

VERMONT ELECTRIC COOPERATIVE, INC.
UNAUDITED FINANCIAL REPORTING
FOR THE MONTH AND THREE MONTHS ENDED:
MARCH, 2013

Financial Highlights – March, 2013

	<u>Variance (K's)</u>	<u>YTD Variance (K's)</u>
March Net Income	(\$167)	(\$1,396)

Analysis:

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|----------------------------|---------------|--------------|
| • Operating Revenue | (\$30) | \$380 |
|----------------------------|---------------|--------------|

KWH sales in March are \$41k better than budget for the month and \$414k YTD. Degree days for the month are 9% lower than normal but 16% higher than last year. The average price/KWH sold is \$82k better than budget for the month and \$122k YTD. Non-energy services, pole attachments, and wheeling revenues are \$3k better than budget for March but \$17k less YTD. Unbilled revenues are \$63k less than budget for March but \$105k better YTD. The sale of Renewable Energy Credits has a negative variance of \$93k for March and \$244k YTD.

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|--------------------------------|----------------|------------------|
| • Purchased Power Costs | (\$191) | (\$1,483) |
|--------------------------------|----------------|------------------|

Purchased KWH is 5% and \$155k over budget for March 4% and \$318k YTD. Our overall costs/KWH is 1% and \$36k over budget for the month and 12% and \$1,165k over YTD.

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|-----------------------------|-------------|----------------|
| • Transmission Costs | \$36 | (\$110) |
|-----------------------------|-------------|----------------|

Transmission by Others is under budget by \$68k for March but is over by \$62k YTD. Control Center costs for transmission support has a negative variance of \$13k for the month and \$22k YTD. Maintenance of overhead lines and SCADA maintenance is under budget by \$15k for March but over \$5k YTD. Property Taxes are over budget by \$7k for March and \$12k YTD. Transmission vegetative maintenance has a negative variance of \$27k for the month and \$9k YTD.

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|---------------------------------------|--------------|----------------|
| • Distribution Operations/Mtce | (\$1) | (\$173) |
|---------------------------------------|--------------|----------------|

Major Storm cost has a positive variance to budget of \$62k for the month and \$203k YTD. Overall Maintenance costs are under budget by \$42k for March but are over budget by \$145k YTD. Meter/AMI Expense is over budget by \$7k for the month but is under \$1k YTD. Control Room related costs are over budget by \$15k for the month and \$54k YTD. Miscellaneous Distribution and Customer Installation expenses have a positive variance of \$3k for the month and \$4k YTD. The Transformer Numbering project is under budget by \$2k for the month but is \$21k over budget YTD. Distribution vegetative maintenance program spending is over budget by \$88k in March and \$161k YTD. The overall vegetative maintenance program (transmission + distribution) is \$115k over budget for March and \$169k YTD.

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|----------------------------|------------|-------------|
| • Customer Accounts | \$5 | \$11 |
|----------------------------|------------|-------------|

Meter reading and Member Services are over budget by \$1k for the month and \$10k YTD. Property taxes allocated to Customer Accounts has a negative variance of \$1k for March and \$3k YTD. Communications is under budget by \$3k for the month and \$8k YTD. The SQRP related costs are \$4k under budget for the month and \$13k YTD. Uncollectable Accounts has a positive variance of \$3k YTD.

• **Administrative & General** **(\$38)** **(\$51)**

Regulatory related expenses for DOE Grant Administration and the Consumer Behavior Study are over budget by \$14k for the month and \$19k YTD. Payroll & Benefits are under budget by \$10k for March and \$34k YTD. Outside Services is over budget by \$16k for the month and YTD. Expenses for Coop-life, Business Development, and Meeting expenses are under budget by \$2k for the month and \$4k YTD. Safety and Office/Facility expenses are over budget by \$23k for the month and \$55k YTD. Director related expenses are under budget by \$3k for the month and \$1k YTD.

• **Total Depreciation & Other Exp** **(\$20)** **(\$63)**

Depreciation expense is over budget by \$32k for March and \$94k YTD largely related to greater than expected general plant assets closed to plant in service in 2012. Interest expense is better than budget by \$13k for March and \$15k YTD resulting from lower rates and less overall usage on our line of credit. Other deductions have a negative variance of \$3k for the month but a positive variance of \$19k for the year. Gross Receipt Taxes has a positive variance of \$2k for the month but is over budget by \$3k YTD.

• **Total Non-Operating Margins** **\$72** **\$93**

Patronage Dividends from CFC, CoBank and NISC have a positive variance of \$63k for the month and \$78k for the year. Contract services for other utilities have a positive variance of \$1k for the month and \$7k for the year. Interest Income has a positive variance of \$8k for the month and year.

• **Capital Spending Plan** **(\$505)** **(\$242)**

DOE SCADA projects are over budget by \$503k for the month but are \$69k under YTD. Distribution Line projects are over budget by \$41k for the month and \$39k YTD. Pole Replacements are over budget by \$47k for the month and \$128k for the year. IT and Facility Projects are over budget by \$100k for the month and \$87k YTD. Meters are under budget for the month by \$185k but are over \$52k YTD.

TIER and Debt Service Coverage

TIER could be a challenge in 2013 as we continue to evaluate the long-term impact of the power supply market. Our Debt Service payments for 2013 are expected to be \$5.6 million.

Cash Flow and Line of Credit

In March, we used up to a peak of \$2.8M on our line of credit on March 25th. The April high for the line of credit is expected to be \$3.2M on April 21st.

Balance Sheet

Our equity ratio in March is 44%, up from 43% in February. Our current ratio, a measure of liquidity, is 1.10, an increase from February at 1.07. VEC's FFO ratio for 2013 YTD ("Funds from Operations/Capital Expenditures Ratio"; Target of 80% desirable) is 1.37, up from February at .98

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

	March, 2013 Actual	March, 2013 Budget	Actual-Budget Variance Fav (Unfav) \$	%	March, 2012 Actual	Variance Fav (Unfav) \$	Prior Year Variance Fav (Unfav) \$	%
Revenue								
Operating Revenue	6,905,546	6,935,935	(30,389)	-0.4%	6,631,461	274,085	274,085	4.1%
Sales for Resale	37,583	527	37,056	7032.7%	64,334	(26,751)	(26,751)	-41.6%
Total revenues	\$ 6,943,129	\$ 6,936,462	\$ 6,667	0.1%	\$ 6,695,795	\$ 247,334	\$ 247,334	3.7%
Power supply cost								
Purchased power cost	3,247,390	3,056,720	(190,670)	-6.2%	3,030,995	(216,395)	(216,395)	7.1%
Sales for Resale	37,583	527	(37,056)	-7032.7%	64,334	26,751	26,751	-41.6%
Transmission	966,252	1,002,275	36,024	3.6%	752,533	(213,718)	(213,718)	28.4%
Total Power supply cost	4,251,224	4,059,522	(191,702)	4.7%	3,847,862	(403,362)	(403,362)	10.5%
Gross Margin	\$ 2,691,905	\$ 2,876,940	\$ (185,035)	-6.4%	\$ 2,847,933	\$ (156,028)	\$ (156,028)	5.5%
Operating expenses								
Distribution: Operations & Mtce	802,811	802,042	(769)	-0.1%	893,489	90,677	90,677	-10.1%
Customer accounts	199,832	204,906	5,074	2.5%	198,307	(1,525)	(1,525)	0.8%
Administrative & general	318,673	281,050	(37,623)	-13.4%	280,078	(38,595)	(38,595)	13.8%
Total operating expenses	\$ 1,321,316	\$ 1,287,998	\$ (33,318)	-2.6%	\$ 1,371,873	\$ 50,557	\$ 50,557	-3.7%
Depreciation & amortization	398,336	366,189	(32,147)	-8.8%	332,885	(65,451)	(65,451)	19.7%
Gross revenue & receipts taxes	61,829	64,297	2,468	3.8%	59,145	(2,683)	(2,683)	4.5%
Interest on long-term debt	240,401	254,490	14,089	5.5%	232,906	(7,495)	(7,495)	3.2%
Other interest expenses	6,554	5,140	(1,414)	-27.5%	9,633	3,079	3,079	-32.0%
Other Deductions	5,460	2,200	(3,260)	-148.2%	3,880	(1,580)	(1,580)	40.7%
Total depreciation & other expenses	712,580	692,317	(20,264)	2.9%	638,450	(74,130)	(74,130)	11.6%
Income from operations	\$ 658,008	\$ 896,625	\$ (238,616)	-26.6%	\$ 837,609	\$ (179,601)	\$ (179,601)	21.4%
Interest income	470,267	462,762	7,505	1.6%	330,721	139,546	139,546	42.2%
Other income (expenses)	1,101	185	915	493.5%	1,988	(887)	(887)	-44.6%
Other capital credits & dividends	248,478	185,041	63,438	34.3%	240,469	8,009	8,009	3.3%
Total non-operating margins	719,846	647,988	71,858	11.1%	573,178	146,668	146,668	25.6%
Net income (loss)	1,377,855	1,544,613	(166,758)	-10.8%	1,410,788	(32,933)	(32,933)	2.3%
Extraordinary expenses	-	-	-	N/A	-	-	-	N/A
Total net income (loss)	\$ 1,377,855	\$ 1,544,613	\$ (166,758)	-10.8%	\$ 1,410,788	\$ (32,933)	\$ (32,933)	2.3%

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

	March, 2013 Actual	March, 2013 Budget	Actual-Budget Variance Fav (Unfav) \$	%	March, 2012 Actual	Prior Year Variance Fav (Unfav) \$	%
Revenue							
Operating Revenue	20,603,469	20,223,145	380,324	1.9%	19,783,727	819,742	4.1%
Sales for Resale	130,728	52,712	78,016	148.0%	213,559	(82,831)	38.8%
Total revenues	\$ 20,734,197	\$ 20,275,858	\$ 458,339	2.3%	\$ 19,997,286	\$ 736,911	3.7%
Power supply cost							
Purchased power cost	10,569,280	9,086,645	(1,482,634)	-16.3%	9,291,773	(1,277,507)	13.7%
Sales for Resale	130,728	52,712	(78,016)	-148.0%	213,559	82,831	-38.8%
Transmission:	3,098,187	2,987,833	(110,354)	-3.7%	2,369,082	(729,105)	30.8%
Total Power supply cost	13,798,195	12,127,191	(1,671,004)	13.8%	11,874,414	(1,923,781)	16.2%
Gross Margin	\$ 6,936,002	\$ 8,148,667	\$ (1,212,665)	-14.9%	\$ 8,122,872	\$ (1,186,870)	14.6%
Operating expenses							
Distribution: Operations & Mtce	2,709,014	2,535,831	(173,183)	-6.8%	2,579,444	(129,570)	5.0%
Customer accounts	598,187	609,163	10,976	1.8%	579,262	(18,925)	3.3%
Administrative & general	920,757	869,697	(51,061)	-5.9%	799,134	(121,623)	15.2%
Total operating expenses	4,227,959	4,014,691	(213,268)	-5.3%	3,957,840	(270,119)	6.8%
Depreciation & amortization	1,188,425	1,094,236	(94,189)	-8.6%	993,738	(194,687)	19.6%
Gross revenue & receipts taxes	197,772	195,251	(2,522)	-1.3%	191,817	(5,956)	3.1%
Interest on long-term debt	734,861	755,003	20,141	2.7%	721,285	(13,576)	1.9%
Other interest expenses	17,278	12,195	(5,083)	-41.7%	25,707	8,429	-32.8%
Other deductions	(8,463)	10,600	19,063	179.8%	5,603	14,066	-251.0%
Total depreciation & other exp	2,129,873	2,067,284	(62,589)	3.0%	1,938,150	(191,723)	9.9%
Income from operations	578,171	2,066,692	(1,488,521)	-72.0%	2,226,883	(1,648,712)	74.0%
Interest income	534,009	526,504	7,505	1.4%	394,458	139,551	35.4%
Other income (expenses)	2,397	(4,206)	6,603	-157.0%	14,580	(12,184)	-83.6%
Other capital credits & dividends	269,387	190,608	78,779	41.3%	264,722	4,665	1.8%
Total non-operating margins	805,793	712,905	92,888	13.0%	673,761	132,032	19.6%
Net income (loss)	1,383,964	2,779,597	(1,395,633)	-50.2%	2,900,644	(1,516,680)	52.3%
Extraordinary expenses	-	-	-	N/A	-	-	N/A
Total net income (loss)	\$ 1,383,964	\$ 2,779,597	\$ (1,395,633)	-50.2%	\$ 2,900,644	\$ (1,516,680)	52.3%

Vermont Electric Cooperative, Inc.
Balance Sheet (Assets)
March, 2013

	March, 2013 Actual	February, 2013 Actual	Variance Fav/(Unfav) \$	%	March, 2012 Actual	Variance Fav/(Unfav) \$	%
Electric plant, at cost:							
Electric plant in service	127,629,744	127,197,343	432,401	0.34%	116,084,842	11,544,902	9.95%
Less accumulated depreciation	(34,187,071)	(33,878,013)	309,058	0.91%	(31,415,022)	2,772,049	8.82%
Net electric plant in service	93,442,673	93,319,330	123,343	0.13%	84,669,820	8,772,853	10.36%
Construction work in progress	3,862,091	3,284,527	577,565	17.58%	8,616,361	(4,754,270)	-55.18%
Net electric plant	97,304,765	96,603,857	700,908	0.73%	93,286,181	4,018,583	4.31%
Other assets:							
Non-utility property	65,697	65,697	-	0.00%	65,697	-	0.00%
Other investments	18,503,351	18,451,373	51,978	0.28%	14,048,994	4,454,357	31.71%
Deferred charges	65,330	61,928	3,402	5.49%	(50,858)	116,188	-228.46%
Total other assets	18,634,378	18,578,997	55,380	0.30%	14,063,833	4,570,544	32.50%
Current assets:							
Cash	876,107	618,595	257,512	41.63%	976,196	(100,089)	-10.25%
Notes receivable (net)	-	-	-	0.00%	-	-	#DIV/0!
Accounts receivable (net)	10,763,846	10,688,983	74,863	0.70%	9,856,179	907,667	9.21%
Other receivables (net)	1,337,256	1,233,991	103,265	8.37%	1,226,798	110,458	9.00%
Inventories	3,945,945	3,981,298	(35,353)	-0.89%	3,058,271	887,675	29.03%
Prepaid expenses	415,598	592,110	(176,512)	-29.81%	483,947	(68,349)	-14.12%
Total current assets	17,338,753	17,114,977	223,776	1.31%	15,601,391	1,737,362	11.14%
Total assets	\$ 133,277,895	\$ 132,297,831	\$ 980,064	0.74%	\$ 122,951,405	\$ 10,326,489	8.40%

Vermont Electric Cooperative, Inc.
Balance Sheet (Liabilities & Equity)
March, 2013

	March, 2013 Actual	February, 2013 Actual	Variance Fav/(Unfav) \$	Variance Fav/(Unfav) %	March, 2012 Actual	Variance Fav/(Unfav) \$	Variance Fav/(Unfav) %
Equities:							
Memberships issued & subscribed	-	-	-	0.00%	-	-	0.00%
Patronage capital assignable	7,005,652	(1)	7,005,653	100.00%	47,050,644	(40,044,992)	-571.61%
Other earnings	50,986,124	56,613,922	(5,627,798)	-11.04%	5,452,114	45,534,011	89.31%
Contributions in aid of construction	-	-	-	0.00%	-	-	0.00%
Net equity	57,991,776	56,613,921	1,377,855	2.38%	52,502,758	5,489,018	9.47%
Long-term debt	58,956,274	59,153,783	(197,509)	-0.34%	52,981,538	5,974,735	10.13%
Capital leases - non current	263,332	264,540	(1,208)	-0.46%	278,300	(14,968)	-5.68%
Current liabilities:							
Current portion of long-term debt	2,638,888	2,638,888	-	0.00%	2,196,128	442,761	16.78%
Line of Credit	2,400,000	2,500,000	(100,000)	-4.17%	4,250,000	(1,850,000)	-77.08%
Accounts payable	6,710,246	6,576,430	133,816	1.99%	6,502,561	207,685	3.10%
Customer deposits	494,413	495,938	(1,525)	-0.31%	537,379	(42,966)	-8.69%
Other accrued expenses	3,513,111	3,721,724	(208,613)	-5.94%	3,403,759	109,353	3.11%
Total current liabilities	15,756,659	15,932,981	(176,322)	-1.12%	16,889,827	(1,133,168)	-7.19%
Deferred credits	309,855	332,606	(22,751)	-7.34%	298,983	10,872	3.51%
Total liabilities and equity	\$ 133,277,895	\$ 132,297,831	\$ 980,064	0.74%	\$ 122,951,405	\$ 10,326,489	8.40%

Vermont Electric Cooperative, Inc.
Statement of Cash Flows

	Month		Year-to-date		Variance Fav (Unfav)
	March, 2013 Actual	March, 2012 Actual	March, 2013 Actual	March, 2012 Actual	
Cash flows from operating activities:					
Net income	\$ 1,377,855	\$ 1,410,788	\$ 1,383,964	\$ 2,900,644	(1,516,680)
Noncash expenses (income) included in earnings:					
Depreciation & amortization	\$ 448,388	\$ 353,688	\$ 1,294,155	\$ 1,263,561	30,594
(Gain) loss on sale of investments	\$ -	\$ -	\$ -	\$ -	-
(Gain) loss on sale of fixed assets	\$ (530)	\$ (530)	\$ (1,640)	\$ (1,590)	(50)
Changes in assets and liabilities:					
Decrease (increase) in notes receivable	\$ -	\$ -	\$ -	\$ -	-
Decrease (increase) in accounts receivable	\$ (74,863)	\$ (21,351)	\$ (142,643)	\$ 410,132	(552,775)
Decrease (increase) in other receivable	\$ (103,265)	\$ (99,430)	\$ 198,118	\$ (35,924)	234,042
Decrease (increase) in inventories	\$ 35,353	\$ 319,144	\$ (493,443)	\$ (208,870)	(284,573)
Decrease (increase) in prepayments	\$ 176,512	\$ (20,175)	\$ 53,935	\$ (233,790)	287,724
Decrease (increase) in deferred charges	\$ (543)	\$ (8,605)	\$ (4,758)	\$ (26,610)	21,852
Increase (decrease) in accounts payable	\$ 133,816	\$ (594,893)	\$ 474,284	\$ (741,094)	1,215,377
Increase (decrease) in customer deposits	\$ (1,525)	\$ 12,921	\$ (29,205)	\$ 29,562	(58,766)
Increase (decrease) in accrued expenses	\$ (208,613)	\$ (65,830)	\$ 455,818	\$ 304,526	151,292
Increase (decrease) in deferred credits	\$ (22,751)	\$ (20,467)	\$ 89,710	\$ 56,643	33,067
Net cash provided (used) by operating activities	1,759,832	1,265,261	3,278,294	3,717,190	(438,896)
Cash flows from investing activities:					
Additions to electric plant in service and construction work in progress	\$ (1,186,955)	\$ (1,337,469)	\$ (2,922,282)	\$ (3,708,842)	786,561
Proceeds from retirements of electric plant in service	\$ 35,331	\$ 14,609	\$ 270,589	\$ 74,491	196,098
Return on capital investments	\$ (61,560)	\$ (83,593)	\$ (71,244)	\$ (95,446)	24,201
Proceeds (payments) from sale (purchase) of investment:	\$ 9,582	\$ 30,077	\$ 9,582	\$ 30,077	(20,496)
Net cash provided (used) in investing activities	(1,203,602)	(1,376,375)	(2,713,355)	(3,699,720)	986,365
Cash flows from financing activities:					
Proceeds from borrowings LOC	\$ -	\$ -	\$ -	\$ -	-
Payments to creditors Long-Term	\$ (100,000)	\$ 550,000	\$ (117,586)	\$ (250,000)	132,414
Payments to creditors LOC	\$ (198,717)	\$ (189,540)	\$ (773,895)	\$ (660,621)	(113,275)
Increase in contributions in aid of construction	\$ -	\$ -	\$ -	\$ -	-
Memberships issued, net of refunds	\$ -	\$ -	\$ -	\$ -	-
Additions to donated capital, net	\$ -	\$ 2	\$ 17	\$ 3	14
Net cash provided (used) by financing activities	(298,717)	360,462	(891,464)	(910,617)	19,154
Net increase (decrease) in cash and equivalents	257,512	249,348	(326,525)	(893,148)	566,622
Cash & cash equivalents at beginning of period	\$ 618,595	\$ 726,848	\$ 1,202,633	\$ 1,869,344	(666,711)
Cash & cash equivalents at end of period	\$ 876,107	\$ 976,196	\$ 876,107	\$ 976,196	\$ (100,089)