

Financial Highlights – June, 2015

	<u>Variance (K's)</u>	<u>YTD Variance (K's)</u>
June Net Income	\$264	\$1,428

Analysis:

• Operating Revenue	\$8	(\$250)
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KWH sales in June are \$9k better than budget for the month but \$202k less YTD. The average price/KWH sold is \$37k less than budget for the month and \$141k less YTD. Non-energy services, pole attachments, and wheeling revenues are \$76k better than budget for the month and \$110k better YTD. Unbilled revenues are \$15k better than budget for the month and \$29k better YTD. The sale of Renewable Energy Credits is \$55k less than budget for the month and \$46k less YTD.

• Purchased Power Costs	\$186	\$1,181
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Purchased KWH is \$66k under budget for June and \$381k under YTD. Our overall costs/KWH is \$120k under budget for the month and \$800k under YTD.

• Transmission Costs	\$62	\$50
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Control Center costs for transmission support is over budget by \$33k YTD. Transmission by Others is \$55k under budget for June and \$92k under YTD. Maintenance of overhead lines and SCADA are under budget by \$4k for the month. Transmission vegetative maintenance is under budget by \$3k for the month but over \$9k YTD.

• Distribution Operations/Mtce	\$116	\$278
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Major Storm costs are under budget by \$39k for the month and \$335k YTD. Meter/AMI Expense is \$7k over budget for the month and \$35k over YTD. Control Room related costs are over budget by \$6k for the month and \$57k YTD. Miscellaneous Distribution and Customer Installation expenses are under budget by \$11k for the month and \$28k YTD. Overall Distribution Maintenance costs are under budget by \$28k for June but over \$65k YTD. Distribution vegetative maintenance program spending is under budget by \$51k in June and \$72k YTD. The overall vegetative maintenance program (transmission + distribution) is \$53k under budget for June and \$63k under YTD.

• Customer Accounts	(\$8)	\$86
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Meter Reading, Member Services, and Patronage Capital Expenses are under budget by \$7k for the month and \$58k YTD. SQRP related costs are \$2k under budget for the month and \$14k under for the year. Communications are \$6k over budget for the month but \$39k under YTD. Uncollectible Accounts are over budget by \$13k for the month and \$25k YTD.

- **Administrative & General** (\$21) \$14

Regulatory related expenses are under budget by \$16k for the month and \$78k YTD. Payroll & Benefits are under budget \$12k for June and \$77k YTD. Outside Services are over budget by \$36k for the month and \$44k for the year. Director Expenses are over budget by \$4k for the month and \$31k YTD. Internal costs incurred for the Community Solar Project create a negative variance of \$4k for the month and \$69k YTD. Expenses for Coop-life, Business Development, Dues, and Meeting expenses are over budget by \$11k for the month but are under \$12k YTD. Safety, Office and Facility related expenses are under budget by \$7k for the month but over \$8k YTD.

- **Total Depreciation & Other Exp** \$2 (\$75)

Depreciation expense is over budget \$16k for June and \$104k YTD largely related to greater than expected general plant assets closed to plant in service in 2014. Interest expense is under budget by \$18k for the month and \$18k YTD. Other deductions are under budget \$9k for the year. Gross Receipt Taxes are under budget \$3k for the year.

- **Total Non-Operating Margins** (\$81) \$143

Patronage Dividends from CFC, CoBank and NISC are better than budget by \$178k YTD. Contract service for other utilities has a negative variance of \$12k YTD. Interest Income is \$62k better YTD. Gain/Loss on Disposition of Property is over budget by \$83k for the month and \$85k YTD

- **Capital Spending Plan** \$846 \$455

Transformers and Increased Capacity are under budget by \$13k for the month but are over \$164k for the year. Distribution line projects and Ordinary Replacements are over budget by \$41k for the month and \$402k for the year. Pole Replacements are over budget by \$33k for the month but are under \$113k YTD. SCADA projects are under budget \$77k for the month and \$197k YTD. New Services and Construction are under budget \$43k for the month but are over \$99k the year. Meters and AMI is under budget by \$63k for the month but over \$15k for the year. Fleet, Facilities and IT projects are under budget for the month by \$14k but over by \$91k for the year. Substation projects are under budget by \$730k for the month and \$618k for the year. Security Lights are under budget \$16k for the month and \$75k for the year. The EDA NEK project has a negative variance to budget of \$202k for the month and \$778k YTD. The Solar project has a positive variance of \$167k for the month and \$1M 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 2015 are expected to be \$6.5 million.

Cash Flow and Line of Credit

In June, we used up to a peak of \$5M on our line of credit on June 15th. The July high for the line of credit is expected to be \$4.7M on July 27th.

Balance Sheet

Our equity ratio in June is 43% up from May at 42%. Our current ratio, a measure of liquidity, is .97, down from May at .98. VEC's FFO ratio for 2015 YTD ("Funds from Operations/Capital Expenditures Ratio"; Target of 80% desirable) is .98, up from May at .97.

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

	June, 2015 Actual	June, 2015 Budget	Actual- Budget Variance Fav (Unfav) \$	%	June, 2014 Actual	Variance Fav (Unfav) \$	Prior Year Variance Fav (Unfav) %
Revenue							
Operating Revenue	5,762,299.69	5,753,999 *	8,300	0.1% *	5,663,847 *	98,453	1.7%
Sales for Resale	39,809	354,387 *	(314,578)	-88.8% *	89,519 *	(49,710)	55.5%
Total revenues	\$ 5,802,109	\$ 6,108,387	\$ (306,278)	-5.0%	\$ 5,753,366	\$ 48,743	0.8%
Power supply cost							
Purchased power cost	2,828,739	3,014,961 *	186,222	6.2% *	3,000,389 *	171,650	-5.7%
Sales for Resale	39,809	354,387 *	314,578	88.8% *	89,519 *	49,710	-55.5%
Transmission	765,679	827,379 *	61,699	7.5% *	992,516 *	226,837	-22.9%
Total Power supply cost	3,634,227	4,196,727	562,500	-13.4%	4,082,424	448,197	-11.0%
Gross Margin	\$ 2,167,882	\$ 1,911,660	\$ 256,222	13.4%	\$ 1,670,942	\$ 496,940	-29.7%
Operating expenses							
Distribution: Operations & Mtce	925,851	1,042,000 *	116,148	11.1% *	889,298 *	(36,554)	4.1%
Customer accounts	235,145	226,706 *	(8,440)	-3.7% *	214,825 *	(20,320)	9.5%
Administrative & general	323,293	302,130 *	(21,163)	-7.0% *	294,144 *	(29,149)	9.9%
Total operating expenses	\$ 1,484,290	\$ 1,570,836	\$ 86,545	5.5%	\$ 1,398,267	\$ (86,023)	6.2%
Depreciation & amortization	449,748	434,189 *	(15,559)	-3.6% *	421,652 *	(28,096)	6.7%
Gross revenue & receipts taxes	57,414	57,582 *	169	0.3% *	56,916 *	(497)	0.9%
Interest on long-term debt	249,528	263,806 *	14,278	5.4% *	243,370 *	(6,158)	2.5%
Other interest expenses	8,365	11,648 *	3,283	28.2% *	16,284 *	7,919	-48.6%
Other Deductions	2,724	2,083 *	(641)	-30.8% *	-	(2,724)	N/A
Total depreciation & other expenses	767,779	769,308	1,529	-0.2%	738,223	(29,556)	4.0%
Income from operations	\$ (84,187)	\$ (428,484)	\$ 344,297	-80.4%	\$ (465,547)	\$ 381,360	81.9%
Interest income	609,093	609,009 *	84	0.0% *	609,093 *	-	0.0%
Other income (expenses)	(79,144)	1,718 *	(80,863)	-4706.4% *	3,015 *	(82,160)	-2724.8%
Other capital credits & dividends	-	-	-	N/A	-	-	N/A
Total non-operating margins	529,949	610,728	(80,779)	-13.2%	612,109	(82,160)	-13.4%
Net income (loss)	445,762	182,243	263,518	144.6%	146,561	299,200	-204.1%
Extraordinary expenses	-	-	-	N/A	-	-	N/A
Total net income (loss)	\$ 445,762	\$ 182,243	\$ 263,518	144.6%	\$ 146,561	\$ 299,200	-204.1%

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

	June, 2015 Actual	June, 2015 Budget	Actual- Budget Variance Fav (Unfav) \$	%	June, 2014 Actual	Prior Year Variance Fav (Unfav) \$	%
Revenue							
Operating Revenue	40,776,931	41,027,186	(250,255)	-0.6%	41,011,027	(234,095)	-0.6%
Sales for Resale	826,242	5,406,596	(4,580,354)	-84.7%	827,581	(1,339)	0.2%
Total revenues	\$ 41,603,173	\$ 46,433,782	\$ (4,830,609)	-10.4%	\$ 41,838,608	\$ (235,434)	-0.6%
Power supply cost							
Purchased power cost	20,027,174	21,207,956	1,180,782	5.6%	22,495,980	2,468,806	-11.0%
Sales for Resale	826,242	5,406,596	4,580,354	84.7%	827,581	1,339	-0.2%
Transmission:	5,566,588	5,616,490	49,902	0.9%	6,153,610	587,021	-9.5%
Total Power supply cost	26,420,004	32,231,042	5,811,038	-18.0%	29,477,171	3,057,167	-10.4%
Gross Margin	\$ 15,183,169	\$ 14,202,740	\$ 980,429	6.9%	\$ 12,361,437	\$ 2,821,732	-22.8%
Operating expenses							
Distribution: Operations & Mtce	5,920,717	6,198,849	278,132	4.5%	5,427,178	(493,539)	9.1%
Customer accounts	1,311,282	1,397,695	86,413	6.2%	1,276,837	(34,445)	2.7%
Administrative & general	1,919,607	1,933,716	14,109	0.7%	1,791,377	(128,230)	7.2%
Total operating expenses	9,151,606	9,530,259	378,653	4.0%	8,495,393	(656,213)	7.7%
Depreciation & amortization	2,688,894	2,584,412	(104,482)	-4.0%	2,486,670	(202,225)	8.1%
Gross revenue & receipts taxes	395,121	398,233	3,112	0.8%	398,546	3,425	-0.9%
Interest on long-term debt	1,566,341	1,601,429	35,088	2.2%	1,498,484	(67,857)	4.5%
Other interest expenses	62,095	45,149	(16,945)	-37.5%	88,457	26,362	-29.8%
Other deductions	3,679	12,498	8,819	70.6%	5,999	2,320	-38.7%
Total depreciation & other ext	4,716,131	4,641,722	(74,409)	1.6%	4,478,155	(237,975)	5.3%
Income from operations	1,315,433	30,759	1,284,674	4176.6%	(612,111)	1,927,544	314.9%
Interest income	1,438,403	1,376,342	62,061	4.5%	1,241,205	197,198	15.9%
Other income (expenses)	(75,374)	21,474	(96,848)	-451.0%	11,491	(86,865)	-756.0%
Other capital credits & dividends	452,442	274,655	177,787	64.7%	346,050	106,392	30.7%
Total non-operating margins	1,815,471	1,672,471	143,000	8.6%	1,598,746	216,725	13.6%
Net income (loss)	3,130,904	1,703,230	1,427,674	83.8%	986,635	2,144,269	-217.3%
Extraordinary expenses	-	-	-	N/A	-	-	N/A
Total net income (loss)	\$ 3,130,904	\$ 1,703,230	\$ 1,427,674	83.8%	\$ 986,635	\$ 2,144,269	-217.3%

Vermont Electric Cooperative, Inc.
Balance Sheet (Assets)
June, 2015

	June, 2015 Actual	May, 2015 Actual	Variance Fav/(Unfav) \$	%	June, 2014 Actual	Variance Fav/(Unfav) \$	%
Electric plant, at cost:							
Electric plant in service	142,987,717	142,998,969	(11,252)	-0.01%	134,457,247	8,530,470	6.34%
Less accumulated depreciation	(40,153,872)	(39,921,912)	231,960	0.58%	(36,684,559)	3,469,313	9.46%
Net electric plant in service	102,833,845	103,077,057	(243,212)	-0.24%	97,772,688	5,061,156	5.18%
Construction work in progress	6,627,438	6,069,739	557,699	9.19%	5,294,849	1,332,589	25.17%
Net electric plant	109,461,283	109,146,796	314,487	0.29%	103,067,537	6,393,746	6.20%
Other assets:							
Non-utility property	65,697	65,697	-	0.00%	65,697	-	0.00%
Other investments	22,934,882	22,934,882	-	0.00%	22,735,798	199,084	0.88%
Deferred charges	2,172,392	2,189,614	(17,222)	-0.79%	1,779,348	393,044	22.09%
Total other assets	25,172,971	25,190,193	(17,222)	-0.07%	24,580,843	592,129	2.41%
Current assets:							
Cash	1,268,696	1,257,721	10,976	0.87%	1,408,307	(139,610)	-9.91%
Notes receivable (net)	-	-	-	0.00%	-	-	#DIV/0!
Accounts receivable (net)	10,058,365	10,764,405	(706,040)	-6.56%	10,406,357	(347,992)	-3.34%
Other receivables (net)	2,911,251	4,714,904	(1,803,653)	-38.25%	6,739,250	(3,827,999)	-56.80%
Inventories	4,038,712	3,798,098	240,614	6.34%	3,936,287	102,425	2.60%
Prepaid expenses	527,869	549,397	(21,528)	-3.92%	603,518	(75,649)	-12.53%
Total current assets	18,804,893	21,084,524	(2,279,631)	-10.81%	23,093,719	(4,288,825)	-18.57%
Total assets	\$ 153,439,147	\$ 155,421,513	\$ (1,982,365)	-1.28%	\$ 150,742,099	\$ 2,697,049	1.79%

Vermont Electric Cooperative, Inc.
Balance Sheet (Liabilities & Equity)
June, 2015

	June, 2015 Actual	May, 2015 Actual	Variance Fav/(Unfav) \$	%	June, 2014 Actual	Variance Fav/(Unfav) \$	%
Equities:							
Memberships issued & subscribed	-	50	(50)	0.00%	-	-	0.00%
Patronage capital assignable	(1)	3,671,408	(3,671,410)	256741938.46%	(1)	(0)	32.17%
Other earnings	65,784,991	61,667,889	4,117,103	6.26%	60,431,273	5,353,718	8.14%
Contributions in aid of construction	-	-	-	0.00%	-	-	0.00%
Net equity	65,784,990	65,339,347	445,643	0.68%	60,431,272	5,353,718	8.14%
Long-term debt	67,814,059	68,037,924	(223,865)	-0.33%	71,361,558	(3,547,499)	-5.23%
Capital leases - non current	257,330	258,720	(1,390)	-0.54%	243,508	13,823	5.37%
Current liabilities:							
Current portion of long-term debt	3,341,063	3,341,063	-	0.00%	3,084,119	256,943	7.69%
Line of Credit	3,500,000	6,485,308	(2,985,308)	-85.29%	5,444,999	(1,944,999)	-55.57%
Accounts payable	7,687,420	7,118,232	569,189	7.40%	5,322,507	2,364,914	30.76%
Customer deposits	591,573	603,834	(12,261)	-2.07%	527,355	64,218	10.86%
Other accrued expenses	4,174,482	3,938,212	236,271	5.66%	4,063,471	111,012	2.66%
Total current liabilities	19,294,538	21,486,648	(2,192,109)	-11.36%	18,442,451	852,088	4.42%
Deferred credits	288,230	298,874	(10,644)	-3.69%	263,310	24,920	8.65%
Total liabilities and equity	\$ 153,439,147	\$ 155,421,513	(1,982,365)	-1.29%	\$ 150,742,099	\$ 2,697,049	1.79%

Vermont Electric Cooperative, Inc.
Statement of Cash Flows

	Month		Year-to-date		Variance Fav (Unfav)
	June, 2014		June, 2014		
	Actual	Actual	Actual	Actual	
Cash flows from operating activities:					
Net income	\$ 445,762	\$ 146,561	\$ 3,130,904	\$ 986,635	\$ 2,144,269
Noncash expenses (income) included in earnings:					
Depreciation & amortization	\$ 487,988	\$ 486,395	\$ 2,909,144	\$ 2,760,942	\$ 148,202
(Gain) loss on sale of investments	\$ -	\$ -	\$ -	\$ -	\$ -
(Gain) loss on sale of fixed assets	\$ 82,197	\$ (530)	\$ 79,547	\$ (1,691)	\$ 81,238
Changes in assets and liabilities:					
Decrease (increase) in notes receivable	\$ -	\$ -	\$ -	\$ -	\$ -
Decrease (increase) in accounts receivable	\$ 706,040	\$ 457,839	\$ 1,040,861	\$ 548,858	\$ 492,004
Decrease (increase) in other receivable	\$ 1,803,653	\$ 72,849	\$ 990,190	\$ (848,651)	\$ 1,838,841
Decrease (increase) in inventories	\$ (240,614)	\$ (142,474)	\$ (173,384)	\$ 118,239	\$ (291,623)
Decrease (increase) in prepayments	\$ 21,528	\$ 18,410	\$ 35,746	\$ (97,172)	\$ 132,918
Decrease (increase) in deferred charges	\$ 20,081	\$ (11,113)	\$ 472,233	\$ 443,369	\$ 28,864
Increase (decrease) in accounts payable	\$ 569,189	\$ (903,354)	\$ (1,967,343)	\$ (7,062,720)	\$ 5,095,377
Increase (decrease) in customer deposits	\$ (12,261)	\$ 2,518	\$ 11,482	\$ 218	\$ 11,264
Increase (decrease) in accrued expenses	\$ 236,271	\$ 86,101	\$ 1,216,972	\$ 793,788	\$ 423,184
Increase (decrease) in deferred credits	\$ (10,644)	\$ (20,112)	\$ 72,660	\$ 45,802	\$ 26,858
Net cash provided (used) by operating activities	4,109,188	193,089	7,819,012	(2,312,384)	10,131,396
Cash flows from investing activities:					
Additions to electric plant in service and construction work in progress	\$ (960,058)	\$ (308,936)	\$ (6,798,118)	\$ (5,842,558)	\$ (955,560)
Proceeds from retirements of electric plant in service	\$ 72,527	\$ 98,285	\$ 667,583	\$ 1,566,928	\$ (899,344)
Return on capital investments	\$ -	\$ 135	\$ (111,777)	\$ (87,590)	\$ (24,187)
Proceeds (payments) from sale (purchase) of investment:	\$ -	\$ (4,094,999)	\$ -	\$ (4,094,999)	\$ 4,094,999
Net cash provided (used) in investing activities	(887,531)	(4,305,515)	(6,242,312)	(8,458,219)	2,215,907
Cash flows from financing activities:					
Proceeds from borrowings LOC	\$ -	\$ -	\$ -	\$ -	\$ -
Proceeds from borrowings Long-Term	\$ -	\$ -	\$ -	\$ -	\$ -
Payments to creditors LOC	\$ (2,985,308)	\$ (4,255,001)	\$ 500,000	\$ 2,444,999	\$ (1,944,999)
Payments to creditors Long-Term	\$ (225,254)	\$ 9,437,866	\$ (1,677,863)	\$ 8,195,681	\$ (9,873,544)
Patronage Capital Retirements - Net	\$ (81)	\$ (0)	\$ (6,810)	\$ (3,868)	\$ (2,942)
Memberships issued, net of refunds	\$ (50)	\$ -	\$ -	\$ -	\$ -
Additions to donated capital, net	\$ 13	\$ 2	\$ 23	\$ 12	\$ 10
Net cash provided (used) by financing activities	(3,210,681)	5,182,866	(1,184,651)	10,636,824	(11,821,475)
Net increase (decrease) in cash and equivalents	10,976	1,070,440	392,049	(133,779)	525,829
Cash & cash equivalents at beginning of period	\$ 1,257,721	\$ 337,866	\$ 876,647	\$ 1,542,086	\$ (665,439)
Cash & cash equivalents at end of period	\$ 1,268,696	\$ 1,408,307	\$ 1,268,696	\$ 1,408,307	\$ (139,610)