

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

Financial Highlights – December, 2012

	<u>Variance (K's)</u>	<u>YTD Variance (K's)</u>
December Net Income	\$16	\$3,227

Analysis:

- Operating Revenue**
\$312
\$849

KWH sales in December are \$168k better than budget for the month and \$459k better than budget YTD. Degree days for the twelve months are 16% lower than normal and 8% lower than last year. The average price/KWH sold is 1% and \$73k lower than budget for the month and 1% and \$702k lower YTD. Non-energy services, pole attachments, and wheeling revenues are \$30k better than budget for December and \$42k better YTD. Unbilled revenues are \$30k better than budget for December but \$59k less YTD. The sale of Renewable Energy Credits created a positive variance of \$159k for December and \$1,114k YTD in revenues. (REC's were actually budgeted in 2012 as a credit to power supply costs).

- Purchased Power Costs**
\$336
\$1,606

Purchased KWH is \$16k under budget for December and is 1% and \$480k under budget YTD. System losses are tracking well this year. Our overall costs/KWH is 9% and \$320k under budget for the month and 3% and \$1,126k under budget YTD.

- Transmission Costs**
(\$36)
\$1,022

Transmission by Others is over budget by \$50k for December but under by \$755k YTD. Control Center costs for transmission support has a negative variance of \$9k for December but has a positive variance of \$14k YTD. Maintenance of overhead lines and Substation/SCADA maintenance is under budget by \$6k for December and is under budget by \$6k YTD. Property Taxes are over budget by \$4k for December and \$48k YTD. Transmission vegetative maintenance has a positive variance of \$20k for the month and \$295k YTD.

- Distribution Operations/Mtce**
(\$20)
\$305

Major Storm cost has a negative variance to budget of \$177k for the month but has a positive variance of \$862k YTD. Maintenance costs are under budget by \$79k for December but are \$26k over YTD. Meter/AMI Expense is under budget by \$8k for the month but is \$19k over YTD. Control Room related costs are under budget by \$5k for the month but are \$26k over YTD. Miscellaneous Distribution and Customer Installation expenses have a positive variance of \$26k for the month and \$48k YTD. The Transformer Numbering project has a negative variance to budget of \$3k for the month and \$72k YTD. Distribution vegetative maintenance program spending is under budget by \$44k in December but is \$462k over budget YTD. The overall vegetative maintenance program (transmission + distribution) is \$63k under budget for December but is \$168k over YTD.

- Customer Accounts**
\$42
(\$12)

Meter reading & meter disconnects are under budget by \$16k for the month and \$72k YTD. Member Services has a negative variance to budget of \$2k for the month and \$149k YTD. Property taxes allocated to Customer Accounts has a negative variance of \$5k YTD. Communications is under budget by \$3k for the month and \$1k YTD. The SQRP related costs are \$6k under budget for the month and \$40k YTD. Uncollectable Accounts has a positive variance of \$20k for the month and \$30k YTD.

• **Administrative & General** (\$29) (\$194)

Payroll & Benefits are under budget by \$3k for December but are \$160k over budget YTD. Outside Services is over budget by \$19k for the month but is under \$7k YTD. Regulatory related expenses are over budget by \$6k for the month and year. Expenses for Coop-life, Business Development, and Meeting expenses are over budget by \$4k for the month but are \$65k under budget YTD. Safety and Office/Facility expenses are over budget by \$13k for the month and \$128k YTD. Membership Dues are over budget by \$1k for the month and \$5k YTD. Director related expenses are under budget by \$10k for the month and \$33k YTD.

• **Total Depreciation & Other Exp** (\$683) (\$671)

Depreciation expense is over budget by \$36k for December and \$193k YTD largely related to greater than expected general plant assets closed to plant in service in 2011. Interest expense is better than budget by \$29k for December and \$201k YTD resulting from lower rates and less overall usage on our line of credit. A reconciliation of our fixed assets to our member billing system resulted in a true-up recorded in December to properly record the value of capitalized meters and streetlights. As a result, other deductions are over budget by \$676k for the month and by \$679k YTD from the true-up.

• **Total Non-Operating Margins** \$95 \$321

Patronage Dividends from CFC, CoBank and NISC have a positive variance of \$120k for the month and \$243k YTD. \$215k of our YTD positive variance is from non-cash patronage and does not count towards TIER. Interest Income is \$12k less than budget for the month and \$8k less YTD. Contract services for other utilities had a negative variance of \$13k for the month but had a positive variance of \$66k YTD. Net proceeds from the sale of vehicles and equipment resulted in a positive variance of \$20k YTD.

• **Capital Spending Plan** \$239 \$826

Although we ended the year better than budget, this was primarily due to the delay with the NEK Project budgeted at \$219k for the month and \$2M for the year. Additionally, DOE projects carried over to 2013 are under budget by \$391k for the year. Offsetting these positive YTD variances are overages in Poles of \$727k, Construction at the Jay Resort Substation of \$501k, and transformers of \$328k.

TIER and Debt Service Coverage

We finished with a TIER of 3.25 and DSC of 2.62 exceeding covenant requirements. Our Debt Service payments in 2012 were \$5.2 million.

Cash Flow and Line of Credit

In December, we used up to a peak of \$2.5M on our line of credit on December 28th. The January high for the line of credit was \$2.1M on January 24th.

Balance Sheet

Our equity ratio in December is 43%, down from last month at 45%. Our current ratio, a measure of liquidity, is 1.15, a decrease from November at 1.23. VEC's FFO ratio for 2012 YTD ("Funds from Operations/Capital Expenditures Ratio"; Target of 80% desirable) is 1.59, down from November at 1.67.

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

	December, 2012 Actual	December, 2012 Budget	Actual - Budget Variance Fav (Unfav) \$	%	December, 2011 Actual	Variance Fav (Unfav) \$	Prior Year Variance Fav (Unfav) %
Revenue							
Operating Revenue	6,465,746	6,153,831	311,914	5.1%	5,992,501	473,245	7.9%
Sales for Resale	18,062	-	18,062	N/A	115,017	(96,955)	84.3%
Total revenues	\$ 6,483,808	\$ 6,153,831	\$ 329,976	5.4%	\$ 6,107,518	\$ 376,290	6.2%
Power supply cost							
Purchased power cost	3,167,893	3,504,017	336,124	9.6%	3,414,372	246,479	-7.2%
Sales for Resale	18,062	-	(18,062)	N/A	115,017	96,955	-84.3%
Transmission	960,042	923,662	(36,380)	-3.9%	1,042,054	82,013	-7.9%
Total Power supply cost	4,145,996	4,427,678	281,682	-6.4%	4,571,443	425,447	-9.3%
Gross Margin	\$ 2,337,812	\$ 1,726,153	\$ 611,658	35.4%	\$ 1,536,074	\$ 801,737	-52.2%
Operating expenses							
Distribution: Operations & Mtce	976,543	956,369	(20,174)	-2.1%	838,443	(138,100)	16.5%
Customer accounts	163,165	204,950	41,785	20.4%	201,307	38,142	-18.9%
Administrative & general	295,767	267,023	(28,744)	-10.8%	324,742	28,975	-8.9%
Total operating expenses	\$ 1,435,476	\$ 1,428,342	\$ (7,133)	-0.5%	\$ 1,364,493	\$ (70,983)	5.2%
Depreciation & amortization	380,078	344,373	(35,705)	-10.4%	389,154	9,076	-2.3%
Gross revenue & receipts taxes	62,564	60,884	(1,680)	-2.8%	59,157	(3,407)	5.8%
Interest on long-term debt	240,721	267,341	26,620	10.0%	236,770	(3,951)	1.7%
Other interest expenses	5,291	7,357	2,066	28.1%	7,740	2,448	-31.6%
Other Deductions	677,370	3,100	(674,270)	-21750.7%	(1,870)	(679,240)	-36323.4%
Total depreciation & other expenses	1,366,026	683,056	(682,970)	100.0%	690,950	(675,075)	97.7%
Income from operations	\$ (463,689)	\$ (385,245)	\$ (78,445)	20.4%	\$ (519,369)	\$ 55,679	10.7%
Interest income	327,404	339,464	(12,061)	-3.6%	333,418	(6,015)	-1.8%
Other income (expenses)	(11,809)	1,504	(13,314)	-885.2%	530	(12,339)	-2328.2%
Other capital credits & dividends	120,003	-	120,003	N/A	141,023	(21,020)	-14.9%
Total non-operating margins	435,597	340,968	94,629	27.8%	474,971	(39,374)	-8.3%
Net income (loss)	(28,092)	(44,277)	16,184	-36.6%	(44,397)	16,305	36.7%
Extraordinary expenses	-	-	-	N/A	-	-	N/A
Total net income (loss)	\$ (28,092)	\$ (44,277)	\$ 16,184	-36.6%	\$ (44,397)	\$ 16,305	36.7%

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

	December, 2012 Actual	December, 2012 Budget	December, 2012 Actual-Budget Variance Fav (Unfav) \$	December, 2012 Actual-Budget Variance Fav (Unfav) %	December, 2011 Actual	Prior Year Variance Fav (Unfav) \$	Prior Year Variance Fav (Unfav) %
Revenue							
Operating Revenue	73,195,344	72,346,286	849,058	1.2%	71,722,946	1,472,398	2.1%
Sales for Resale	672,998	888,760	(215,762)	-24.3%	1,134,344	(461,346)	40.7%
Total revenues	\$ 73,868,342	\$ 73,235,045	\$ 633,297	0.9%	\$ 72,857,290	\$ 1,011,052	1.4%
Power supply cost							
Purchased power cost	34,733,733	36,339,705	1,605,972	4.4%	35,375,421	641,688	-1.8%
Sales for Resale	672,998	888,760	215,762	24.3%	1,134,344	461,346	-40.7%
Transmission:	8,170,630	9,192,274	1,021,644	11.1%	8,980,496	809,866	-9.0%
Total Power supply cost	43,577,361	46,420,738	2,843,377	-6.1%	45,490,261	1,912,900	-4.2%
Gross Margin	\$ 30,290,981	\$ 26,814,307	\$ 3,476,674	13.0%	\$ 27,367,029	\$ 2,923,952	-10.7%
Operating expenses							
Distribution: Operations & Mtce	10,948,654	11,254,036	305,382	2.7%	10,435,156	(513,497)	4.9%
Customer accounts	2,392,625	2,380,874	(11,751)	-0.5%	2,360,102	(32,523)	1.4%
Administrative & general	3,440,254	3,246,125	(194,129)	-6.0%	3,483,189	42,935	-1.2%
Total operating expenses	16,781,533	16,881,035	99,502	0.6%	16,278,447	(503,085)	3.1%
Depreciation & amortization	4,166,500	3,973,478	(193,022)	-4.9%	3,811,145	(355,355)	9.3%
Gross revenue & receipts taxes	717,226	713,987	(3,239)	-0.5%	707,170	(10,056)	1.4%
Interest on long-term debt	2,940,761	3,015,618	74,857	2.5%	2,981,163	40,401	-1.4%
Other interest expenses	73,469	200,013	126,544	63.3%	105,469	32,000	-30.3%
Other deductions	713,313	37,300	(676,013)	-1812.4%	35,643	(677,669)	1901.3%
Total depreciation & other exp	8,611,268	7,940,396	(670,872)	8.4%	7,640,590	(970,679)	12.7%
Income from operations	4,898,180	1,992,876	2,905,304	145.8%	3,447,992	1,450,188	-42.1%
Interest income	1,600,708	1,609,096	(8,388)	-0.5%	1,611,771	(11,062)	-0.7%
Other income (expenses)	103,629	17,113	86,517	505.6%	49,753	53,876	108.3%
Other capital credits & dividends	403,136	159,861	243,274	152.2%	446,261	(43,125)	-9.7%
Total non-operating margins	2,107,473	1,786,070	321,403	18.0%	2,107,784	(311)	0.0%
Net income (loss)	7,005,653	3,778,946	3,226,707	85.4%	5,555,776	1,449,877	-26.1%
Extraordinary expenses	-	-	-	N/A	-	-	N/A
Total net income (loss)	\$ 7,005,653	\$ 3,778,946	\$ 3,226,707	85.4%	\$ 5,555,776	\$ 1,449,877	-26.1%

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

	December, 2012 Actual	November, 2012 Actual	Variance Fav/(Unfav) \$	Variance Fav/(Unfav) %	December, 2011 Actual	Variance Fav/(Unfav) \$	Variance Fav/(Unfav) %
Electric plant, at cost:							
Electric plant in service	126,402,971	122,450,884	3,952,087	3.23%	115,321,822	11,081,149	9.61%
Less accumulated depreciation	(33,200,355)	(33,126,306)	74,049	0.22%	(30,664,149)	2,536,206	8.27%
Net electric plant in service	93,202,616	89,324,578	3,878,038	4.34%	84,657,673	8,544,943	10.09%
Construction work in progress	2,751,548	7,146,713	(4,395,166)	-61.50%	6,264,704	(3,513,157)	-56.08%
Net electric plant	95,954,164	96,471,291	(517,128)	-0.54%	90,922,378	5,031,786	5.53%
Other assets:							
Non-utility property	65,697	65,697	-	0.00%	65,697	-	0.00%
Other investments	18,441,688	14,012,935	4,428,753	31.60%	13,983,626	4,458,062	31.88%
Deferred charges	51,995	43,988	8,007	18.20%	(86,045)	138,040	-160.43%
Total other assets	18,559,380	14,122,619	4,436,760	31.42%	13,963,278	4,596,102	32.92%
Current assets:							
Cash	1,202,633	1,022,367	180,265	17.63%	1,869,344	(666,711)	-35.67%
Notes receivable (net)	-	-	-	0.00%	-	-	#DIV/0!
Accounts receivable (net)	10,621,203	9,123,432	1,497,771	16.42%	10,266,311	354,892	3.46%
Other receivables (net)	1,535,373	1,400,540	134,834	9.63%	1,190,873	344,500	28.93%
Inventories	3,452,503	3,413,935	38,568	1.13%	2,849,401	603,102	21.17%
Prepaid expenses	469,533	510,587	(41,054)	-8.04%	250,158	219,375	87.69%
Total current assets	17,281,244	15,470,860	1,810,385	11.70%	16,426,087	855,158	5.21%
Total assets	\$ 131,794,788	\$ 126,064,770	\$ 5,730,017	4.55%	\$ 121,311,742	\$ 10,483,046	8.64%

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

	December, 2012	November, 2012	Variance Fav/(Unfav)	December, 2011	Variance Fav/(Unfav)
	Actual	Actual	\$ %	Actual	\$ %
Equities:					
Memberships issued & subscribed	-	-	-	-	0.00%
Patronage capital assignable	(1)	(1)	-	41,494,868	(41,494,869)
Other earnings	56,607,796	56,635,888	(28,092)	8,107,243	48,500,553
Contributions in aid of construction	-	-	-	-	-
Net equity	56,607,795	56,635,887	(28,092)	49,602,111	7,005,684
Long-term debt	59,726,562	56,384,029	3,342,532	53,638,761	6,087,800
Capital leases - non current	266,939	270,229	(3,291)	281,698	(14,759)
Current liabilities:					
Current portion of long-term debt	2,638,888.49	2,376,815.03	262,073	2,196,127.91	442,761
Line of Credit	2,517,586	1,100,000	1,417,586	4,500,000	(1,982,414)
Accounts payable	6,235,963	5,604,582	631,380	7,243,655	(1,007,692)
Customer deposits	523,618	524,906	(1,289)	507,818	15,800
Other accrued expenses	3,057,293	2,923,630	133,663	3,099,232	(41,939)
Total current liabilities	14,973,348	12,529,934	2,443,414	17,546,833	(2,573,485)
Deferred credits	220,144	244,690	(24,546)	242,340	(22,196)
Total liabilities and equity	\$ 131,794,788	\$ 126,064,770	\$ 5,730,017	\$ 121,311,742	\$ 10,483,046
			4.35%		8.64%

Vermont Electric Cooperative, Inc.
Statement of Cash Flows

	Month		Year-to-date		Variance Fav (Unfav)
	December, 2011		December, 2012		
	Actual	December, 2011 Actual	Actual	December, 2012 Actual	
Cash flows from operating activities:					
Net income	\$ (28,092)	\$ (44,397)	\$ 7,005,653	\$ 5,555,776	\$ 1,449,877
Noncash expenses (income) included in earnings:					
Depreciation & amortization	\$ 453,344	\$ 492,052	\$ 4,876,944	\$ 4,771,087	\$ 105,857
(Gain) loss on sale of investments	\$ -	\$ -	\$ -	\$ -	\$ -
(Gain) loss on sale of fixed assets	\$ (303)	\$ (530)	\$ (26,513)	\$ (13,026)	\$ (13,487)
Changes in assets and liabilities:					
Decrease (increase) in notes receivable	\$ -	\$ -	\$ -	\$ 308	\$ (308)
Decrease (increase) in accounts receivable	\$ (1,497,771)	\$ (1,166,962)	\$ (354,892)	\$ (363,229)	\$ 8,337
Decrease (increase) in other receivable	\$ (134,834)	\$ 680,297	\$ (344,500)	\$ 2,199,767	\$ (2,544,267)
Decrease (increase) in inventories	\$ (38,568)	\$ (43,160)	\$ (603,102)	\$ 63,230	\$ (666,332)
Decrease (increase) in prepayments	\$ 41,054	\$ 107,844	\$ (219,375)	\$ 14,815	\$ (234,190)
Decrease (increase) in deferred charges	\$ (5,148)	\$ (17,764)	\$ (103,732)	\$ (261,958)	\$ 158,226
Increase (decrease) in accounts payable	\$ 631,380	\$ 470,133	\$ (1,007,692)	\$ (177,973)	\$ (829,719)
Increase (decrease) in customer deposits	\$ (1,289)	\$ 5,662	\$ 15,800	\$ 124,886	\$ (109,086)
Increase (decrease) in accrued expenses	\$ 133,663	\$ 359,237	\$ (41,939)	\$ 223,018	\$ (264,957)
Increase (decrease) in deferred credits	\$ (24,546)	\$ (19,441)	\$ (22,196)	\$ (4,556)	\$ (17,639)
Net cash provided (used) by operating activities	(471,110)	822,972	9,174,456	12,132,144	(2,957,688)
Cash flows from investing activities:					
Additions to electric plant in service and construction work in progress	\$ (6,102,440)	\$ (1,858,273)	\$ (18,491,903)	\$ (17,181,809)	\$ (1,310,094)
Proceeds from retirements of electric plant in service	\$ 6,163,668	\$ 331,129	\$ 8,575,378	\$ 6,645,908	\$ 1,929,470
Return on capital investments	\$ (120,003)	\$ (141,023)	\$ (215,449)	\$ (237,612)	\$ 22,163
Proceeds (payments) from sale (purchase) of investments	\$ (4,308,750)	\$ -	\$ (4,242,614)	\$ 35,491	\$ (4,278,104)
Net cash provided (used) in investing activities	(4,367,525)	(1,668,167)	(14,374,587)	(10,738,021)	(3,636,565)
Cash flows from financing activities:					
Proceeds from borrowings LOC	\$ -	\$ -	\$ -	\$ -	\$ -
Proceeds from borrowings Long-Term	\$ -	\$ -	\$ -	\$ -	\$ -
Payments to creditors LOC	\$ 1,417,586	\$ 2,300,000	\$ (1,982,414)	\$ 2,500,000	\$ (4,482,414)
Payments to creditors Long-Term	\$ 3,601,315	\$ (188,381)	\$ 6,515,802	\$ (2,239,323)	\$ 8,755,126
Increase in contributions in aid of construction	\$ -	\$ -	\$ -	\$ -	\$ -
Memberships issued, net of refunds	\$ -	\$ -	\$ -	\$ -	\$ -
Additions to donated capital, net	\$ -	\$ -	\$ 31	\$ 89	\$ (58)
Net cash provided (used) by financing activities	5,018,901	2,111,619	4,533,420	260,766	4,272,654
Net increase (decrease) in cash and equivalents	180,265	1,266,424	(666,711)	1,654,888	(2,321,600)
Cash & cash equivalents at beginning of period	\$ 1,022,367	\$ 602,920	\$ 1,869,344	\$ 214,456	\$ 1,654,888
Cash & cash equivalents at end of period	\$ 1,202,632	\$ 1,869,344	\$ 1,202,633	\$ 1,869,344	\$ (666,711)