

Financial Highlights – September, 2019

	<u>Variance (K's)</u>	<u>YTD Variance (K's)</u>
September Net Income	\$367	\$1,236

Analysis:

• Operating Revenue	(\$115)	(\$131)
----------------------------	----------------	----------------

KWH sales in September are \$18k better than budget for the month and \$222k better YTD. The average price/KWH sold is \$77k less than budget for the month and \$504k less for the year. Non-energy services, pole attachments, and wheeling revenues are \$3k better than budget for the month and \$62k better for the year. Unbilled revenues are \$10k less than budget for the month but is \$28k better YTD. The sale of Renewable Energy Credits is \$50k less than budget for the month but is \$60k better YTD.

• Purchased Power Costs	\$215	\$832
--------------------------------	--------------	--------------

Purchased KWH is under budget by \$120k for the month and \$53k under for the year. Our overall costs/KWH is \$95k under budget for the month and \$779k under YTD.

• Transmission Costs	\$94	(\$103)
-----------------------------	-------------	----------------

Transmission support for substations and supervision is \$3k under budget for the month and \$12k under YTD. Transmission by Others is \$43k under budget for the month but is \$343k over YTD. Maintenance for SCADA and overhead lines is \$9k under budget for the month but is \$13k under for the year. Property Taxes are on budget for the month but are \$4k over YTD. Transmission vegetative maintenance is \$40k under budget for the month but is \$219k under YTD.

• Distribution Operations/Mtce	\$28	\$205
---------------------------------------	-------------	--------------

Major Storm costs are \$46k under budget for the month and \$513k under for the year. Meter/AMI Expense is \$4k under budget for the month and \$4k under YTD. Supervisory related costs are \$30k under budget for the month and \$85k under YTD. Overall Distribution Maintenance costs are \$48k over budget for the month and \$335k over YTD. Miscellaneous Distribution and Customer Installation expenses are \$4k over budget for the month but is \$25k over YTD. Distribution vegetative maintenance program spending is on budget for the month but is \$37k over YTD. The overall vegetative maintenance program (transmission + distribution) is \$40k under budget for the month and \$182k under for the year.

• Customer Accounts	\$18	\$19
----------------------------	-------------	-------------

Meter Reading & Disconnect Services are \$12k under budget for the month and \$88k under YTD. Member service administration is \$4k under budget for the month but is \$54k over YTD. Uncollectible Accounts are \$3k over budget for the month and \$11k over YTD. Communications, Patronage Capital and SQRP Costs are \$4k under budget for the month but is \$3k over YTD.

• **Administrative & General** **\$12** **\$12**

Regulatory related expense is \$9k under budget for the month but is \$62k over YTD. Payroll and Benefits are \$8k under budget for the month and \$140k under YTD. Outside Services is \$3k over budget for the month and \$21k over YTD. Director Expenses are \$5k under budget for the month and \$5k under YTD. Internal costs incurred for TIER 3 Projects are \$18k over budget for the month and \$62k over YTD. Expenses for Coop-life, Business Development, Dues, Annual and Employee Meeting are \$2k under budget for the month and \$2k under YTD. Office related expenses are \$4k under budget for the month and \$5k under YTD. Safety and Facility related expenses are \$6k under budget for the month and \$6k under YTD.

• **Total Depreciation & Other Exp** **\$18** **\$48**

Depreciation expense is on budget for the month but is \$37k under YTD. Interest expense is \$16k under budget for the month and \$3k under YTD. Gross Receipt & Revenue Taxes are \$1k under budget for the month and \$4k under budget YTD. Other Expenses are \$1k under budget for the month and \$4k under YTD.

• **Total Non-Operating Margins** **\$97** **\$354**

Capital Credits from CFC, CoBank, NISC and Federated are \$77k better than budget for the month and \$215k better YTD. Interest and Dividend Income is \$11k better than budget for the month and \$38k better YTD. Miscellaneous Jobbing Revenue is \$16k better than budget for the month and \$64k better YTD. Other Income is \$8k less than budget for the month but is \$38k better for the year.

• **Capital Spending Plan** **\$448** **\$1,389**

Transformers and increased capacity \$6k under budget for the month but is \$5k over YTD. Line projects, Reconductoring and Ordinary Replacements are \$157k under budget for the month and \$1,113k under YTD. Pole Replacements are \$93k over budget for the month and \$561k over YTD. The Battery Storage project is \$19k under budget for the month and \$7k under YTD. New Services and Construction are \$51k under budget for the month but is \$43k over for the year. Facilities, Fleet and IT projects are \$262k under budget for the month and \$544k under for the year. Substation projects are \$67k under budget for the month and \$64k under for the year. Security lights are \$11k under budget for the month and \$66k under YTD. Meters and AMI are \$39k over budget for the month but is \$181k under for the year. Tools are on budget for the month but is \$4k over YTD. TIER 3 CAP Projects are under budget by \$6k for the month and \$27k under for the year.

TIER and Debt Service Coverage

We are currently exceeding our budgeted TIER. Our Debt Service payments for 2019 is expected to be \$7.9 million.

Cash Flow and Line of Credit

In September, we used up to a peak of \$7M on our line of credit on September 26th. The October high for the line of credit is expected to be \$400k on October 25th.

Balance Sheet

Our equity ratio in September finished at 44.6% up slightly from August at 44.4%. Our current ratio, a measure of liquidity, is 1.09, up from August at .78. VEC's FFO ratio for 2019 YTD ("Funds from Operations/Capital Expenditures Ratio"; Target of 80% desirable) is 1.28, up from August at 1.13.

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

	September, 2019 Actual	September, 2019 Budget	Actual - Budget Variance Fav (Unfav) \$	%	September, 2018 Actual	Prior Year Variance Fav (Unfav) \$	%
kWh Statistics							
kWh Units Sold	36,069,894	35,959,009	110,885	0.3%	39,182,775	(3,112,881)	-7.9%
kWh Units Purchased	35,421,000	37,044,990	(1,623,990)	-4.4%	37,612,000	(2,191,000)	-5.8%
Net System Losses (kWh)	(648,884)	1,085,981	(1,734,875)	-159.8%	(1,570,775)	921,881	-58.7%
System Losses (%)	-1.83%	2.93%			-4.18%		
Revenue							
Operating Revenue	5,937,432	6,052,243	(114,811)	-1.9%	6,432,770	(495,338)	-7.7%
Sales for Resale	120,837	77,080	43,757	56.8%	146,094	(25,257)	17.3%
Total revenues	\$ 6,058,269	\$ 6,129,323	\$ (71,054)	-1.2%	\$ 6,578,864	\$ (520,595)	-7.9%
Power supply cost							
Purchased power cost	2,531,252	2,746,478	215,225	7.8%	2,556,279	25,027	-1.0%
Sales for Resale	120,837	77,080	(43,757)	-56.8%	146,094	25,257	-17.3%
Transmission	888,039	982,296	94,257	9.6%	1,065,690	177,651	-16.7%
Total Power supply cost	3,540,128	3,805,854	265,725	-7.0%	3,768,063	227,935	-6.0%
Gross Margin	\$ 2,518,141	\$ 2,323,470	\$ 194,671	8.4%	\$ 2,810,801	\$ (292,660)	10.4%
Operating expenses							
Distribution: Operations & Mice	1,135,716	1,164,180	28,464	2.4%	754,047	(381,668)	50.6%
Customer accounts	224,506	242,360	17,855	7.4%	197,601	(26,905)	13.6%
Administrative & general	301,761	313,407	11,646	3.7%	255,505	(46,256)	18.1%
Total operating expenses	\$ 1,661,982	\$ 1,719,947	\$ 57,964	3.4%	\$ 1,207,153	\$ (454,829)	37.7%
Depreciation & amortization	499,411	499,308	(103)	0.0%	497,893	(1,518)	0.3%
Gross revenue & receipts taxes	59,296	60,274	978	1.6%	64,067	4,771	-7.4%
Interest on long-term debt	279,480	288,660	9,180	3.2%	290,709	11,229	-3.9%
Other interest expenses	16,796	23,439	6,643	28.3%	2,013	(14,784)	734.5%
Other Deductions	290	1,095	804	73.5%	355	65	-18.2%
Total depreciation & other expenses	855,273	872,776	17,503	-2.0%	855,037	(236)	0.0%
Income from operations	\$ 885	\$ (269,253)	\$ 270,138	-100.3%	\$ 748,611	\$ (747,725)	99.9%
Interest income	1,200,999	1,189,839	11,160	0.9%	1,069,535	131,464	12.3%
Other income (expenses)	17,647	9,449	8,199	86.8%	5,406	12,241	226.4%
Other capital credits & dividends	158,009	80,709	77,300	95.8%	67,624	90,385	133.7%
Total non-operating margins	1,376,655	1,279,997	96,658	7.6%	1,142,564	234,091	20.5%
Net income (loss)	1,377,540	1,010,744	366,796	36.3%	1,891,175	(513,635)	27.2%
Extraordinary expenses	-	-	-	N/A	-	-	N/A
Total net income (loss)	\$ 1,377,540	\$ 1,010,744	\$ 366,796	36.3%	\$ 1,891,175	\$ (513,635)	27.2%

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

	September, 2019 Actual	September, 2019 Budget	Actual- Budget Variance Fav (Unfav) \$	%	September, 2018 Actual	Prior Year Variance Fav (Unfav) \$	%
kWh Statistics							
kWh Units Sold	344,487,818	343,111,835	1,375,983	0.4%	351,582,048	(7,094,230)	-2.0%
kWh Units Purchased	358,473,000	359,193,424	(720,424)	-0.2%	368,375,000	(9,902,000)	-2.7%
Net System Losses (kWh)	13,985,182	16,081,589	(2,096,407)	-13.0%	16,792,952	(2,807,770)	-16.7%
System Losses (%)	3.90%	4.48%			4.56%		
Revenue							
Operating Revenue	59,178,747	59,309,777	(131,030)	-0.2%	60,388,194	(1,209,446)	-2.0%
Sales for Resale	1,435,919	1,116,014	19,905	1.8%	1,536,273	(400,354)	26.1%
Total revenues	\$ 60,314,666	\$ 60,425,791	\$ (111,125)	-0.2%	\$ 61,924,467	\$ (1,609,800)	-2.6%
Power supply cost							
Purchased power cost	25,712,643	26,544,749	832,106	3.1%	26,156,218	443,576	-1.7%
Sales for Resale	1,135,919	1,116,014	(19,905)	-1.8%	1,536,273	400,354	-26.1%
Transmission:	10,085,572	9,982,977	(102,595)	-1.0%	9,075,550	(1,010,022)	11.1%
Total Power supply cost	36,934,133	37,643,739	709,606	-1.9%	36,768,041	(166,093)	0.5%
Gross Margin	\$ 23,380,533	\$ 22,782,052	\$ 598,481	2.6%	\$ 25,156,426	\$ (1,775,893)	7.1%
Operating expenses							
Distribution: Operations & Mice	10,137,622	10,342,598	204,976	2.0%	10,063,079	(74,543)	0.7%
Customer accounts	2,151,335	2,170,470	19,135	0.9%	1,999,178	(152,158)	7.6%
Administrative & general	3,032,719	3,044,616	11,897	0.4%	2,863,901	(168,818)	5.9%
Total operating expenses	15,321,676	15,557,684	236,007	1.5%	14,926,158	(395,519)	2.6%
Depreciation & amortization	4,497,581	4,534,448	36,866	0.8%	4,435,585	(61,997)	1.4%
Gross revenue & receipts taxes	573,773	577,617	3,844	0.7%	587,155	13,383	-2.3%
Interest on long-term debt	2,623,452	2,651,545	28,093	1.1%	2,772,005	148,553	-5.4%
Other interest expenses	166,878	141,566	(25,312)	-17.9%	28,170	(138,708)	492.4%
Other deductions	8,004	12,100	4,096	33.9%	9,121	1,117	-12.2%
Total depreciation & other exp	7,869,688	7,917,275	47,587	-0.6%	7,832,036	(37,652)	0.5%
Income from operations	189,169	(692,907)	882,076	-127.3%	2,398,233	(2,209,064)	92.1%
Interest income	3,764,687	3,727,096	37,591	1.0%	3,718,988	45,699	1.2%
Other income (expenses)	154,787	53,300	101,487	190.4%	134,441	20,346	15.1%
Other capital credits & dividends	554,671	339,648	215,023	63.3%	718,658	(163,986)	-22.8%
Total non-operating margins	4,474,145	4,120,044	354,102	8.6%	4,572,087	(97,942)	-2.1%
Net income (loss)	4,663,314	3,427,137	1,236,177	36.1%	6,970,320	(2,307,005)	33.1%
Extraordinary expenses	-	-	-	N/A	-	-	N/A
Total net income (loss)	\$ 4,663,314	\$ 3,427,137	\$ 1,236,177	36.1%	\$ 6,970,320	(2,307,005)	33.1%

Vermont Electric Cooperative, Inc.
Balance Sheet (Assets)
September, 2019

	September, 2019	August, 2019	Variance Fav/(Unfav)	September, 2018	Variance Fav/(Unfav)
	Actual	Actual	\$ %	Actual	\$ %
Electric plant, at cost:					
Electric plant in service	174,309,294	174,074,838	234,455 0.13%	169,320,163	4,989,130 2.95%
Less accumulated depreciation	(52,717,668)	(52,407,371)	310,297 0.59%	(51,067,364)	1,650,304 3.23%
Net electric plant in service	121,591,626	121,667,468	(75,842) -0.06%	118,252,799	3,338,826 2.82%
Construction work in progress	3,029,944	2,744,034	285,910 10.42%	2,608,907	421,037 16.14%
Net electric plant	124,621,570	124,411,502	210,068 0.17%	120,861,706	3,759,864 3.11%
Other assets:					
Non-utility property	65,697	65,697	- 0.00%	65,697	- 0.00%
Other investments	42,154,332	42,075,120	79,212 0.19%	39,782,872	2,371,460 5.96%
Deferred charges	136,302	126,875	9,427 7.43%	141,774	(5,472) -3.86%
Total other assets	42,356,331	42,267,692	88,639 0.21%	39,990,343	2,365,988 5.92%
Current assets:					
Cash	110,470	1,033,537	(923,067) -89.31%	1,515,182	(1,404,712) -92.71%
Notes receivable (net)	-	-	- 0.00%	-	- #DIV/0!
Accounts receivable (net)	8,716,676	9,364,572	(647,896) -6.92%	9,859,733	(1,143,057) -11.59%
Other receivables (net)	3,047,808	1,754,147	1,293,661 73.75%	2,066,231	981,577 47.51%
Inventories	5,030,449	4,991,993	38,456 0.77%	5,096,005	(65,556) -1.29%
Prepaid expenses	694,104	795,379	(101,275) -12.73%	624,329	69,775 11.18%
Total current assets	17,599,508	17,939,628	(340,120) -1.90%	19,161,481	(1,561,973) -8.15%
Total assets	\$ 184,577,409	\$ 184,618,822	\$ (41,413) -0.02%	\$ 180,013,530	\$ 4,563,879 2.54%

Vermont Electric Cooperative, Inc.
Balance Sheet (Liabilities & Equity)
September, 2019

	September, 2019 Actual	August, 2019 Actual	Variance Fav/(Unfav) \$	%	September, 2018 Actual	Variance Fav/(Unfav) \$	%
Equities:							
Memberships issued & subscribed	-	-	-	0.00%	-	-	0.00%
Patronage capital assignable	(3)	(3)	-	0.00%	(2)	(1)	37.85%
Other earnings	82,312,080	81,872,804	439,277	0.53%	81,311,801	1,000,279	1.22%
Contributions in aid of construction	-	-	-	0.00%	-	-	0.00%
Net equity	82,312,078	81,872,801	439,277	0.53%	81,311,800	1,000,278	1.22%
Long-term debt	83,791,416	77,171,726	6,619,689	7.90%	80,788,422	3,002,994	3.58%
Capital leases - non current	391,714	393,678	(1,964)	-0.50%	402,772	(11,058)	-2.82%
Current liabilities:							
Current portion of long-term debt	4,397,049	4,360,369	36,680	0.83%	4,208,393	188,656	4.29%
Line of Credit	-	6,200,000	(6,200,000)	0.00%	1,200,000	(1,200,000)	0.00%
Accounts payable	8,140,735	8,140,256	479	0.01%	7,959,936	180,799	2.22%
Customer deposits	1,663,902	1,644,847	19,055	1.15%	1,414,300	249,601	15.00%
Other accrued expenses	1,916,572	2,766,530	(849,958)	-44.35%	2,617,298	(700,726)	-36.56%
Total current liabilities	16,118,258	23,112,001	(6,993,744)	-43.39%	17,399,927	(1,281,669)	-7.95%
Deferred credits	1,963,944	2,068,615	(104,671)	-5.33%	110,610	1,853,334	94.37%
Total liabilities and equity	\$ 184,577,409	\$ 184,618,822	(41,413)	-0.02%	\$ 180,013,530	\$ 4,563,879	2.54%

Vermont Electric Cooperative, Inc.
Statement of Cash Flows

	Month		Year-to-date		Variance Fav (Unfav)
	September, 2019 Actual	September, 2018 Actual	September, 2019 Actual	September, 2018 Actual	
Cash flows from operating activities:					
Net income	\$ 1,377,540	\$ 1,891,175	\$ 4,663,314	\$ 6,970,320	(2,307,005)
Noncash expenses (income) included in earnings:					
Depreciation & amortization	\$ 600,511	\$ 560,831	\$ 5,076,196	\$ 5,031,426	44,770
(Gain) loss on sale of investments	\$ -	\$ -	\$ -	\$ -	-
(Gain) loss on sale of fixed assets	\$ (530)	\$ (5,406)	\$ (54,822)	\$ (9,746)	(45,076)
Changes in assets and liabilities:					
Decrease (increase) in notes receivable	\$ -	\$ -	\$ -	\$ -	-
Decrease (increase) in accounts receivable	\$ 647,896	\$ 248,168	\$ 776,265	\$ 425,179	351,086
Decrease (increase) in other receivable	\$ (1,293,661)	\$ 653,467	\$ (1,293,292)	\$ 576,956	(1,870,248)
Decrease (increase) in inventories	\$ (38,456)	\$ 9,796	\$ (75,599)	\$ (34,239)	(41,360)
Decrease (increase) in prepayments	\$ 101,275	\$ 95,011	\$ (243,382)	\$ (148,391)	(94,992)
Decrease (increase) in deferred charges	\$ (6,568)	\$ 4,764	\$ 22,543	\$ 28,642	(6,099)
Increase (decrease) in accounts payable	\$ 479	\$ 409,889	\$ 552,548	\$ 805,894	(253,346)
Increase (decrease) in customer deposits	\$ 19,055	\$ 51,096	\$ 223,498	\$ 179,998	43,500
Increase (decrease) in accrued expenses	\$ (849,958)	\$ (79,555)	\$ (2,084,634)	\$ (187,807)	(1,896,827)
Increase (decrease) in deferred credits	\$ (104,671)	\$ (20,590)	\$ 1,915,105	\$ 54,724	1,860,381
Net cash provided (used) by operating activities	452,912	3,818,647	9,477,741	13,692,956	(4,215,216)
Cash flows from investing activities:					
Additions to electric plant in service and construction work in progress	\$ (948,073)	\$ (1,127,307)	\$ (10,591,671)	\$ (8,212,836)	(2,378,835)
Proceeds from retirements of electric plant in service	\$ 135,165	\$ 236,598	\$ 1,056,587	\$ 1,874,958	(818,372)
Return on capital investments	\$ (79,384)	\$ (733)	\$ (292,705)	\$ (208,008)	(84,697)
Proceeds (payments) from sale (purchase) of investments	\$ -	\$ (2,201,400)	\$ -	\$ (2,201,400)	2,201,400
Net cash provided (used) in investing activities	(892,293)	(3,092,842)	(9,827,790)	(8,747,286)	(1,080,504)
Cash flows from financing activities:					
Proceeds from borrowings LOC	\$ -	\$ -	\$ -	\$ -	-
Proceeds from borrowings Long-Term	\$ -	\$ -	\$ -	\$ -	-
Payments to creditors LOC	\$ (6,200,000)	\$ 1,200,000	\$ (4,700,000)	\$ (353,224)	(4,346,776)
Payments to creditors Long-Term	\$ 6,654,577	\$ (819,766)	\$ 4,081,918	\$ (3,302,992)	7,384,910
Patronage Capital Retirements - Net	\$ (938,264)	\$ (1,171,737)	\$ (950,399)	\$ (1,192,786)	242,387
Memberships issued, net of refunds	\$ -	\$ -	\$ -	\$ -	-
Additions to donated capital, net	\$ -	\$ -	\$ -	\$ -	-
Net cash provided (used) by financing activities	(483,686)	(791,504)	(1,568,481)	(4,849,002)	3,280,521
Net increase (decrease) in cash and equivalents	(923,067)	(65,699)	(1,918,530)	96,668	(2,015,198)
Cash & cash equivalents at beginning of period	\$ 1,033,537	\$ 1,580,881	\$ 2,029,000	\$ 1,418,514	610,486
Cash & cash equivalents at end of period	\$ 110,470	\$ 1,515,182	\$ 110,470	\$ 1,515,182	\$ (1,404,712)