

Financial Highlights – June, 2014

| | <u>Variance (K's)</u> | <u>YTD Variance (K's)</u> |
|------------------------|-----------------------|---------------------------|
| June Net Income | (\$182) | (\$574) |

Analysis:

| | | |
|----------------------------|----------------|----------------|
| • Operating Revenue | (\$224) | \$1,096 |
|----------------------------|----------------|----------------|

KWH sales in June are 1% and \$82k less than budget for the month but 4% and \$1,441k better YTD. The average price/KWH sold is \$70k less than budget for the month and \$253k less YTD. Degree days for the year are 1% higher than normal and 12% higher than the previous year. Non-energy services, pole attachments, and wheeling revenues are \$22k better than budget for the month but \$4k under YTD. Unbilled revenues are \$7k better than budget for the month and \$31k better YTD. The sale of Renewable Energy Credits is under budget by \$101k for the month and \$108k YTD.

| | | |
|--------------------------------|---------------|------------------|
| • Purchased Power Costs | (\$79) | (\$2,781) |
|--------------------------------|---------------|------------------|

Purchased KWH is 3% and \$93k over budget for June and 3% and \$579k over YTD. Our overall costs/KWH is \$14k under budget for the month but 11% and \$2,202k over YTD.

| | | |
|-----------------------------|---------------|--------------|
| • Transmission Costs | (\$44) | \$495 |
|-----------------------------|---------------|--------------|

Transmission by Others is over budget by \$38k for June but is under \$474k YTD. Control Center costs for transmission support is over budget by \$13k for the month but is under budget \$19k YTD. Maintenance of overhead lines and SCADA maintenance is under budget by \$6k for June and \$14k YTD. Property Taxes are under budget by \$4k for the month and YTD. Transmission vegetative maintenance is over budget by \$3k for the month and \$15k YTD.

| | | |
|---------------------------------------|--------------|--------------|
| • Distribution Operations/Mtce | \$146 | \$431 |
|---------------------------------------|--------------|--------------|

Major Storm costs are under budget by \$37k for the month and \$185k YTD. Overall Distribution Maintenance costs are under budget by \$70k for June and \$237k YTD. Meter/AMI Expense is \$1k under budget for the month and \$17k YTD. Control Room related costs are over budget \$2k for the month but under \$81k YTD. Miscellaneous Distribution and Customer Installation expenses are under budget by \$15k for the month but over \$30k YTD. Distribution vegetative maintenance program spending is under budget by \$25k in June but is over \$61k YTD. The overall vegetative maintenance program (transmission + distribution) is \$22k under budget for June but \$76k over YTD.

| | | |
|----------------------------|--------------|---------------|
| • Customer Accounts | (\$3) | (\$14) |
|----------------------------|--------------|---------------|

Meter Reading, Member Services, and Patronage Capital Expenses are over budget by \$5k for the month and \$13k YTD. Communications are \$2k under budget for the month and \$1k YTD. The SQRP related costs are over budget by \$2k YTD.

• **Administrative & General** (\$25) \$202

Regulatory related expenses for DOE Grant Administration and the Consumer Behavior Study are \$1k over budget for the month but under \$41k YTD. Payroll & Benefits are under budget by \$2k for June and \$120k YTD. Outside Services is over budget by \$23k for the month and \$17k YTD. Director Expenses are under budget by \$1k for the month but over \$10k YTD. Expenses for Coop-life, Business Development, Dues, and Meeting expenses are over budget by \$8k for the month but under \$7k YTD. Safety, Office and Facility related expenses are under budget by \$4k for the month and \$62k YTD.

• **Total Depreciation & Other Exp** \$0 (\$50)

Depreciation expense is over budget by \$12k for June and \$53k YTD largely related to greater than expected general plant assets closed to plant in service in 2013. Interest expense is under budget by \$7k for the month and \$1k YTD. Other deductions are under budget by \$3k for the month and \$14k for the year. Gross Receipt Taxes are under budget by \$2k for the month but is over \$12k for the year.

• **Total Non-Operating Margins** \$47 \$46

Patronage Dividends from CFC, CoBank and NISC are on budget for the month and \$132k better than budget YTD. Contract services for other utilities has a positive variance of \$51k for the month but a negative variance of \$98k YTD. Gain/Loss on disposition of property is over budget by \$2k YTD. Interest Income is less than budget by \$4k for the month but is better by \$14k for the year.

• **Capital Spending Plan** \$761 \$952

Pole Replacements and Distribution Line projects are over budget by \$46k for the month but are under \$244k YTD. New Services and Transformers are under budget by \$245k and \$273k YTD. Meters are over budget by \$105k for the month but under \$307k YTD. Ordinary Replacements are under budget by \$24k for the month but are over \$147k YTD. SCADA projects have a negative variance of \$53k for the month but are under budget \$68k for the year. Facilities and IT projects are over budget by \$16k for the month but under \$328k for the year. The EDA NEK project has a positive variance to budget of \$395k for the month but is over \$123k 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 \$6.3 million.

Cash Flow and Line of Credit

In June, we used up to a peak of \$10.8M on our line of credit on June 27th. The July high for the line of credit is expected to be \$5.9M on July 25th.

Balance Sheet

Our equity ratio in June is 40%, down from May at 41%. Our current ratio, a measure of liquidity, is 1.25, up from May at .96. VEC's FFO ratio for 2014 YTD ("Funds from Operations/Capital Expenditures Ratio"; Target of 80% desirable) is .87, up from May at .75.

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

| | June, 2014 Actual | June, 2014 Budget | Actual-Budget Variance Fav (Unfav) \$ | % | June, 2013 Actual | Prior Year Variance Fav (Unfav) \$ | % |
|--|----------------------|----------------------|---|---------------|----------------------|--|----------------|
| Revenue | | | | | | | |
| Operating Revenue | 5,663,846.89 | 5,887,785 | (223,938) | -3.8% | 5,579,761 | 84,086 | 1.5% |
| Sales for Resale | 89,519 | 50,476 | 39,043 | 77.4% | 56,072 | 33,447 | -59.7% |
| Total revenues | \$ 5,753,366 | \$ 5,938,260 | (\$ 184,894) | -3.1% | \$ 5,635,833 | \$ 117,533 | 2.1% |
| Power supply cost | | | | | | | |
| Purchased power cost | 3,000,389 | 2,921,522 | (78,866) | -2.7% | 2,842,915 | (157,474) | 5.5% |
| Sales for Resale | 89,519 | 50,476 | (39,043) | -77.4% | 56,072 | (33,447) | 59.7% |
| Transmission | 992,516 | 948,505 | (44,011) | -4.6% | 741,986 | (250,530) | 33.8% |
| Total Power supply cost | 4,082,424 | 3,920,503 | (161,921) | 4.1% | 3,640,973 | (441,450) | 12.1% |
| Gross Margin | \$ 1,670,942 | \$ 2,017,757 | (\$ 346,815) | -17.2% | \$ 1,994,860 | (\$ 323,917) | 16.2% |
| Operating expenses | | | | | | | |
| Distribution: Operations & Mtce | 889,298 | 1,034,849 | 145,551 | 14.1% | 955,689 | 66,391 | -6.9% |
| Customer accounts | 214,825 | 211,337 | (3,488) | -1.7% | 197,883 | (16,942) | 8.6% |
| Administrative & general | 294,144 | 269,624 | (24,520) | -9.1% | 282,872 | (11,272) | 4.0% |
| Total operating expenses | \$ 1,398,267 | \$ 1,515,810 | \$ 117,544 | 7.8% | \$ 1,436,444 | \$ 38,177 | -2.7% |
| Depreciation & amortization | 421,652 | 409,867 | (11,785) | -2.9% | 399,078 | (22,574) | 5.7% |
| Gross revenue & receipts taxes | 56,916 | 58,828 | 1,911 | 3.2% | 56,563 | (354) | 0.6% |
| Interest on long-term debt | 243,370 | 255,376 | 12,006 | 4.7% | 234,386 | (8,985) | 3.8% |
| Other interest expenses | 16,284 | 11,309 | (4,976) | -44.0% | 6,789 | (9,496) | 139.9% |
| Other Deductions | - | 3,333 | 3,333 | 100.0% | 391 | 391 | -100.0% |
| Total depreciation & other expenses | 738,223 | 738,713 | 490 | -0.1% | 697,206 | (41,016) | 5.9% |
| Income from operations | \$ (465,547) | \$ (236,766) | \$ (228,781) | 96.6% | \$ (138,790) | \$ (326,757) | -235.4% |
| Interest income | 609,093 | 612,916 | (3,823) | -0.6% | 469,141 | 139,953 | 29.8% |
| Other income (expenses) | 3,015 | (47,747) | 50,762 | -106.3% | 25,396 | (22,381) | -88.1% |
| Other capital credits & dividends | - | - | - | N/A | - | - | N/A |
| Total non-operating margins | 612,109 | 565,169 | 46,939 | 8.3% | 494,537 | 117,572 | 23.8% |
| Net income (loss) | 146,561 | 328,403 | (181,842) | -55.4% | 355,747 | (209,185) | 58.8% |
| Extraordinary expenses | - | - | - | N/A | - | - | N/A |
| Total net income (loss) | \$ 146,561 | \$ 328,403 | (\$ 181,842) | -55.4% | \$ 355,747 | (\$ 209,185) | 58.8% |

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

| | June, 2014 Actual | June, 2014 Budget | Actual- Budget Variance Fav (Unfav) \$ | % | June, 2013 Actual | Prior Year Variance Fav (Unfav) \$ | % |
|---|----------------------|----------------------|--|-----------------|----------------------|--|---------------|
| Revenue | | | | | | | |
| Operating Revenue | 41,011,027 | 39,914,725 | 1,096,302 | 2.7% | 38,167,483 | 2,843,543 | 7.5% |
| Sales for Resale | 827,581 | 343,019 | 484,562 | 141.3% | 350,222 | 477,359 | -136.3% |
| Total revenues | \$ 41,838,608 | \$ 40,257,744 | \$ 1,580,864 | 3.9% | \$ 38,517,705 | \$ 3,320,902 | 8.6% |
| Power supply cost | | | | | | | |
| Purchased power cost | 22,495,980 | 19,715,208 | (2,780,772) | -14.1% | 19,377,774 | (3,118,206) | 16.1% |
| Sales for Resale | 827,581 | 343,019 | (484,562) | -141.3% | 350,222 | (477,359) | 136.3% |
| Transmission: | 6,153,610 | 6,648,881 | 495,272 | 7.4% | 5,621,691 | (531,918) | 9.5% |
| Total Power supply cost | 29,477,171 | 26,707,109 | (2,770,062) | 10.4% | 25,349,687 | (4,127,484) | 16.3% |
| Gross Margin | \$ 12,361,437 | \$ 13,550,635 | \$ (1,189,198) | -8.8% | \$ 13,168,019 | \$ (806,581) | 6.1% |
| Operating expenses | | | | | | | |
| Distribution: Operations & Mtce | 5,427,178 | 5,858,111 | 430,933 | 7.4% | 5,416,151 | (11,028) | 0.2% |
| Customer accounts | 1,276,837 | 1,263,110 | (13,727) | -1.1% | 1,200,686 | (76,151) | 6.3% |
| Administrative & general | 1,791,377 | 1,993,662 | 202,285 | 10.1% | 1,880,579 | 89,202 | -4.7% |
| Total operating expenses | 8,495,393 | 9,114,884 | 619,491 | 6.8% | 8,497,416 | 2,024 | 0.0% |
| Depreciation & amortization | 2,486,670 | 2,433,538 | (53,132) | -2.2% | 2,385,508 | (101,162) | 4.2% |
| Gross revenue & receipts taxes | 398,546 | 386,976 | (11,570) | -3.0% | 373,047 | (25,499) | 6.8% |
| Interest on long-term debt | 1,498,484 | 1,542,556 | 44,072 | 2.9% | 1,464,832 | (33,652) | 2.3% |
| Other interest expenses | 88,457 | 45,448 | (43,009) | -94.6% | 36,682 | (51,775) | 141.1% |
| Other deductions | 5,999 | 19,998 | 13,999 | 70.0% | (8,072) | (14,071) | -174.3% |
| Total depreciation & other exp | 4,478,155 | 4,428,515 | (49,640) | 1.1% | 4,251,996 | (226,159) | 5.3% |
| Income from operations | (612,111) | 7,236 | (619,347) | -8559.1% | 418,606 | (1,030,717) | 246.2% |
| Interest income | 1,241,205 | 1,227,133 | 14,072 | 1.1% | 1,068,715 | 172,489 | 16.1% |
| Other income (expenses) | 11,491 | 111,832 | (100,341) | -89.7% | 31,280 | (19,789) | -63.3% |
| Other capital credits & dividends | 346,050 | 214,012 | 132,038 | 61.7% | 269,387 | 76,663 | 28.5% |
| Total non-operating margins | 1,598,746 | 1,552,977 | 45,769 | 2.9% | 1,369,383 | 229,363 | 16.7% |
| Net income (loss) | 986,635 | 1,560,213 | (573,578) | -36.8% | 1,787,989 | (801,354) | 44.8% |
| Extraordinary expenses | - | - | - | N/A | - | - | N/A |
| Total net income (loss) | \$ 986,635 | \$ 1,560,213 | \$ (573,578) | -36.8% | \$ 1,787,989 | \$ (801,354) | 44.8% |

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

| | June, 2014 Actual | May, 2014 Actual | Variance Fav/(Unfav) \$ | % | June, 2013 Actual | Variance Fav/(Unfav) \$ | % |
|--------------------------------------|-----------------------|-----------------------|----------------------------|---------------|-----------------------|----------------------------|---------------|
| Electric plant, at cost: | | | | | | | |
| Electric plant in service | 134,457,247 | 133,961,673 | 495,574 | 0.37% | 128,323,071 | 6,134,176 | 4.78% |
| Less accumulated depreciation | (36,684,559) | (36,473,598) | 210,961 | 0.58% | (34,790,925) | 1,893,633 | 5.44% |
| Net electric plant in service | 97,772,688 | 97,488,075 | 284,613 | 0.29% | 93,532,145 | 4,240,543 | 4.53% |
| Construction work in progress | 5,294,849 | 5,857,535 | (562,687) | -9.61% | 4,540,174 | 754,675 | 16.62% |
| Net electric plant | 103,067,537 | 103,345,611 | (278,074) | -0.27% | 98,072,320 | 4,995,218 | 5.09% |
| Other assets: | | | | | | | |
| Non-utility property | 65,697 | 65,697 | - | 0.00% | 65,697 | - | 0.00% |
| Other investments | 22,735,798 | 18,640,934 | 4,094,864 | 21.97% | 18,488,513 | 4,247,285 | 22.97% |
| Deferred charges | 1,779,348 | 1,765,376 | 13,972 | 0.79% | 71,943 | 1,707,405 | 2373.29% |
| Total other assets | 24,580,843 | 20,472,007 | 4,108,836 | 20.07% | 18,626,153 | 5,954,690 | 31.97% |
| Current assets: | | | | | | | |
| Cash | 1,408,307 | 337,866 | 1,070,440 | 316.82% | 708,927 | 699,380 | 98.65% |
| Notes receivable (net) | - | - | - | 0.00% | - | - | #DIV/0! |
| Accounts receivable (net) | 10,406,357 | 10,864,196 | (457,839) | -4.21% | 9,769,558 | 636,799 | 6.52% |
| Other receivables (net) | 6,739,250 | 6,812,099 | (72,849) | -1.07% | 1,838,208 | 4,901,042 | 266.62% |
| Inventories | 3,936,287 | 3,793,812 | 142,474 | 3.76% | 3,987,544 | (51,257) | -1.29% |
| Prepaid expenses | 603,518 | 621,928 | (18,410) | -2.96% | 590,372 | 13,146 | 2.23% |
| Total current assets | 23,093,719 | 22,429,902 | 663,817 | 2.96% | 16,894,610 | 6,199,109 | 36.69% |
| Total assets | \$ 150,742,099 | \$ 146,247,519 | \$ 4,494,579 | 3.07% | \$ 133,593,082 | \$ 17,149,016 | 12.84% |

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

| | June, 2014 Actual | May, 2014 Actual | Variance Fav/(Unfav) \$ | % | June, 2013 Actual | Variance Fav/(Unfav) \$ | % |
|--------------------------------------|-----------------------|-----------------------|----------------------------|----------------|-----------------------|----------------------------|---------------|
| Equities: | | | | | | | |
| Memberships issued & subscribed | - | - | - | 0.00% | 60 | (60) | 0.00% |
| Patronage capital assignable | (1) | 3,578,603 | (3,578,604) | 368928263.92% | (2) | 1 | -118.56% |
| Other earnings | 60,431,273 | 56,706,106 | 3,725,167 | 6.16% | 58,395,805 | 2,035,468 | 3.37% |
| Contributions in aid of construction | - | - | - | 0.00% | - | - | 0.00% |
| Net equity | 60,431,272 | 60,284,709 | 146,563 | 0.24% | 58,395,863 | 2,035,410 | 3.37% |
| Long-term debt | 71,361,558 | 62,075,444 | 9,286,114 | 13.01% | 58,424,976 | 12,936,582 | 18.13% |
| Capital leases - non current | 243,508 | 244,817 | (1,309) | -0.54% | 259,670 | (16,162) | -6.64% |
| Current liabilities: | | | | | | | |
| Current portion of long-term debt | 3,084,119 | 2,931,059 | 153,060 | 4.96% | 2,638,888 | 445,231 | 14.44% |
| Line of Credit | 5,444,999 | 9,700,000 | (4,255,001) | -78.15% | 3,900,000 | 1,544,999 | 28.37% |
| Accounts payable | 5,322,507 | 6,225,861 | (903,354) | -16.97% | 5,006,461 | 316,046 | 5.94% |
| Customer deposits | 527,355 | 524,837 | 2,518 | 0.48% | 472,484 | 54,871 | 10.40% |
| Other accrued expenses | 4,063,471 | 3,977,370 | 86,101 | 2.12% | 4,210,495 | (147,025) | -3.62% |
| Total current liabilities | 18,442,451 | 23,359,128 | (4,916,677) | -26.66% | 16,228,329 | 2,214,122 | 12.01% |
| Deferred credits | 263,310 | 283,422 | (20,112) | -7.64% | 284,245 | (20,935) | -7.95% |
| Total liabilities and equity | \$ 150,742,099 | \$ 146,247,519 | \$ 4,494,579 | 2.98% | \$ 133,593,082 | \$ 17,149,016 | 12.84% |

Vermont Electric Cooperative, Inc.
Statement of Cash Flows

| | Month | | June, 2013 Actual | Year-to-date | | June, 2013 Actual | Variance Fav (Unfav) \$ |
|--|----------------------|----------------------|----------------------|----------------------|--------------------|----------------------|----------------------------|
| | June, 2014 Actual | June, 2014 Actual | | June, 2014 Actual | | | |
| Cash flows from operating activities: | | | | | | | |
| Net income | \$ 146,561 | \$ | \$ 355,747 | \$ 986,635 | \$ 1,787,989 | \$ (801,354) | |
| Noncash expenses (income) included in earnings: | | | | | | | |
| Depreciation & amortization | \$ 486,395 | \$ | \$ 457,654 | \$ 2,760,942 | \$ 2,649,074 | \$ 111,868 | |
| (Gain) loss on sale of investments | \$ - | \$ | \$ - | \$ - | \$ - | \$ - | |
| (Gain) loss on sale of fixed assets | \$ (530) | \$ | \$ (530) | \$ (1,691) | \$ (4,285) | \$ 2,593 | |
| Changes in assets and liabilities: | | | | | | | |
| Decrease (increase) in notes receivable | \$ - | \$ | \$ - | \$ - | \$ - | \$ - | |
| Decrease (increase) in accounts receivable | \$ 457,839 | \$ | \$ (561,696) | \$ 548,858 | \$ 851,645 | \$ (302,787) | |
| Decrease (increase) in other receivable | \$ 72,849 | \$ | \$ (47,856) | \$ (848,651) | \$ (302,835) | \$ (545,816) | |
| Decrease (increase) in inventories | \$ (142,474) | \$ | \$ (146,997) | \$ 118,239 | \$ (535,042) | \$ 653,280 | |
| Decrease (increase) in prepayments | \$ 18,410 | \$ | \$ 10,809 | \$ (97,172) | \$ (120,839) | \$ 23,667 | |
| Decrease (increase) in deferred charges | \$ (11,113) | \$ | \$ 10,128 | \$ 443,369 | \$ (2,794) | \$ 446,163 | |
| Increase (decrease) in accounts payable | \$ (903,354) | \$ | \$ (331,068) | \$ (7,062,720) | \$ (1,229,502) | \$ (5,833,218) | |
| Increase (decrease) in customer deposits | \$ 2,518 | \$ | \$ (22,569) | \$ 218 | \$ (51,133) | \$ 51,351 | |
| Increase (decrease) in accrued expenses | \$ 86,101 | \$ | \$ 189,308 | \$ 793,788 | \$ 1,153,202 | \$ (359,414) | |
| Increase (decrease) in deferred credits | \$ (20,112) | \$ | \$ (62,317) | \$ 45,802 | \$ 64,101 | \$ (18,299) | |
| Net cash provided (used) by operating activities | 193,089 | | (149,389) | (2,312,384) | 4,259,581 | (6,571,965) | |
| Cash flows from investing activities: | | | | | | | |
| Additions to electric plant in service and construction work in progress | \$ (308,936) | \$ | \$ (874,244) | \$ (5,842,558) | \$ (7,032,864) | \$ 1,190,306 | |
| Proceeds from retirements of electric plant in service | \$ 98,285 | \$ | \$ 116,839 | \$ 1,566,928 | \$ 2,252,764 | \$ (685,837) | |
| Return on capital investments | \$ 135 | \$ | \$ - | \$ (87,590) | \$ (71,244) | \$ (16,346) | |
| Proceeds (payments) from sale (purchase) of investments | \$ (4,094,999) | \$ | \$ 14,838 | \$ (4,094,999) | \$ 24,419 | \$ (4,119,418) | |
| Net cash provided (used) in investing activities | (4,305,515) | | (742,568) | (8,458,219) | (4,826,925) | (3,631,294) | |
| Cash flows from financing activities: | | | | | | | |
| Proceeds from borrowings LOC | \$ - | \$ | \$ - | \$ - | \$ - | \$ - | |
| Proceeds from borrowings Long-Term | \$ - | \$ | \$ - | \$ - | \$ - | \$ - | |
| Payments to creditors LOC | \$ (4,255,001) | \$ | \$ 600,000 | \$ 2,444,999 | \$ 1,382,414 | \$ 1,062,585 | |
| Payments to creditors Long-Term | \$ 9,437,866 | \$ | \$ (201,694) | \$ 8,195,681 | \$ (1,308,855) | \$ 9,504,536 | |
| Patronage Capital Retirements - Net | \$ (0) | \$ | \$ - | \$ (3,868) | \$ - | \$ (3,868) | |
| Memberships issued, net of refunds | \$ - | \$ | \$ 60 | \$ - | \$ 60 | \$ (60) | |
| Additions to donated capital, net | \$ 2 | \$ | \$ - | \$ 12 | \$ 19 | \$ (7) | |
| Net cash provided (used) by financing activities | 5,182,866 | | 398,366 | 10,638,824 | 73,638 | 10,563,186 | |
| Net increase (decrease) in cash and equivalents | 1,070,440 | | (493,591) | (133,779) | (493,706) | 359,926 | |
| Cash & cash equivalents at beginning of period | \$ 337,866 | \$ | \$ 1,202,518 | \$ 1,542,086 | \$ 1,202,633 | \$ 339,453 | |
| Cash & cash equivalents at end of period | \$ 1,408,307 | \$ | \$ 708,927 | \$ 1,408,307 | \$ 708,927 | \$ 699,380 | |