

Financial Highlights – December, 2016

	<u>Variance (K's)</u>	<u>YTD Variance (K's)</u>
December Net Income	(\$134)	\$441

Analysis:

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|--------------------------|--------------|----------------|
| Operating Revenue | \$314 | (\$979) |
|--------------------------|--------------|----------------|

KWH sales in December are \$6k less than budget for the month and \$295k less YTD. The average price/KWH sold is \$147k less than budget for the month and \$1,220k less for the year. Degree days for the year are 10% less than normal and 7% less than the previous year. Non-energy services, pole attachments, and wheeling revenues are \$37k better than budget for the month and \$300k better YTD. Unbilled revenues are \$402k better than budget for the month and \$459k better for the year. The sale of Renewable Energy Credits is \$29k better than budget for the month but \$228k less YTD.

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|------------------------------|-------------|----------------|
| Purchased Power Costs | \$19 | \$1,378 |
|------------------------------|-------------|----------------|

Purchased KWH is over budget by \$191k for the month and \$387k over for the year. Our overall costs/KWH is \$210k under budget for the month and \$1,765k under YTD.

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|---------------------------|-------------|--------------|
| Transmission Costs | \$36 | \$211 |
|---------------------------|-------------|--------------|

Transmission support for substations and supervision is \$2k under budget for the month and \$69k under YTD. Transmission by Others is \$50k under budget for the month and \$173k under YTD. Maintenance for SCADA and overhead lines is over budget by \$17k for the month and over \$32k for the year. Property tax expense is under budget by \$8k for the month and \$28k YTD. Transmission vegetative maintenance is over budget by \$8k for the month and \$27k for the year.

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|-------------------------------------|----------------|---------------|
| Distribution Operations/Mtce | (\$450) | (\$40) |
|-------------------------------------|----------------|---------------|

Major Storm costs are over budget by \$315k for the month but under \$290k for the year. Meter/AMI Expense is \$13k over budget for the month and \$41k over for the year. Supervisory related costs are over budget by \$15k for the month and \$115k over YTD. Overall Distribution Maintenance costs are over budget by \$236k for the month and \$144k YTD. Miscellaneous Distribution and Customer Installation expenses are over budget by \$10k for the month and \$15k YTD. Distribution vegetative maintenance program spending is under budget by \$138k for the month but is over \$15k YTD. The overall vegetative maintenance program (transmission + distribution) is \$130k under budget for the month but is \$42k over for the year.

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|--------------------------|---------------|----------------|
| Customer Accounts | (\$57) | (\$211) |
|--------------------------|---------------|----------------|

Meter Reading & Disconnect Services are over budget by \$1k for the month but are \$46k under YTD. Member Services are over budget by \$21k for the month but under \$42k for the year. Uncollectible Accounts are over budget by \$42k for the month and \$328k over for the year. Patronage Capital expenses are \$2k over for the month but \$2k under budget for the year. Communications and SQRP Costs are under budget by \$8k for the month and \$24k for the year.

- **Administrative & General** (\$43) (\$163)

Regulatory related expenses are over budget by \$2k for the month and \$37k YTD. Payroll and Benefits are over budget by \$15k for the month and \$68k YTD. Outside Services is under budget by \$7k for the month but are over \$13k YTD. Director Expenses are under budget \$2k for the month but are over \$5k YTD. Internal costs incurred for Community Solar and TIER 3 Projects are \$1k over budget for the month and \$79k over YTD. Expenses for Coop-life, Business Development, Dues, and Meeting expenses are over budget by \$11k for the month and \$14k YTD. Office related expenses are over budget by \$15k for the month and \$21k for the year. Safety and Facility related expenses are over budget by \$8k for the month but under \$74k YTD.

- **Total Depreciation & Other Exp** (\$1) (\$151)

Depreciation expense is under budget by \$6k for the month but is over \$149k YTD. Interest expense is under budget by \$1k for the month but over \$5k YTD. Gross Receipt & Revenue Taxes are under budget by \$1k for the month and \$12k for the year. Other Expenses are \$7k over budget for the month and \$10k over YTD.

- **Total Non-Operating Margins** \$48 \$396

Patronage Dividends from CFC, CoBank and NISC are better than budget by \$199k for the year. Interest Income is better than budget by \$48k for the month and \$211k YTD. Miscellaneous Jobbing Revenue and other expenses missed budget by \$15k for the year.

- **Capital Spending Plan** (\$351) (\$704)

Transformers and increased capacity are under budget by \$34k for the month but are over \$183k for the year. Line projects and Ordinary Replacements are \$69k under budget for the month but are \$472k over for the year. Pole Replacements are over budget by \$144k for the month and \$13k for the year. SCADA projects are over budget by \$28k for the month and \$108k YTD. New Services and Construction are \$166k over budget for the month and \$101k over for the year. Facilities, Fleet and IT projects are under budget by \$30k for the month and \$622k under for the year. Substation projects are over budget \$137k for the month and over \$539k for the year. Security lights are under budget \$10k for the month and \$14k for the year. Meters and AMI are over budget \$10k for the month but are under \$110k for the year. TIER 3 CAP Projects have a negative variance of \$8k for the month and \$35k YTD.

TIER and Debt Service Coverage

We finished the year with a TIER of 2.26 slightly better than our approved budgeted TIER of 2.18. Our Debt Service payments for 2016 were \$6.5 million.

Cash Flow and Line of Credit

In December, we used up to a peak of \$11M on our line of credit on December 27th. The January high for the line of credit was \$2.3M on January 4th.

Balance Sheet

Our equity ratio in December is 41% down from 44% in November. Our current ratio, a measure of liquidity, is 1.04, up from November at 1.02. VEC's FFO ratio for 2016 YTD ("Funds from Operations/Capital Expenditures Ratio"; Target of 80% desirable) is .97, down from November at 1.12.

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

	December, 2016 Actual	December, 2016 Budget	Actual- Budget Variance Fav (Unfav)	%	December, 2015 Actual	Prior Year Variance Fav (Unfav)	%
Revenue							
Operating Revenue	6,994,311	6,680,018	314,293	4.7%	6,380,656	613,654	9.6%
Sales for Resale	243,415	875,684	(632,269)	-72.2%	111,324	132,091	-118.7%
Total revenues	\$ 7,237,726	\$ 7,555,702	\$ (317,976)	-4.2%	\$ 6,491,980	\$ 745,745	11.5%
Power supply cost							
Purchased power cost	3,581,970	3,600,812	18,842	0.5%	3,499,275	(82,695)	2.4%
Sales for Resale	243,415	875,684	(632,269)	72.2%	111,324	(132,091)	118.7%
Transmission	1,075,438	1,110,979	35,541	3.2%	1,129,935	54,497	-4.8%
Total Power supply cost	4,900,823	5,587,475	686,652	-12.3%	4,740,533	(160,290)	3.4%
Gross Margin	\$ 2,336,903	\$ 1,968,227	\$ 368,676	18.7%	\$ 1,751,447	\$ 585,456	-33.4%
Operating expenses							
Distribution: Operations & Mtce	1,647,368	1,197,046	(450,322)	-37.6%	2,148,507	501,138	-23.3%
Customer accounts	271,337	214,661	(56,676)	-26.4%	157,447	(113,891)	72.3%
Administrative & general	317,708	275,006	(42,702)	-15.5%	313,835	(3,873)	1.2%
Total operating expenses	\$ 2,236,414	\$ 1,686,713	\$ (549,701)	-32.6%	\$ 2,619,788	\$ 383,374	-14.6%
Depreciation & amortization	469,481	475,282	5,801	1.2%	462,991	(6,490)	1.4%
Gross revenue & receipts taxes	65,810	64,729	(1,081)	-1.7%	61,678	(4,132)	6.7%
Interest on long-term debt	264,874	248,097	(16,777)	-6.8%	249,600	(15,274)	6.1%
Other interest expenses	13,465	31,113	17,648	56.7%	15,842	2,377	-15.0%
Other Deductions	7,541	1,000	(6,541)	-654.1%	103	(7,438)	7225.6%
Total depreciation & other expenses	821,171	820,221	(950)	0.1%	790,214	(30,956)	3.9%
Income from operations	\$ (720,682)	\$ (538,707)	\$ (181,975)	33.8%	\$ (1,658,556)	\$ 937,873	56.5%
Interest income	849,748	801,793	47,955	6.0%	608,925	240,823	39.5%
Other income (expenses)	1,957	2,072	(115)	-5.5%	1,382	575	41.6%
Other capital credits & dividends	-	-	-	N/A	-	-	N/A
Total non-operating margins	851,706	803,865	47,841	6.0%	610,307	241,398	39.6%
Net income (loss)	131,023	265,158	(134,135)	-50.6%	(1,048,248)	1,179,272	112.5%
Extraordinary expenses	-	-	-	N/A	-	-	N/A
Total net income (loss)	\$ 131,023	\$ 265,158	\$ (134,135)	-50.6%	\$ (1,048,248)	\$ 1,179,272	112.5%

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

	December, 2016		Actual-Budget		* December, 2015 *		Prior Year	
	Actual	Budget	Variance Fav (Unfav)	%	Actual	Variance Fav (Unfav)	\$	%
Revenue								
Operating Revenue	78,331,076	79,309,681	(978,605)	-1.2%	78,486,717	(155,642)		-0.2%
Sales for Resale	849,941	5,928,884	(5,078,943)	-85.7%	1,219,165	(369,224)		30.3%
Total revenues	\$ 79,181,017	\$ 85,238,565	\$ (6,057,548)	-7.1%	\$ 79,705,882	\$ (524,866)		-0.7%
Power supply cost								
Purchased power cost	37,040,551	38,418,067	1,377,516	3.6%	38,518,003	1,477,452		-3.8%
Sales for Resale	849,941	5,928,884	5,078,943	85.7%	1,219,165	369,224		-30.3%
Transmission:	11,286,641	11,497,154	210,513	1.8%	10,790,049	(496,592)		4.6%
Total Power supply cost	49,177,133	55,844,105	6,666,972	-11.9%	50,527,217	1,350,085		-2.7%
Gross Margin	\$ 30,003,884	\$ 29,394,460	\$ 609,424	2.1%	\$ 29,178,665	\$ 825,219		-2.8%
Operating expenses								
Distribution: Operations & Mitce	13,006,637	12,966,389	(40,248)	-0.3%	13,192,531	185,894		-1.4%
Customer accounts	3,032,125	2,821,412	(210,713)	-7.5%	2,596,516	(435,610)		16.8%
Administrative & general	3,682,679	3,520,139	(162,540)	-4.6%	3,695,383	12,704		-0.3%
Total operating expenses	19,721,442	19,307,940	(413,502)	-2.1%	19,484,430	(237,012)		1.2%
Depreciation & amortization	5,736,318	5,587,625	(148,693)	-2.7%	5,440,090	(296,228)		5.4%
Gross revenue & receipts taxes	756,846	769,300	12,454	1.6%	761,615	4,769		-0.6%
Interest on long-term debt	3,118,692	3,003,714	(114,978)	-3.8%	3,106,289	(12,403)		0.4%
Other interest expenses	155,479	265,629	110,150	41.5%	127,096	(28,384)		22.3%
Other deductions	22,124	12,000	(10,124)	-84.4%	8,340	(13,784)		165.3%
Total depreciation & other exp	9,789,460	9,638,268	(151,191)	1.6%	9,443,430	(346,030)		3.7%
Income from operations	492,983	448,252	44,731	10.0%	250,805	242,177		-96.6%
Interest income	3,199,337	2,988,059	211,278	7.1%	2,890,910	308,427		10.7%
Other income (expenses)	24,607	39,162	(14,555)	-37.2%	(48,084)	72,691		-151.2%
Other capital credits & dividends	580,728	381,378	199,350	52.3%	562,895	17,833		3.2%
Total non-operating margins	3,804,672	3,408,599	396,073	11.6%	3,405,721	398,951		11.7%
Net income (loss)	4,297,655	3,856,851	440,804	11.4%	3,656,526	641,129		-17.5%
Extraordinary expenses	-	-	-	N/A	-	-		N/A
Total net income (loss)	\$ 4,297,655	\$ 3,856,851	\$ 440,804	11.4%	\$ 3,656,526	\$ 641,129		-17.5%

Vermont Electric Cooperative, Inc.
Balance Sheet (Assets)
December, 2016

	December, 2016 Actual	November, 2016 Actual	Variance Fav/(Unfav) \$	%	December, 2015 Actual	Variance Fav/(Unfav) \$	%
Electric plant, at cost:							
Electric plant in service	162,975,796	157,137,046	5,838,750	3.72%	152,623,046	10,352,751	6.78%
Less accumulated depreciation	(44,587,708)	(44,463,910)	123,798	0.28%	(40,898,484)	3,689,224	9.02%
Net electric plant in service	118,388,088	112,673,136	5,714,952	5.07%	111,724,561	6,663,527	5.96%
Construction work in progress	1,061,630	3,729,158	(2,667,529)	-71.53%	1,588,707	(527,078)	-33.18%
Net electric plant	119,449,717	116,402,294	3,047,423	2.62%	113,313,269	6,136,449	5.42%
Other assets:							
Non-utility property	65,697	65,697	-	0.00%	65,697	-	0.00%
Other investments	30,327,358	25,279,994	5,047,364	19.97%	23,045,611	7,281,746	31.60%
Deferred charges	146,627	836,816	(690,189)	-82.48%	821,915	(675,288)	-82.16%
Total other assets	30,539,682	26,182,507	4,357,175	16.64%	23,933,223	6,606,458	27.60%
Current assets:							
Cash	2,308,647	817,768	1,490,879	182.31%	1,145,572	1,163,075	101.53%
Notes receivable (net)	-	-	-	0.00%	-	-	#DIV/0!
Accounts receivable (net)	9,978,219	9,680,842	297,377	3.07%	10,185,763	(207,545)	-2.04%
Other receivables (net)	1,913,349	1,664,754	248,595	14.93%	2,211,224	(297,874)	-13.47%
Inventories	4,280,313	4,358,506	(78,193)	-1.79%	4,230,317	49,995	1.18%
Prepaid expenses	451,964	574,336	(122,373)	-21.31%	470,451	(18,488)	-3.93%
Total current assets	18,932,491	17,096,206	1,836,286	10.74%	18,243,328	689,163	3.78%
Total assets	\$ 168,921,891	\$ 159,681,007	\$ 9,240,884	5.79%	\$ 155,489,820	\$ 13,432,070	8.64%

Vermont Electric Cooperative, Inc.
Balance Sheet (Liabilities & Equity)
December, 2016

	December, 2016 Actual	November, 2016 Actual	Variance Fav/(Unfav) \$	Variance Fav/(Unfav) %	December, 2015 Actual	Variance Fav/(Unfav) \$	Variance Fav/(Unfav) %
Equities:							
Memberships issued & subscribed	-	-	-	0.00%	-	-	0.00%
Patronage capital assignable	(2)	(2)	-	0.00%	(1)	(1)	40.42%
Other earnings	69,709,960	69,583,374	126,586	0.18%	65,862,269	3,847,690	5.52%
Contributions in aid of construction	-	-	-	0.00%	-	-	0.00%
Net equity	69,709,957	69,583,371	126,586	0.18%	65,862,268	3,847,689	5.52%
Long-term debt	80,315,202	72,743,310	7,571,892	9.43%	66,122,741	14,192,460	17.67%
Capital leases - non current	360,869	353,603	7,267	2.01%	301,900	58,970	16.34%
Current liabilities:							
Current portion of long-term debt	3,817,835	3,516,816	301,019	7.88%	3,365,485	452,350	11.85%
Line of Credit	2,300,000	4,000,000	(1,700,000)	-73.91%	9,200,000	(6,900,000)	-300.00%
Accounts payable	6,192,121	5,152,945	1,039,176	16.78%	7,017,313	(825,192)	-13.33%
Customer deposits	1,040,164	1,007,352	32,811	3.15%	587,283	452,881	43.54%
Other accrued expenses	4,789,352	3,100,793	1,688,559	35.26%	2,849,732	1,939,620	40.50%
Total current liabilities	18,139,471	16,777,906	1,361,565	7.51%	23,019,813	(4,880,342)	-26.90%
Deferred credits	396,391	222,816	173,575	43.79%	183,099	213,292	53.81%
Total liabilities and equity	\$ 168,921,891	\$ 159,681,007	\$ 9,240,884	5.47%	\$ 155,489,820	\$ 13,432,070	8.64%

Vermont Electric Cooperative, Inc.
Statement of Cash Flows

	Month		Year-to-date	
	December, 2016	December, 2015	December, 2016	December, 2015
	Actual	Actual	Actual	Actual
Cash flows from operating activities:				
Net income	\$ 131,023	\$ (1,048,248)	\$ 4,297,655	\$ 3,656,526
Noncash expenses (income) included in earnings:				
Depreciation & amortization	\$ 617,278	\$ 694,503	\$ 6,551,176	\$ 6,271,762
(Gain) loss on sale of investments	\$ -	\$ -	\$ -	\$ -
(Gain) loss on sale of fixed assets	\$ 1,510	\$ (530)	\$ 924	\$ 58,276
Changes in assets and liabilities:				
Decrease (increase) in notes receivable	\$ -	\$ -	\$ -	\$ -
Decrease (increase) in accounts receivable	\$ (297,377)	\$ (93,348)	\$ 207,545	\$ 913,463
Decrease (increase) in other receivable	\$ (248,595)	\$ (909,092)	\$ 237,874	\$ 1,690,218
Decrease (increase) in inventories	\$ 78,193	\$ (166,361)	\$ (49,995)	\$ (364,989)
Decrease (increase) in prepayments	\$ 122,373	\$ 98,008	\$ 18,488	\$ 93,163
Decrease (increase) in deferred charges	\$ 693,048	\$ 1,229,432	\$ 709,596	\$ 1,839,864
Increase (decrease) in accounts payable	\$ 1,039,176	\$ 125,461	\$ (825,192)	\$ (2,637,450)
Increase (decrease) in customer deposits	\$ 32,811	\$ 1,866	\$ 452,881	\$ 7,192
Increase (decrease) in accrued expenses	\$ 1,688,559	\$ (128,393)	\$ 1,939,620	\$ (107,778)
Increase (decrease) in deferred credits	\$ 173,575	\$ (4,399)	\$ 213,292	\$ (32,472)
Net cash provided (used) by operating activities	4,031,574	(201,101)	13,813,863	11,387,774
Cash flows from investing activities:				
Additions to electric plant in service and construction work in progress	\$ (3,904,095)	\$ (9,282,411)	\$ (16,553,262)	\$ (23,401,696)
Proceeds from retirements of electric plant in service	\$ 235,024	\$ 8,837,008	\$ 3,830,405	\$ 10,060,675
Return on capital investments	\$ -	\$ -	\$ (166,449)	\$ (168,509)
Proceeds (payments) from sale (purchase) of investment	\$ (5,037,576)	\$ -	\$ (7,037,576)	\$ -
Net cash provided (used) in investing activities	(8,706,647)	(445,403)	(19,926,883)	(13,509,531)
Cash flows from financing activities:				
Proceeds from borrowings LOC	\$ -	\$ -	\$ -	\$ -
Proceeds from borrowings Long-Term	\$ -	\$ -	\$ -	\$ -
Payments to creditors LOC	\$ (1,700,000)	\$ 1,759,008	\$ (6,900,000)	\$ 6,200,000
Payments to creditors Long-Term	\$ 7,870,389	\$ (652,351)	\$ 14,626,060	\$ (3,354,185)
Patronage Capital Retirements - Net	\$ (4,437)	\$ (1,417)	\$ (449,975)	\$ (455,184)
Memberships issued, net of refunds	\$ -	\$ (25)	\$ -	\$ -
Additions to donated capital, net	\$ -	\$ 13	\$ 9	\$ 51
Net cash provided (used) by financing activities	6,165,952	1,105,228	7,276,094	2,390,682
Net increase (decrease) in cash and equivalents	1,490,879	458,724	1,163,075	268,925
Cash & cash equivalents at beginning of period	\$ 817,768	\$ 686,849	\$ 1,145,572	\$ 876,647
Cash & cash equivalents at end of period	\$ 2,308,647	\$ 1,145,572	\$ 2,308,647	\$ 1,145,572
Cash & cash equivalents check figure	2,308,647	1,145,572	2,308,647	1,145,572
Variance	(0.00)	(0.00)	(0.00)	-