

Financial Highlights – March, 2014

	<u>Variance (K's)</u>	<u>YTD Variance (K's)</u>
March Net Income	(\$480)	(\$1,065)

Analysis:

• Operating Revenue	\$137	\$795
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KWH sales in March are 5% and \$311k better than budget for the month and 5% and \$908k better YTD. The average price/KWH sold is \$48k under budget for the month and \$137k under YTD. Degree days for the year are 6% higher than normal and 16% higher than the previous year. March has a significant impact with heating degree days for the month 24% higher than normal and 34% higher than last year. Non-energy services, pole attachments, and wheeling revenues are \$20k under budget for the month and \$61k under YTD. Unbilled revenues are \$109k less than budget for the month but \$56k better YTD. The sale of Renewable Energy Credits has a positive variance of \$4k for March and \$31k YTD.

• Purchased Power Costs	(\$737)	(\$2,426)
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Purchased KWH is 6% and \$217k over budget for March and 4% and \$406k over YTD. Our overall costs/KWH is 14% and \$520k over budget for the month and 18% and \$2,019 over YTD.

• Transmission Costs	\$97	\$289
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Transmission by Others is under budget by \$75k for March and \$239k YTD. Control Center costs for transmission support is under budget by \$11k for the month and \$32k YTD. Maintenance of overhead lines and SCADA maintenance is under budget by \$7k for March and \$16k YTD. Transmission vegetative maintenance is under budget by \$3k for the month and \$1k YTD.

• Distribution Operations/Mtce	(\$59)	\$105
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Major Storm costs are under budget by \$36k for the month but over by \$25k YTD. Overall Distribution Maintenance costs are over budget by \$117k for March but under \$22k YTD. Meter/AMI Expense is on budget for the month and under by \$13k YTD. Control Room related costs are under budget \$18k for the month and \$56k YTD. Miscellaneous Distribution and Customer Installation expenses are over budget by \$9k for the month and \$40k YTD. Distribution vegetative maintenance program spending is under budget by \$13k in March and \$78k YTD. The overall vegetative maintenance program (transmission + distribution) is \$15k under budget for March and \$79k YTD.

- **Customer Accounts** \$7 \$7

Meter reading, Member Services, and Patronage Capital Expenses are on budget for the month but under \$5k YTD. Communications are under budget by \$6k for the month and \$3k YTD. The SQRP related costs are \$1k under budget for the month and \$1k over budget YTD.

- **Administrative & General** \$14 \$146

Regulatory related expenses for DOE Grant Administration and the Consumer Behavior Study are under budget by \$8k for the month and \$7k YTD. Payroll & Benefits are over budget by \$2k for March but under \$98k YTD. Outside Services is over budget by \$7k for the month and \$10k YTD. Director Expenses are over budget by \$11k for the month and \$6k YTD. Expenses for Coop-life, Business Development, Dues, and Meeting expenses are under budget by \$10k for the month and \$4k YTD. Safety, Office and Facility related expenses are under budget by \$18k for the month and \$53k YTD.

- **Total Depreciation & Other Exp** (\$11) (\$22)

Depreciation expense is over budget by \$7k for March and \$18k YTD largely related to greater than expected general plant assets closed to plant in service in 2013. Interest expense is over budget by \$1k for the month and on budget YTD. Other deductions is on budget for the month and under by \$3k for the year. Gross Receipt Taxes are over budget by \$3k for the month and \$8k for the year.

- **Total Non-Operating Margins** \$73 \$42

Patronage Dividends from CFC, CoBank and NISC are better than budget by \$104k for the month and \$132k YTD. Contract services for other utilities had a negative variance of \$27k for the month and \$86k year. Gain on Sale of equipment and interest income are over budget by \$4k for the month and \$4k year.

- **Capital Spending Plan** (\$8) \$133

Meters are under budget by \$8k for the month and \$521k YTD. Substation projects are over budget by \$17k for the month and \$320k YTD. Pole Replacements and New Services are under budget by \$63k for the month and \$36k YTD. Facility projects are under budget by \$28k for the month and \$47k for the year. The EDA NEK project has a negative variance to budget of \$81k for the month and by \$126k YTD.

TIER and Debt Service Coverage

We project that we will be on target with our approved budgeted TIER of 2.18. Our Debt Service payments for 2014 are expected to be \$5.9 million.

Cash Flow and Line of Credit

In March, we used up to a peak of \$9.9M on our line of credit on March 26th. The April high for the line of credit is expected to be \$10.9M on April 22nd.

Balance Sheet

Our equity ratio in March is 41%, up slightly from February at 40%. Our current ratio, a measure of liquidity, is .98 up from February at .95. VEC's FFO ratio for 2014 YTD ("Funds from Operations/Capital Expenditures Ratio"; Target of 80% desirable) is .67 up from February at .06.

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

	March, 2014 Actual	March, 2014 Budget	Actual-Budget Variance Fav (Unfav) \$	%	March, 2013 Actual	Variance Fav (Unfav) \$	Prior Year %
Revenue							
Operating Revenue	7,462,913.34	7,326,138	136,776	1.9%*	6,905,546	557,367	8.1%
Sales for Resale	88,277	-	88,277	N/A*	37,583	50,694	-134.9%
Total revenues	\$ 7,551,190	\$ 7,326,138	\$ 225,053	3.1%*	\$ 6,943,129	\$ 608,061	8.8%
Power supply cost							
Purchased power cost	4,141,157	3,403,943	(737,214)	-21.7%*	3,247,390	(893,768)	27.5%
Sales for Resale	88,277	-	(88,277)	N/A*	37,583	(50,694)	134.9%
Transmission	1,093,687	1,190,413	96,726	8.1%*	966,252	(127,436)	13.2%
Total Power supply cost	5,323,121	4,594,357	(728,765)	15.9%*	4,251,224	(1,071,897)	25.2%
Gross Margin	\$ 2,228,069	\$ 2,731,781	\$ (503,712)	-18.4%*	\$ 2,691,905	\$ (463,836)	17.2%
Operating expenses							
Distribution: Operations & Mtce	903,544	844,642	(58,903)	-7.0%*	802,811	(100,733)	12.5%
Customer accounts	203,841	210,638	6,797	3.2%*	199,832	(4,010)	2.0%
Administrative & general	298,061	312,070	14,010	4.5%*	318,673	20,612	-6.5%
Total operating expenses	\$ 1,405,447	\$ 1,367,350	\$ (38,096)	-2.8%*	\$ 1,321,316	\$ (84,130)	6.4%
Depreciation & amortization	412,086	405,203	(6,883)	-1.7%*	398,336	(13,749)	3.5%
Gross revenue & receipts taxes	67,124	64,590	(2,534)	-3.9%*	61,829	(5,295)	8.6%
Interest on long-term debt	249,805	260,156	10,351	4.0%*	240,401	(9,403)	3.9%
Other interest expenses	18,268	6,828	(11,440)	-167.5%*	6,554	(11,714)	178.7%
Other Deductions	3,640	3,333	(307)	-9.2%*	5,460	1,820	-33.3%
Total depreciation & other expenses	750,922	740,109	(10,813)	1.5%*	712,580	(38,341)	5.4%
Income from operations	\$ 71,701	\$ 624,321	\$ (552,621)	-88.5%*	\$ 658,008	\$ (586,308)	89.1%
Interest income	462,313	466,397	(4,084)	-0.9%*	470,267	(7,955)	-1.7%
Other income (expenses)	5,122	31,878	(26,757)	-83.9%*	1,101	4,021	365.3%
Other capital credits & dividends	312,649	209,021	103,628	49.6%*	248,478	64,171	25.8%
Total non-operating margins	780,084	707,296	72,787	10.3%*	719,846	60,237	8.4%
Net income (loss)	851,784	1,331,618	(479,834)	-36.0%*	1,377,855	(526,071)	38.2%
Extraordinary expenses	-	-	-	N/A*	-	-	N/A
Total net income (loss)	\$ 851,784	\$ 1,331,618	\$ (479,834)	-36.0%*	\$ 1,377,855	\$ (526,071)	38.2%

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

	March, 2014 Actual	March, 2014 Budget	Actual-Budget Variance Fav (Unfav) \$	%	March, 2013 Actual	Prior Year Variance Fav (Unfav) \$	%
Revenue							
Operating Revenue	22,226,979	21,432,006	794,973	3.7%	20,603,469	1,623,510	7.9%
Sales for Resale	519,919	129,559	390,360	301.3%	130,728	389,191	-297.7%
Total revenues	\$ 22,746,898	\$ 21,561,565	\$ 1,185,333	5.5%	\$ 20,734,197	\$ 2,012,701	9.7%
Power supply cost							
Purchased power cost	13,250,850	10,824,922	(2,425,928)	-22.4%	10,569,280	(2,681,571)	25.4%
Sales for Resale	519,919	129,559	(390,360)	-301.3%	130,728	(389,191)	297.7%
Transmission:	3,194,993	3,483,783	288,791	8.3%	3,098,187	(96,805)	3.1%
Total Power supply cost	16,965,762	14,438,264	(2,527,498)	17.5%	13,798,195	(3,167,567)	23.0%
Gross Margin	\$ 5,781,136	\$ 7,123,301	\$ (1,342,165)	-18.8%	\$ 6,936,002	\$ (1,154,866)	16.7%
Operating expenses							
Distribution: Operations & Mtce	2,796,609	2,901,942	105,333	3.6%	2,709,014	(87,595)	3.2%
Customer accounts	616,682	623,253	6,571	1.1%	598,187	(18,495)	3.1%
Administrative & general	898,314	1,043,922	145,608	13.9%	920,757	22,443	-2.4%
Total operating expenses	4,311,604	4,569,117	257,513	5.6%	4,227,959	(83,646)	2.0%
Depreciation & amortization	1,228,188	1,209,937	(18,251)	-1.5%	1,188,425	(39,763)	3.3%
Gross revenue & receipts taxes	212,601	204,731	(7,870)	-3.8%	197,772	(14,828)	7.5%
Interest on long-term debt	749,121	773,408	24,288	3.1%	734,861	(14,259)	1.9%
Other interest expenses	39,911	16,003	(23,908)	-149.4%	17,278	(22,633)	131.0%
Other deductions	6,657	9,999	3,342	33.4%	(8,463)	(15,120)	-178.7%
Total depreciation & other exp	2,236,477	2,214,078	(22,399)	1.0%	2,129,873	(106,604)	5.0%
Income from operations	(766,946)	340,106	(1,107,052)	-325.5%	578,171	(1,345,116)	232.7%
Interest income	526,061	530,146	(4,085)	-0.8%	534,009	(7,948)	-1.5%
Other income (expenses)	11,281	97,107	(85,826)	-88.4%	2,397	8,884	370.7%
Other capital credits & dividends	346,050	214,012	132,038	61.7%	269,387	76,663	28.5%
Total non-operating margins	883,392	841,265	42,128	5.0%	805,793	77,599	9.6%
Net income (loss)	116,447	1,181,370	(1,064,924)	-90.1%	1,383,964	(1,267,517)	91.6%
Extraordinary expenses	-	-	-	N/A	-	-	N/A
Total net income (loss)	\$ 116,447	\$ 1,181,370	\$ (1,064,924)	-90.1%	\$ 1,383,964	\$ (1,267,517)	91.6%

Vermont Electric Cooperative, Inc.
Balance Sheet (Assets)
March, 2014

	March, 2014 Actual	February, 2014 Actual	Variance Fav/(Unfav) \$	%	March, 2013 Actual	Variance Fav/(Unfav) \$	%
Electric plant, at cost:							
Electric plant in service	133,489,930	132,888,979	600,951	0.45%	127,629,744	5,860,186	4.59%
Less accumulated depreciation	(35,951,355)	(35,935,630)	15,725	0.04%	(34,187,071)	1,764,284	5.16%
Net electric plant in service	97,538,575	96,953,349	585,226	0.60%	93,442,673	4,095,902	4.38%
Construction work in progress	4,779,352	5,231,494	(452,142)	-8.64%	3,862,091	917,261	23.75%
Net electric plant	102,317,927	102,184,843	133,085	0.13%	97,304,765	5,013,163	5.15%
Other assets:							
Non-utility property	65,697	65,697	-	0.00%	65,697	-	0.00%
Other investments	18,640,934	18,572,289	68,645	0.37%	18,503,351	137,584	0.74%
Deferred charges	2,067,920	2,206,243	(138,323)	-6.27%	65,330	2,002,590	3065.35%
Total other assets	20,774,551	20,844,229	(69,678)	-0.33%	18,634,378	2,140,173	11.49%
Current assets:							
Cash	986,684	1,068,169	(81,486)	-7.63%	876,107	110,576	12.62%
Notes receivable (net)	-	-	-	0.00%	-	-	#DIV/0!
Accounts receivable (net)	11,589,302	11,549,508	39,794	0.34%	10,763,846	825,456	7.67%
Other receivables (net)	6,151,974	6,065,640	86,334	1.42%	1,337,256	4,814,718	360.04%
Inventories	3,818,239	3,759,971	58,268	1.55%	3,945,945	(127,707)	-3.24%
Prepaid expenses	568,626	589,521	(20,895)	-3.54%	415,598	153,028	36.82%
Total current assets	23,114,825	23,032,809	82,016	0.36%	17,338,753	5,776,072	33.31%
Total assets	\$ 146,207,303	\$ 146,061,880	\$ 145,423	0.10%	\$ 133,277,895	\$ 12,929,408	9.70%

Vermont Electric Cooperative, Inc.
Balance Sheet (Liabilities & Equity)
March, 2014

	March, 2014 Actual	February, 2014 Actual	Variance Fav/(Unfav) \$	%	March, 2013 Actual	Variance Fav/(Unfav) \$	%
Equities:							
Memberships issued & subscribed	-	-	-	0.00%	-	-	0.00%
Patronage capital assignable	3,578,603	(2)	3,578,605	100.00%	7,005,652	(3,427,049)	-95.76%
Other earnings	55,983,791	58,710,723	(2,726,931)	-4.87%	50,986,124	4,997,667	8.93%
Contributions in aid of construction	-	-	-	0.00%	-	-	0.00%
Net equity	59,562,395	58,710,721	851,674	1.43%	57,991,776	1,570,618	2.64%
Long-term debt	62,463,268	62,671,260	(207,992)	-0.33%	58,956,274	3,506,994	5.61%
Capital leases - non current	247,415	248,704	(1,289)	-0.52%	263,332	(15,917)	-6.43%
Current liabilities:							
Current portion of long-term debt	2,931,059	2,931,059	-	0.00%	2,638,888	292,171	9.97%
Line of Credit	9,500,000	9,500,000	-	0.00%	2,400,000	7,100,000	74.74%
Accounts payable	7,351,297	7,650,452	(299,155)	-4.07%	6,710,246	641,051	8.72%
Customer deposits	535,304	530,833	4,471	0.84%	494,413	40,891	7.64%
Other accrued expenses	3,334,998	3,518,868	(183,870)	-5.51%	3,513,111	(178,113)	-5.34%
Total current liabilities	23,652,658	24,131,212	(478,554)	-2.02%	15,756,659	7,896,000	33.38%
Deferred credits	281,567	299,983	(18,415)	-6.54%	309,855	(28,287)	-10.05%
Total liabilities and equity	\$ 146,207,303	\$ 146,061,880	\$ 145,423	0.10%	\$ 133,277,895	\$ 12,929,408	9.70%

Vermont Electric Cooperative, Inc.
Statement of Cash Flows

	Month		Year-to-date		Variance Fav (Unfav)
	March, 2014 Actual	March, 2013 Actual	March, 2014 Actual	March, 2013 Actual	
Cash flows from operating activities:					
Net income	\$ 851,784	\$ 1,377,855	\$ 1,116,447	\$ 1,383,964	(1,267,517)
Noncash expenses (income) included in earnings:					
Depreciation & amortization	\$ 446,337	\$ 448,388	\$ 1,339,159	\$ 1,294,155	45,005
(Gain) loss on sale of investments	\$ -	\$ -	\$ -	\$ -	-
(Gain) loss on sale of fixed assets	\$ (530)	\$ (530)	\$ (1,590)	\$ (1,640)	50
Changes in assets and liabilities:					
Decrease (increase) in notes receivable	\$ -	\$ -	\$ -	\$ -	-
Decrease (increase) in accounts receivable	\$ (39,794)	\$ (74,863)	\$ (634,088)	\$ (142,643)	(491,444)
Decrease (increase) in other receivable	\$ (86,334)	\$ (103,265)	\$ (261,375)	\$ 198,118	(459,493)
Decrease (increase) in inventories	\$ (58,268)	\$ 35,353	\$ 236,287	\$ (493,443)	729,730
Decrease (increase) in prepayments	\$ 20,895	\$ 176,512	\$ (62,281)	\$ 53,935	(116,215)
Decrease (increase) in deferred charges	\$ 141,182	\$ (543)	\$ 146,220	\$ (4,758)	150,978
Increase (decrease) in accounts payable	\$ (299,155)	\$ 133,816	\$ (5,033,930)	\$ 474,284	(5,508,213)
Increase (decrease) in customer deposits	\$ 4,471	\$ (1,525)	\$ 8,167	\$ (29,205)	37,372
Increase (decrease) in accrued expenses	\$ (183,870)	\$ (208,613)	\$ 65,315	\$ 455,818	(390,503)
Increase (decrease) in deferred credits	\$ (18,415)	\$ (22,751)	\$ 64,059	\$ 89,710	(25,651)
Net cash provided (used) by operating activities	778,302	1,759,832	(4,017,608)	3,278,294	(7,295,902)
Cash flows from investing activities:					
Additions to electric plant in service and construction work in progress	\$ (1,266,278)	\$ (1,186,955)	\$ (3,087,420)	\$ (2,922,282)	(165,139)
Proceeds from retirements of electric plant in service	\$ 684,528	\$ 35,331	\$ 991,658	\$ 270,589	721,069
Return on capital investments	\$ (68,645)	\$ (61,560)	\$ (87,725)	\$ (71,244)	(16,481)
Proceeds (payments) from sale (purchase) of investment:	\$ -	\$ 9,582	\$ -	\$ 9,582	(9,582)
Net cash provided (used) in investing activities	(650,396)	(1,203,602)	(2,183,487)	(2,713,355)	529,869
Cash flows from financing activities:					
Proceeds from borrowings LOC	\$ -	\$ -	\$ -	\$ -	-
Payments to creditors Long-Term	\$ -	\$ -	\$ -	\$ -	-
Payments to creditors LOC	\$ -	\$ (100,000)	\$ 6,500,000	\$ (117,586)	6,617,586
Patronage Capital Retirements - Net	\$ (209,282)	\$ (198,717)	\$ (851,762)	\$ (773,895)	(77,867)
Memberships issued, net of refunds	\$ (110)	\$ -	\$ (2,547)	\$ -	(2,547)
Additions to donated capital, net	\$ -	\$ -	\$ 2	\$ 17	(15)
Net cash provided (used) by financing activities	(209,392)	(298,717)	5,645,692	(891,464)	6,537,156
Net increase (decrease) in cash and equivalents	(81,486)	257,512	(555,402)	(326,525)	(228,877)
Cash & cash equivalents at beginning of period	\$ 1,068,169	\$ 618,595	\$ 1,542,086	\$ 1,202,633	339,453
Cash & cash equivalents at end of period	\$ 986,684	\$ 876,107	\$ 986,684	\$ 876,107	\$ 110,576