

Financial Highlights – December, 2015

	<u>Variance (K's)</u>	<u>YTD Variance (K's)</u>
December Net Income	(\$1,812)	\$65

Analysis:

• Operating Revenue	(\$406)	(\$882)
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KWH sales in December are \$488k less than budget for the month and \$582k less YTD. The average price/KWH sold is \$32k less than budget for the month and \$454k less YTD. Degree days for the year are 3% less than normal but 1% higher than the previous year. Non-energy services, pole attachments, and wheeling revenues are \$49k better than budget for the month and \$362k better YTD. Unbilled revenues are \$213k less than budget for the month and \$197k less YTD. The sale of Renewable Energy Credits is \$276k better than budget for the month but \$15k less YTD.

• Purchased Power Costs	\$3	\$1,649
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Purchased KWH is \$217k under budget for December and \$893k under YTD. Our overall costs/KWH is \$214k over budget for the month and \$757k under YTD.

• Transmission Costs	\$17	(\$23)
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Control Center costs for transmission support is over budget by \$22k for the month \$91k YTD. Transmission by Others is \$103k under budget for December and \$78k under YTD. Transmission Property Taxes are under budget \$6k for the month but over \$15k YTD. Maintenance of overhead lines and SCADA are over budget by \$36k for the month and \$57k YTD. Transmission vegetative maintenance is over budget by \$33k for the month but under \$63k YTD.

• Distribution Operations/Mtce	(\$1,402)	(\$1,014)
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Major Storm costs are over budget by \$1,135k for the month and \$431k YTD. Meter/AMI Expense is \$24k over for the month and \$94k over YTD. Control Room related costs are over budget by \$44k for the month and \$179k YTD. Miscellaneous Distribution and Customer Installation expenses are under budget by \$2k for the month and \$48k YTD. Overall Distribution Maintenance costs are over budget by \$144k for December and over \$224k YTD. Distribution vegetative maintenance program spending is over budget by \$57k in December and \$134k YTD. The overall vegetative maintenance program (transmission + distribution) is \$90k over budget for December and \$71k over YTD.

• Customer Accounts	\$35	\$189
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Meter Reading, Member Services, and Patronage Capital Expenses are over budget \$17k for the month but under \$76k YTD. SQRP related costs are \$3k under for the month and \$18k under YTD. Communications are \$4k under for the month and \$39k under for the year. Uncollectible Accounts are under budget by \$44k for the month and \$54k YTD.

• **Administrative & General** (\$47) \$5

Regulatory related expenses are under budget by \$15k for the month and \$157k YTD. Payroll & Benefits are over budget \$44k for December but under \$36k YTD. Outside Services are \$29k over for the year. Director Expenses are over budget \$46k YTD. Internal costs incurred for the Community Solar Project create a negative variance of \$7k for the month and \$167k YTD. Expenses for Coop-life, Business Development, Dues, and Meeting expenses are under budget by \$49k YTD. Safety, Office and Facility related expenses are over budget by \$13k for the month but under \$4k YTD.

• **Total Depreciation & Other Exp** \$3 (\$97)

Depreciation expense is over budget by \$23k for December and \$220k YTD largely related to greater than expected general plant assets closed to plant in service. Interest expense is under budget by \$20k for the month and \$97k YTD. Other deductions are under budget \$2k for the month and \$17k for the year. Gross Receipt Taxes are \$4k under for the month and \$9k under for the year.

• **Total Non-Operating Margins** (\$14) \$238

Patronage Dividends from CFC, CoBank and NISC are better than budget by \$225k YTD. Contract service for other utilities has a negative variance of \$18k YTD. Interest Income is \$114k better YTD. Gain/Loss on Disposition of Property is \$14k over for the month and \$83k over YTD.

• **Capital Spending Plan** \$445 \$993

Transformers and Increased Capacity are under budget by \$44k for the month and \$13k for the year. Distribution line projects and Ordinary Replacements are under budget by \$157k for the month but over \$1,922k for the year. Pole Replacements are under budget by \$194k for the month and \$399k YTD. SCADA projects are over budget \$3k for the month but are under \$110k YTD. New Services and Construction are over budget by \$77k for the month and \$412k for the year. Meters and AMI are under budget by \$2k for the month and \$54k for the year. Fleet, Facilities and IT projects are \$15k under budget for the month but \$162k over for the year. Substation projects are over budget by \$258k for the month but under \$913k for the year. Security Lights are under budget \$35k for the month but over \$53k for the year. The EDA NEK project has a positive variance to budget of \$170k for the month and \$52k YTD. The Solar project has a positive variance of \$167k for the month and \$2M YTD.

TIER and Debt Service Coverage

We finished the year on target with our approved budgeted TIER of 2.08. Our Debt Service payments for 2015 are \$6.5 million.

Cash Flow and Line of Credit

In December, we used up to a peak of \$9.2M on our line of credit on December 28th. The January high for the line of credit is \$9.9M on January 25th.

Balance Sheet

Our equity ratio in December is 42% down from November at 43%. Our current ratio, a measure of liquidity, is .80, up from November at .79. VEC's FFO ratio for 2015 YTD ("Funds from Operations/Capital Expenditures Ratio"; Target of 80% desirable) is .72, down from November at .78.

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

	December, 2015 Actual	December, 2015 Budget	Actual- Budget Variance Fav (Unfav) \$	%	December, 2014 Actual	Prior Year Variance Fav (Unfav) \$	%
Revenue							
Operating Revenue	6,380,656	6,786,855	(406,199)	-6.0%	6,945,462	(564,805)	-8.1%
Sales for Resale	111,324	1,238,328	(1,127,004)	-91.0%	248,900	(137,576)	55.3%
Total revenues	\$ 6,491,980	\$ 8,025,183	\$ (1,533,203)	-19.1%	\$ 7,194,362	\$ (702,381)	-9.8%
Power supply cost							
Purchased power cost	3,499,275	3,502,287	3,012	0.1%	3,884,770	385,495	-9.9%
Sales for Resale	111,324	1,238,328	1,127,004	91.0%	248,900	137,576	-55.3%
Transmission	1,129,935	1,147,288	17,354	1.5%	656,131	(473,804)	72.2%
Total Power supply cost	4,740,533	5,887,903	1,147,370	-19.5%	4,789,801	49,267	-1.0%
Gross Margin	\$ 1,751,447	\$ 2,137,280	\$ (385,833)	-18.1%	\$ 2,404,561	\$ (653,114)	27.2%
Operating expenses							
Distribution: Operations & Mtce	2,148,507	746,409	(1,402,097)	-187.8%	1,126,132	(1,022,374)	90.8%
Customer accounts	157,447	192,335	34,888	18.1%	134,174	(23,273)	17.3%
Administrative & general	313,835	266,572	(47,263)	-17.7%	256,458	(57,377)	22.4%
Total operating expenses	\$ 2,619,788	\$ 1,205,316	\$ (1,414,472)	-117.4%	\$ 1,516,764	\$ (1,103,025)	72.7%
Depreciation & amortization	462,991	439,948	(23,043)	-5.2%	437,719	(25,272)	5.8%
Gross revenue & receipts taxes	61,678	66,216	4,538	6.9%	65,872	4,194	-6.4%
Interest on long-term debt	249,600	262,912	13,312	5.1%	262,579	12,979	-4.9%
Other interest expenses	15,842	21,544	5,702	26.5%	8,445	(7,397)	87.6%
Other Deductions	103	2,083	1,980	95.1%	2,524	2,421	-95.9%
Total depreciation & other expenses	790,214	792,703	2,489	-0.3%	777,139	(13,075)	1.7%
Income from operations	\$ (1,658,556)	\$ 139,261	\$ (1,797,817)	-1291.0%	\$ 110,658	\$ (1,769,214)	1598.8%
Interest income	608,925	609,009	(84)	0.0%	608,925	-	0.0%
Other income (expenses)	1,382	15,500	(14,118)	-91.1%	3,418	(2,037)	-59.6%
Other capital credits & dividends	-	-	-	N/A	56,377	(56,377)	-100.0%
Total non-operating margins	610,307	624,509	(14,202)	-2.3%	668,721	(58,414)	-8.7%
Net income (loss)	(1,048,248)	763,770	(1,812,019)	-237.2%	779,379	(1,827,628)	234.5%
Extraordinary expenses	-	-	-	N/A	-	-	N/A
Total net income (loss)	\$ (1,048,248)	\$ 763,770	\$ (1,812,019)	-237.2%	\$ 779,379	\$ (1,827,628)	234.5%

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

	December, 2015 Actual	November, 2015 Actual	Variance Fav/(Unfav) \$	%	December, 2014 Actual	Variance Fav/(Unfav) \$	%
Electric plant, at cost:							
Electric plant in service	152,623,046	145,692,312	6,930,734	4.76%	141,426,201	11,196,845	7.92%
Less accumulated depreciation	(40,898,484)	(41,328,426)	(429,942)	-1.04%	(38,015,420)	2,883,064	7.58%
Net electric plant in service	111,724,561	104,363,886	7,360,675	7.05%	103,410,781	8,313,780	8.04%
Construction work in progress	1,588,707	9,200,811	(7,612,104)	-82.73%	2,925,812	(1,337,105)	-45.70%
Net electric plant	113,313,269	113,564,697	(251,429)	-0.22%	106,336,593	6,976,675	6.56%
Other assets:							
Non-utility property	65,697	65,697	-	0.00%	65,697	-	0.00%
Other investments	23,045,611	23,039,472	6,139	0.03%	22,823,105	222,506	0.97%
Deferred charges	821,915	2,048,488	(1,226,573)	-59.88%	2,627,471	(1,805,556)	-68.72%
Total other assets	23,933,223	25,153,657	(1,220,434)	-4.85%	25,516,273	(1,583,050)	-6.20%
Current assets:							
Cash	1,145,572	686,849	458,724	66.79%	876,647	268,925	30.68%
Notes receivable (net)	-	-	-	0.00%	-	-	#DIV/0!
Accounts receivable (net)	10,185,763	10,092,415	93,348	0.92%	11,099,226	(913,463)	-8.23%
Other receivables (net)	2,211,224	1,302,132	909,092	69.82%	3,901,441	(1,690,218)	-43.32%
Inventories	4,230,317	4,063,956	166,361	4.09%	3,865,328	364,989	9.44%
Prepaid expenses	470,451	568,459	(98,008)	-17.24%	563,615	(93,163)	-16.53%
Total current assets	18,243,328	16,713,811	1,529,517	9.15%	20,306,258	(2,062,929)	-10.16%
Total assets	\$ 155,489,820	\$ 155,432,166	\$ 57,655	0.04%	\$ 152,159,124	\$ 3,330,697	2.19%

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

	December, 2015 Actual	November, 2015 Actual	Variance Fav/(Unfav) \$	Variance Fav/(Unfav) %	December, 2014 Actual	Variance Fav/(Unfav) \$	Variance Fav/(Unfav) %
Equities:							
Memberships issued & subscribed	-	25	(25)	0.00%	-	-	0.00%
Patronage capital assignable	(1)	(1)	-	0.00%	(1)	(0)	32.17%
Other earnings	65,862,269	66,911,922	(1,049,652)	-1.59%	62,660,875	3,201,394	4.86%
Contributions in aid of construction	-	-	-	0.00%	-	-	0.00%
Net equity	65,862,268	66,911,945	(1,049,677)	-1.59%	62,660,874	3,201,394	4.86%
Long-term debt	66,122,741	66,797,140	(674,398)	-1.02%	69,483,687	(3,360,946)	-5.08%
Capital leases - non current	301,900	298,135	3,764	1.25%	265,565	36,335	12.04%
Current liabilities:							
Current portion of long-term debt	3,365,485	3,341,063	24,422	0.73%	3,341,063	24,422	0.73%
Line of Credit	9,200,000	7,440,992	1,759,008	19.12%	3,000,000	6,200,000	67.39%
Accounts payable	7,017,313	6,891,852	125,461	1.79%	9,654,763	(2,637,450)	-37.58%
Customer deposits	587,283	585,417	1,866	0.32%	580,091	7,192	1.22%
Other accrued expenses	2,849,732	2,978,125	(128,393)	-4.51%	2,957,510	(107,778)	-3.78%
Total current liabilities	23,019,813	21,237,449	1,782,364	7.74%	19,533,428	3,486,385	15.15%
Deferred credits	183,099	187,497	(4,399)	-2.40%	215,570	(32,472)	-17.73%
Total liabilities and equity	\$ 155,489,820	\$ 155,432,166	\$ 57,655	0.04%	\$ 152,159,124	\$ 3,330,697	2.19%

Vermont Electric Cooperative, Inc.
Statement of Cash Flows

	Month		Year-to-date		* Variance Fav (Unfav)
	December, 2015	December, 2014	December, 2015	December, 2014	
	Actual	Actual	Actual	Actual	\$
Cash flows from operating activities:					
Net income	\$ (1,048,248)	\$ 779,379	\$ 3,656,526	\$ 3,671,409	(14,883)
Noncash expenses (income) included in earnings:					
Depreciation & amortization	\$ 694,503	\$ 518,479	\$ 6,271,762	\$ 5,689,662	582,100
(Gain) loss on sale of investments	\$ -	\$ -	\$ -	\$ -	-
(Gain) loss on sale of fixed assets	\$ (530)	\$ 2,286	\$ 58,276	\$ (10,697)	68,974
Changes in assets and liabilities:					
Decrease (increase) in notes receivable	\$ -	\$ -	\$ -	\$ -	-
Decrease (increase) in accounts receivable	\$ (93,348)	\$ (328,932)	\$ 913,463	\$ (144,011)	1,057,474
Decrease (increase) in other receivable	\$ (909,092)	\$ (1,733,695)	\$ 1,690,218	\$ 1,989,158	(298,940)
Decrease (increase) in inventories	\$ (166,361)	\$ 47,034	\$ (364,989)	\$ 189,198	(554,187)
Decrease (increase) in prepayments	\$ 98,008	\$ 18,158	\$ 93,163	\$ (57,269)	150,432
Decrease (increase) in deferred charges	\$ 1,229,432	\$ (730,169)	\$ 1,839,864	\$ (387,600)	2,227,463
Increase (decrease) in accounts payable	\$ 125,461	\$ 1,941,763	\$ (2,637,450)	\$ (2,730,464)	93,013
Increase (decrease) in customer deposits	\$ 1,866	\$ 6,124	\$ 7,192	\$ 52,954	(45,763)
Increase (decrease) in accrued expenses	\$ (128,393)	\$ 144,150	\$ (107,778)	\$ (312,172)	204,394
Increase (decrease) in deferred credits	\$ (4,399)	\$ (14,436)	\$ (32,472)	\$ (1,938)	(30,534)
Net cash provided (used) by operating activities	(201,101)	650,140	11,387,774	7,948,229	3,439,545
Cash flows from investing activities:					
Additions to electric plant in service and construction work in progress	\$ (9,282,411)	\$ (2,202,443)	\$ (23,401,696)	\$ (13,297,425)	(10,104,271)
Proceeds from retirements of electric plant in service	\$ 8,837,008	\$ 661,356	\$ 10,060,675	\$ 2,815,872	7,244,803
Return on capital investments	\$ -	\$ (56,377)	\$ (168,509)	\$ (143,967)	(24,542)
Proceeds (payments) from sale (purchase) of investment:	\$ -	\$ -	\$ -	\$ (4,094,999)	4,094,999
Net cash provided (used) in investing activities	(445,403)	(1,597,465)	(13,509,531)	(14,720,520)	1,210,989
Cash flows from financing activities:					
Proceeds from borrowings LOC	\$ -	\$ -	\$ -	\$ -	-
Proceeds from borrowings Long-Term	\$ -	\$ -	\$ -	\$ -	-
Payments to creditors LOC	\$ 1,759,008	\$ 1,600,000	\$ 6,200,000	\$ -	6,200,000
Payments to creditors Long-Term	\$ (652,351)	\$ (217,874)	\$ (3,354,185)	\$ 6,565,881	(9,920,066)
Patronage Capital Retirements - Net	\$ (1,417)	\$ (1,848)	\$ (455,184)	\$ (459,069)	3,885
Memberships issued, net of refunds	\$ (25)	\$ -	\$ -	\$ -	-
Additions to donated capital, net	\$ 13	\$ -	\$ 51	\$ 40	11
Net cash provided (used) by financing activities	1,105,228	1,380,278	2,390,682	6,106,852	(3,716,170)
Net increase (decrease) in cash and equivalents	458,724	432,953	268,925	(665,439)	934,364
Cash & cash equivalents at beginning of period	\$ 686,849	\$ 443,694	\$ 876,647	\$ 1,542,086	(665,439)
Cash & cash equivalents at end of period	\$ 1,145,572	\$ 876,647	\$ 1,145,572	\$ 876,647	\$ 268,925