

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

## Financial Highlights – June, 2013

	<u>Variance (K's)</u>	<u>YTD Variance (K's)</u>
<b>June Net Income</b>	<b>\$79</b>	<b>(\$818)</b>

### Analysis:

- Operating Revenue**
**\$3**
**\$745**

KWH sales in June are \$140k better than budget for the month and \$1,039k YTD. Degree days for the year are 9% lower than normal but 13% higher than the previous year. The average price/KWH sold is \$54k less than budget for the month but \$77k better YTD. Non-energy services, pole attachments, and wheeling revenues are \$17k better than budget for the month and \$8k better YTD. Unbilled revenues are \$43k less than budget for June but \$12k better YTD. The sale of Renewable Energy Credits has a negative variance of \$55k for June and \$392k YTD.

- Purchased Power Costs**
**\$60**
**(\$1,357)**

Purchased KWH is 1% and \$39k over budget for June and 4% and \$659k over YTD. Our overall costs/KWH is 3% and \$98k under budget for the month but is 4% and \$699k over budget YTD.

- Transmission Costs**
**(\$1)**
**\$16**

Transmission by Others is under budget by \$7k for June and \$72k YTD. Control Center costs for transmission support is on budget for the month but has a negative variance of \$14k YTD. Maintenance of overhead lines and SCADA maintenance is over budget by \$3k for June and \$12k YTD. Property Taxes are over budget by \$3k for June and \$21k YTD. Transmission vegetative maintenance is over budget by \$1k for the month and \$10k over YTD.

- Distribution Operations/Mtce**
**(\$31)**
**(\$168)**

Major Storm costs have a positive variance to budget of \$62k for the month and \$389k YTD. Overall Distribution Maintenance costs are over budget by \$27k for June and \$212k YTD. Meter/AMI Expense is over budget by \$2k for the month but under budget \$9k YTD. Control Room related costs are over budget \$1k for the month and \$65k YTD. Miscellaneous Distribution and Customer Installation expenses are over budget by \$6k for the month and \$4k YTD. The Transformer Numbering project is \$1k over budget for the month and \$22k over YTD. Distribution vegetative maintenance program spending is over budget by \$56k in June and \$264k YTD. The overall vegetative maintenance program (transmission + distribution) is \$56k over budget for June and \$274k over YTD.

- Customer Accounts**
**(\$2)**
**\$27**

Meter reading and Member Services are over budget by \$11k for the month and \$26k YTD. Property taxes allocated to Customer Accounts has a negative variance of \$1k for June and \$5k YTD. Communications is under budget by \$7k for the month and \$24k YTD. The SQRP related costs are \$5k under budget for the month and \$27k YTD. Uncollectable Accounts is over budget by \$1k for the month but has a positive variance of \$7k YTD.

- **Administrative & General** **\$33** **(\$77)**

Regulatory related expenses for DOE Grant Administration and the Consumer Behavior Study are over budget by \$3k for the month and \$68k YTD. Payroll & Benefits are under budget by \$5k for June and \$8k YTD. Outside Services is under budget \$15k for the month and \$35k YTD. Expenses for Coop-life, Business Development, and Meeting expenses are under budget by \$1k for the month and \$33k YTD. Safety and Office/Facility expenses are under budget by \$10k for the month but over \$91k YTD. Director related expenses are under budget by \$6k for the month and \$5k YTD.

- **Total Depreciation & Other Exp** **(\$12)** **(\$126)**

Depreciation expense is over budget by \$29k for June and \$184k YTD largely related to greater than expected general plant assets closed to plant in service in 2012. Interest expense is better than budget by \$16k for June and \$38k YTD resulting from lower rates and less overall usage on our line of credit. Other deductions have a positive variance of \$1k for the month and \$29k for the year. Gross Receipt Taxes has a negative variance of \$1k for the month and \$9k YTD.

- **Total Non-Operating Margins** **\$29** **\$123**

Patronage Dividends from CFC, CoBank and NISC have a positive variance of \$79k for the year. Contract services for other utilities have a positive variance of \$23k for the month and \$30k for the year. Interest Income has a positive variance of \$6k for the month and \$14k for the year.

- **Capital Spending Plan** **\$67** **(\$158)**

DOE SCADA projects are over budget by \$105k for the month and \$333k YTD. Distribution Line projects are under budget by \$45k for the month but over \$157k YTD. IT and Facility Projects are over budget by \$52k for the month but are under budget by \$84k YTD. Substations and Transmission Ordinary Replacements are under budget by \$83k for the month and \$34k YTD. The EDA NEK project is over budget by \$37k for the month but is under \$219k for the year.

### **TIER and Debt Service Coverage**

Meeting budgeted TIER in 2013 has been a challenge as we continue to mitigate the impacts from the January and February power supply markets. Our Debt Service payments for 2013 are expected to be \$5.5 million.

### **Cash Flow and Line of Credit**

In June, we used up to a peak of \$3.9M on our line of credit on June 28<sup>h</sup>. The July high for the line of credit is expected to be \$4.2M on July 25<sup>th</sup>.

### **Balance Sheet**

Our equity ratio in June is 44%, consistent with May. Our current ratio, a measure of liquidity, is 1.04, down slightly from May at 1.05. VEC's FFO ratio for 2013 YTD ("Funds from Operations/Capital Expenditures Ratio"; Target of 80% desirable) is .92 up from May at .89.

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

	June, 2013 Actual	June, 2013 Budget	Actual Budget Variance Fav (Unfav) \$	%	June, 2012 Actual	Prior Year Variance Fav (Unfav) \$	%
<b>Revenue</b>							
Operating Revenue	5,579,761	5,576,704	3,057	0.1%	5,423,323	156,438	2.9%
Sales for Resale	56,072	101,976	(45,904)	-45.0%	53,131	2,941	-5.5%
<b>Total revenues</b>	<b>\$ 5,635,833</b>	<b>\$ 5,678,680</b>	<b>(42,847)</b>	<b>-0.8%</b>	<b>\$ 5,476,454</b>	<b>\$ 159,379</b>	<b>2.9%</b>
<b>Power supply cost</b>							
Purchased power cost	2,842,915	2,902,202	59,287	2.0%	2,843,580	665	0.0%
Sales for Resale	56,072	101,976	45,904	45.0%	53,131	(2,941)	5.5%
Transmission	741,986	741,369	(618)	-0.1%	213,832	(528,154)	247.0%
<b>Total Power supply cost</b>	<b>3,640,973</b>	<b>3,745,546</b>	<b>104,573</b>	<b>-2.8%</b>	<b>3,110,544</b>	<b>(530,430)</b>	<b>17.1%</b>
<b>Gross Margin</b>	<b>\$ 1,994,860</b>	<b>\$ 1,933,133</b>	<b>\$ 61,726</b>	<b>3.2%</b>	<b>\$ 2,365,910</b>	<b>\$ (371,050)</b>	<b>15.7%</b>
<b>Operating expenses</b>							
Distribution: Operations & Mltce	955,689	924,814	(30,875)	-3.3%	906,456	(49,233)	5.4%
Customer accounts	197,883	196,331	(1,551)	-0.8%	193,180	(4,703)	2.4%
Administrative & general	282,872	316,195	33,323	10.5%	295,550	12,878	-4.3%
<b>Total operating expenses</b>	<b>\$ 1,436,444</b>	<b>\$ 1,437,340</b>	<b>897</b>	<b>0.1%</b>	<b>\$ 1,395,186</b>	<b>(41,258)</b>	<b>3.0%</b>
Depreciation & amortization	399,078	370,562	(28,516)	-7.7%	347,025	(52,054)	15.0%
Gross revenue & receipts taxes	56,563	55,062	(1,500)	-2.7%	55,054	(1,509)	2.7%
Interest on long-term debt	234,386	249,076	14,690	5.9%	233,313	(1,072)	0.5%
Other interest expenses	6,789	8,366	1,577	18.9%	5,880	(908)	15.4%
Other Deductions	391	1,880	1,489	79.2%	12,397	12,006	-96.8%
<b>Total depreciation &amp; other expenses</b>	<b>697,206</b>	<b>684,945</b>	<b>(12,261)</b>	<b>1.8%</b>	<b>653,669</b>	<b>(43,537)</b>	<b>6.7%</b>
<b>Income from operations</b>	<b>\$ (138,790)</b>	<b>\$ (189,153)</b>	<b>\$ 50,362</b>	<b>-26.6%</b>	<b>\$ 317,055</b>	<b>(455,845)</b>	<b>143.8%</b>
Interest income	469,141	462,762	6,379	1.4%	362,038	107,103	29.6%
Other income (expenses)	25,396	2,794	22,603	809.1%	1,517	23,879	1573.6%
Other capital credits & dividends	-	-	-	N/A	-	-	N/A
<b>Total non-operating margins</b>	<b>494,537</b>	<b>465,556</b>	<b>28,981</b>	<b>6.2%</b>	<b>363,555</b>	<b>130,982</b>	<b>36.0%</b>
<b>Net income (loss)</b>	<b>355,747</b>	<b>276,403</b>	<b>79,343</b>	<b>28.7%</b>	<b>680,610</b>	<b>(324,863)</b>	<b>47.7%</b>
Extraordinary expenses	-	-	-	N/A	-	-	N/A
<b>Total net income (loss)</b>	<b>\$ 355,747</b>	<b>\$ 276,403</b>	<b>\$ 79,343</b>	<b>28.7%</b>	<b>\$ 680,610</b>	<b>(324,863)</b>	<b>47.7%</b>

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

	June, 2013 Actual	June, 2013 Budget	Actual- Budget Variance Fav (Unfav) \$	%	June, 2012 Actual	Prior Year Variance Fav (Unfav) \$	%
<b>Revenue</b>							
Operating Revenue	38,167,483	37,422,451	745,032	2.0%	37,001,532	1,165,951	3.2%
Sales for Resale	350,222	1,041,244	(691,022)	-66.4%	444,792	(94,570)	21.3%
<b>Total revenues</b>	<b>\$ 38,517,705</b>	<b>\$ 38,463,695</b>	<b>\$ 54,010</b>	<b>0.1%</b>	<b>\$ 37,446,324</b>	<b>\$ 1,071,381</b>	<b>2.9%</b>
<b>Power supply cost</b>							
Purchased power cost	19,377,774	18,020,330	(1,357,444)	-7.5%	17,711,862	(1,665,912)	9.4%
Sales for Resale	350,222	1,041,244	(691,022)	66.4%	444,792	94,570	-21.3%
Transmission:	5,621,691	5,637,424	15,732	0.3%	4,181,513	(1,440,178)	34.4%
<b>Total Power supply cost</b>	<b>25,349,687</b>	<b>24,698,997</b>	<b>(650,690)</b>	<b>2.6%</b>	<b>22,338,167</b>	<b>(3,011,520)</b>	<b>13.5%</b>
<b>Gross Margin</b>	<b>\$ 13,168,019</b>	<b>\$ 13,764,698</b>	<b>\$ (596,679)</b>	<b>-4.3%</b>	<b>\$ 15,108,157</b>	<b>\$ (1,940,139)</b>	<b>12.8%</b>
<b>Operating expenses</b>							
Distribution: Operations & Mtce	5,416,151	5,247,958	(168,193)	-3.2%	5,229,206	(186,945)	3.6%
Customer accounts	1,200,686	1,228,126	27,440	2.2%	1,179,164	(21,523)	1.8%
Administrative & general	1,880,579	1,803,097	(77,482)	-4.3%	1,699,496	(181,084)	10.7%
<b>Total operating expenses</b>	<b>8,497,416</b>	<b>8,279,181</b>	<b>(218,235)</b>	<b>-2.6%</b>	<b>8,107,865</b>	<b>(389,551)</b>	<b>4.8%</b>
Depreciation & amortization	2,385,508	2,201,537	(183,971)	-8.4%	2,012,497	(373,011)	18.5%
Gross revenue & receipts taxes	373,047	363,735	(9,312)	-2.6%	362,421	(10,625)	2.9%
Interest on long-term debt	1,464,832	1,505,732	40,900	2.7%	1,440,535	(24,297)	1.7%
Other interest expenses	36,682	34,067	(2,615)	-7.7%	53,179	16,497	-31.0%
Other deductions	(8,072)	20,880	28,952	138.7%	19,942	28,014	-140.5%
<b>Total depreciation &amp; other ext</b>	<b>4,251,996</b>	<b>4,126,950</b>	<b>(126,046)</b>	<b>3.1%</b>	<b>3,888,574</b>	<b>(363,422)</b>	<b>9.3%</b>
<b>Income from operations</b>	<b>418,606</b>	<b>1,359,566</b>	<b>(940,961)</b>	<b>-69.2%</b>	<b>3,111,718</b>	<b>(2,693,112)</b>	<b>86.5%</b>
Interest income	1,068,715	1,054,831	13,884	1.3%	820,234	248,481	30.3%
Other income (expenses)	31,280	1,157	30,122	2602.5%	29,927	1,353	4.5%
Other capital credits & dividends	269,387	190,608	78,779	41.3%	264,722	4,665	1.8%
<b>Total non-operating margins</b>	<b>1,369,383</b>	<b>1,246,597</b>	<b>122,786</b>	<b>9.8%</b>	<b>1,114,884</b>	<b>254,499</b>	<b>22.8%</b>
<b>Net income (loss)</b>	<b>1,787,989</b>	<b>2,606,163</b>	<b>(818,175)</b>	<b>-31.4%</b>	<b>4,226,602</b>	<b>(2,438,613)</b>	<b>57.7%</b>
Extraordinary expenses	-	-	-	N/A	-	-	N/A
<b>Total net income (loss)</b>	<b>\$ 1,787,989</b>	<b>\$ 2,606,163</b>	<b>\$ (818,175)</b>	<b>-31.4%</b>	<b>\$ 4,226,602</b>	<b>\$ (2,438,613)</b>	<b>57.7%</b>

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

	June, 2013	May, 2013	Variance Fav/(Unfav)	June, 2012	Variance Fav/(Unfav)
	Actual	Actual	\$	Actual	\$
					%
Electric plant, at cost:					
Electric plant in service	128,323,071	127,638,714	684,357	118,652,549	8.15%
Less accumulated depreciation	(34,790,925)	(34,511,992)	278,933	(32,101,330)	8.38%
<b>Net electric plant in service</b>	<b>93,532,145</b>	<b>93,126,722</b>	<b>405,423</b>	<b>86,551,219</b>	<b>8.07%</b>
<b>Construction work in progress</b>	<b>4,540,174</b>	<b>4,648,175</b>	<b>(108,001)</b>	<b>7,690,810</b>	<b>-40.97%</b>
<b>Net electric plant</b>	<b>98,072,320</b>	<b>97,774,897</b>	<b>297,422</b>	<b>94,242,029</b>	<b>4.06%</b>
Other assets:					
Non-utility property	65,697	65,697	-	65,697	0.00%
Other investments	18,488,513	18,503,351	(14,838)	14,048,994	31.60%
Deferred charges	71,943	79,211	(7,269)	(13,318)	-640.20%
<b>Total other assets</b>	<b>18,626,153</b>	<b>18,648,259</b>	<b>(22,106)</b>	<b>14,101,373</b>	<b>32.09%</b>
Current assets:					
Cash	708,927	1,202,518	(493,591)	464,664	52.57%
Notes receivable (net)	-	-	-	-	#DIV/0!
Accounts receivable (net)	9,769,558	9,207,862	561,696	9,522,574	2.59%
Other receivables (net)	1,838,208	1,790,352	47,856	1,726,021	6.50%
Inventories	3,987,544	3,840,548	146,997	3,256,949	22.43%
Prepaid expenses	590,372	601,181	(10,809)	513,701	14.93%
<b>Total current assets</b>	<b>16,894,610</b>	<b>16,642,461</b>	<b>252,149</b>	<b>15,483,909</b>	<b>9.11%</b>
<b>Total assets</b>	<b>\$ 133,593,082</b>	<b>\$ 133,065,617</b>	<b>\$ 527,465</b>	<b>\$ 123,827,311</b>	<b>7.89%</b>

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

	June, 2013 Actual	May, 2013 Actual	Variance Fav/(Unfav) \$	%	June, 2012 Actual	Variance Fav/(Unfav) \$	%
<b>Equities:</b>							
Memberships issued & subscribed	60	-	60	100.00%	-	60	100.00%
Patronage capital assignable	(2)	7,005,652	(7,005,654)	330455368.40%	47,050,644	(47,050,646)	2219370093.40%
Other earnings	58,395,805	51,034,405	7,361,400	12.61%	6,778,084	51,617,721	88.39%
Contributions in aid of construction	-	-	-	0.00%	-	-	0.00%
<b>Net equity</b>	<b>58,395,863</b>	<b>58,040,056</b>	<b>355,807</b>	<b>0.61%</b>	<b>53,828,728</b>	<b>4,567,135</b>	<b>7.82%</b>
<b>Long-term debt</b>	<b>58,424,976</b>	<b>58,625,443</b>	<b>(200,468)</b>	<b>-0.34%</b>	<b>57,374,956</b>	<b>1,050,020</b>	<b>1.80%</b>
<b>Capital leases - non current</b>	<b>259,670</b>	<b>260,897</b>	<b>(1,227)</b>	<b>-0.47%</b>	<b>276,006</b>	<b>(16,336)</b>	<b>-6.29%</b>
<b>Current liabilities:</b>							
Current portion of long-term debt	2,638,888	2,638,888	-	0.00%	2,376,815	262,073	9.93%
Line of Credit	3,900,000	3,300,000	600,000	15.38%	600,000	3,300,000	84.62%
Accounts payable	5,006,461	5,337,529	(331,068)	-6.61%	4,387,095	619,366	12.37%
Customer deposits	472,484	495,053	(22,569)	-4.78%	551,371	(78,887)	-16.70%
Other accrued expenses	4,210,495	4,021,188	189,308	4.50%	4,147,732	62,763	1.49%
<b>Total current liabilities</b>	<b>16,228,329</b>	<b>15,792,658</b>	<b>435,671</b>	<b>2.68%</b>	<b>12,063,013</b>	<b>4,165,316</b>	<b>25.67%</b>
<b>Deferred credits</b>	<b>284,245</b>	<b>346,563</b>	<b>(62,317)</b>	<b>-21.92%</b>	<b>284,608</b>	<b>(363)</b>	<b>-0.13%</b>
<b>Total liabilities and equity</b>	<b>\$ 133,593,082</b>	<b>\$ 133,065,617</b>	<b>\$ 527,465</b>	<b>0.39%</b>	<b>\$ 123,827,311</b>	<b>\$ 9,765,771</b>	<b>7.89%</b>

Vermont Electric Cooperative, Inc.  
Statement of Cash Flows

	Month		Year-to-date		Variance Fav (Unfav)
	June, 2013		June, 2013		
	Actual	Actual	Actual	Actual	
Cash flows from operating activities:					
Net income	\$ 355,747	\$ 680,610	\$ 1,787,989	\$ 4,226,602	(2,438,613)
Noncash expenses (income) included in earnings:					
Depreciation & amortization	\$ 457,654	\$ 397,994	\$ 2,649,074	\$ 2,403,805	245,269
(Gain) loss on sale of investments	\$ -	\$ -	\$ -	\$ -	-
(Gain) loss on sale of fixed assets	\$ (530)	\$ (530)	\$ (4,285)	\$ (15,324)	11,040
Changes in assets and liabilities:					
Decrease (increase) in notes receivable	\$ -	\$ -	\$ -	\$ -	-
Decrease (increase) in accounts receivable	\$ (561,696)	\$ (295,470)	\$ 851,645	\$ 743,737	107,908
Decrease (increase) in other receivable	\$ (47,856)	\$ (398,502)	\$ (302,835)	\$ (535,148)	232,313
Decrease (increase) in inventories	\$ (146,997)	\$ (54,078)	\$ (535,042)	\$ (407,548)	(127,494)
Decrease (increase) in prepayments	\$ 10,809	\$ 30,680	\$ (120,839)	\$ (263,543)	142,704
Decrease (increase) in deferred charges	\$ 10,128	\$ (4,676)	\$ (2,794)	\$ (55,573)	52,779
Increase (decrease) in accounts payable	\$ (331,068)	\$ (1,247,239)	\$ (1,229,502)	\$ (2,856,560)	1,627,058
Increase (decrease) in customer deposits	\$ (22,569)	\$ 4,116	\$ (51,133)	\$ 43,553	(94,687)
Increase (decrease) in accrued expenses	\$ 189,308	\$ 31,719	\$ 1,153,202	\$ 1,048,500	104,702
Increase (decrease) in deferred credits	\$ (62,317)	\$ (2,773)	\$ 64,101	\$ 42,268	21,833
<b>Net cash provided (used) by operating activities</b>	<b>(149,389)</b>	<b>(858,150)</b>	<b>4,259,581</b>	<b>4,374,768</b>	<b>(115,188)</b>
Cash flows from investing activities:					
Additions to electric plant in service and construction work in progress	\$ (874,244)	\$ (725,894)	\$ (7,032,864)	\$ (6,722,914)	(309,950)
Proceeds from retirements of electric plant in service	\$ 116,839	\$ 470,985	\$ 2,252,764	\$ 997,629	1,255,136
Return on capital investments	\$ -	\$ -	\$ (71,244)	\$ (95,446)	24,201
Proceeds (payments) from sale (purchase) of investments:	\$ 14,838	\$ -	\$ 24,419	\$ 30,077	(5,658)
<b>Net cash provided (used) in investing activities</b>	<b>(742,568)</b>	<b>(254,909)</b>	<b>(4,826,925)</b>	<b>(5,790,654)</b>	<b>963,729</b>
Cash flows from financing activities:					
Proceeds from borrowings LOC	\$ -	\$ -	\$ -	\$ -	-
Payments to creditors Long-Term	\$ 600,000	\$ (4,200,000)	\$ 1,382,414	\$ (3,900,000)	5,282,414
Payments to creditors LOC	\$ (201,694)	\$ 4,809,019	\$ (1,308,855)	\$ 3,911,191	(5,220,045)
Increase in contributions in aid of construction	\$ -	\$ -	\$ -	\$ -	-
Memberships issued, net of refunds	\$ 60	\$ -	\$ 60	\$ -	60
Additions to donated capital, net	\$ -	\$ 5	\$ 19	\$ 15	4
<b>Net cash provided (used) by financing activities</b>	<b>398,366</b>	<b>609,025</b>	<b>73,638</b>	<b>11,206</b>	<b>62,433</b>
<b>Net increase (decrease) in cash and equivalents</b>	<b>(493,591)</b>	<b>(504,033)</b>	<b>(493,706)</b>	<b>(1,404,680)</b>	<b>910,974</b>
Cash & cash equivalents at beginning of period	\$ 1,202,518	\$ 968,698	\$ 1,202,633	\$ 1,869,344	(666,711)
<b>Cash &amp; cash equivalents at end of period</b>	<b>\$ 708,927</b>	<b>\$ 464,664</b>	<b>\$ 708,927</b>	<b>\$ 464,664</b>	<b>\$ 244,263</b>