

Financial Highlights – September, 2018

	<u>Variance (K's)</u>	<u>YTD Variance (K's)</u>
September Net Income	\$528	\$3,283

Analysis:

• Operating Revenue	\$55	\$1,662
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KWH sales in September are \$144k better than budget for the month and \$1,587k better YTD. The average price/KWH sold is \$120k less than budget for the month and \$506k less for the year. Non-energy services, pole attachments, and wheeling revenues are \$53k better than budget for the month and \$297k better for the year. Unbilled revenues are \$14k better than budget for the month and \$47k better YTD. The sale of Renewable Energy Credits is \$36k less than budget for the month but is \$237k better YTD.

• Purchased Power Costs	\$35	(\$264)
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Purchased KWH is over budget by \$75k for the month and \$791k over for the year. Our overall costs/KWH is \$110k under budget for the month and \$527k under YTD.

• Transmission Costs	(\$100)	\$525
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Transmission support for substations and supervision is \$3k over budget for the month but is \$16k under YTD. Transmission by Others is \$124k over budget for the month but is \$338k under YTD. Maintenance for SCADA and overhead lines is \$11K under budget for the month and \$13k under for the year. Transmission vegetative maintenance is \$17k under budget for the month and \$158k under YTD.

• Distribution Operations/Mtce	\$445	\$363
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Major Storm costs are \$271k under budget for the month and \$530k under for the year. Meter/AMI Expense is \$20k under budget for the month and \$34k under YTD. Supervisory related costs are over budget by \$7k for the month and \$1k over YTD. Overall Distribution Maintenance costs are \$132k over budget for the month but is \$307k under YTD. Miscellaneous Distribution and Customer Installation expenses are on budget for the month but is \$49k over YTD. Distribution vegetative maintenance program spending is under budget by \$293k for the month but is over \$457k YTD. The overall vegetative maintenance program (transmission + distribution) is \$310k under budget for the month but is \$300k over for the year.

• Customer Accounts	\$29	\$148
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Meter Reading & Disconnect Services are \$6k under budget for the month and \$51k under YTD. Member service administration is \$11k under budget for the month and \$45k under YTD. Uncollectible Accounts are \$12k under budget for the month and \$37k under YTD. Patronage Capital expenses are \$4k over budget for the month and \$2k over for the year. Communications and SQRP Costs are \$3k under budget for the month but is \$18k under for the year.

- **Administrative & General** **\$49** **\$60**

Regulatory related expense is \$8k under budget for the month but is \$29k over YTD. Payroll and Benefits are \$13k under budget for the month and \$98k under YTD. Outside Services is \$3k over budget for the month and \$31k over YTD. Director Expenses are \$14k under budget for the month and \$40k under YTD. Internal costs incurred for TIER 3 Projects are \$6k under budget for the month but is \$12k over YTD. Expenses for Coop-life, Business Development, Dues, and Meeting expenses are \$1k under budget for the month and \$22k under YTD. Office related expenses are \$2k over budget for the month and \$8k over YTD. Safety and Facility related expenses are under budget by \$12k for the month but is \$20k over YTD.

- **Total Depreciation & Other Exp** **\$21** **\$49**

Depreciation expense is \$4k under budget for the month and \$50k under YTD. Interest expense is \$17k under budget for the month and \$8k under YTD. Gross Receipt & Revenue Taxes are on budget for the month but is \$13k over YTD. Other Expenses are \$1k under budget for the month and \$4k under YTD.

- **Total Non-Operating Margins** **(\$7)** **\$739**

Capital Credits from CFC, CoBank and NISC are \$7k less than on budget for the month but is \$249k better YTD. Interest and Dividend Income is \$2k better than budget for the month and \$404k better YTD. Miscellaneous Jobbing Revenue and other expenses are \$7k less than budget for the month but is \$85k better for the year. Gain/Loss on Disposition of Property is \$4k better than budget for the month and \$1k better for the year.

- **Capital Spending Plan** **(\$25)** **\$1,507**

Transformers and increased capacity are under budget by \$12k for the month but is \$79k over for the year. Line projects, Reconductoring and Ordinary Replacements are \$11k under budget for the month and \$739k under YTD. Pole Replacements are \$53k over budget for the month and \$229k over YTD. The Battery Storage project is under budget by \$6k for the month and \$67k under YTD. New Services and Construction are \$99k under budget for the month and \$334k under for the year. Facilities, Fleet and IT projects are \$40k over budget for the month but is under \$314k for the year. Substation projects are \$41k under budget for the month and \$382k under for the year. Security lights are \$46k over budget for the month and \$55k over YTD. Meters and AMI are \$4k under budget for the month and \$9k over for the year. Tools are \$18k over budget for the month and \$21k over for the YTD. TIER 3 CAP Projects are over budget by \$42k for the month but is \$64k under for the year.

TIER and Debt Service Coverage

We expect the 2018 Operating budget to exceed our approved budgeted TIER of 2.08. Our Debt Service payments for 2018 are projected to be \$7.9 million.

Cash Flow and Line of Credit

In September, we used up to a peak of \$1.2M on our line of credit. The October high for the line of credit is estimated to be \$1.2M.

Balance Sheet

Our equity ratio in September is 45% consistent with August at 45%. Our current ratio, a measure of liquidity, is 1.10, down from August at 1.28. VEC's FFO ratio for 2018 YTD ("Funds from Operations/Capital Expenditures Ratio"; Target of 80% desirable) is 1.96, up from August at 1.82.

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

	September, 2018 Actual	September, 2018 Budget	Actual - Budget Variance Fav (Unfav) \$	%	September, 2017 Actual	Prior Year Variance Fav (Unfav) \$	%
Revenue							
Operating Revenue	6,432,770	6,377,952	54,818	0.9%	5,982,692	450,078	7.5%
Sales for Resale	146,094	70,350	75,744	107.7%	68,573	77,521	-113.0%
Total revenues	\$ 6,578,864	\$ 6,448,301	\$ 130,563	2.0%	\$ 6,051,265	\$ 527,599	8.7%
Power supply cost							
Purchased power cost	2,556,279	2,591,243	34,964	1.3%	2,465,101	(91,178)	3.7%
Sales for Resale	146,094	70,350	(75,744)	-107.7%	68,573	(77,521)	113.0%
Transmission	1,065,690	965,816	(99,874)	-10.3%	672,889	(392,801)	58.4%
Total Power supply cost	3,768,063	3,627,408	(140,655)	3.9%	3,206,563	(561,500)	17.5%
Gross Margin	\$ 2,810,801	\$ 2,820,893	\$ (10,092)	-0.4%	\$ 2,844,702	\$ (33,901)	1.2%
Operating expenses							
Distribution: Operations & Mtce	754,047	1,199,532	445,485	37.1%	1,273,571	519,524	-40.8%
Customer accounts	197,601	226,282	28,681	12.7%	121,360	(76,241)	62.8%
Administrative & general	255,505	304,640	49,135	16.1%	293,251	37,746	-12.9%
Total operating expenses	\$ 1,207,153	\$ 1,730,454	\$ 523,301	30.2%	\$ 1,688,182	\$ 481,029	-28.5%
Depreciation & amortization	497,893	501,438	3,545	0.7%	491,492	(6,401)	1.3%
Gross revenue & receipts taxes	64,067	63,744	(322)	-0.5%	59,676	(4,391)	7.4%
Interest on long-term debt	290,709	298,278	7,568	2.5%	275,149	(15,560)	5.7%
Other interest expenses	2,013	11,468	9,456	82.5%	3,030	1,017	-33.6%
Other Deductions	355	1,500	1,145	76.3%	1,095	740	-67.6%
Total depreciation & other expenses	855,037	876,428	21,391	-2.4%	830,442	(24,595)	3.0%
Income from operations	\$ 748,611	\$ 214,011	\$ 534,600	249.8%	\$ 326,078	\$ 422,533	-129.6%
Interest income	1,069,535	1,067,495	2,040	0.2%	864,502	205,033	23.7%
Other income (expenses)	5,406	7,692	(2,286)	-29.7%	17,141	(11,735)	-68.5%
Other capital credits & dividends	67,624	74,172	(6,548)	-8.8%	119,104	(51,481)	-43.2%
Total non-operating margins	1,142,564	1,149,359	(6,794)	-0.6%	1,000,747	141,817	14.2%
Net income (loss)	1,891,175	1,363,369	527,806	38.7%	1,326,825	564,350	-42.5%
Extraordinary expenses	-	-	-	N/A	-	-	N/A
Total net income (loss)	\$ 1,891,175	\$ 1,363,369	\$ 527,806	38.7%	\$ 1,326,825	\$ 564,350	-42.5%

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

	September, 2018 Actual	September, 2018 Budget	Actual- Budget Variance Fav (Unfav) \$	%	September, 2017 Actual	Prior Year Variance Fav (Unfav) \$	%
Revenue							
Operating Revenue	60,388,194	58,726,127	1,662,067	2.8%	58,699,067	1,689,127	2.9%
Sales for Resale	1,536,273	940,242	596,031	63.4%	1,232,722	303,551	-24.6%
Total revenues	\$ 61,924,467	\$ 59,666,369	\$ 2,258,098	3.8%	\$ 59,931,789	\$ 1,992,678	3.3%
Power supply cost							
Purchased power cost	26,156,218	25,891,787	(264,431)	-1.0%	25,960,120	(196,098)	0.8%
Sales for Resale	1,536,273	940,242	(596,031)	-63.4%	1,232,722	(303,551)	24.6%
Transmission:	9,075,550	9,600,925	525,376	5.5%	8,553,099	(522,450)	6.1%
Total Power supply cost	36,768,041	36,432,954	(335,087)	0.9%	35,745,942	(1,022,099)	2.9%
Gross Margin	\$ 25,156,426	\$ 23,233,415	\$ 1,923,011	8.3%	\$ 24,185,847	\$ 970,579	-4.0%
Operating expenses							
Distribution: Operations & Mtce	10,063,079	10,426,248	363,168	3.5%	8,868,968	(1,194,111)	13.5%
Customer accounts	1,999,178	2,147,673	148,496	6.9%	1,871,046	(128,132)	6.8%
Administrative & general	2,863,901	2,924,088	60,187	2.1%	2,754,403	(109,498)	4.0%
Total operating expenses	14,926,158	15,498,009	571,852	3.7%	13,494,417	(1,431,741)	10.6%
Depreciation & amortization	4,435,585	4,485,680	50,095	1.1%	4,444,098	8,513	-0.2%
Gross revenue & receipts taxes	587,155	573,674	(13,481)	-2.3%	569,845	(17,310)	3.0%
Interest on long-term debt	2,772,005	2,737,379	(34,626)	-1.3%	2,593,235	(178,770)	6.9%
Other interest expenses	28,170	70,895	42,725	60.3%	40,184	12,014	-29.9%
Other deductions	9,121	13,500	4,379	32.4%	19,995	10,874	-54.4%
Total depreciation & other exp	7,832,036	7,881,129	49,093	-0.6%	7,667,356	(164,679)	2.1%
Income from operations	2,398,233	(145,723)	2,543,956	-1745.7%	3,024,074	(625,841)	20.7%
Interest income	3,718,988	3,314,538	404,450	12.2%	2,739,483	979,505	35.8%
Other income (expenses)	134,441	48,822	85,619	175.4%	127,747	6,695	5.2%
Other capital credits & dividends	718,658	469,343	249,314	53.1%	643,140	75,518	11.7%
Total non-operating margins	4,572,087	3,832,704	739,383	19.3%	3,510,369	1,061,718	30.2%
Net income (loss)	6,970,320	3,686,980	3,283,339	89.1%	6,534,443	435,877	-6.7%
Extraordinary expenses	-	-	-	N/A	-	-	N/A
Total net income (loss)	\$ 6,970,320	\$ 3,686,980	\$ 3,283,339	89.1%	\$ 6,534,443	\$ 435,877	-6.7%

Vermont Electric Cooperative, Inc.
Balance Sheet (Assets)
September, 2018

	September, 2018 Actual	August, 2018 Actual	Variance Fav/(Unfav) \$	%	September, 2017 Actual	Variance Fav/(Unfav) \$	%
Electric plant, at cost:							
Electric plant in service	169,320,163	168,545,416	774,747	0.46%	164,146,291	5,173,873	3.15%
Less accumulated depreciation	(51,067,364)	(50,680,104)	387,261	0.76%	(47,094,318)	3,973,047	8.44%
Net electric plant in service	118,252,799	117,865,313	387,486	0.33%	117,051,973	1,200,826	1.03%
Construction work in progress	2,608,907	2,663,969	(55,062)	-2.07%	1,235,151	1,373,756	111.22%
Net electric plant	120,861,706	120,529,282	332,424	0.28%	118,287,124	2,574,582	2.18%
Other assets:							
Non-utility property	65,697	65,697	-	0.00%	65,697	-	0.00%
Other investments	39,782,872	37,563,542	2,219,330	5.91%	33,619,873	6,162,999	18.33%
Deferred charges	141,774	143,679	(1,905)	-1.33%	148,303	(6,528)	-4.40%
Total other assets	39,990,343	37,772,918	2,217,425	5.87%	33,833,872	6,156,471	18.20%
Current assets:							
Cash	1,515,182	1,580,881	(65,699)	-4.16%	1,570,259	(55,076)	-3.51%
Notes receivable (net)	-	-	-	0.00%	-	-	#DIV/0!
Accounts receivable (net)	9,859,733	10,107,901	(248,168)	-2.46%	9,631,609	228,124	2.37%
Other receivables (net)	2,066,231	2,719,699	(653,467)	-24.03%	1,991,135	75,097	3.77%
Inventories	5,096,005	5,105,801	(9,796)	-0.19%	5,527,523	(431,518)	-7.81%
Prepaid expenses	624,329	719,340	(95,011)	-13.21%	731,284	(106,954)	-14.63%
Total current assets	19,161,481	20,233,622	(1,072,141)	-5.30%	19,451,809	(290,328)	-1.49%
Total assets	\$ 180,013,530	\$ 178,535,822	\$ 1,477,708	0.83%	\$ 171,572,805	\$ 8,440,725	4.92%

Vermont Electric Cooperative, Inc.
Balance Sheet (Liabilities & Equity)
September, 2018

	September, 2018 Actual	August, 2018 Actual	Variance Fav/(Unfav) \$	Variance Fav/(Unfav) %	September, 2017 Actual	Variance Fav/(Unfav) \$	Variance Fav/(Unfav) %
Equities:							
Memberships issued & subscribed	-	-	-	0.00%	-	-	0.00%
Patronage capital assignable	(2)	(2)	-	0.00%	(3)	1	-63.46%
Other earnings	81,311,801	80,592,364	719,438	0.88%	75,396,009	5,915,793	7.28%
Contributions in aid of construction	-	-	-	0.00%	-	-	0.00%
Net equity	81,311,800	80,592,362	719,438	0.88%	75,396,006	5,915,794	7.28%
Long-term debt	80,788,422	81,606,500	(818,078)	-1.01%	77,277,478	3,510,944	4.35%
Capital leases - non current	402,772	387,263	15,509	3.85%	385,403	17,369	4.31%
Current liabilities:							
Current portion of long-term debt	4,208,393	4,208,393	-	0.00%	3,817,835	390,559	9.28%
Line of Credit	1,200,000	-	1,200,000	100.00%	3,738,681	(2,538,681)	-211.56%
Accounts payable	7,959,936	7,550,047	409,889	5.15%	7,530,257	429,678	5.40%
Customer deposits	1,414,300	1,363,204	51,096	3.61%	1,164,622	249,678	17.65%
Other accrued expenses	2,617,298	2,696,853	(79,555)	-3.04%	2,157,597	459,701	17.56%
Total current liabilities	17,399,927	15,818,497	1,581,430	9.09%	18,408,993	(1,009,066)	-5.80%
Deferred credits	110,610	131,200	(20,590)	-18.62%	104,925	5,685	5.14%
Total liabilities and equity	\$ 180,013,530	\$ 178,535,822	\$ 1,477,708	0.82%	\$ 171,572,805	\$ 8,440,725	4.92%

Vermont Electric Cooperative, Inc.
Statement of Cash Flows

	Month		Year-to-date		Variance Fav (Unfav)
	September, 2018 Actual	September, 2017 Actual	September, 2018 Actual	September, 2017 Actual	
Cash flows from operating activities:					
Net income	\$ 1,891,175	\$ 1,326,825	\$ 6,970,320	\$ 6,534,443	\$ 435,877
Noncash expenses (income) included in earnings:					
Depreciation & amortization	\$ 560,831	\$ 598,498	\$ 5,031,426	\$ 5,093,613	\$ (62,186)
(Gain) loss on sale of investments	\$ -	\$ -	\$ -	\$ -	\$ -
(Gain) loss on sale of fixed assets	\$ (5,406)	\$ (17,286)	\$ (9,746)	\$ (54,193)	\$ 44,447
Changes in assets and liabilities:					
Decrease (increase) in notes receivable	\$ -	\$ -	\$ -	\$ -	\$ -
Decrease (increase) in accounts receivable	\$ 248,168	\$ 377,805	\$ 425,179	\$ 346,610	\$ 78,569
Decrease (increase) in other receivable	\$ 653,467	\$ (33,658)	\$ 576,956	\$ (77,785)	\$ 654,741
Decrease (increase) in inventories	\$ 9,796	\$ (65,936)	\$ (34,239)	\$ (1,247,210)	\$ 1,212,971
Decrease (increase) in prepayments	\$ 95,011	\$ 194,288	\$ (148,391)	\$ (279,320)	\$ 130,929
Decrease (increase) in deferred charges	\$ 4,764	\$ 3,035	\$ 28,642	\$ 24,056	\$ 4,586
Increase (decrease) in accounts payable	\$ 409,889	\$ 265,410	\$ 805,894	\$ 1,338,137	\$ (532,242)
Increase (decrease) in customer deposits	\$ 51,096	\$ (2,551)	\$ 179,998	\$ 124,459	\$ 55,540
Increase (decrease) in accrued expenses	\$ (79,555)	\$ (810,597)	\$ (187,807)	\$ (2,681,952)	\$ 2,494,146
Increase (decrease) in deferred credits	\$ (20,590)	\$ (19,933)	\$ 54,724	\$ (291,466)	\$ 346,190
Net cash provided (used) by operating activities	3,818,647	1,815,902	13,692,956	8,829,390	4,863,566
Cash flows from investing activities:					
Additions to electric plant in service and construction work in progress	\$ (1,127,307)	\$ (525,370)	\$ (8,212,836)	\$ (12,438,006)	\$ 4,225,170
Proceeds from retirements of electric plant in service	\$ 236,598	\$ 143,713	\$ 1,874,958	\$ 8,535,449	\$ (6,660,490)
Return on capital investments	\$ (733)	\$ (60,108)	\$ (208,008)	\$ (198,014)	\$ (9,993)
Proceeds (payments) from sale (purchase) of investment:	\$ (2,201,400)	\$ (2,766,240)	\$ (2,201,400)	\$ (3,055,940)	\$ 854,540
Net cash provided (used) in investing activities	(3,092,842)	(3,208,005)	(8,747,286)	(7,156,512)	(1,590,774)
Cash flows from financing activities:					
Proceeds from borrowings LOC	\$ -	\$ -	\$ -	\$ -	\$ -
Proceeds from borrowings Long-Term	\$ -	\$ -	\$ -	\$ -	\$ -
Payments to creditors Long-Term	\$ 1,200,000	\$ 3,538,681	\$ (353,224)	\$ 1,438,681	\$ (1,791,906)
Payments to creditors LOC	\$ (819,766)	\$ (728,260)	\$ (3,302,992)	\$ (3,001,554)	\$ (301,438)
Patronage Capital Retirements - Net	\$ (1,171,737)	\$ (812,177)	\$ (1,192,766)	\$ (848,394)	\$ (344,392)
Memberships issued, net of refunds	\$ -	\$ -	\$ -	\$ -	\$ -
Additions to donated capital, net	\$ -	\$ -	\$ -	\$ -	\$ -
Net cash provided (used) by financing activities	(791,504)	1,998,244	(4,849,002)	(2,411,266)	(2,437,736)
Net increase (decrease) in cash and equivalents	(65,699)	606,142	96,668	(738,388)	835,057
Cash & cash equivalents at beginning of period	\$ 1,580,881	\$ 964,117	\$ 1,418,514	\$ 2,308,647	\$ (890,133)
Cash & cash equivalents at end of period	\$ 1,515,182	\$ 1,570,259	\$ 1,515,182	\$ 1,570,259	\$ (55,076)