996)	-3.4%	2,688,894	(167,580)	6.2%
Gross revenue & receipts taxes	384,394	398,812	14,418	3.6%	395,121	10,727	-2.7%
Interest on long-term debt	1,509,360	1,513,948	4,588	0.3%	1,566,341	56,981	-3.6%
Other interest expenses	106,525	102,518	(4,007)	-3.9%	62,095	(44,431)	71.6%
Other deductions	6,946	6,000	(946)	-15.8%	3,679	(3,267)	88.8%
Total depreciation & other exp	4,863,699	4,783,756	(79,943)	1.7%	4,716,131	(147,569)	3.1%
Income from operations	330,898	538,253	(207,355)	-38.5%	1,315,433	(984,534)	74.8%
Interest income	1,479,881	1,398,560	81,321	5.8%	1,438,403	41,478	2.9%
Other income (expenses)	10,468	9,624	844	8.8%	(75,374)	85,842	-113.9%
Other capital credits & dividends	477,824	324,600	153,224	47.2%	452,442	25,382	5.6%
Total non-operating margins	1,968,173	1,732,784	235,389	13.6%	1,815,471	152,702	8.4%
Net income (loss)	2,299,072	2,271,037	28,035	1.2%	3,130,904	(831,832)	26.6%
Extraordinary expenses	-	-	-	N/A	-	-	N/A
Total net income (loss)	\$ 2,299,072	\$ 2,271,037	\$ 28,035	1.2%	\$ 3,130,904	\$ (831,832)	26.6%

Vermont Electric Cooperative, Inc.
Balance Sheet (Assets)
June, 2016

	June, 2016 Actual	May, 2016 Actual	Variance Fav/(Unfav) \$	%	June, 2015 Actual	Variance Fav/(Unfav) \$	%
Electric plant, at cost:							
Electric plant in service	154,075,839	154,072,322	3,517	0.00%	142,987,717	11,088,122	7.75%
Less accumulated depreciation	(42,364,073)	(42,591,955)	(227,882)	-0.54%	(40,153,872)	2,210,201	5.50%
Net electric plant in service	111,711,766	111,480,368	231,398	0.21%	102,833,845	8,877,921	8.63%
Construction work in progress	4,379,863	4,467,053	(87,189)	-1.95%	6,627,438	(2,247,575)	-33.91%
Net electric plant	116,091,629	115,947,420	144,209	0.12%	109,461,283	6,630,346	6.06%
Other assets:							
Non-utility property	65,697	65,697	-	0.00%	65,697	-	0.00%
Other investments	23,195,359	23,190,649	4,711	0.02%	22,934,882	260,477	1.14%
Deferred charges	843,974	843,908	66	0.01%	2,172,392	(1,328,418)	-61.15%
Total other assets	24,105,030	24,100,253	4,777	0.02%	25,172,971	(1,067,941)	-4.24%
Current assets:							
Cash	820,123	978,600	(158,476)	-16.19%	1,268,696	(448,573)	-35.36%
Notes receivable (net)	-	-	-	0.00%	-	-	#DIV/0!
Accounts receivable (net)	10,176,470	10,555,115	-378,645	-3.59%	10,058,365	118,105	1.17%
Other receivables (net)	1,931,366	1,719,449	211,937	12.33%	2,911,251	(979,865)	-33.66%
Inventories	4,497,113	4,397,449	99,664	2.27%	4,038,712	458,400	11.35%
Prepaid expenses	592,279	621,516	(29,238)	-4.70%	527,869	64,410	12.20%
Total current assets	18,017,370	18,272,128	254,758	-1.39%	18,804,893	(787,523)	-4.19%
Total assets	\$ 158,214,029	\$ 158,319,801	\$ 272,873	-0.07%	\$ 153,439,147	\$ 4,774,882	3.11%

Vermont Electric Cooperative, Inc.
Balance Sheet (Liabilities & Equity)
June, 2016

	June, 2016 Actual	May, 2016 Actual	Variance Fav/(Unfav) \$	%	June, 2015 Actual	Variance Fav/(Unfav) \$	%
Equities:							
Memberships issued & subscribed	-	-	-	0.00%	-	-	0.00%
Patronage capital assignable	(2)	3,656,525	(3,656,527)	152355300.83%	(1)	(1)	40.42%
Other earnings	68,154,868	64,215,910	3,938,958	5.78%	65,784,991	2,369,876	3.48%
Contributions in aid of construction	-	-	-	0.00%	-	-	0.00%
Net equity	68,154,865	67,872,435	282,430	0.41%	65,784,990	2,369,875	3.48%
Long-term debt	73,852,441	65,120,598	8,731,843	11.82%	67,814,059	6,038,382	8.18%
Capital leases - non current	328,243	325,008	3,235	0.99%	257,330	70,913	21.60%
Current liabilities:							
Current portion of long-term debt	3,516,816	3,365,485	151,331	4.30%	3,341,063	175,753	5.00%
Line of Credit	2,100,000	11,000,000	(8,900,000)	-423.81%	3,500,000	(1,400,000)	-66.67%
Accounts payable	5,168,738	5,570,310	(401,571)	-7.77%	7,687,420	(2,518,682)	-48.73%
Customer deposits	604,534	601,690	2,844	0.47%	591,573	12,961	2.14%
Other accrued expenses	4,114,734	4,076,337	38,397	0.93%	4,174,482	(59,748)	-1.45%
Total current liabilities	15,504,823	24,613,821	(9,108,999)	-58.75%	19,294,538	(3,789,716)	-24.44%
Deferred credits	373,657	387,939	(14,282)	-3.82%	288,230	85,428	22.86%
Total liabilities and equity	\$ 158,214,029	\$ 158,319,801	(105,772)	-0.07%	\$ 153,439,147	\$ 4,774,882	3.11%

Vermont Electric Cooperative, Inc.
Statement of Cash Flows

	Month		Year-to-date		Variance Fav (Unfav)
	June, 2016 Actual	June, 2015 Actual	June, 2016 Actual	June, 2015 Actual	
Cash flows from operating activities:					
Net income	\$ 283,294	\$ 445,762	\$ 2,299,072	\$ 3,130,904	*(831,832)
Noncash expenses (income) included in earnings:					
Depreciation & amortization	\$ 584,461	\$ 487,988	\$ 3,250,714	\$ 2,909,144	* 341,569
(Gain) loss on sale of fixed assets	\$ -	\$ -	\$ -	\$ -	
(Gain) loss on sale of investments	\$ (530)	\$ 82,197	\$ (3,180)	\$ 79,547	*(82,727)
Changes in assets and liabilities:					
Decrease (increase) in notes receivable	\$ -	\$ -	\$ -	\$ -	
Decrease (increase) in accounts receivable	\$ 378,645	\$ 706,040	\$ 9,293	\$ 1,040,861	*(1,031,568)
Decrease (increase) in other receivable	\$ (211,937)	\$ 1,803,653	\$ 279,838	\$ 990,190	*(710,352)
Decrease (increase) in inventories	\$ (99,664)	\$ (240,614)	\$ (266,795)	\$ (173,384)	*(93,411)
Decrease (increase) in prepayments	\$ 29,238	\$ 21,528	\$ (121,827)	\$ 35,746	*(157,573)
Decrease (increase) in deferred charges	\$ 2,793	\$ 20,081	\$ (4,905)	\$ 472,233	*(477,138)
Increase (decrease) in accounts payable	\$ (401,571)	\$ 569,189	\$ (1,848,575)	\$ (1,967,343)	* 118,768
Increase (decrease) in customer deposits	\$ 2,844	\$ (12,261)	\$ 17,251	\$ 11,482	* 5,770
Increase (decrease) in accrued expenses	\$ 38,397	\$ 236,271	\$ 1,265,002	\$ 1,216,972	* 48,030
Increase (decrease) in deferred credits	\$ (14,282)	\$ (10,644)	\$ 190,559	\$ 72,660	* 117,899
Net cash provided (used) by operating activities	591,687	4,109,188	5,066,447	7,819,012	*(2,752,565)
Cash flows from investing activities:					
Additions to electric plant in service and construction work in progress	\$ (861,465)	\$ (960,058)	\$ (6,347,172)	\$ (6,798,118)	* 450,946
Proceeds from retirements of electric plant in service	\$ 130,466	\$ 72,527	\$ 304,124	\$ 667,583	*(363,459)
Return on capital investments	\$ -	\$ -	\$ (114,662)	\$ (111,777)	*(2,885)
Proceeds (payments) from sale (purchase) of investments	\$ -	\$ -	\$ -	\$ -	
Net cash provided (used) in investing activities	(730,999)	(887,531)	(6,157,710)	(6,242,312)	* 84,602
Cash flows from financing activities:					
Proceeds from borrowings LOC	\$ -	\$ -	\$ -	\$ -	
Proceeds from borrowings Long-Term	\$ -	\$ -	\$ -	\$ -	
Payments to creditors LOC	\$ (8,900,000)	\$ (2,985,308)	\$ (7,100,000)	\$ 500,000	*(7,600,000)
Payments to creditors Long-Term	\$ 8,881,699	\$ (225,254)	\$ 7,872,289	\$ (1,677,863)	* 9,550,151
Patronage Capital Retirements - Net	\$ (863)	\$ (81)	\$ (6,483)	\$ (6,810)	* 327
Memberships issued, net of refunds	\$ -	\$ (50)	\$ -	\$ -	
Additions to donated capital, net	\$ -	\$ 13	\$ 9	\$ 23	*(13)
Net cash provided (used) by financing activities	(19,165)	(3,210,681)	765,814	(1,184,651)	* 1,950,465
Net increase (decrease) in cash and equivalents	(158,476)	10,976	(325,449)	392,049	*(717,498)
Cash & cash equivalents at beginning of period	\$ 978,600	\$ 1,257,721	\$ 1,145,572	\$ 876,647	* 268,925
Cash & cash equivalents at end of period	\$ 820,123	\$ 1,268,696	\$ 820,123	\$ 1,268,696	*(448,573)