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**PUBLIC SERVICE
COMMISSION**

Big Rivers
ELECTRIC CORPORATION

Your Touchstone Energy® Cooperative 

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY

In the Matter of:

**APPLICATION OF BIG RIVERS)
ELECTRIC CORPORATION FOR A) Case No. 2012-00535
GENERAL ADJUSTMENT IN RATES)**

VOLUME 3 of 5

APPLICATION TAB 38

FILED: January 15, 2013

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Big Rivers Electric Corporation
Case No. 2012-00535
Forecasted Test Period Filing Requirements
(Forecasted Test Period 12ME 8/31/2014; Base Period 12ME 4/30/2013)

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Tab No. 38
Filing Requirement
807 KAR 5:001 Sec. 10(9)(o)
Sponsoring Witness: Billie J. Richert

14

Description of Filing Requirement:

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Complete monthly budget variance reports, with narrative explanations, for the twelve (12) months prior to the base period, each month of the base period, and any subsequent months, as they become available.

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Response:


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Complete monthly budget variance reports, with narrative explanations, for the twelve (12) months prior to the base period (*i.e.*, May 2011 through April 2012) and the months of the base period that are available as of the date of this filing (*i.e.*, May 2012 through October 2012) are attached to this response, and are filed under a Petition for Confidential Treatment.

Big Rivers will provide variance reports for subsequent months as they become available.

Monthly Financial Report – October 2012



Your Touchstone Energy[®] Cooperative 

Financial Report
October 2012
(\$ in Thousands)

Board Meeting Date: December 21, 2012



Summary of Statement of Operations YTD - October

	2012			2011	
	Actual	Budget	Fav/(UnFav) Variance	Actual	Fav/(UnFav) Variance
Revenues	469,451	518,203	(48,752)	469,969	(518)
Cost of Electric Service	461,965	516,953	54,988	460,631	(1,334)
Operating Margins	7,486	1,250	6,236	9,338	(1,852)
Interest Income/Other	636	88	548	252	384
Net Margins - YTD	8,122	1,338	6,784	9,590	(1,468)
November - YTD	12,025	1,311	10,714	6,874	5,151

Statement of Operations – October Variance to Budget

	Current Month			Year-to-Date			Explanation
	Actual	Budget	Variance Fav/(UnFav)	Actual	Budget	Variance Fav/(UnFav)	
ELECTRIC ENERGY REVENUES	46,001	59,931	(13,930)	465,184	514,859	(49,675)	[A] Pages 7, 9-13, 16-21
OTHER OPERATING REVENUE AND INCOME	409	334	75	4,267	3,344	923	[B], [C] Page 22
TOTAL OPER REVENUES & PATRONAGE CAPITAL	46,410	60,265	(13,855)	469,451	518,203	(48,752)	
OPERATION EXPENSE-PRODUCTION-EXCL FUEL	3,682	4,652	970	40,074	46,163	6,089	[A] Pages 8, 14-15, 23
OPERATION EXPENSE-PRODUCTION-FUEL	18,171	18,417	246	184,004	199,523	15,519	[A] Pages 8, 14-15
OPERATION EXPENSE-OTHER POWER SUPPLY	10,860	19,152	8,292	95,141	109,418	14,277	[A] Pages 8, 14-15, 23
OPERATION EXPENSE-TRANSMISSION	903	900	(3)	8,266	8,993	727	[C] Page 24
OPERATION EXPENSE-RTO/ISO	191	185	(6)	1,854	2,058	204	
CONSUMER SERVICE & INFORMATIONAL EXPENSE	96	63	(33)	487	614	127	
OPERATION EXPENSE-SALES	39	85	46	142	956	814	[B], [C] Page 25
OPERATION EXPENSE-ADMINISTRATIVE & GENERAL	1,331	2,223	892	21,709	22,094	385	
TOTAL OPERATION EXPENSE	35,273	45,677	10,404	351,677	389,819	38,142	
MAINTENANCE EXPENSE-PRODUCTION	3,761	6,686	2,925	34,633	51,783	17,150	[B], [C] Page 26
MAINTENANCE EXPENSE-TRANSMISSION	333	353	20	4,069	3,348	(721)	[B], [C] Page 27
MAINTENANCE EXPENSE-GENERAL PLANT	14	8	(6)	142	86	(56)	
TOTAL MAINTENANCE EXPENSE	4,108	7,047	2,939	38,844	55,217	16,373	
DEPRECIATION & AMORTIZATION EXPENSE	3,396	3,525	129	34,248	34,824	576	
TAXES	0	0	0	4	1	(3)	
INTEREST ON LONG-TERM DEBT	3,809	3,769	(40)	37,528	37,241	(287)	
INTEREST CHARGED TO CONSTRUCTION-CREDIT	(70)	(77)	(7)	(649)	(481)	168	
OTHER INTEREST EXPENSE	0	0	0	55	0	(55)	
OTHER DEDUCTIONS	71	43	(28)	258	332	74	
TOTAL COST OF ELECTRIC SERVICE	46,587	59,984	13,397	461,965	516,953	54,988	
OPERATING MARGINS	(177)	281	(458)	7,486	1,250	6,236	
INTEREST INCOME	174	5	169	578	55	523	[B] Page 29
ALLOWANCE FOR FUNDS USED DURING CONST	0	0	0	0	0	0	
OTHER NON-OPERATING INCOME - NET	0	0	0	0	0	0	
OTHER CAPITAL CREDITS & PAT DIVIDENDS	0	0	0	58	33	25	
EXTRAORDINARY ITEMS	0	0	0	0	0	0	
NET PATRONAGE CAPITAL OR MARGINS	(3)	286	(289)	8,122	1,338	6,784	

YTD Explanations: [A] Net Sales Margin, [B] 10% of line item and \$250,000 or [C] 10% of margins and \$500,000.

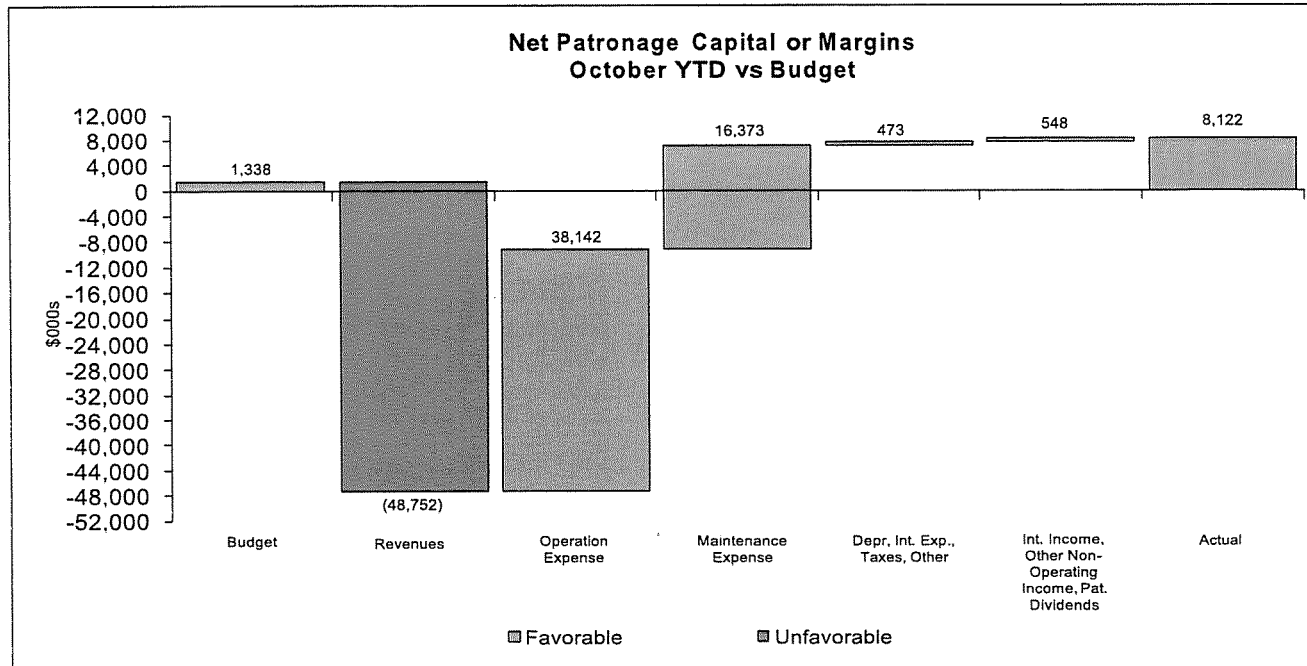


Statement of Operations – October Variance to Prior-Year

	Current Month			Year-to-Date			Explanation
	Actual	Prior Year	Variance Fav/(UnFav)	Actual	Prior Year	Variance Fav/(UnFav)	
ELECTRIC ENERGY REVENUES	46,001	44,667	1,334	465,184	466,987	(1,803)	[A] Pages 7, 9-13, 16-21
OTHER OPERATING REVENUE AND INCOME	409	813	(404)	4,267	2,982	1,285	[B], [C] Page 22
TOTAL OPER REVENUES & PATRONAGE CAPITAL	46,410	45,480	930	469,451	469,969	(518)	
OPERATION EXPENSE-PRODUCTION-EXCL FUEL	3,682	4,534	852	40,074	41,535	1,461	[A] Pages 8, 14-15, 23
OPERATION EXPENSE-PRODUCTION-FUEL	18,171	17,655	(516)	184,004	190,762	6,758	[A] Pages 8, 14-15
OPERATION EXPENSE-OTHER POWER SUPPLY	10,860	8,964	(1,896)	95,141	92,143	(2,998)	[A] Pages 8, 14-15, 23
OPERATION EXPENSE-TRANSMISSION	903	718	(185)	8,266	7,638	(628)	
OPERATION EXPENSE-RTO/ISO	191	223	32	1,854	2,056	202	
CONSUMER SERVICE & INFORMATIONAL EXPENSE	96	27	(69)	487	372	(115)	
OPERATION EXPENSE-SALES	39	2	(37)	142	131	(11)	
OPERATION EXPENSE-ADMINISTRATIVE & GENERAL	1,331	1,891	560	21,709	21,871	162	
TOTAL OPERATION EXPENSE	35,273	34,014	(1,259)	351,677	356,508	4,831	
MAINTENANCE EXPENSE-PRODUCTION	3,761	4,040	279	34,633	33,221	(1,412)	[C] Page 26
MAINTENANCE EXPENSE-TRANSMISSION	333	436	103	4,069	3,783	(286)	
MAINTENANCE EXPENSE-GENERAL PLANT	14	24	10	142	118	(24)	
TOTAL MAINTENANCE EXPENSE	4,108	4,500	392	38,844	37,122	(1,722)	
DEPRECIATION & AMORTIZATION EXPENSE	3,396	2,499	(897)	34,248	28,873	(5,375)	[B], [C] Page 28
TAXES	0	0	0	4	128	124	
INTEREST ON LONG-TERM DEBT	3,809	3,796	(13)	37,528	38,246	718	
INTEREST CHARGED TO CONSTRUCTION-CREDIT	(70)	(26)	44	(649)	(476)	173	
OTHER INTEREST EXPENSE	0	0	0	55	59	4	
OTHER DEDUCTIONS	71	12	(59)	258	171	(87)	
TOTAL COST OF ELECTRIC SERVICE	46,587	44,795	(1,792)	461,965	460,631	(1,334)	
OPERATING MARGINS	(177)	685	(862)	7,486	9,338	(1,852)	
INTEREST INCOME	174	7	167	578	138	440	[B] Page 29
ALLOWANCE FOR FUNDS USED DURING CONST	0	0	0	0	0	0	
OTHER NON-OPERATING INCOME - NET	0	0	0	0	9	(9)	
OTHER CAPITAL CREDITS & PAT DIVIDENDS	0	0	0	58	105	(47)	
EXTRAORDINARY ITEMS	0	0	0	0	0	0	
NET PATRONAGE CAPITAL OR MARGINS	(3)	692	(695)	8,122	9,590	(1,468)	

YTD Explanations: [A] Net Sales Margin, [B] 10% of line item and \$250,000 or [C] 10% of margins and \$500,000.

Variance Analysis Summary

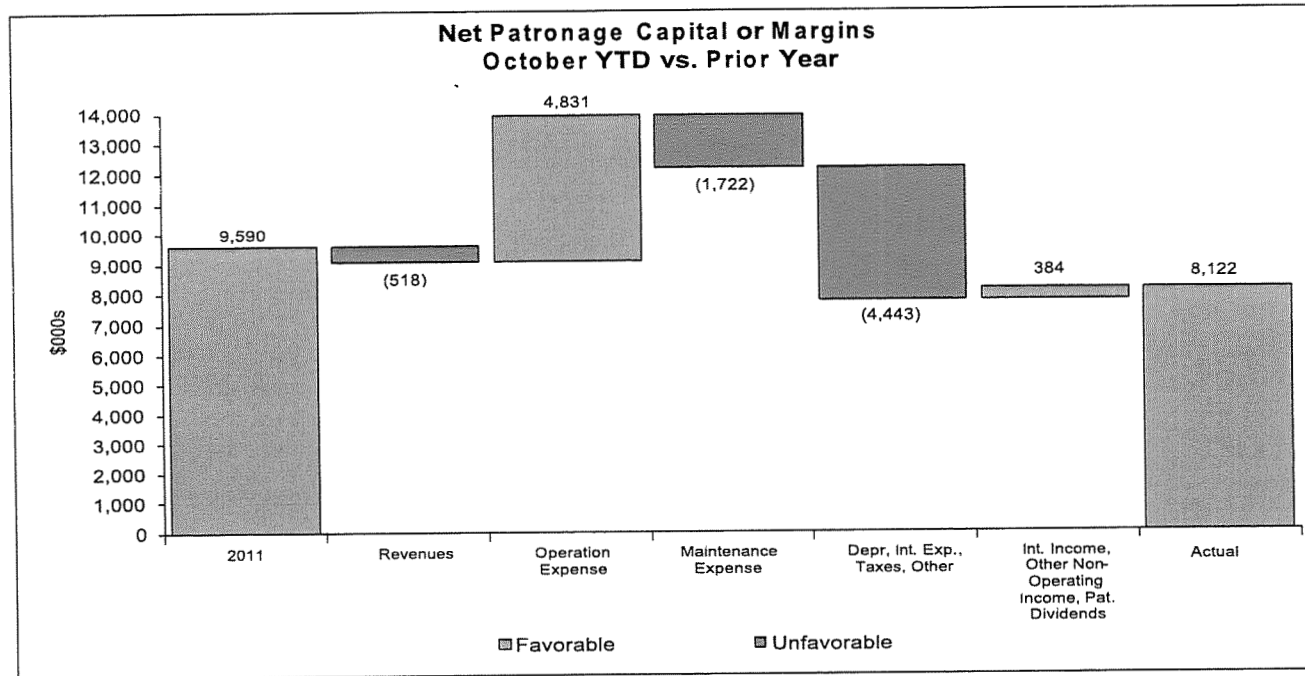


Financial Commentary

Year-to-Date

- October YTD 2012 Margins were \$6,784 favorable to budget.
 - Revenues were unfavorable \$48,752 primarily due to lower off-system price & volume along with lower rural volume and lower rates (see page 7).
 - Operation Expense was favorable \$38,142 – driven by lower variable costs \$32,373 primarily due to lower variable costs per MWh (see page 8). The remainder of the variance is made up of favorable plant and fixed departmental expenses (see pages 23-25).
 - Maintenance Expense was favorable \$16,373 primarily due to the scope reduction of the Wilson planned outage, cancellation of the Green 2 planned outage, cancellation of the planned outage on the combustion turbine and cancellation of the Coleman 1 & 3 planned outages to offset the lower power market (see pages 26-27).
 - Interest Income/Other is favorable \$548 primarily due to the interest income on the capital term certificates that were part of the financing that took place earlier this year (see page 29).

Variance Analysis Summary



Financial Commentary

Year-to-Date

- October YTD 2012 margins were \$1,468 unfavorable to 2011.
 - Revenues were unfavorable \$518 primarily due to the lower off-system pricing and volumes. This unfavorable variance was offset by the 9/1/2011 rate increase, a higher smelter TIER Adjustment Charge (\$2.95/MWh vs \$1.95/MWh in 2011) and higher transmission revenue (see pages 7 & 22).
 - Operation Expense was favorable \$4,831 – driven by lower variable costs \$8,581, due to volume, partially offset by higher expenses associated with Station-Two and higher Fixed Departmental Expenses (see pages 8 & 23).
 - Maintenance Expense was unfavorable \$1,722 primarily due to the Wilson planned outage this year (see page 26).
 - Depreciation, Interest Expense, Taxes & Other combined was higher \$4,443 due to higher depreciation expense, partially offset by lower interest expense (see page 28).



Your Touch on the Energy Connection

**Revenue
YTD October**

	Actual 2012	Budget 2012	Variance	Actual 2011	2011 Variance
<u>MWh Sales</u>					
Rural	1,931,643	1,958,728	(27,085)	1,988,751	(57,108)
Large Industrial	806,822	802,280	4,542	821,345	(14,523)
Smelter	6,178,296	6,097,560	80,736	5,636,712	541,584
Off-System/Other					
Total					
<u>Revenue - \$/MWh</u>					
Rural	50.79	53.38	(2.59)	46.76	4.03
Large Industrial	43.03	45.85	(2.82)	41.50	1.53
Smelter	48.67	51.84	(3.17)	44.19	4.48
Off-System/Other					
Total					
<u>Revenue - Thousands of \$</u>					
Rural	98,117	104,558	(6,441)	93,001	5,116
Large Industrial	34,719	36,787	(2,068)	34,084	635
Smelter	300,720	316,082	(15,362)	249,071	51,649
Off-System/Other					
Total					

**Revenue Price / Volume Analysis
October 2012**

	Price / Volume		
	Price	Volume	Total
Rural	(4,996)	(1,445)	(6,441)
Large Industrial	(2,276)	208	(2,068)
Smelter	(19,547)	4,185	(15,362)
Off-System/Other			



Your Touch-to-Go Energy Company

Variable Operations Cost YTD October

	Actual 2012	Budget 2012	Variance	Actual 2011	2011 Variance
Variable Operations (VO) Cost - \$/MWh					
Rural					
Large Industrial					
Smelter					
Off-System/Other					
Total					
VO Cost - Thousands of \$					
Rural					
Large Industrial					
Smelter					
Off-System/Other					
Total					

YTD October 2012 Variable Operations Expense

	Actual	Budget	Fav/(UnFav)	Price Variance Fav/(UnFav)	Volume Variance Fav/(UnFav)	Fav/(UnFav)
Reagent						
Fuel						
Purchased Power						
Non-FAC PPA (Non-Smelter)						



Your Touchstone Energy Cooperative

Net Sales Margin YTD Margin

	Actual 2012	Budget 2012	Variance	Actual 2011	2011 Variance
Net Sales Margin - \$/MWh					
Rural					
Large Industrial					
Smelter					
Off-System/Other					
Total					
Net Sales Margin - Thousands of \$					
Rural					
Large Industrial					
Smelter					
Off-System/Other					
Total					

Net Sales Margin Price / Volume Analysis October 2012

	Price / Volume		
	Price	Volume	Total
Rural			
Large Industrial			
Smelter			
Off-System/Other			



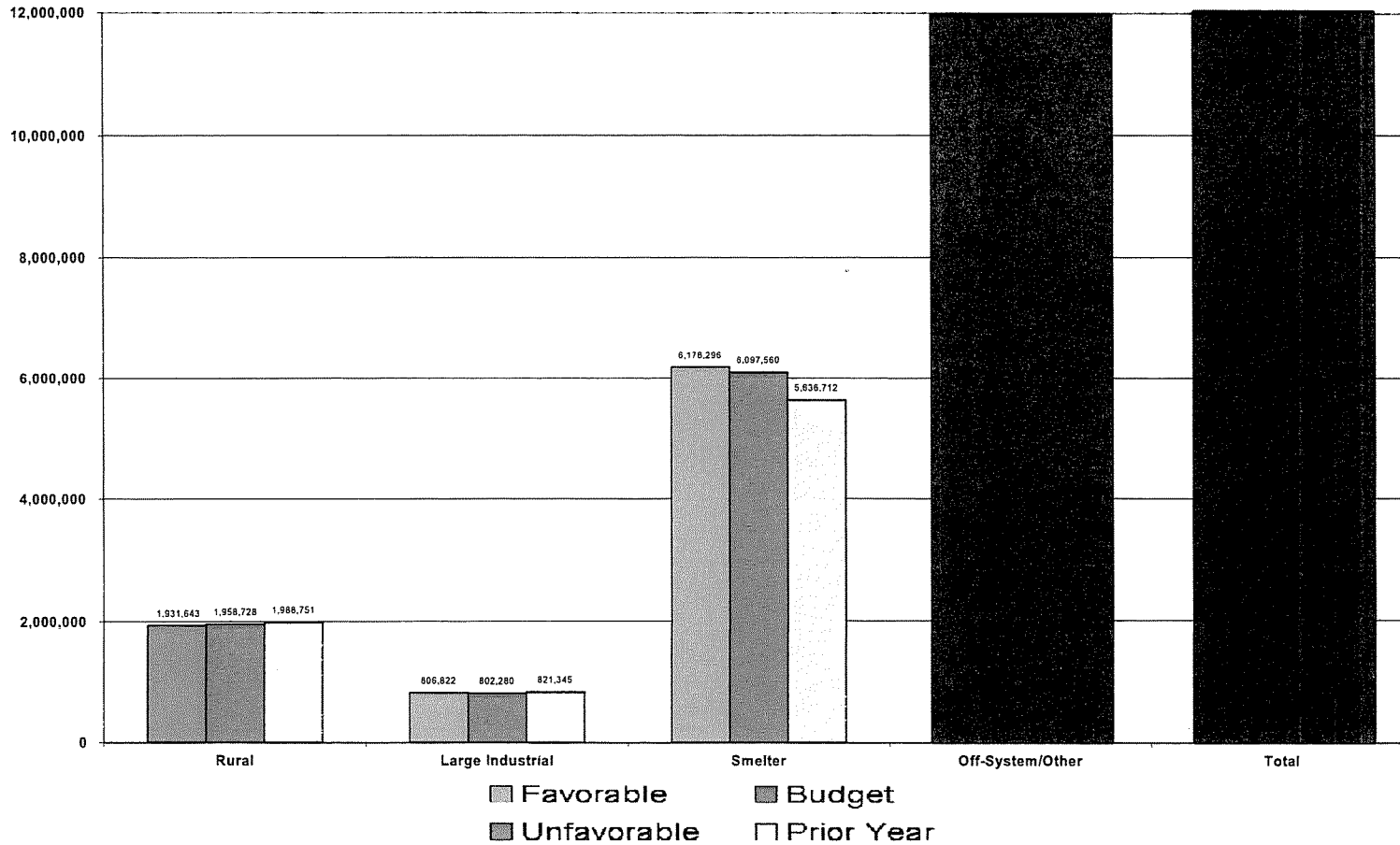
Your Technology. Energy. Electricity.

**Member Rate Stability Mechanism
YTD October**

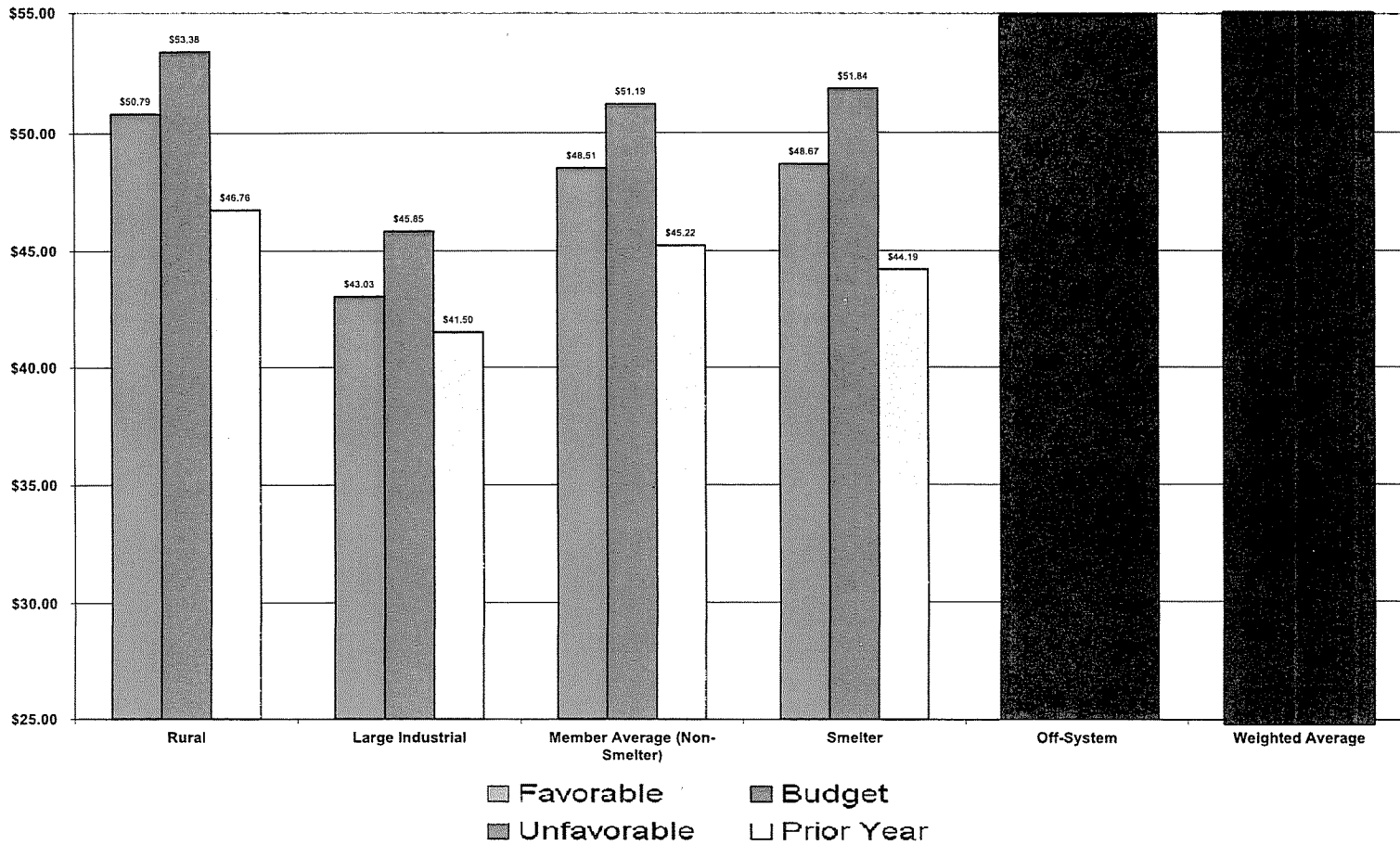
	<u>Actual</u> <u>2012</u>	<u>Budget</u> <u>2012</u>	<u>2012</u> <u>Variance</u>	<u>Actual</u> <u>2011</u>	<u>2011</u> <u>Variance</u>		<u>Actual</u> <u>2012</u>	<u>Budget</u> <u>2012</u>	<u>2012</u> <u>Variance</u>	<u>Actual</u> <u>2011</u>	<u>2011</u> <u>Variance</u>
<u>MRSM - \$/MWh</u>						<u>Net Revenue - \$/MWh</u>					
Rural	(6.24)	(8.85)	2.61	(6.36)	0.12	Rural	44.55	44.53	0.02	40.40	4.15
Large Industrial	(6.24)	(8.85)	2.61	(6.36)	0.12	Large Industrial	36.79	37.00	(0.21)	35.14	1.65
Total	(6.24)	(8.85)	2.61	(6.36)	0.12	Total	42.27	42.34	(0.07)	38.86	3.41
<u>MRSM - Thousands of \$</u>						<u>Net Revenue - Thousands of \$</u>					
Rural	(12,024)	(17,409)	5,385	(12,642)	618	Rural	86,093	87,149	(1,056)	80,359	5,734
Large Industrial	(5,053)	(7,028)	1,975	(5,218)	165	Large Industrial	29,666	29,759	(93)	28,866	800
Total	(17,077)	(24,437)	7,360	(17,860)	783	Total	115,759	116,908	(1,149)	109,225	6,534

<u>Economic Reserve Balance</u>			
<u>Cumulative-to-Date</u>	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
Original Deposit	\$ 157,000		
Interest Earnings	3,142		
Withdrawals	<u>(76,538)</u>		
Ending Balance 10/31/2012	\$ 83,604	\$ 76,627	\$ 6,977
<u>YTD October 2012</u>			
Beg. Balance 1/1/2012	\$ 100,601		
Interest Earnings	378		
Withdrawals	<u>(17,375)</u>		
Ending Balance 10/31/2012	\$ 83,604	\$ 76,627	\$ 6,977

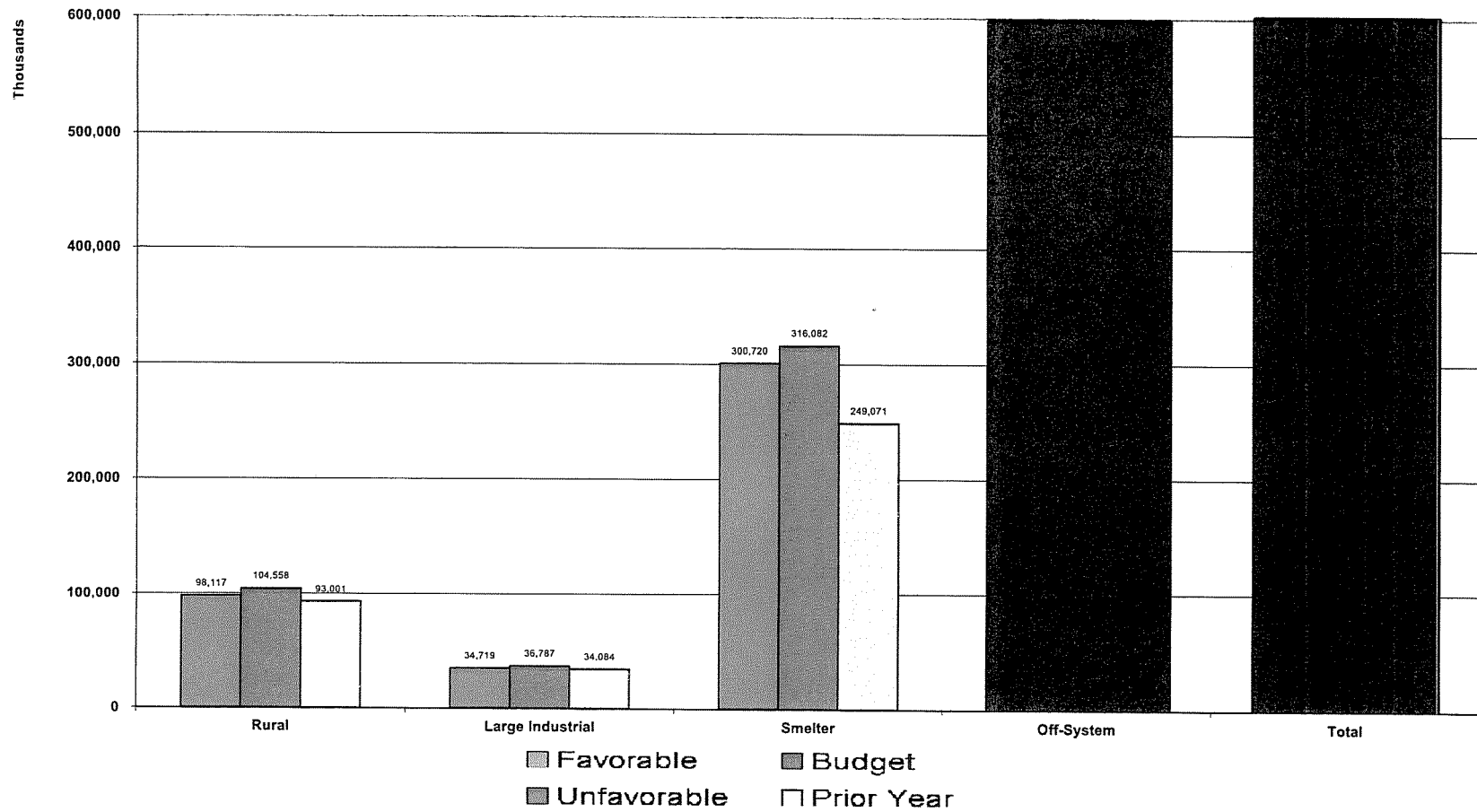
MWH Sales YTD - October



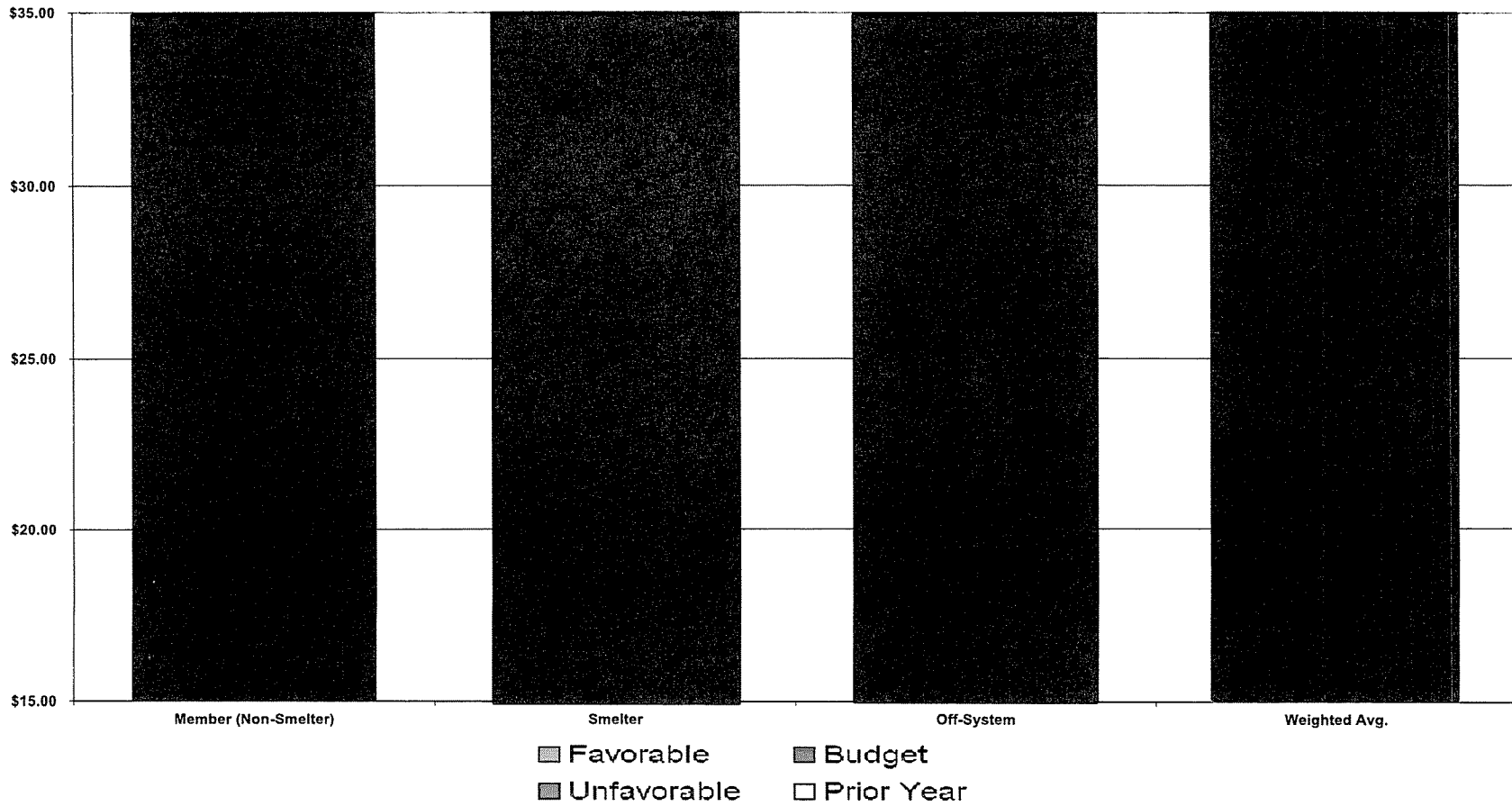
Revenue - \$/MWh Sold YTD - October



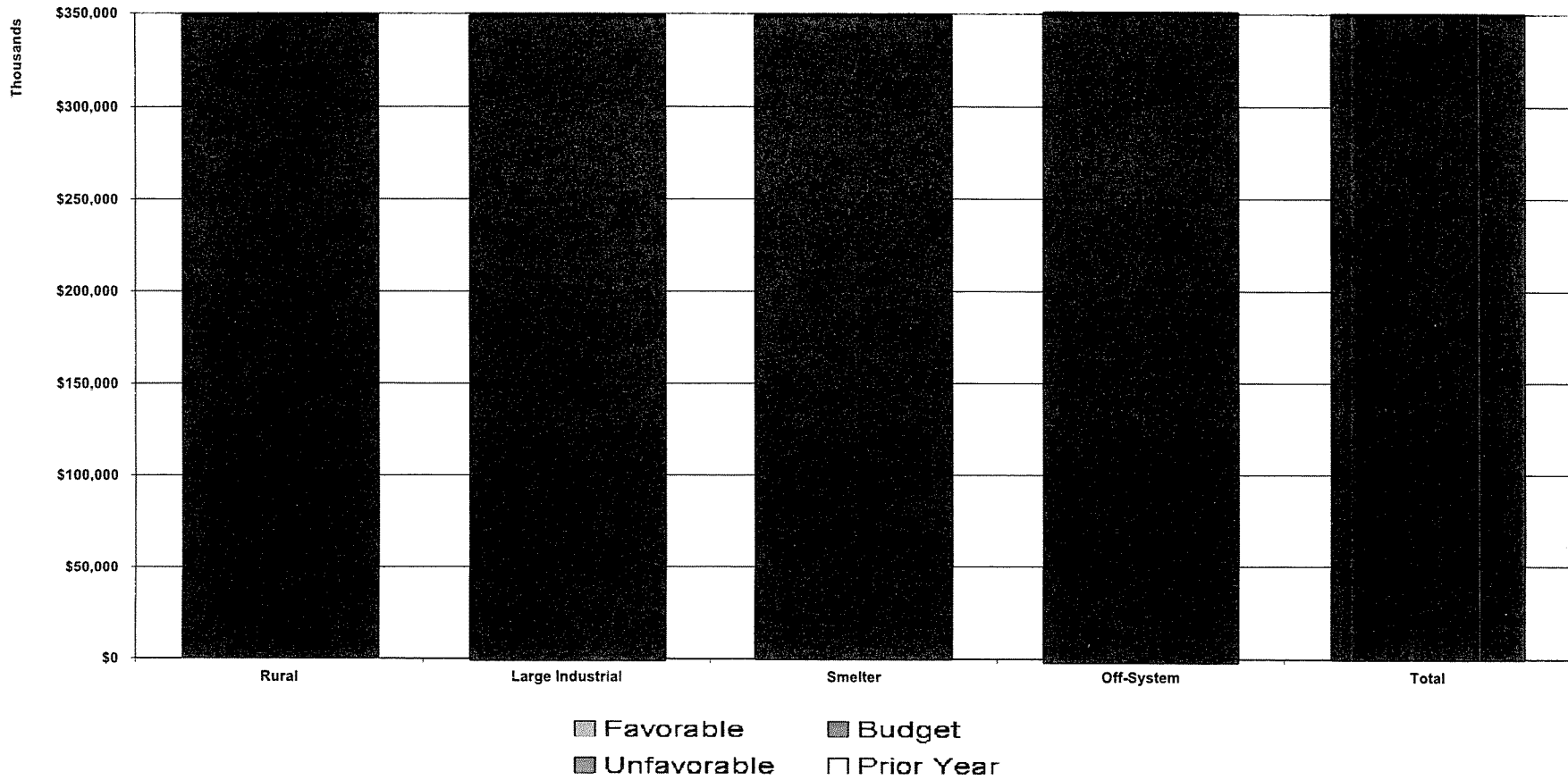
Revenue YTD - October



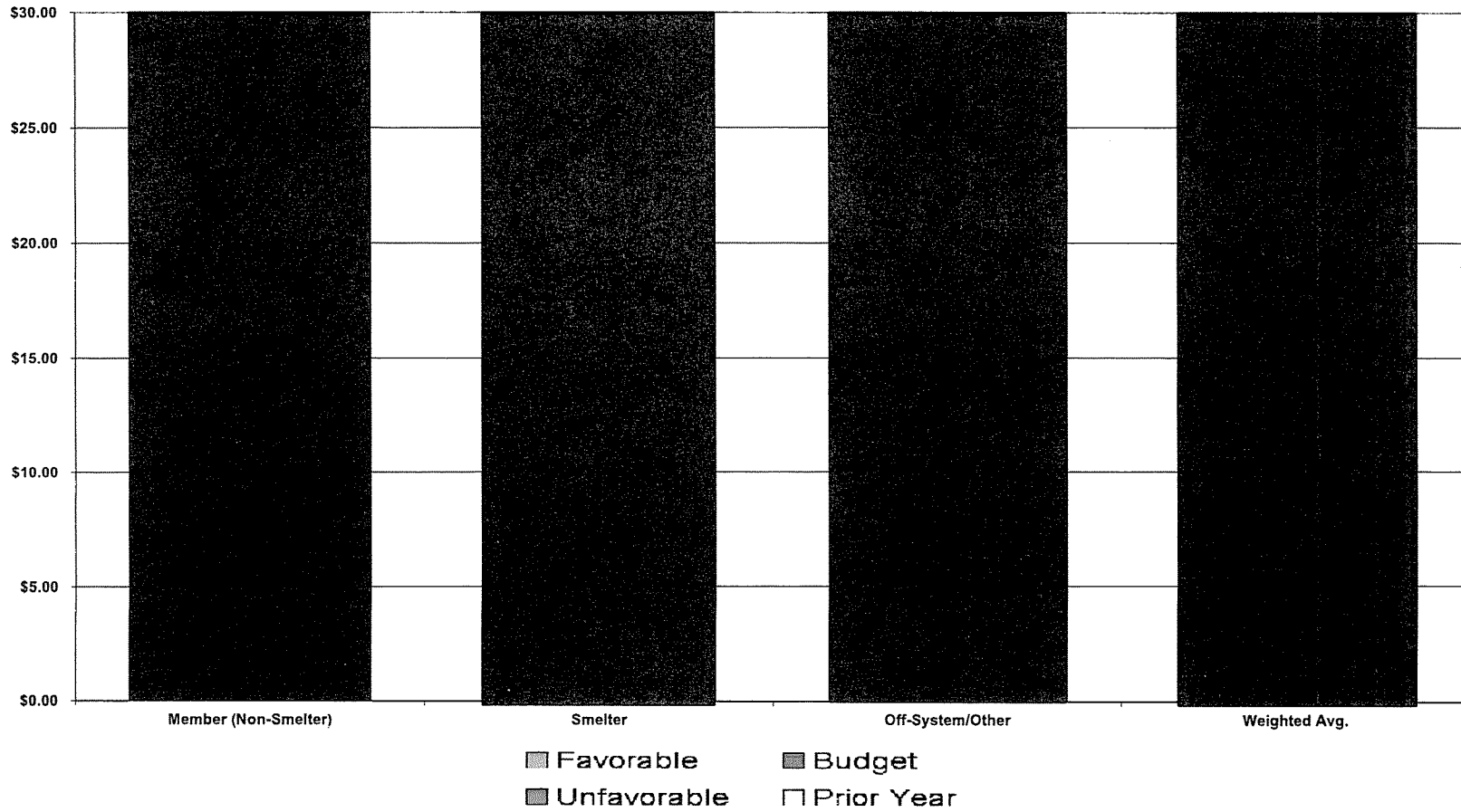
Variable Operations - \$/MWh Sold YTD - October



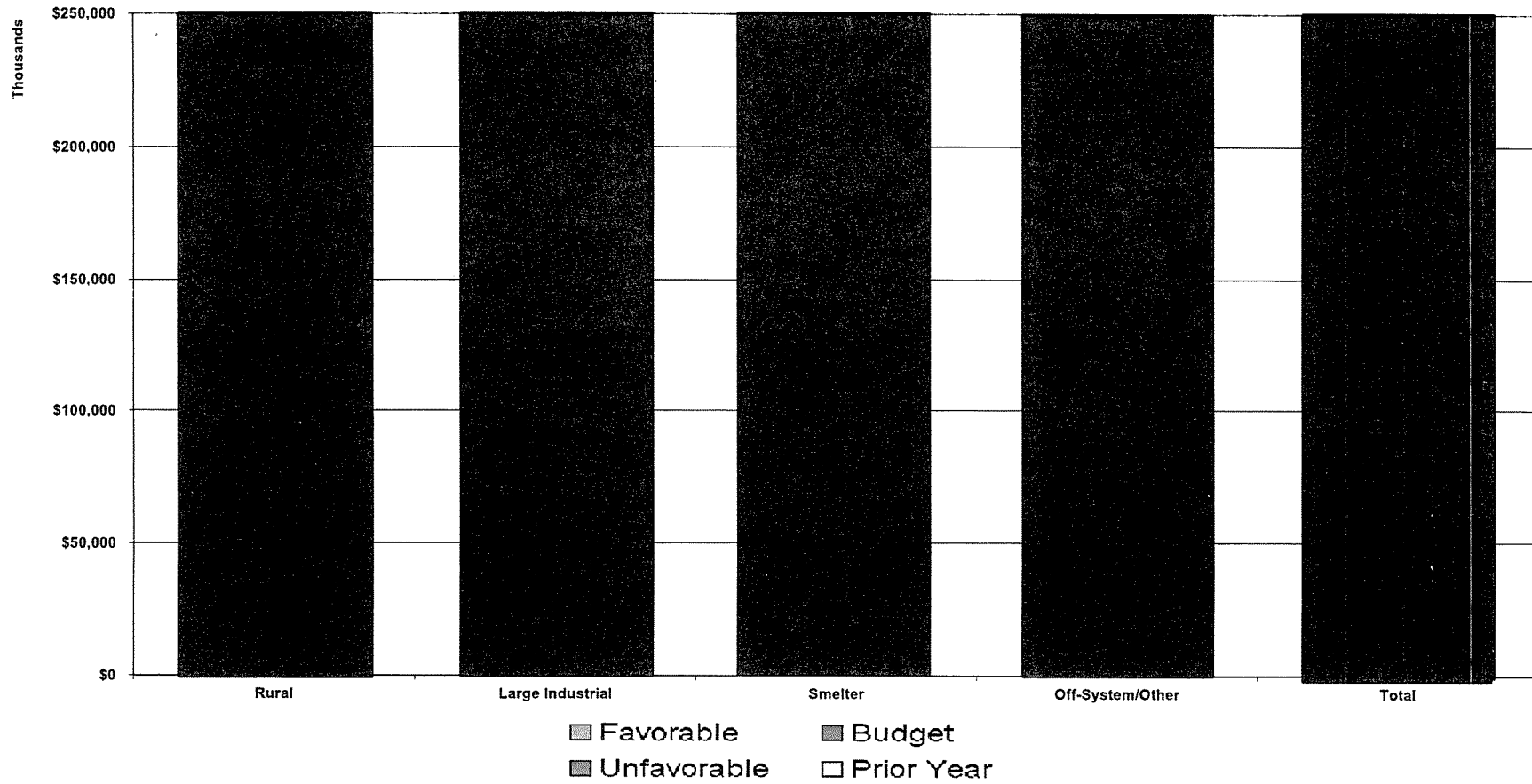
Variable Operations Cost YTD - October



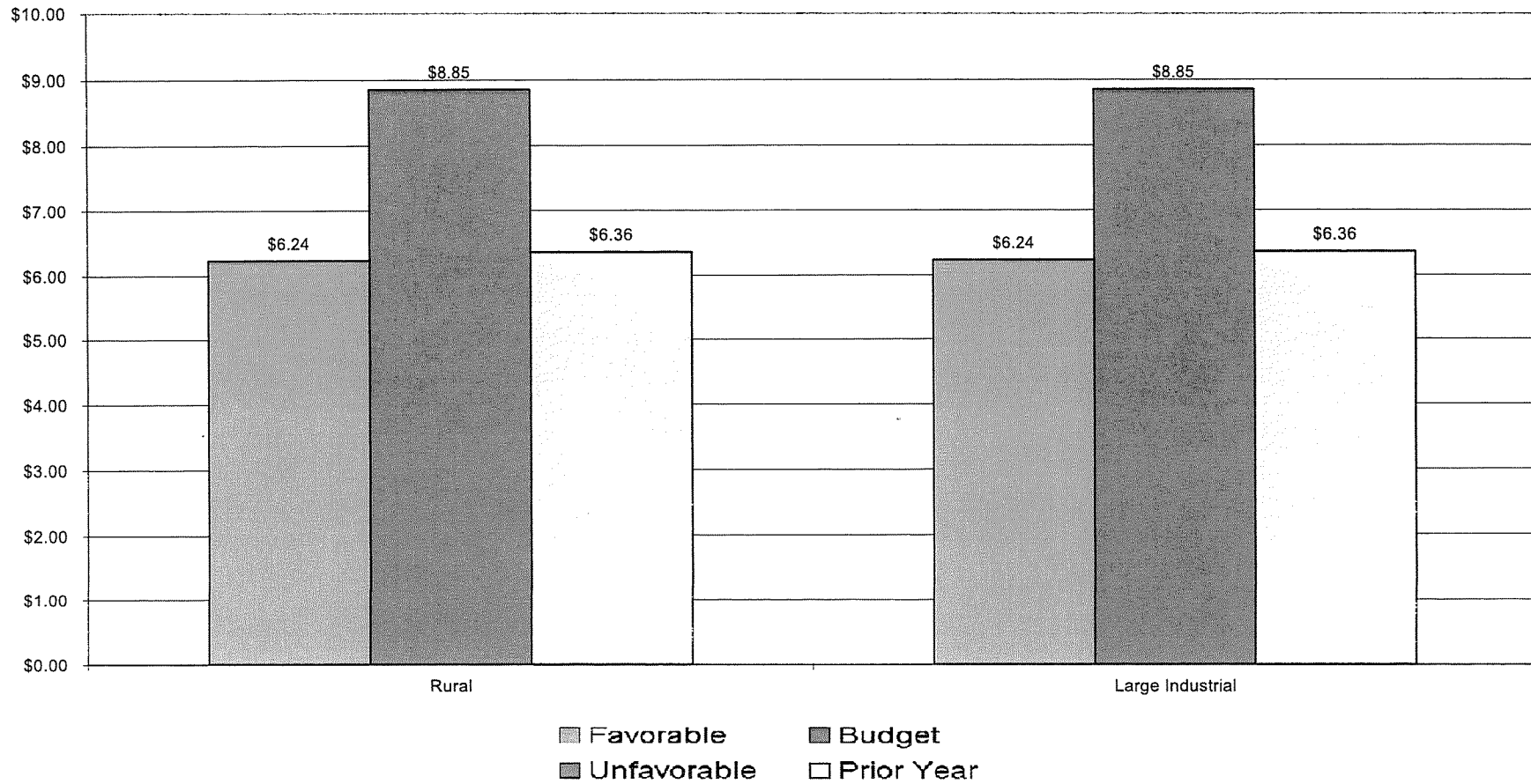
Net Sales Margin - \$/MWh YTD – October



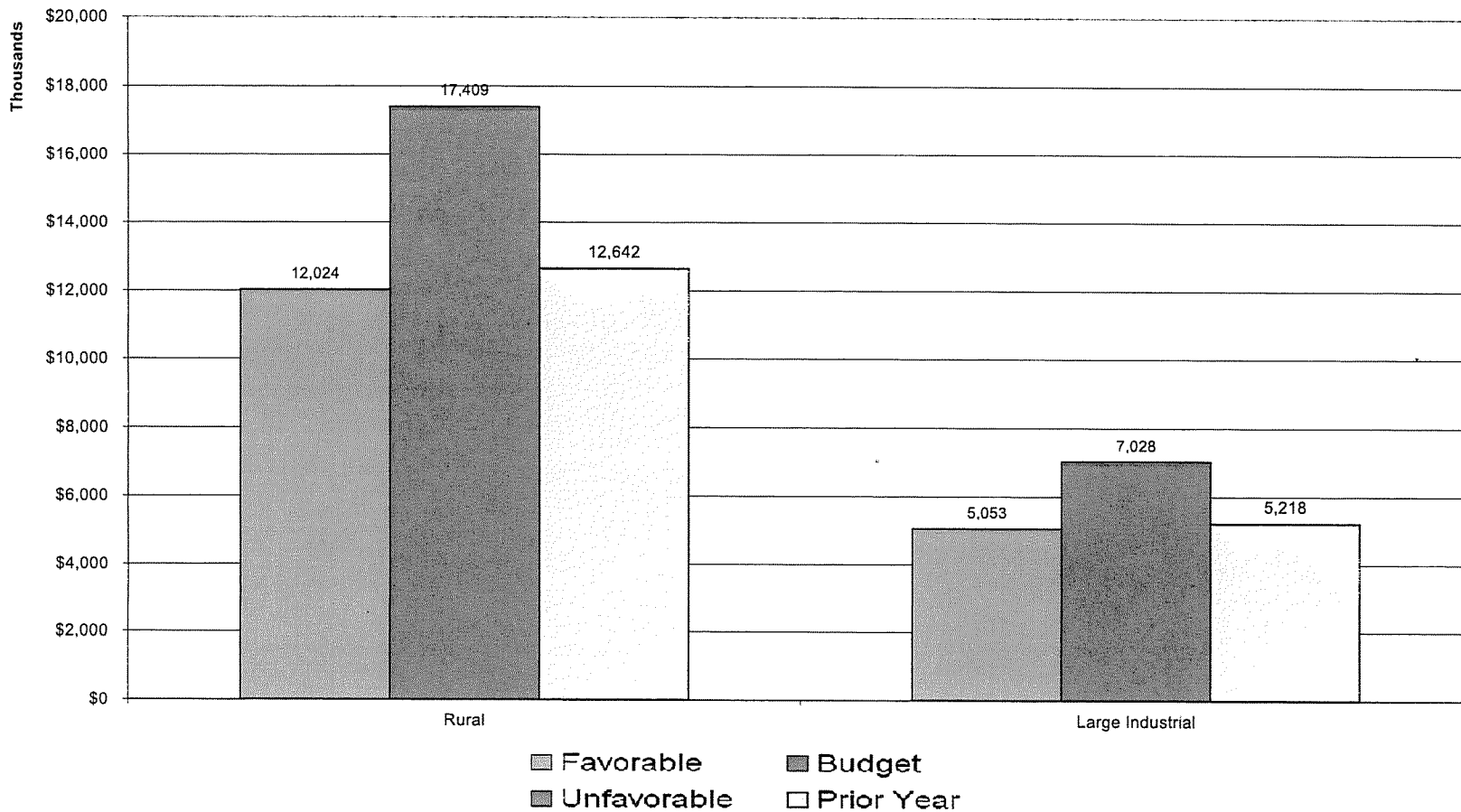
Net Sales Margin YTD – October



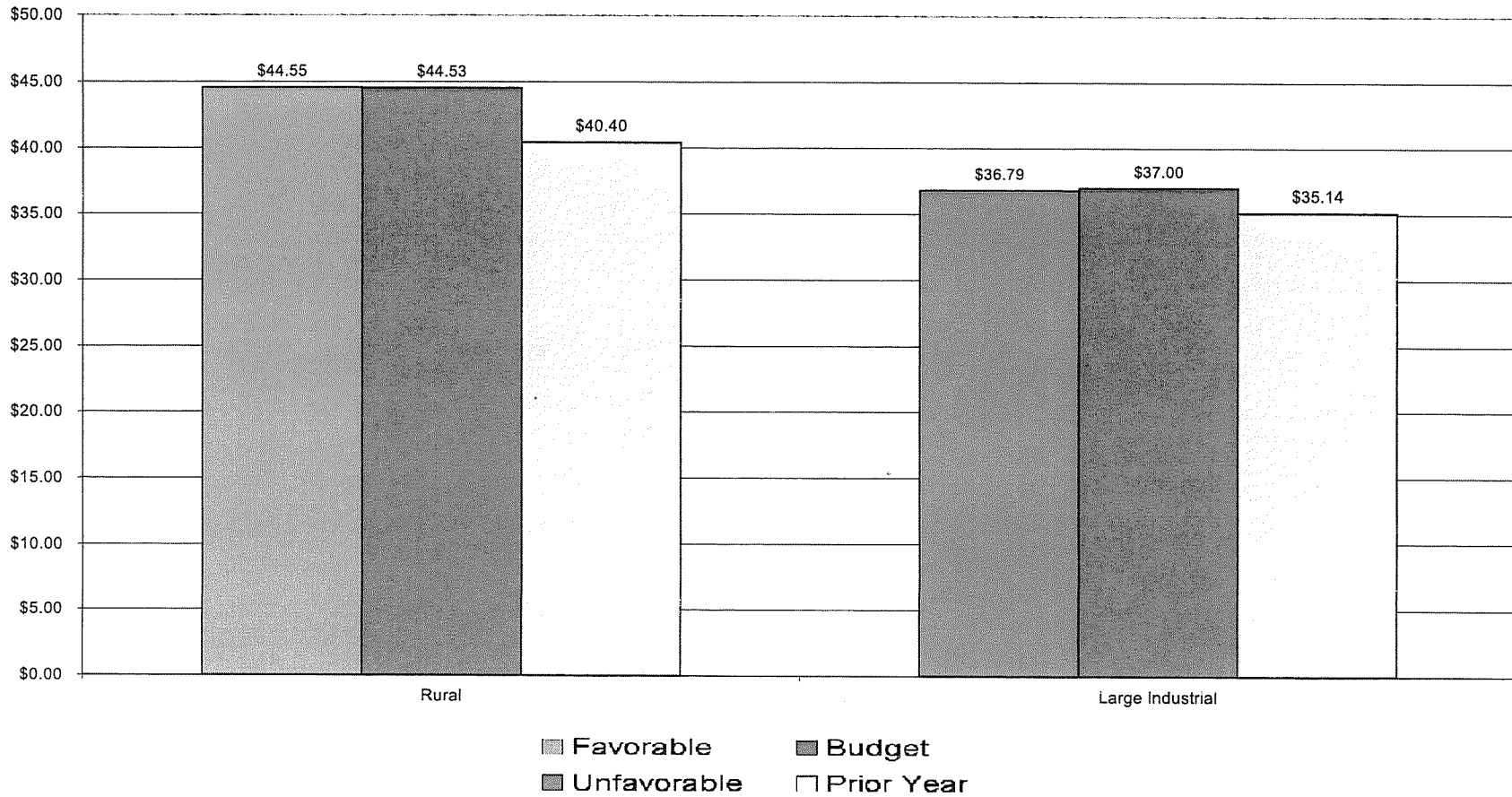
MRSM - \$/MWh YTD - October



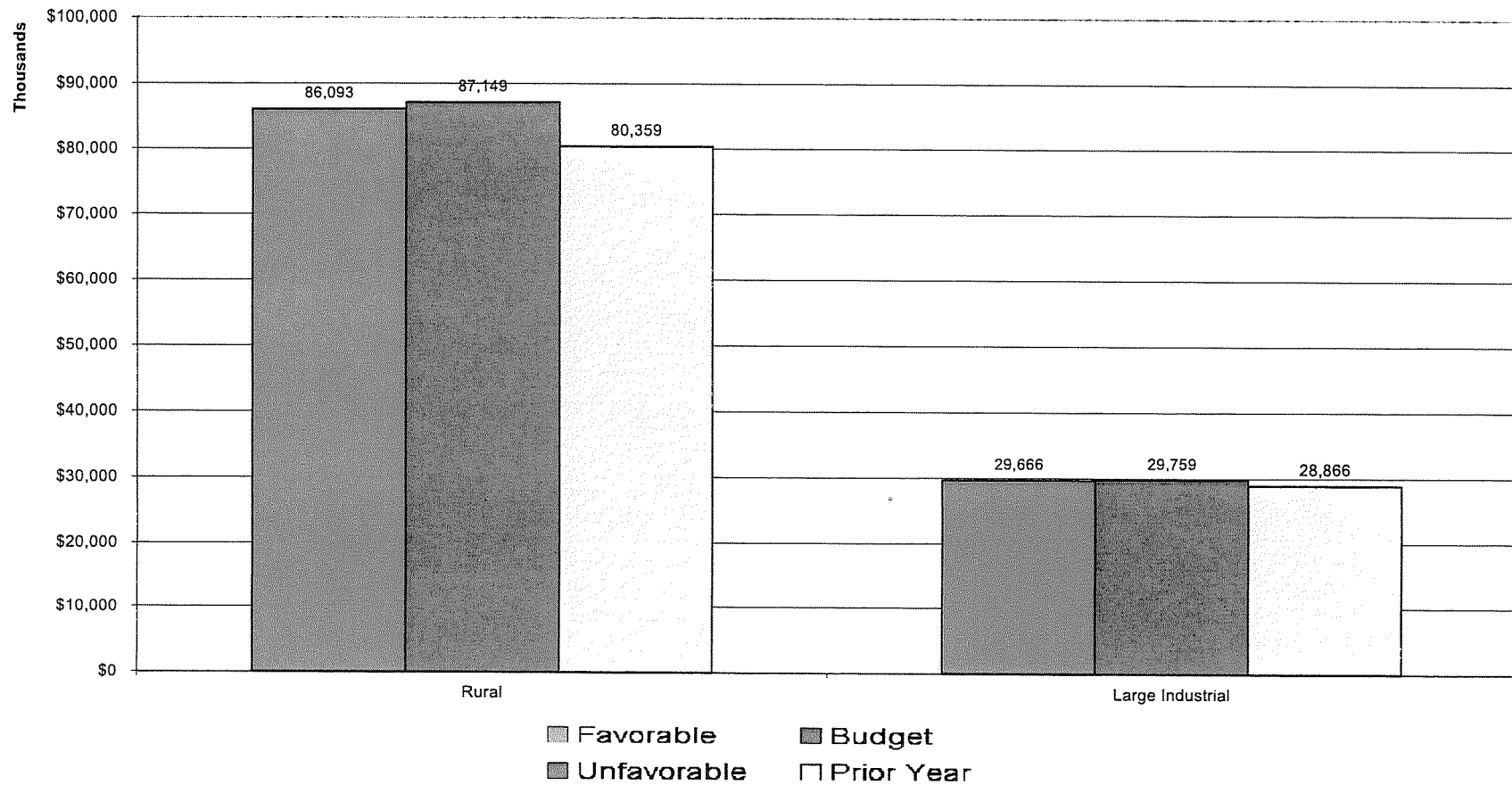
MRSM YTD - October



Net Revenue (Excl. MRSM) - \$/MWh YTD - October



Net Revenue (Excl. MRSM) YTD - October



Other Operating Revenue and Income

	2012			2011	
	<u>Actual</u>	<u>Budget</u>	<u>Variance Fav/(Unfav)</u>	<u>2011 Actual</u>	<u>Variance Fav/(Unfav)</u>
October YTD	4,267	3,344	923	2,982	1,285

The favorable current and prior-year variance is due to higher transmission revenue this year.



Non-Variable Production and Other Power Supply – Operations

	2012		2011		
	<u>Actual</u>	<u>Budget</u>	<u>Variance Fav/(Unfav)</u>	<u>2011 Actual</u>	<u>Variance Fav/(Unfav)</u>
October YTD			3,512		(3,360)

Current Year Variances

Power Supply transmission reservation	<u>575</u>
Station II & Plant Operations reductions (Labor & Non-labor)	3,451
Depreciation/Other	<u>(514)</u>
Non-Variable Production and Other Power Supply - Operations	3,512

Prior-Year Variances

Power Supply transmission reservation	<u>(79)</u>
Station-Two O&M [driven by higher outage & labor expense in 2012]	(2,145)
Station-Two [higher depreciation expense]	(1,040)
Other	<u>(96)</u>
Non-Variable Production and Other Power Supply - Operations	(3,360)

Operation Expense – Transmission

	2012		
	<u>Actual</u>	<u>Budget</u>	<u>Variance</u> <u>Fav/(Unfav)</u>
October YTD	8,266	8,993	727

Favorable to budget as a larger percentage of labor is being charged to maintenance accounts than was budgeted (see page 28).

Operation Expense – Sales

	2012		
			Variance
	<u>Actual</u>	<u>Budget</u>	<u>Fav/(Unfav)</u>
October YTD	142	956	814

Favorable to budget due to delay in the start of the energy efficiency/demand side management programs.

Maintenance Expense – Production

	2012			2011	
	<u>Actual</u>	<u>Budget</u>	<u>Variance Fav/(Unfav)</u>	<u>2011 Actual</u>	<u>Variance Fav/(Unfav)</u>
October YTD			17,150		(1,412)

The favorable YTD variance vs. budget is due to scope reduction of planned outages to offset the lower power market. The Green facility is favorable due to the cancellation of the unit two planned outage. The Coleman station is also favorable due to the cancellation of the unit 1 and unit 3 outages. The planned outage on the gas turbine was also cancelled. The planned outage at the Wilson facility was reduced in scope.

The unfavorable variance to prior-year is driven by the Wilson spring planned outage this year.

Maintenance Expense – Transmission

	2012		
			Variance
	<u>Actual</u>	<u>Budget</u>	<u>Fav/(Unfav)</u>
October YTD	4,069	3,348	(721)

Unfavorable to budget primarily due to higher labor expense in the maintenance accounts. This is partially offset in Operation Expense – Transmission as a larger percentage of labor is being charged to maintenance accounts than was budgeted (see page 24).

Depreciation & Amortization Expense

	2012	2011	Variance
	<u>Actual</u>	<u>Actual</u>	<u>Fav/(Unfav)</u>
October YTD	34,248	28,873	(5,375)

Unfavorable to prior-year due to the higher depreciation rates that are in effect as a result of the depreciation study and a higher plant in service balance being depreciated.

Interest Income

	2012			2011	
	<u>Actual</u>	<u>Budget</u>	<u>Variance Fav/(Unfav)</u>	<u>2011 Actual</u>	<u>Variance Fav/(Unfav)</u>
October YTD	578	55	523	138	440

Favorable to budget and prior-year due to the interest income on the capital term certificates that were part of the financing that took place earlier this year.

North Star – YTD October

	2012			2011	
	Actual	Budget	Fav/(UnFav) Variance	Actual	Fav/(UnFav) Variance
Total Cost of Electric Service			54,988		(1,334)
Other Operating Revenues & Income	(4,267)	(3,344)	923	(2,982)	1,285
Smelter Avoidable Base Charge	(358)	0	358	(2,594)	(2,236)
Off-System Sales/Other					
Interest Income	(578)	(55)	523	(138)	440
Other Non-Operating Income	0	0	0	(9)	(9)
Other Capital Credits & Pat. Dividends	(58)	(33)	25	(105)	(47)
			31,013		(61,103)

Member MWh

8,916,761	8,858,568	58,193	8,446,810	469,951
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North Star - \$/kWh

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TIER

	<u>Actual</u>	<u>Budget</u>	<u>Fav/(Unfav)</u>
Interest on Long-Term Debt	37,528	37,241	(287)
Net Margins	[REDACTED]		
TIER - YTD October	[REDACTED]		
TIER (12 months ending 10/31)	[REDACTED]		

Notes:

TIER = (Net Margins + Interest on Long-Term Debt) divided by Interest on Long-Term Debt

Capital Expenditures*

Year-to-Date

	Actual	Budget	Fav/(UnFav)
IT	1,244	2,116	872
Generation	24,315	49,718	25,403
Transmission	7,123	10,216	3,093
Other	942	12,360	11,418
Total	33,624	74,410	40,786

Explanation:

IT was favorable \$872 due to the favorability of the Oracle Extensions project, as well as the timing of the OSI EMS Hardware/Software projects.

Generation was favorable by \$25,403. Coleman Station was favorable \$9,750 due to the C1 and C3 outage deferrals/cancellations. Green Station was favorable by \$6,616 due to the G2 outage deferral, as well as the reduction of the FGD project and cancellation of the Coal Sampler project. Wilson Station was favorable \$8,248 primarily due to outage scope reductions/deferrals. Station-Two was favorable \$789 largely due to favorability of the H1 Burner Replacement project.

Transmission was favorable \$3,093 primarily due to deferral of the White Oak Substation project.

Other was favorable \$11,418 mainly due to the delay of the MATS project, as well as cancellation of the CSAPR project. Additionally, the PCI Analyzer Software project was cancelled.



Cash & Temporary Investments

	<u>Actual</u>	<u>Budget</u>	<u>Fav/(Unfav)</u>	2011	<u>Fav/(Unfav)</u>
October 31st	117,335	52,348	64,987	58,888	58,447


The October 31, 2012 cash balance compared to budget is favorable due to the borrowing that occurred in July.

The variance to prior-year is driven by the borrowing this year, partially offset by the year-over-year increase in fuel inventory.

Lines of Credit <u>As of October 31st</u>	
Original Amount	\$100,000
Letters of Credit Outstanding	(5,375)
Advances Outstanding	0
Available Lines of Credit	\$ 94,625

Monthly Financial Report – September 2012



Your Touchstone Energy Cooperative 

Financial Report
September 2012
(\$ in Thousands)

Board Meeting Date: November 16, 2012



Summary of Statement of Operations YTD - September

	2012			2011	
	Actual	Budget	Fav/(UnFav) Variance	Actual	Fav/(UnFav) Variance
Revenues	423,042	457,939	(34,897)	424,489	(1,447)
Cost of Electric Service	415,378	456,969	41,591	415,836	458
Operating Margins	7,664	970	6,694	8,653	(989)
Interest Income/Other	462	82	380	245	217
Net Margins - YTD	8,126	1,052	7,074	8,898	(772)
October - YTD	8,122	1,338	6,784	9,590	(1,468)

Statement of Operations – September Variance to Budget

	Current Month			Year-to-Date			
	Actual	Budget	Variance Fav/(UnFav)	Actual	Budget	Variance Fav/(UnFav)	Explanation
ELECTRIC ENERGY REVENUES	46,264	47,510	(1,246)	419,183	454,929	(35,746)	[A] Pages 7, 9-13, 16-21
OTHER OPERATING REVENUE AND INCOME	351	334	17	3,859	3,010	849	[B], [C] Page 22
TOTAL OPER REVENUES & PATRONAGE CAPITAL	46,615	47,844	(1,229)	423,042	457,939	(34,897)	
OPERATION EXPENSE-PRODUCTION-EXCL FUEL	4,038	4,541	503	36,392	41,511	5,119	[A] Pages 8, 14-15, 23
OPERATION EXPENSE-PRODUCTION-FUEL	18,170	19,363	1,193	165,833	181,106	15,273	[A] Pages 8, 14-15
OPERATION EXPENSE-OTHER POWER SUPPLY	8,973	8,490	(483)	84,281	90,266	5,985	[A] Pages 8, 14-15, 23
OPERATION EXPENSE-TRANSMISSION	626	849	223	7,363	8,093	730	[C] Page 24
OPERATION EXPENSE-RTO/ISO	170	189	19	1,663	1,873	210	
OPERATION EXPENSE-RTD/ISO	61	56	(5)	391	551	160	
CONSUMER SERVICE & INFORMATIONAL EXPENSE	5	175	170	102	871	769	[B] Page 25
OPERATION EXPENSE-SALES	2,107	1,908	(199)	20,378	19,871	(507)	[C] Page 26
OPERATION EXPENSE-ADMINISTRATIVE & GENERAL							
TOTAL OPERATION EXPENSE	34,150	35,571	1,421	316,403	344,142	27,739	
MAINTENANCE EXPENSE-PRODUCTION	3,000	3,556	556	30,872	45,097	14,225	[B], [C] Page 27
MAINTENANCE EXPENSE-TRANSMISSION	338	298	(40)	3,736	2,995	(741)	[B] Page 28
MAINTENANCE EXPENSE-GENERAL PLANT	17	8	(9)	128	78	(50)	
TOTAL MAINTENANCE EXPENSE	3,355	3,862	507	34,736	48,170	13,434	
DEPRECIATION & AMORTIZATION EXPENSE	3,564	3,521	(43)	30,852	31,299	447	
TAXES	0	0	0	4	1	(3)	
INTEREST ON LONG-TERM DEBT	3,704	3,675	(29)	33,719	33,473	(246)	
INTEREST CHARGED TO CONSTRUCTION-CREDIT	(70)	(50)	20	(578)	(404)	174	
OTHER INTEREST EXPENSE	0	0	0	55	0	(55)	
OTHER DEDUCTIONS	24	42	18	187	288	101	
TOTAL COST OF ELECTRIC SERVICE	44,727	46,621	1,894	415,378	456,969	41,591	
OPERATING MARGINS	1,888	1,223	665	7,664	970	6,694	
INTEREST INCOME	347	5	342	403	49	354	[B] Page 30
ALLOWANCE FOR FUNDS USED DURING CONST	0	0	0	0	0	0	
OTHER NON-OPERATING INCOME - NET	0	0	0	0	0	0	
OTHER CAPITAL CREDITS & PAT DIVIDENDS	0	0	0	59	33	26	
EXTRAORDINARY ITEMS	0	0	0	0	0	0	
NET PATRONAGE CAPITAL OR MARGINS	2,235	1,228	1,007	8,126	1,052	7,074	

YTD Explanations: [A] Net Sales Margin, [B] 10% of line item and \$250,000 or [C] 10% of margins and \$500,000.



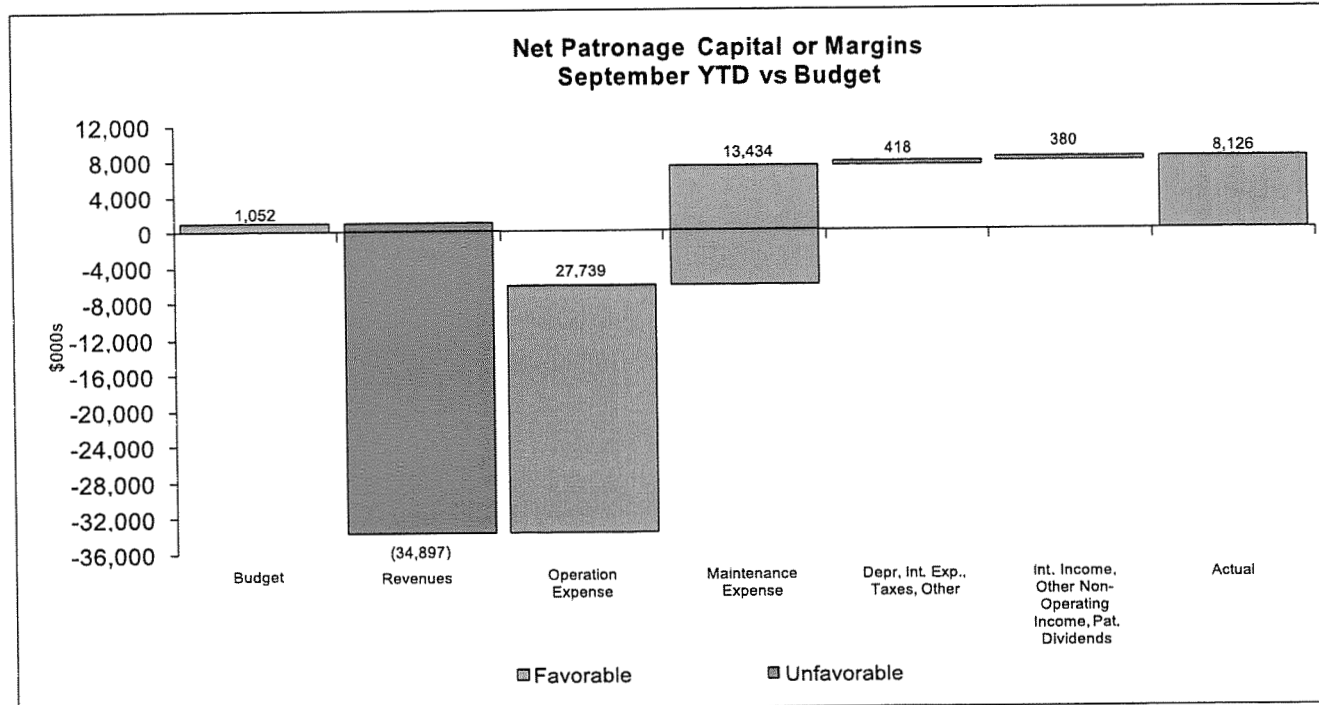
Your Reliable Energy Cooperative

Statement of Operations – September Variance to Prior-Year

	Current Month			Year-to-Date			Explanation
	Actual	Prior Year	Variance Fav/(UnFav)	Actual	Prior Year	Variance Fav/(UnFav)	
ELECTRIC ENERGY REVENUES	46,264	49,057	(2,793)	419,183	422,321	(3,138)	[A] Pages 7, 9-13, 16-21
OTHER OPERATING REVENUE AND INCOME	351	275	76	3,859	2,168	1,691	[B] Page 22
TOTAL OPER REVENUES & PATRONAGE CAPITAL	46,615	49,332	(2,717)	423,042	424,489	(1,447)	
OPERATION EXPENSE-PRODUCTION-EXCL FUEL	4,038	4,285	247	36,392	37,001	609	[A] Pages 8, 14-15, 23
OPERATION EXPENSE-PRODUCTION-FUEL	18,170	18,126	(44)	165,833	173,107	7,274	[A] Pages 8, 14-15
OPERATION EXPENSE-OTHER POWER SUPPLY	8,973	9,189	216	84,281	83,179	(1,102)	[A] Pages 8, 14-15, 23
OPERATION EXPENSE-TRANSMISSION	626	746	120	7,363	6,920	(443)	[B], [C] Page 24
OPERATION EXPENSE-RTO/ISO	170	192	22	1,663	1,832	169	
CONSUMER SERVICE & INFORMATIONAL EXPENSE	61	39	(22)	391	345	(46)	
OPERATION EXPENSE-SALES	5	37	32	102	129	27	
OPERATION EXPENSE-ADMINISTRATIVE & GENERAL	2,107	2,438	331	20,378	19,980	(398)	[C] Page 26
TOTAL OPERATION EXPENSE	34,150	35,052	902	316,403	322,493	6,090	
MAINTENANCE EXPENSE-PRODUCTION	3,000	3,827	827	30,872	29,182	(1,690)	[C] Page 27
MAINTENANCE EXPENSE-TRANSMISSION	338	494	156	3,736	3,348	(388)	[B] Page 28
MAINTENANCE EXPENSE-GENERAL PLANT	17	8	(9)	128	93	(35)	
TOTAL MAINTENANCE EXPENSE	3,355	4,329	974	34,736	32,623	(2,113)	
DEPRECIATION & AMORTIZATION EXPENSE	3,564	3,304	(260)	30,852	26,374	(4,478)	[B], [C] Page 29
TAXES	0	0	0	4	128	124	
INTEREST ON LONG-TERM DEBT	3,704	3,744	40	33,719	34,450	731	
INTEREST CHARGED TO CONSTRUCTION-CREDIT	(70)	(30)	40	(578)	(450)	128	
OTHER INTEREST EXPENSE	0	0	0	55	60	5	
OTHER DEDUCTIONS	24	14	(10)	187	158	(29)	
TOTAL COST OF ELECTRIC SERVICE	44,727	46,413	1,686	415,378	415,836	458	
OPERATING MARGINS	1,888	2,919	(1,031)	7,664	8,653	(989)	
INTEREST INCOME	347	8	339	403	132	271	[B] Page 30
ALLOWANCE FOR FUNDS USED DURING CONST	0	0	0	0	0	0	
OTHER NON-OPERATING INCOME - NET	0	0	0	0	8	(8)	
OTHER CAPITAL CREDITS & PAT DIVIDENDS	0	8	(8)	59	105	(46)	
EXTRAORDINARY ITEMS	0	0	0	0	0	0	
NET PATRONAGE CAPITAL OR MARGINS	2,235	2,935	(700)	8,126	8,898	(772)	

YTD Explanations: [A] Net Sales Margin, [B] 10% of line item and \$250,000 or [C] 10% of margins and \$500,000.

Variance Analysis Summary

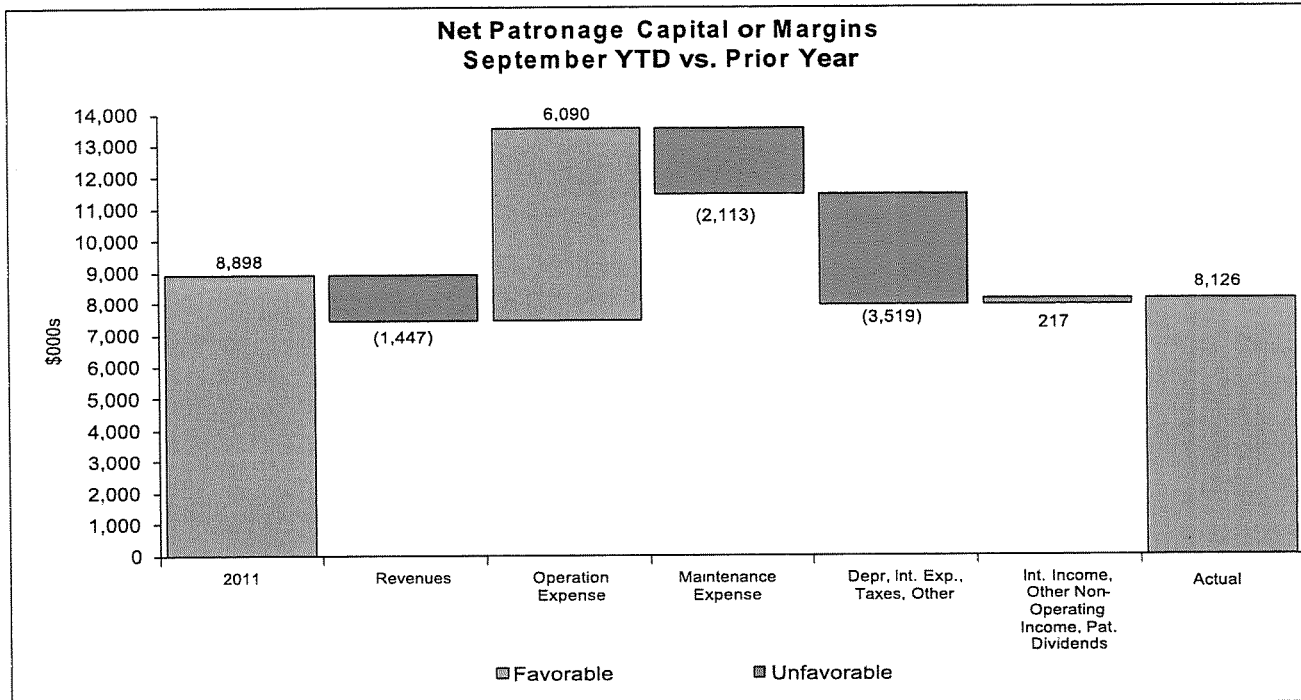


Financial Commentary

Year-to-Date

- September YTD 2012 Margins were \$7,074 favorable to budget.
 - Revenues were unfavorable \$34,897 primarily due to lower rural volume and lower rates (see page 7).
 - Operation Expense was favorable \$27,739 – driven by lower variable costs \$23,136 primarily due to lower variable costs per MWh (see page 8). The remainder of the variance is made up of favorable plant and fixed departmental expenses (see pages 23-26).
 - Maintenance Expense was favorable \$13,434 primarily due to the scope reduction of the Wilson planned outage, cancellation of the Green 2 planned outage, cancellation of the planned outage on the combustion turbine and cancellation of the Coleman 1 & 3 planned outages to offset the lower power market (see pages 27-28).

Variance Analysis Summary



Financial Commentary

Year-to-Date

- September YTD 2012 margins were \$772 unfavorable to 2011.
 - Revenues were unfavorable \$1,447 primarily due to the lower off-system pricing and volumes. This unfavorable variances were offset by the 9/1/2011 rate increase, a higher smelter TIER Adjustment Charge (\$2.95/MWh vs \$1.95/MWh in 2011) and higher transmission revenue (see pages 7 & 22).
 - Operation Expense was favorable \$6,090 – driven by lower variable costs \$10,442, due to volume, partially offset by higher expenses associated with Station-Two and higher Fixed Departmental Expenses (see pages 8, 23, 24 & 26).
 - Maintenance Expense was unfavorable \$2,113 primarily due to the Wilson planned outage and higher maintenance activities at the plants (see pages 27-28).
 - Depreciation, Interest Expense, Taxes & Other combined was higher \$3,519 (see page 29-30).

**Revenue
YTD September**

	Actual 2012	Budget 2012	Variance	Actual 2011	2011 Variance
MWh Sales					
Rural	1,774,531	1,806,793	(32,262)	1,830,408	(55,877)
Large Industrial	725,754	723,714	2,040	735,533	(9,779)
Smelter	5,552,923	5,477,808	75,115	5,041,000	511,923
Off-System/Other					
Total					
Revenue - \$/MWh					
Rural	50.88	53.54	(2.66)	46.96	3.92
Large Industrial	43.02	45.98	(2.96)	41.62	1.40
Smelter	48.61	51.70	(3.09)	44.08	4.53
Off-System/Other					
Total					
Revenue - Thousands of \$					
Rural	90,283	96,741	(6,458)	85,955	4,328
Large Industrial	31,220	33,276	(2,056)	30,616	604
Smelter	269,914	283,206	(13,292)	222,194	47,720
Off-System/Other					
Total					

**Revenue Price / Volume Analysis
September 2012**

	Price / Volume		
	Price	Volume	Total
Rural	(4,731)	(1,726)	(6,458)
Large Industrial	(2,150)	94	(2,056)
Smelter	(17,175)	3,883	(13,292)
Off-System/Other			

Variable Operations Cost
YTD September

	<u>Actual</u> <u>2012</u>	<u>Budget</u> <u>2012</u>	<u>Variance</u>	<u>Actual</u> <u>2011</u>	<u>2011</u> <u>Variance</u>
Variable Operations (VO) Cost - \$/MWh					
Rural					
Large Industrial					
Smelter					
Off-System/Other					
Total					
<u>VO Cost - Thousands of \$</u>					
Rural					
Large Industrial					
Smelter					
Off-System/Other					
Total					

YTD September 2012
Variable Operations Expense

	<u>Actual</u>	<u>Budget</u>	<u>Fav/(UnFav)</u>	<u>Price Variance</u> <u>Fav/(UnFav)</u>	<u>Volume Variance</u> <u>Fav/(UnFav)</u>	<u>Fav/(UnFav)</u>
Reagent						
Fuel						
Purchased Power						
Non-FAC PPA (Non-Smelter)						

**Net Sales Margin
YTD September**

	<u>Actual</u> <u>2012</u>	<u>Budget</u> <u>2012</u>	<u>Variance</u>	<u>Actual</u> <u>2011</u>	<u>2011</u> <u>Variance</u>
Net Sales Margin - \$/MWh					
Rural					
Large Industrial					
Smelter					
Off-System/Other					
Total					
Net Sales Margin - Thousands of \$					
Rural					
Large Industrial					
Smelter					
Off-System/Other					
Total					

**Net Sales Margin
Price / Volume Analysis
September 2012**

	<u>Price / Volume</u>
Rural	
Large Industrial	
Smelter	
Off-System/Other	



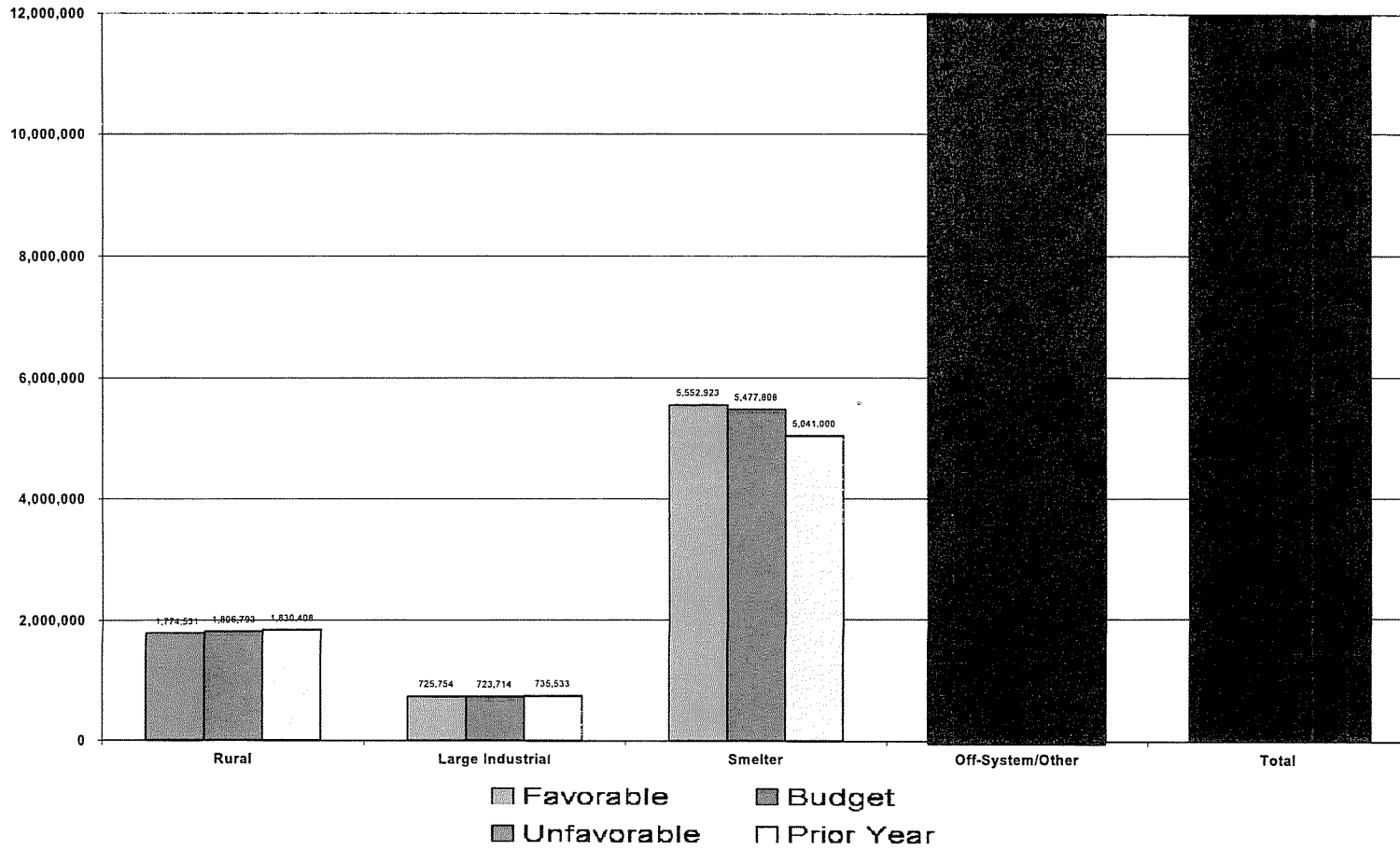
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**Member Rate Stability Mechanism
YTD September**

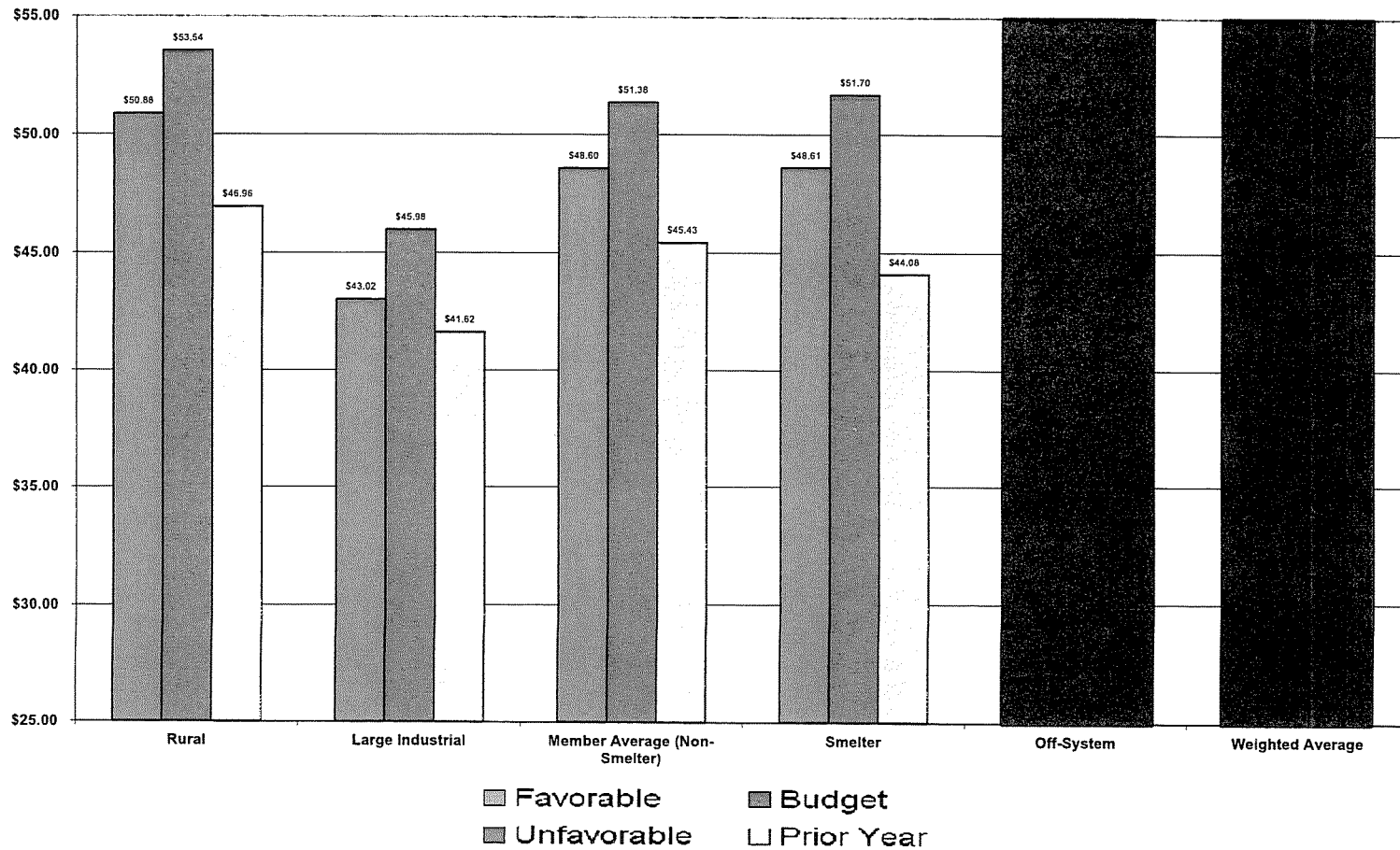
	<u>Actual</u> <u>2012</u>	<u>Budget</u> <u>2012</u>	<u>2012</u> <u>Variance</u>	<u>Actual</u> <u>2011</u>	<u>2011</u> <u>Variance</u>		<u>Actual</u> <u>2012</u>	<u>Budget</u> <u>2012</u>	<u>2012</u> <u>Variance</u>	<u>Actual</u> <u>2011</u>	<u>2011</u> <u>Variance</u>
<u>MRSM - \$/MWh</u>						<u>Net Revenue - \$/MWh</u>					
Rural	(6.25)	(9.07)	2.82	(6.39)	0.14	Rural	44.63	44.47	0.16	40.57	4.06
Large Industrial	(6.25)	(9.07)	2.82	(6.39)	0.14	Large Industrial	36.77	36.91	(0.14)	35.23	1.54
Total	(6.25)	(9.07)	2.82	(6.39)	0.14	Total	42.35	42.31	0.04	39.04	3.31
<u>MRSM - Thousands of \$</u>						<u>Net Revenue - Thousands of \$</u>					
Rural	(11,053)	(16,436)	5,383	(11,698)	645	Rural	79,230	80,305	(1,075)	74,257	4,973
Large Industrial	(4,582)	(6,525)	1,943	(4,705)	123	Large Industrial	26,638	26,751	(113)	25,911	727
Total	(15,635)	(22,961)	7,326	(16,403)	768	Total	105,868	107,056	(1,188)	100,168	5,700

<u>Economic Reserve Balance</u>			
<u>Cumulative-to-Date</u>	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
Original Deposit	\$ 157,000		
Interest Earnings	3,111		
Withdrawals	(75,194)		
Ending Balance 9/30/2012	\$ 84,917	\$ 78,056	\$ 6,861
<u>YTD September 2012</u>			
Beg. Balance 1/1/2012	\$ 100,601		
Interest Earnings	347		
Withdrawals	(16,031)		
Ending Balance 9/30/2012	\$ 84,917	\$ 78,056	\$ 6,861

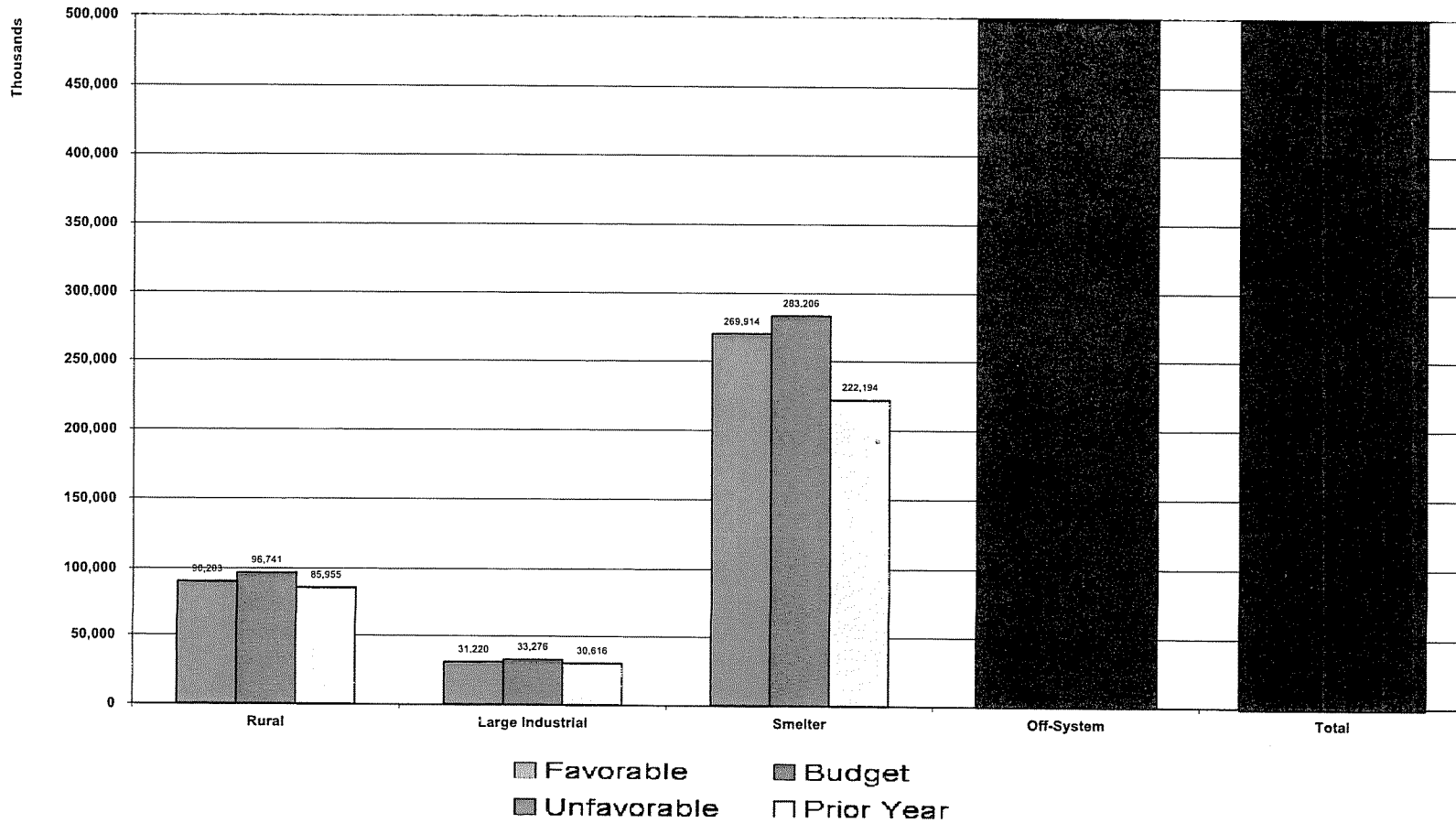
MWH Sales YTD - September



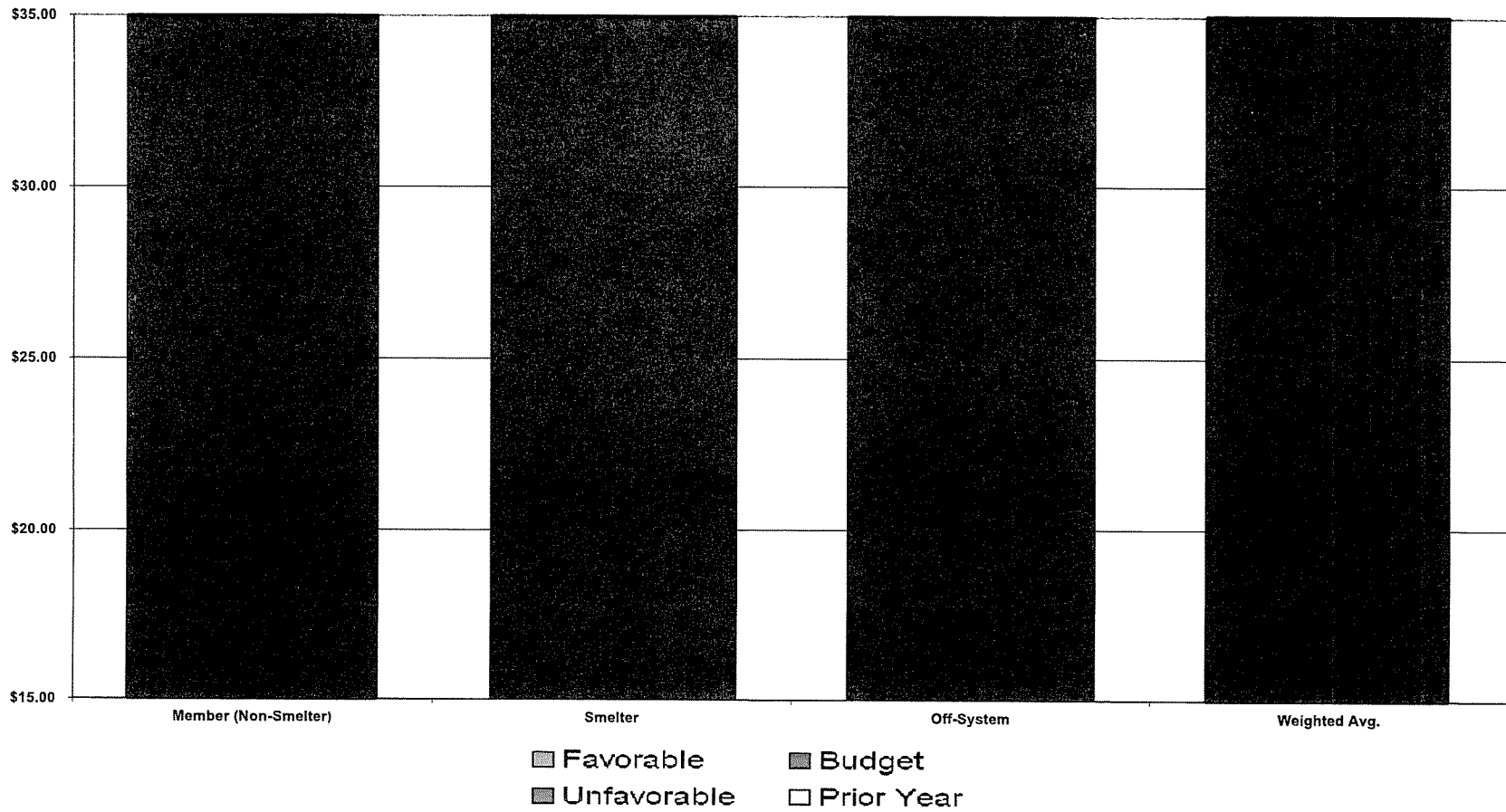
Revenue - \$/MWh Sold YTD - September



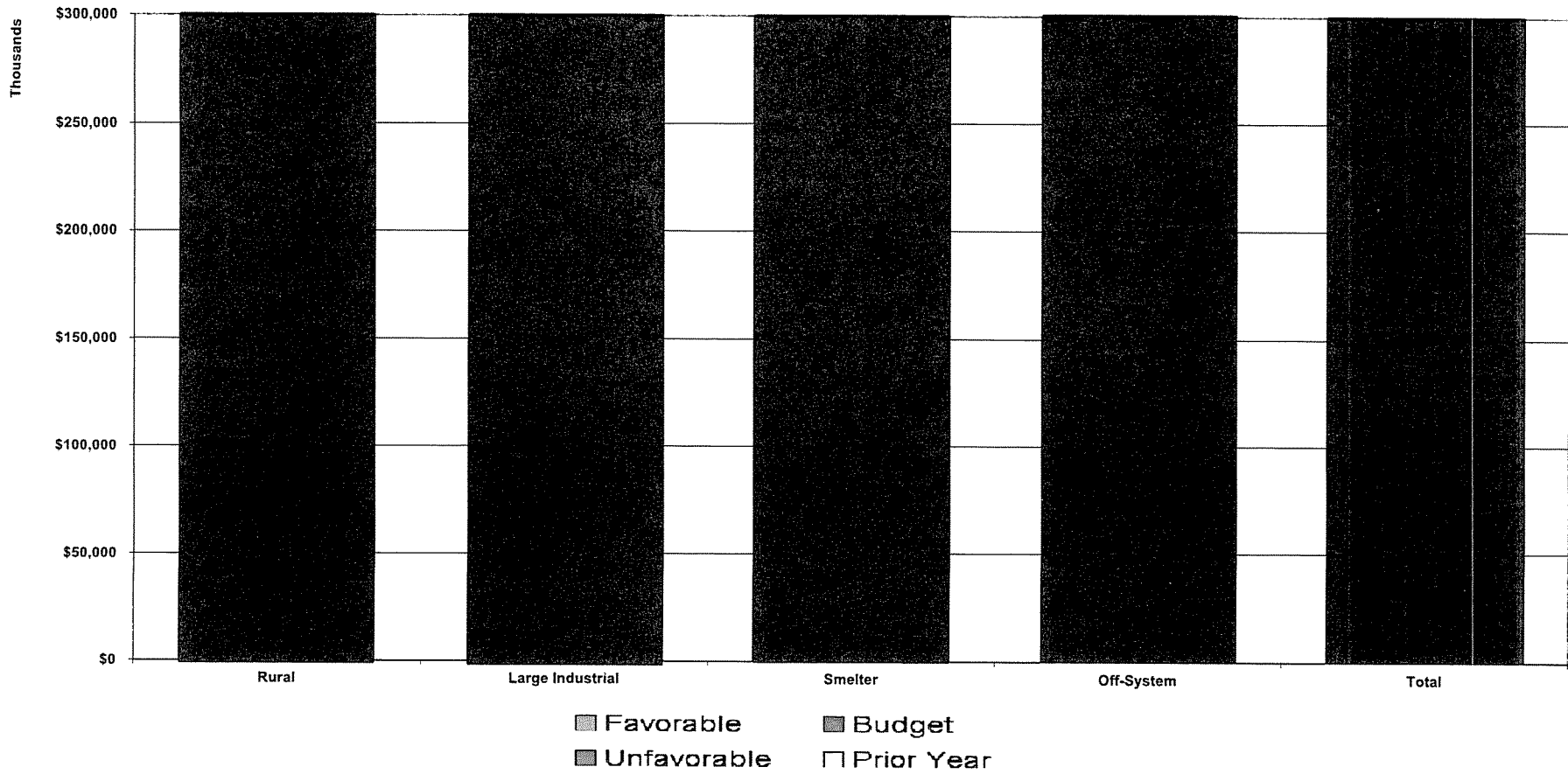
Revenue YTD - September



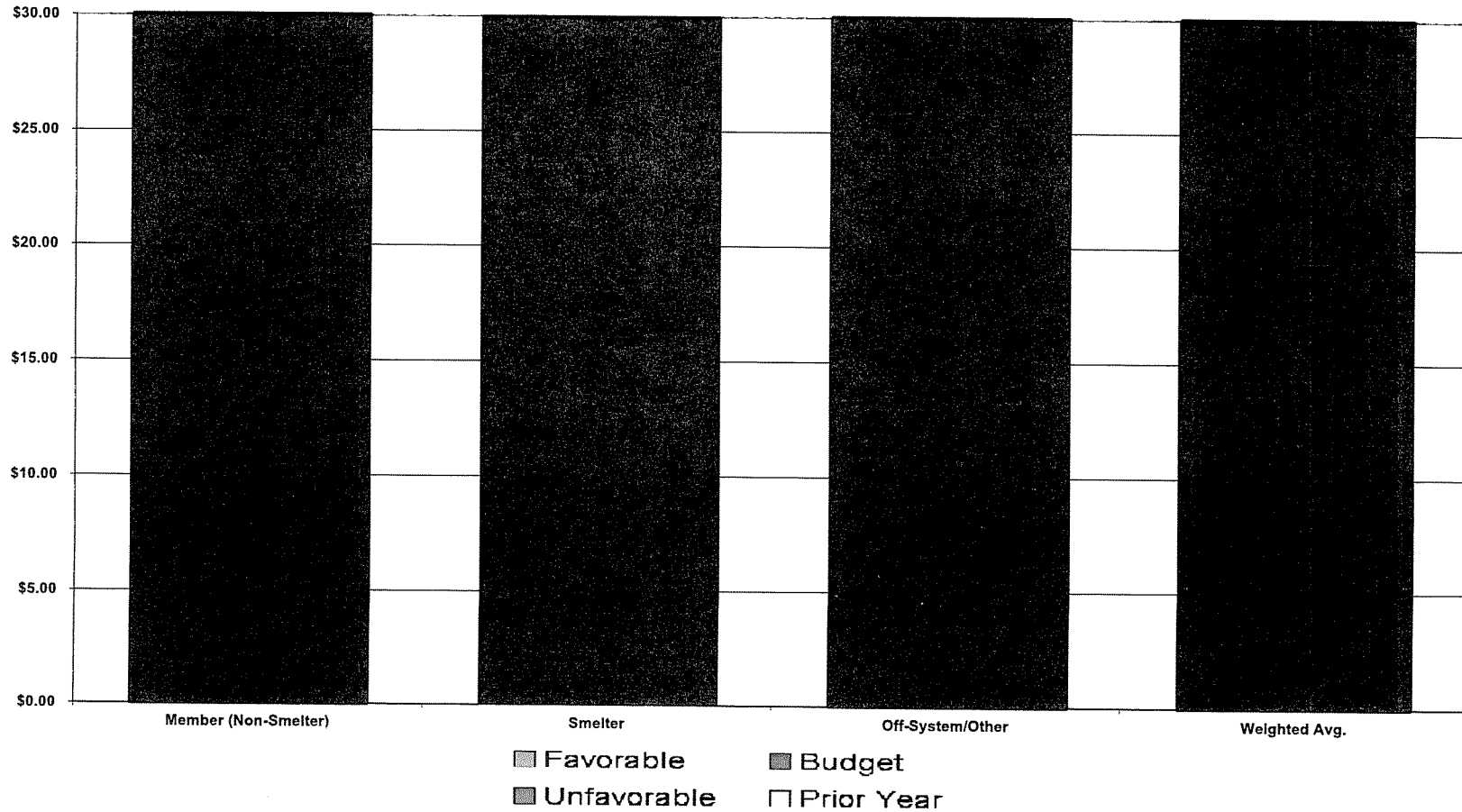
Variable Operations - \$/MWh Sold YTD - September



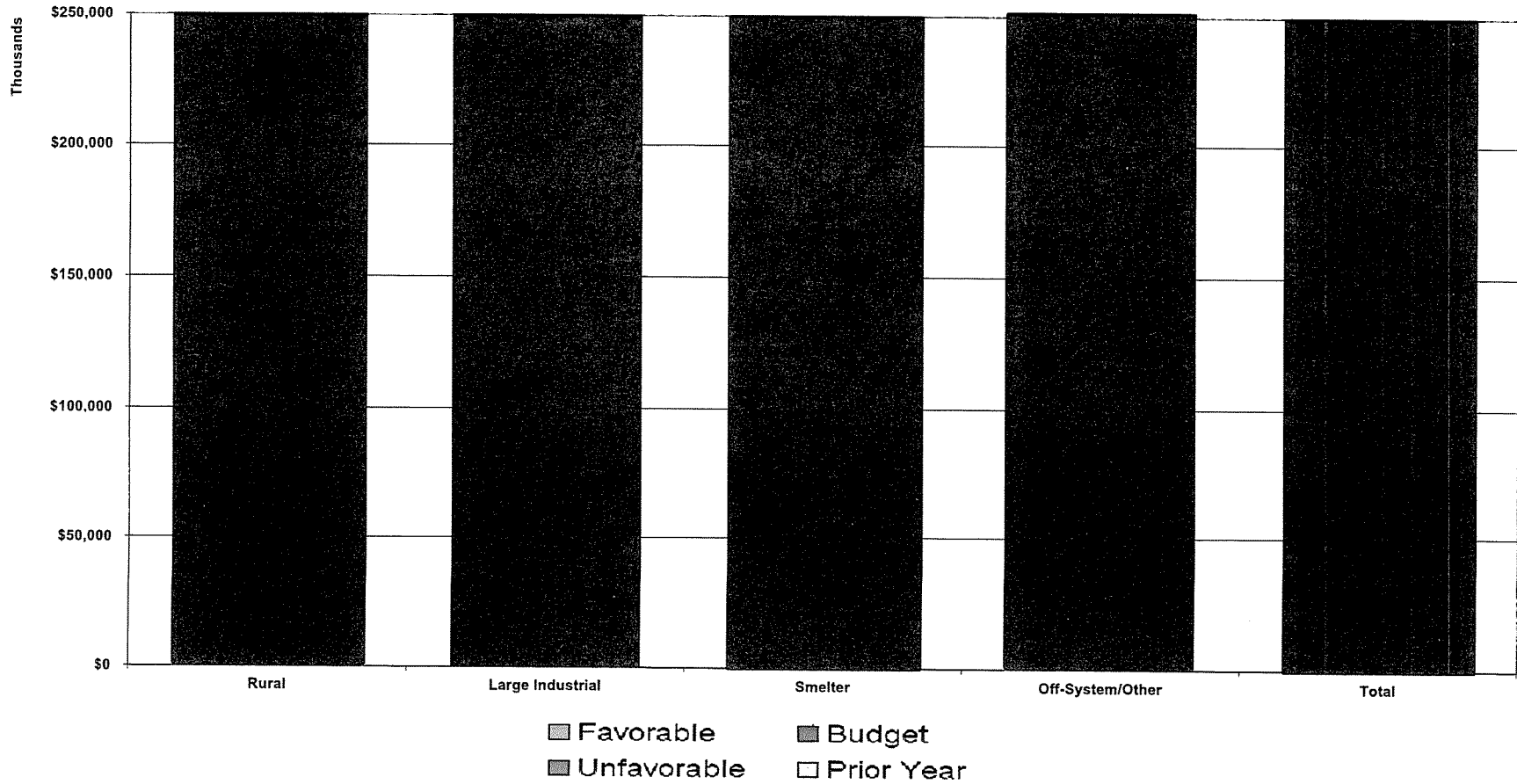
Variable Operations Cost YTD - September



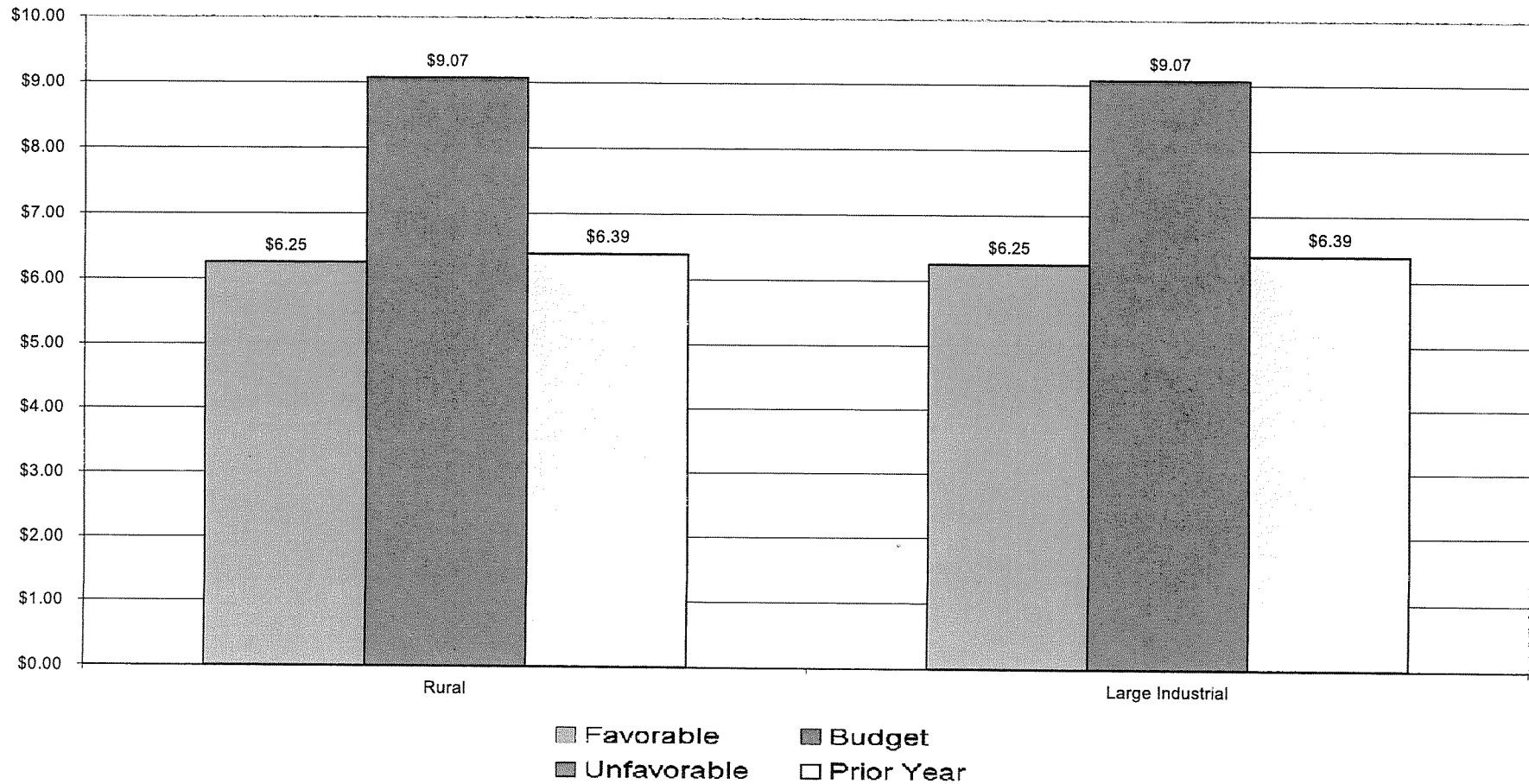
Net Sales Margin - \$/MWh YTD – September



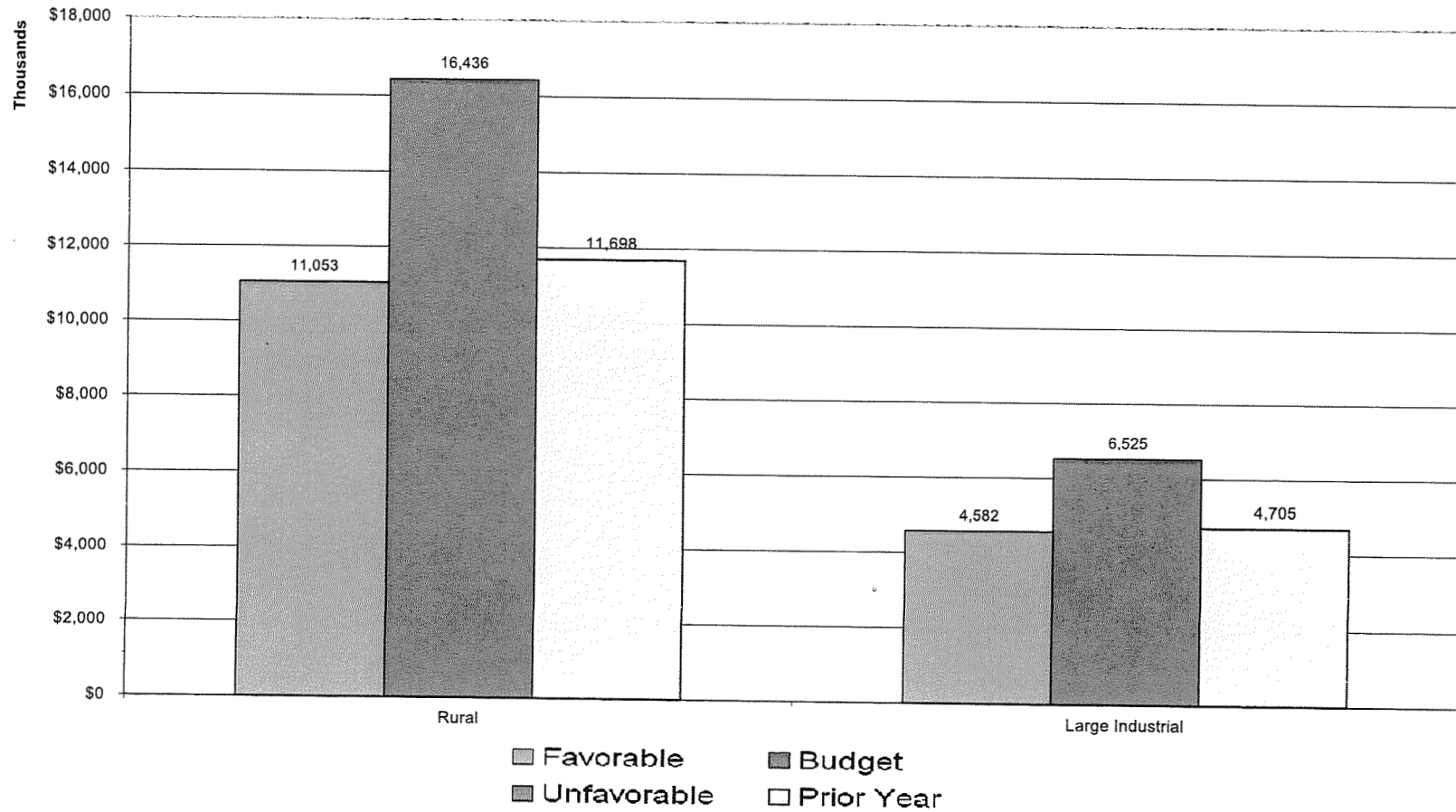
Net Sales Margin YTD – September



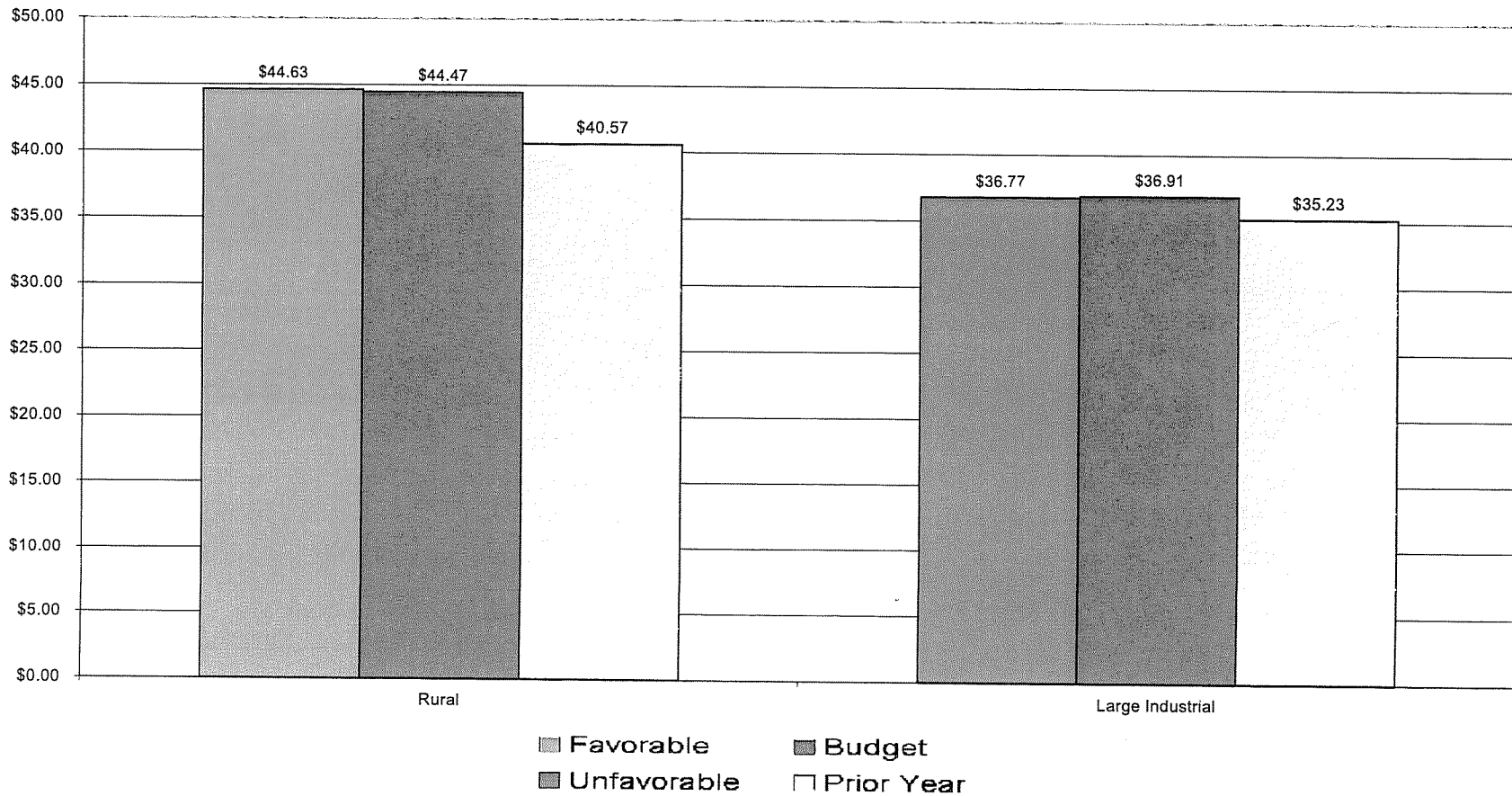
MRSM - \$/MWh YTD - September



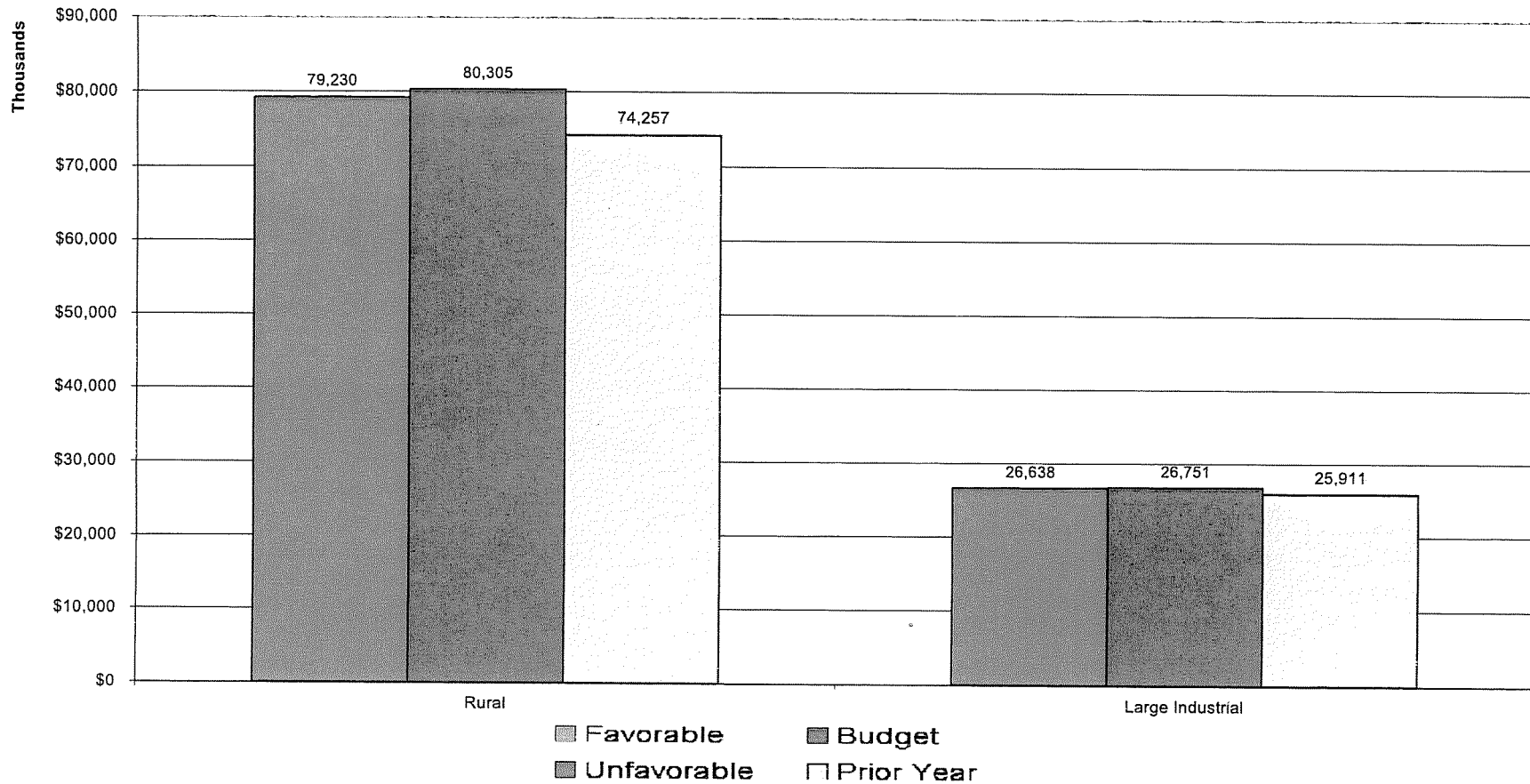
MRSM YTD - September



Net Revenue (Excl. MRSM) - \$/MWh YTD - September



Net Revenue (Excl. MRSM) YTD - September



Other Operating Revenue and Income

	2012			2011	
	<u>Actual</u>	<u>Budget</u>	<u>Variance Fav/(Unfav)</u>	<u>2011 Actual</u>	<u>Variance Fav/(Unfav)</u>
September YTD	3,859	3,010	849	2,168	1,691

The favorable current and prior-year variance is due to higher transmission revenue this year.



Non-Variable Production and Other Power Supply – Operations

	2012			2011	
	<u>Actual</u>	<u>Budget</u>	Variance <u>Fav/(Unfav)</u>	<u>Actual</u>	Variance <u>Fav/(Unfav)</u>
September YTD			3,241		(3,661)

Current Year Variances

Power Supply transmission reservation
 Plant Operations reductions
 Fixed Departmental Expenses/Other

Fav/(UnFav)
 517
 2,039
 685

Non-Variable Production and Other Power Supply - Operations

3,241

Prior-Year Variances

Power Supply transmission reservation
 Station-Two O&M [driven by higher outage & labor expense in 2012]
 Station-Two [higher depreciation expense]
 Other

Fav/(UnFav)
 (82)
 (2,738)
 (929)
 88

Non-Variable Production and Other Power Supply - Operations

(3,661)



Operation Expense – Transmission

	2012			2011	
	<u>Actual</u>	<u>Budget</u>	<u>Variance Fav/(Unfav)</u>	<u>2011 Actual</u>	<u>Variance Fav/(Unfav)</u>
September YTD	7,363	8,093	730	6,920	(443)

Favorable to budget as a larger percentage of labor is being charged to maintenance accounts than was budgeted (see page 28).

Unfavorable to prior year due to higher MISO and TVA transmission expenses.



Operation Expense – Sales

	2012		
			Variance
	<u>Actual</u>	<u>Budget</u>	<u>Fav/(Unfav)</u>
September YTD	102	871	769

Favorable to budget due to delay in the start of the energy efficiency/demand side management programs.

Operation Expense – Administrative & General

	2012			2011	
	<u>Actual</u>	<u>Budget</u>	<u>Variance Fav/(Unfav)</u>	<u>2011 Actual</u>	<u>Variance Fav/(Unfav)</u>
September YTD	20,378	19,871	(507)	19,980	(398)

Unfavorable to budget and prior-year due to costs related to the environmental compliance plan. These costs will be re-classed to a regulatory asset account and amortized over three years as stated in the PSC order dated October 1.

Maintenance Expense – Production

	2012			2011	
	<u>Actual</u>	<u>Budget</u>	<u>Variance Fav/(Unfav)</u>	<u>2011 Actual</u>	<u>Variance Fav/(Unfav)</u>
September YTD			14,225		(1,690)

The favorable YTD variance vs. budget is due to scope reduction of planned outages including \$4.3m from the Wilson planned outage. The Green facility is favorable due to the cancellation of the unit two planned outage. The Coleman station is also favorable due to the cancellation of the unit 1 and unit 3 outages. The planned outage on the gas turbine was also cancelled.

The unfavorable variance to prior-year is driven by the Wilson spring planned outage this year.

Maintenance Expense – Transmission

	2012			2011	
	<u>Actual</u>	<u>Budget</u>	<u>Variance Fav/(Unfav)</u>	<u>2011 Actual</u>	<u>Variance Fav/(Unfav)</u>
September YTD	3,736	2,995	(741)	3,348	(388)

Unfavorable to budget primarily due to higher labor expense in the maintenance accounts. This is partially offset in Operation Expense – Transmission as a larger percentage of labor is being charged to maintenance accounts than was budgeted (see page 24).

Unfavorable to prior-year due to higher brush control expenses this year.

Depreciation & Amortization Expense

	2012	2011	Variance
	<u>Actual</u>	<u>Actual</u>	<u>Fav/(Unfav)</u>
September YTD	30,852	26,374	(4,478)

Unfavorable to prior-year due to the higher depreciation rates that are in effect as a result of the depreciation study and a higher plant in service balance being depreciated.

Interest Income

	2012			2011	
			Variance	2011	Variance
	<u>Actual</u>	<u>Budget</u>	<u>Fav/(Unfav)</u>	<u>Actual</u>	<u>Fav/(Unfav)</u>
September YTD	403	49	354	132	271

Favorable to budget and prior-year due to the interest income on the capital term certificates that were part of the financing that took place earlier this year.

North Star – YTD September

	2012			2011	
	Actual	Budget	Fav/(UnFav) Variance	Actual	Fav/(UnFav) Variance
Total Cost of Electric Service			41,591		458
Other Operating Revenues & Income	(3,859)	(3,010)	849	(2,168)	1,691
Smelter Avoidable Base Charge	(358)	0	358	(2,136)	(1,778)
Off-System Sales/Other					
Interest Income	(403)	(49)	354	(132)	271
Other Non-Operating Income	0	0	0	(9)	(9)
Other Capital Credits & Pat. Dividends	(59)	(33)	26	(105)	(46)
			29,238		(55,202)

Member MWh	8,053,207	8,008,315	44,892	7,606,943	446,264
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North Star - \$/kWh

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TIER

	<u>Actual</u>	<u>Budget</u>	<u>Fav/(Unfav)</u>
Interest on Long-Term Debt	33,719	33,473	(246)
Net Margins	[REDACTED]		
TIER - YTD September	[REDACTED]		
TIER (12 months ending 9/30)	[REDACTED]		

Notes:

TIER = (Net Margins + Interest on Long-Term Debt) divided by Interest on Long-Term Debt



Capital Expenditures*

Year-to-Date

	Actual	Budget	Fav/(UnFav)
IT	1,119	1,906	787
Generation	21,241	42,586	21,345
Transmission	6,121	9,090	2,969
Other	941	9,817	8,876
Total	29,422	63,399	33,977

Explanation:

IT was favorable \$787 due to the timing of the Oracle Extensions project, as well as the OSI EMS Hardware/Software projects.

Generation was favorable by \$21,345. Green Station was favorable by \$8,420 due to the G2 outage deferral, as well as the reduction of the FGD project and cancellation of the Coal Sampler project. Wilson Station was favorable \$8,521 primarily due to outage scope reductions/deferrals. Coleman Station was favorable \$3,437 due to the C1 and C3 outage deferrals/cancellations. Station-Two was favorable \$967 largely due to favorability of the H1 Burner Replacement project.

Transmission was favorable \$2,969 primarily due to deferral of the White Oak Substation project, as well as timing related to the Two-way Radio and Wilson EHV Substation projects.

Other was favorable \$8,876 mainly due to the delay of the MATS project, as well as cancellation of the CSAPR project. Additionally, the PCI Analyzer Software project was cancelled.

* Gross of the City's share of Station Two. Includes capitalized interest.



Cash & Temporary Investments

	<u>Actual</u>	<u>Budget</u>	<u>Fav/(Unfav)</u>	2011	<u>Fav/(Unfav)</u>
September 30th	113,249	54,140	59,109	77,689	35,560


The September 30, 2012 cash balance compared to budget is favorable due to the borrowing that occurred in July.

The variance to prior-year is driven by the borrowing this year, partially offset by the year-over-year increase in fuel inventory.

Lines of Credit <u>As of September 30th</u>	
Original Amount	\$100,000
Letters of Credit Outstanding	(5,375)
Advances Outstanding	0
Available Lines of Credit	\$ 94,625

Monthly Financial Report – August 2012



Your Touchstone Energy[®] Cooperative 

Financial Report
August 2012
(\$ in Thousands)

Board Meeting Date: October 19, 2012



Summary of Statement of Operations YTD - August

	2012			2011	
	Actual	Budget	Fav/(UnFav) Variance	Actual	Fav/(UnFav) Variance
Revenues	376,427	410,094	(33,667)	375,157	1,270
Cost of Electric Service	370,652	410,348	39,696	369,424	(1,228)
Operating Margins	5,775	(254)	6,029	5,733	42
Interest Income/Other	115	78	37	230	(115)
Net Margins - YTD	5,890	(176)	6,066	5,963	(73)
September - YTD	8,126	1,052	7,074	8,898	(772)



Your Sustainable Energy Cooperative

Statement of Operations – August Variance to Budget

	Current Month			Year-to-Date			Explanation
	Actual	Budget	Variance Fav/(UnFav)	Actual	Budget	Variance Fav/(UnFav)	
ELECTRIC ENERGY REVENUES	48,521	52,784	(4,263)	372,919	407,418	(34,499)	[A] Pages 7, 9-13, 16-21
OTHER OPERATING REVENUE AND INCOME	532	334	198	3,508	2,676	832	[B], [C] Page 22
TOTAL OPER REVENUES & PATRONAGE CAPITAL	49,053	53,118	(4,065)	376,427	410,094	(33,667)	
OPERATION EXPENSE-PRODUCTION-EXCL FUEL	4,332	4,890	558	32,354	36,970	4,616	[A] Pages 8, 14-15, 23
OPERATION EXPENSE-PRODUCTION-FUEL	19,183	23,691	4,508	147,663	161,743	14,080	[A] Pages 8, 14-15
OPERATION EXPENSE-OTHER POWER SUPPLY	8,465	6,881	(1,584)	75,307	81,776	6,469	[A] Pages 8, 14-15, 23
OPERATION EXPENSE-TRANSMISSION	805	953	148	6,738	7,244	506	[C] Page 24
OPERATION EXPENSE-RTO/ISO	129	226	97	1,493	1,684	191	
CONSUMER SERVICE & INFORMATIONAL EXPENSE	41	60	19	330	495	165	
OPERATION EXPENSE-SALES	71	73	2	97	697	600	[B] Page 25
OPERATION EXPENSE-ADMINISTRATIVE & GENERAL	2,474	2,133	(341)	18,271	17,963	(308)	
TOTAL OPERATION EXPENSE	35,500	38,907	3,407	282,253	308,572	26,319	
MAINTENANCE EXPENSE-PRODUCTION	4,097	3,469	(628)	27,872	41,541	13,669	[B], [C] Page 27
MAINTENANCE EXPENSE-TRANSMISSION	614	388	(226)	3,398	2,697	(701)	[B] Page 28
MAINTENANCE EXPENSE-GENERAL PLANT	16	9	(7)	111	70	(41)	
TOTAL MAINTENANCE EXPENSE	4,727	3,866	(861)	31,381	44,308	12,927	
DEPRECIATION & AMORTIZATION EXPENSE	3,521	3,516	(5)	27,288	27,777	489	
TAXES	0	0	0	4	1	(3)	
INTEREST ON LONG-TERM DEBT	3,851	3,777	(74)	30,015	29,797	(218)	
INTEREST CHARGED TO CONSTRUCTION-CREDIT	(65)	(32)	33	(508)	(354)	154	
OTHER INTEREST EXPENSE	44	0	(44)	55	0	(55)	
OTHER DEDUCTIONS	25	42	17	164	247	83	
TOTAL COST OF ELECTRIC SERVICE	47,603	50,076	2,473	370,652	410,348	39,696	
OPERATING MARGINS	1,450	3,042	(1,592)	5,775	(254)	6,029	
INTEREST INCOME	18	5	13	56	45	11	
ALLOWANCE FOR FUNDS USED DURING CONST	0	0	0	0	0	0	
OTHER NON-OPERATING INCOME - NET	0	0	0	0	0	0	
OTHER CAPITAL CREDITS & PAT DIVIDENDS	14	8	6	59	33	26	
EXTRAORDINARY ITEMS	0	0	0	0	0	0	
NET PATRONAGE CAPITAL OR MARGINS	1,482	3,055	(1,573)	5,890	(176)	6,066	

YTD Explanations: [A] Net Sales Margin, [B] 10% of line item and \$250,000 or [C] 10% of margins and \$500,000.



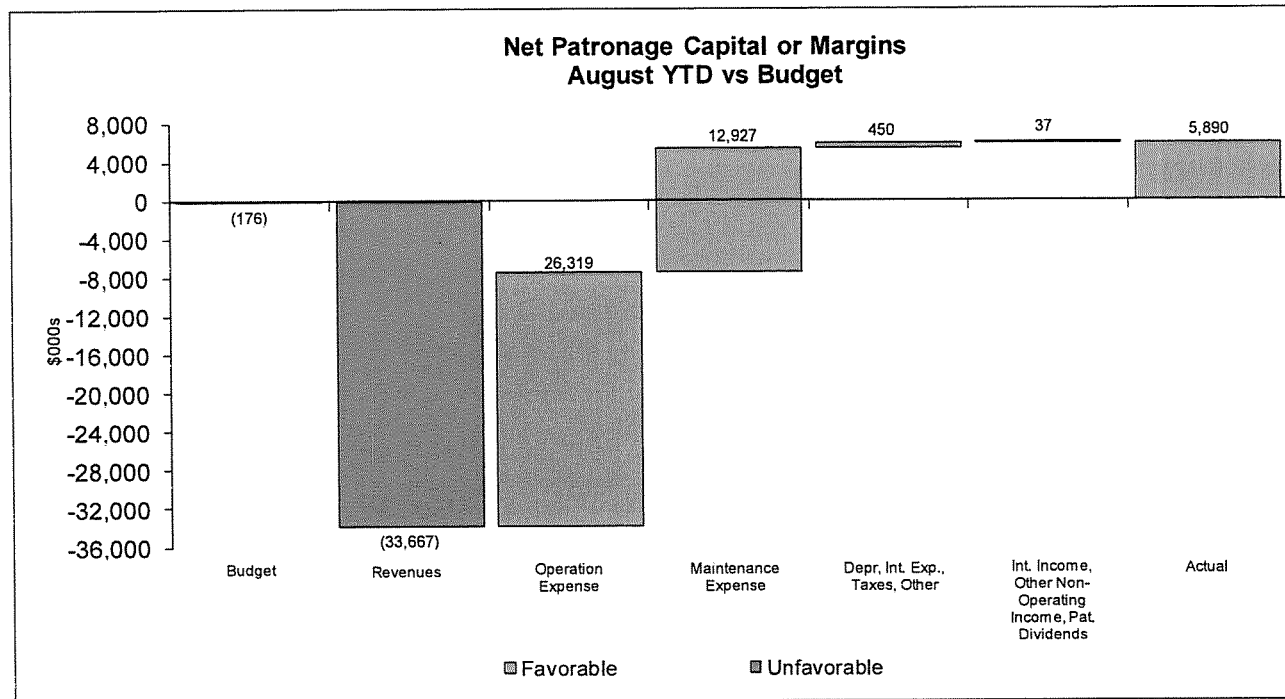
Your Sustainable Energy Cooperative

Statement of Operations – August Variance to Prior-Year

	Current Month			Year-to-Date			Explanation
	Actual	Prior Year	Variance Fav/(UnFav)	Actual	Prior Year	Variance Fav/(UnFav)	
ELECTRIC ENERGY REVENUES	48,521	48,972	(451)	372,919	373,264	(345)	[A] Pages 7, 9-13, 16-21
OTHER OPERATING REVENUE AND INCOME	532	185	347	3,508	1,893	1,615	[B] Page 22
TOTAL OPER REVENUES & PATRONAGE CAPITAL	49,053	49,157	(104)	376,427	375,157	1,270	
OPERATION EXPENSE-PRODUCTION-EXCL FUEL	4,332	4,271	(61)	32,354	32,716	362	[A] Pages 8, 14-15, 23
OPERATION EXPENSE-PRODUCTION-FUEL	19,183	20,078	895	147,663	154,981	7,318	[A] Pages 8, 14-15
OPERATION EXPENSE-OTHER POWER SUPPLY	8,465	9,894	1,429	75,307	73,990	(1,317)	[A] Pages 8, 14-15, 23
OPERATION EXPENSE-TRANSMISSION	805	1,006	201	6,738	6,174	(564)	[B], [C] Page 24
OPERATION EXPENSE-RTO/ISO	129	192	63	1,493	1,640	147	
CONSUMER SERVICE & INFORMATIONAL EXPENSE	41	70	29	330	306	(24)	
OPERATION EXPENSE-SALES	71	86	15	97	92	(5)	
OPERATION EXPENSE-ADMINISTRATIVE & GENERAL	2,474	1,351	(1,123)	18,271	17,542	(729)	[C] Page 26
TOTAL OPERATION EXPENSE	35,500	36,948	1,448	282,253	287,441	5,188	
MAINTENANCE EXPENSE-PRODUCTION	4,097	3,082	(1,015)	27,872	25,355	(2,517)	[C] Page 27
MAINTENANCE EXPENSE-TRANSMISSION	614	372	(242)	3,398	2,854	(544)	[B] Page 28
MAINTENANCE EXPENSE-GENERAL PLANT	16	9	(7)	111	85	(26)	
TOTAL MAINTENANCE EXPENSE	4,727	3,463	(1,264)	31,381	28,294	(3,087)	
DEPRECIATION & AMORTIZATION EXPENSE	3,521	2,878	(643)	27,288	23,070	(4,218)	[B], [C] Page 29
TAXES	0	0	0	4	128	124	
INTEREST ON LONG-TERM DEBT	3,851	3,855	4	30,015	30,706	691	
INTEREST CHARGED TO CONSTRUCTION-CREDIT	(65)	(25)	40	(508)	(419)	89	
OTHER INTEREST EXPENSE	44	0	(44)	55	59	4	
OTHER DEDUCTIONS	25	16	(9)	164	145	(19)	
TOTAL COST OF ELECTRIC SERVICE	47,603	47,135	(468)	370,652	369,424	(1,228)	
OPERATING MARGINS	1,450	2,022	(572)	5,775	5,733	42	
INTEREST INCOME	18	8	10	56	124	(68)	
ALLOWANCE FOR FUNDS USED DURING CONST	0	0	0	0	0	0	
OTHER NON-OPERATING INCOME - NET	0	0	0	0	9	(9)	
OTHER CAPITAL CREDITS & PAT DIVIDENDS	14	0	14	59	97	(38)	
EXTRAORDINARY ITEMS	0	0	0	0	0	0	
NET PATRONAGE CAPITAL OR MARGINS	1,482	2,030	(548)	5,890	5,963	(73)	

YTD Explanations: [A] Net Sales Margin, [B] 10% of line item and \$250,000 or [C] 10% of margins and \$500,000.

Variance Analysis Summary

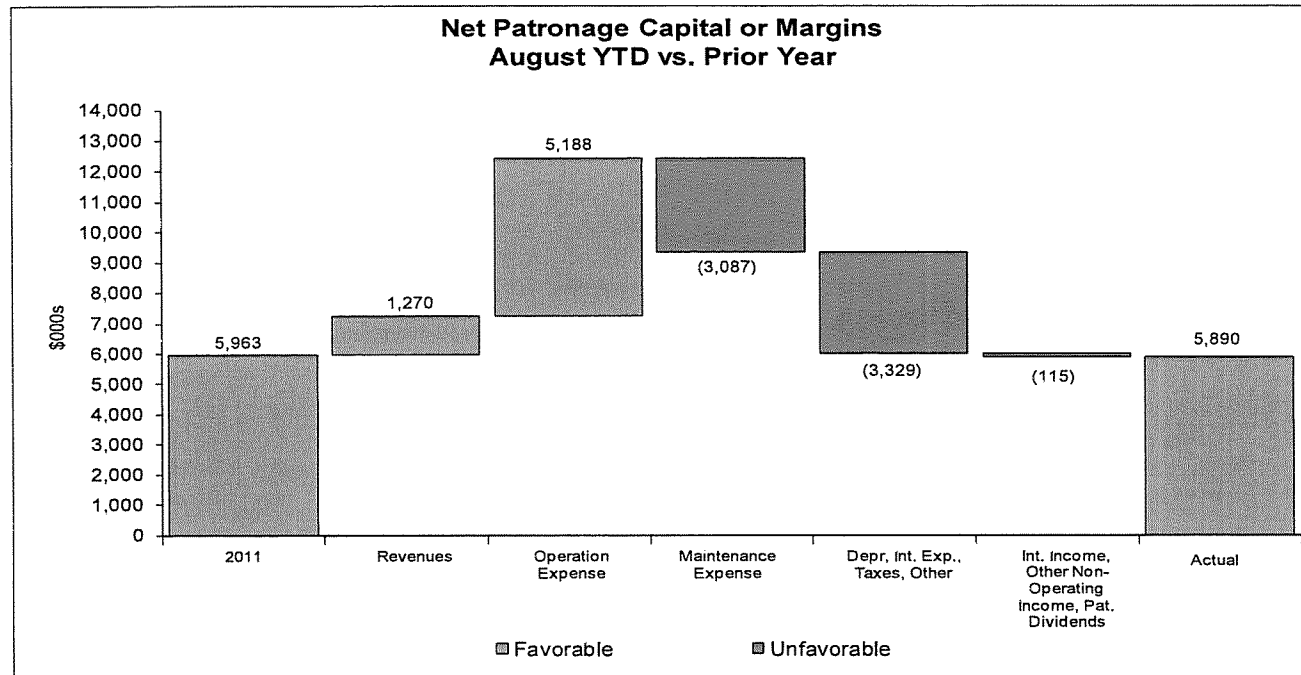


Financial Commentary

Year-to-Date

- August YTD 2012 Margins were \$6,066 favorable to budget.
 - Electric Energy Revenues were unfavorable \$34,499 primarily due to lower rural volume and lower rates (see page 7).
 - Operation Expense was favorable \$26,319 – driven by lower variable costs \$22,430 primarily due to lower variable costs per MWh (see page 8). The remainder of the variance is made up of favorable plant and fixed departmental expenses (see pages 23-25).
 - Maintenance Expense was favorable \$12,927 primarily due to the scope reduction of the Wilson planned outage, cancellation of the Green 2 planned outage, cancellation of the planned outage on the combustion turbine and cancellation of the Coleman 1 & 3 planned outages to offset the lower power market (see pages 27-28).

Variance Analysis Summary



Financial Commentary

Year-to-Date

- August YTD 2012 margins were \$73 unfavorable to 2011.
 - Revenues were favorable \$1,270 primarily due to the 9/1/2011 rate increase, a higher smelter TIER Adjustment Charge (\$2.95/MWh vs \$1.95/MWh in 2011), and higher transmission revenue. These favorable variances were offset by lower off-system pricing and volumes (see page 7).
 - Operation Expense was favorable \$5,188 – driven by lower variable costs \$10,009, due to volume, partially offset by higher expenses associated with Station-Two (see pages 8, 23, 24 & 26).
 - Maintenance Expense was unfavorable \$3,087 primarily due to the Wilson planned outage and higher maintenance activities at the plants (see pages 27-28).
 - Depreciation, Interest Expense, Taxes & Other combined was higher \$3,329 (see page 29-30).

Revenue YTD August

	Actual 2012	Budget 2012	Variance	Actual 2011	2011 Variance
MWh Sales					
Rural	1,604,138	1,630,275	(26,137)	1,666,505	(62,367)
Large Industrial	647,996	643,975	4,021	650,738	(2,742)
Smelter	4,950,179	4,878,048	72,131	4,472,326	477,853
Off-System/Other					
Total					
Revenue - \$/MWh					
Rural	50.51	53.58	(3.07)	45.66	4.85
Large Industrial	42.93	46.15	(3.22)	41.38	1.55
Smelter	48.56	51.79	(3.23)	43.58	4.98
Off-System/Other					
Total					
Revenue - Thousands of \$					
Rural	81,020	87,347	(6,327)	76,097	4,923
Large Industrial	27,821	29,721	(1,900)	26,927	894
Smelter	240,391	252,654	(12,263)	194,914	45,477
Off-System/Other					
Total					

Revenue Price / Volume Analysis August 2012

	Price / Volume		
	Price	Volume	Total
Rural	(4,926)	(1,401)	(6,327)
Large Industrial	(2,086)	186	(1,900)
Smelter	(15,999)	3,736	(12,263)
Off-System/Other			



Your Touch is the Energy Connection

Variable Operations Cost YTD August

	Actual 2012	Budget 2012	Variance	Actual 2011	2011 Variance
Variable Operations (VO) Cost - \$/MWh					
Rural					
Large Industrial					
Smelter					
Off-System/Other					
Total					
VO Cost - Thousands of \$					
Rural					
Large Industrial					
Smelter					
Off-System/Other					
Total					

YTD August 2012 Variable Operations Expense

	Actual	Budget	Fav/(UnFav)	Price Variance Fav/(UnFav)	Volume Variance Fav/(UnFav)	Fav/(UnFav)
Reagent						
Fuel						
Purchased Power						
Non-FAC PPA (Non-Smelter)						



Your Frontline Energy Cooperative

**Net Sales Margin
YTD August**

	<u>Actual</u> <u>2012</u>	<u>Budget</u> <u>2012</u>	<u>Variance</u>	<u>Actual</u> <u>2011</u>	<u>2011</u> <u>Variance</u>
Net Sales Margin - \$/MWh					
Rural					
Large Industrial					
Smelter					
Off-System/Other					
Total					
Net Sales Margin - Thousands of \$					
Rural					
Large Industrial					
Smelter					
Off-System/Other					
Total					

**Net Sales Margin
Price / Volume Analysis
August 2012**

	<u>Price / Volume</u>
Rural	
Large Industrial	
Smelter	
Off-System/Other	



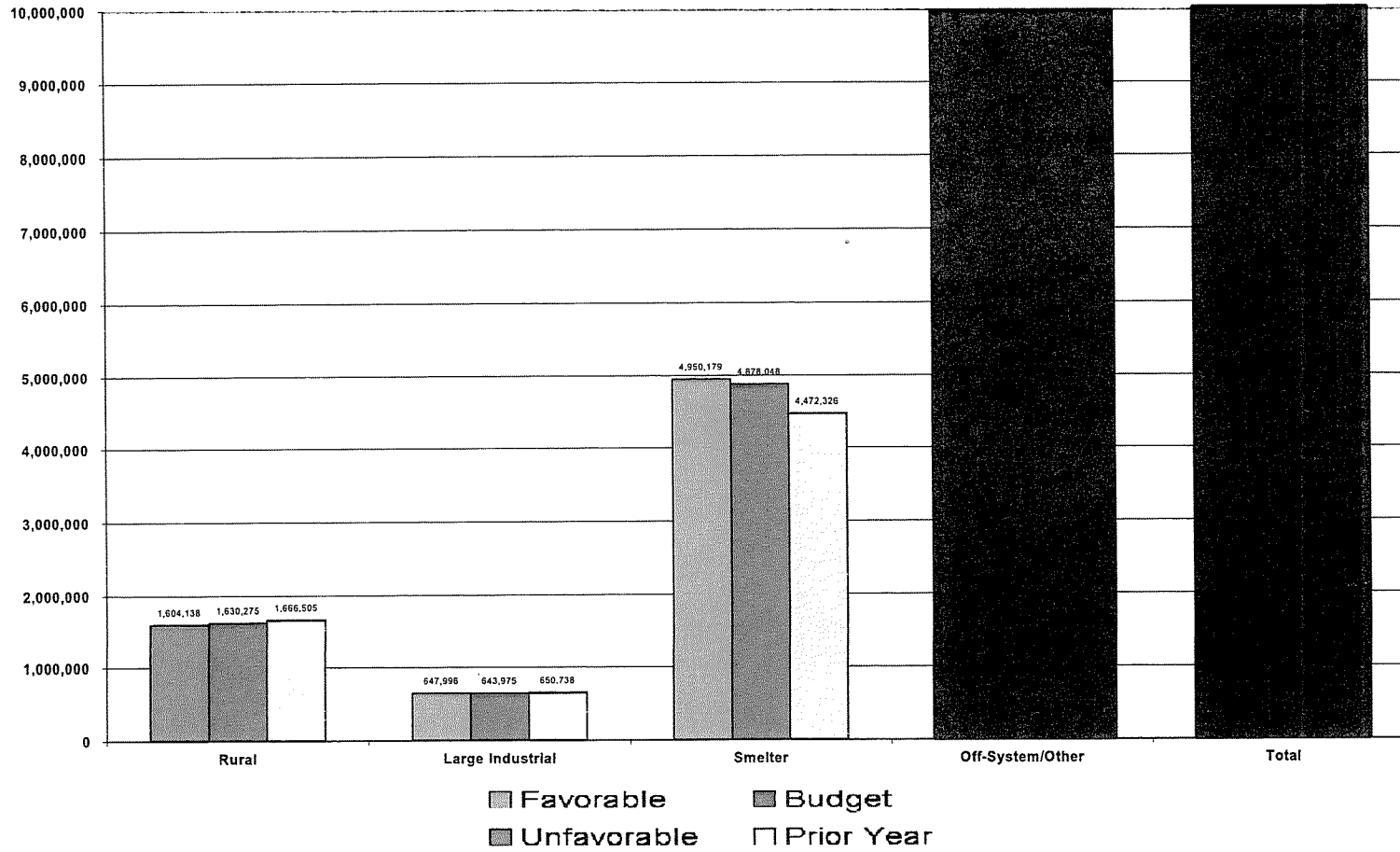
Your Touchstone Energy Company

Member Rate Stability Mechanism YTD August

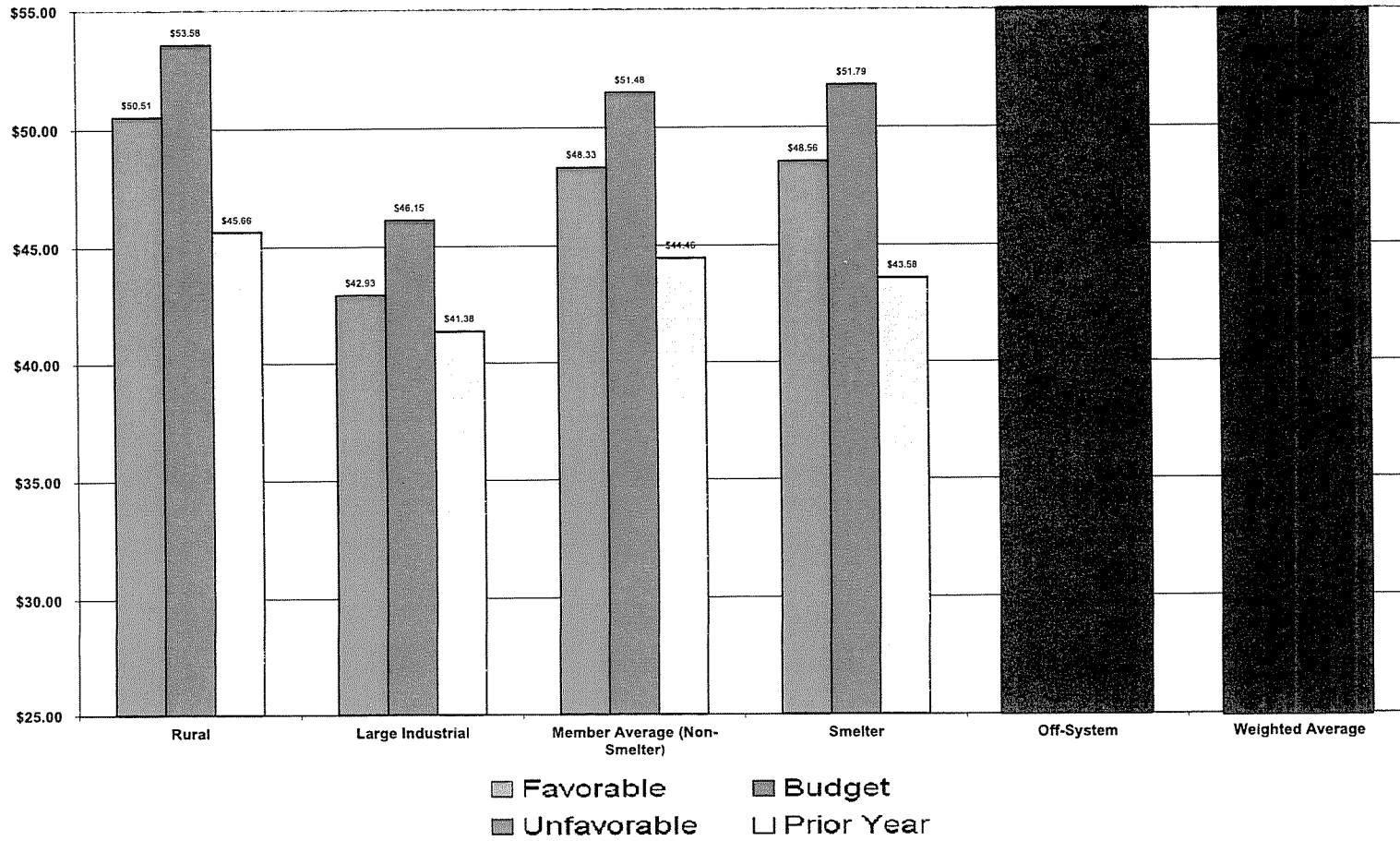
	<u>Actual</u> <u>2012</u>	<u>Budget</u> <u>2012</u>	<u>2012</u> <u>Variance</u>	<u>Actual</u> <u>2011</u>	<u>2011</u> <u>Variance</u>		<u>Actual</u> <u>2012</u>	<u>Budget</u> <u>2012</u>	<u>2012</u> <u>Variance</u>	<u>Actual</u> <u>2011</u>	<u>2011</u> <u>Variance</u>
<u>MRSM - \$/MWh</u>						<u>Net Revenue - \$/MWh</u>					
Rural	(6.35)	(9.33)	2.98	(6.41)	0.06	Rural	44.16	44.25	(0.09)	39.25	4.91
Large Industrial	(6.35)	(9.33)	2.98	(6.41)	0.06	Large Industrial	36.58	36.82	(0.24)	34.97	1.61
Total	(6.35)	(9.33)	2.98	(6.41)	0.06	Total	41.98	42.15	(0.17)	38.05	3.93
<u>MRSM - Thousands of \$</u>						<u>Net Revenue - Thousands of \$</u>					
Rural	(10,130)	(15,228)	5,098	(10,687)	557	Rural	70,890	72,119	(1,229)	65,410	5,480
Large Industrial	(4,161)	(5,980)	1,819	(4,174)	13	Large Industrial	23,660	23,741	(81)	22,753	907
Total	(14,291)	(21,208)	6,917	(14,861)	570	Total	94,550	95,860	(1,310)	88,163	6,387

<u>Economic Reserve Balance</u>			
<u>Cumulative-to-Date</u>	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
Original Deposit	\$ 157,000		
Interest Earnings	3,080		
Withdrawals	(73,403)		
Ending Balance 8/31/2012	\$ 86,677	\$ 79,763	\$ 6,914
<u>YTD August 2012</u>			
Beg. Balance 1/1/2012	\$ 100,601		
Interest Earnings	316		
Withdrawals	(14,240)		
Ending Balance 8/31/2012	\$ 86,677	\$ 79,763	\$ 6,914

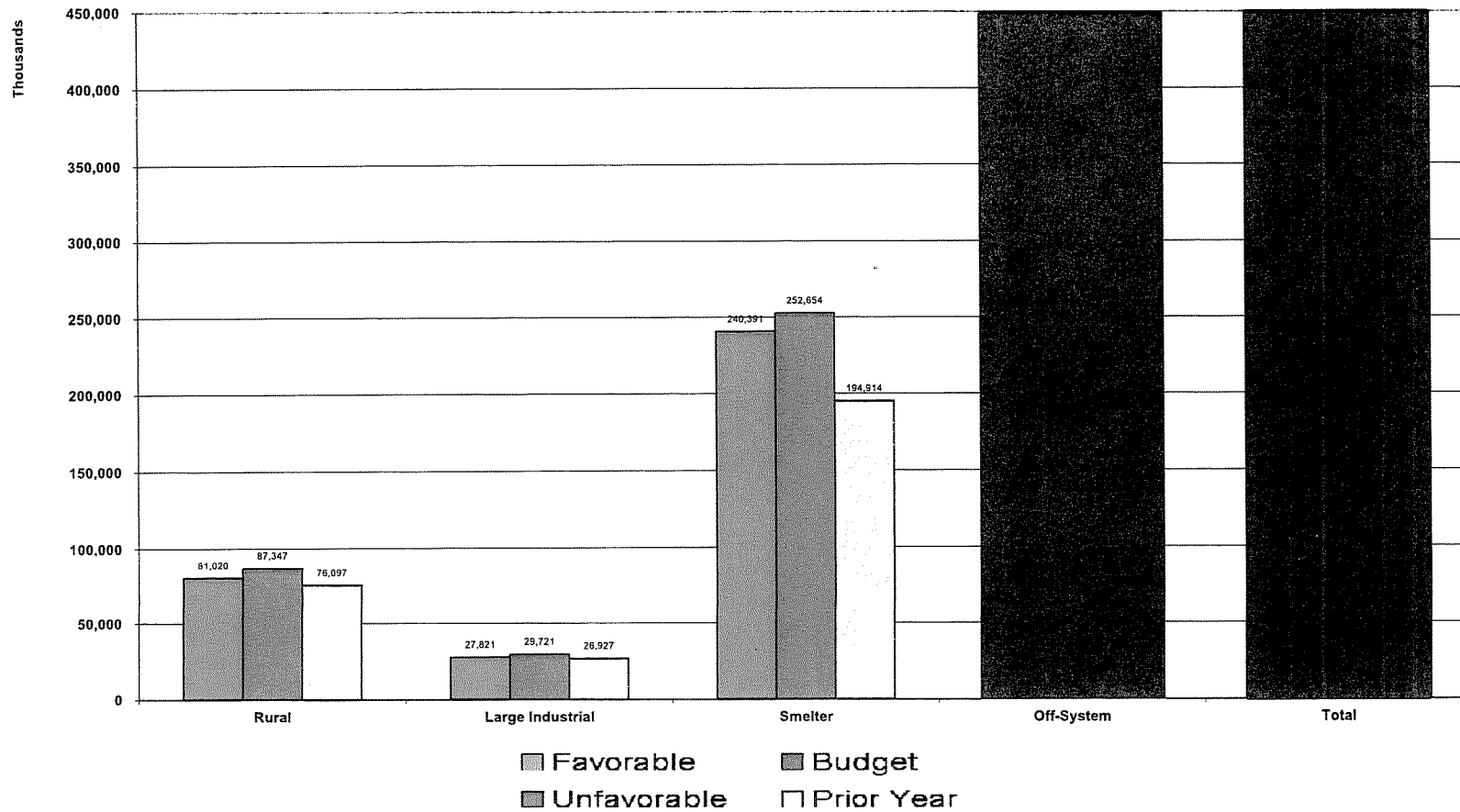
MWH Sales YTD - August



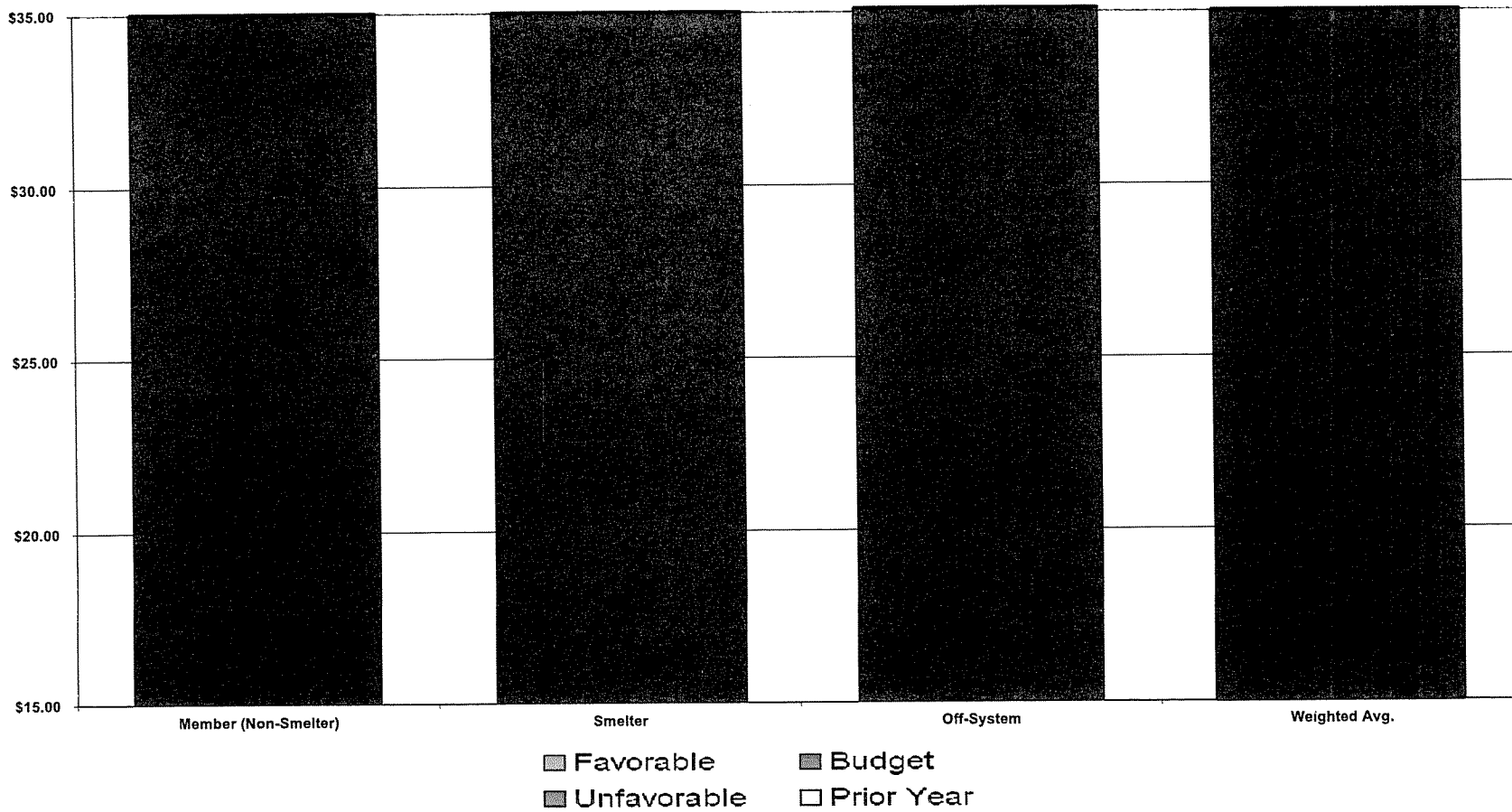
Revenue - \$/MWh Sold YTD - August



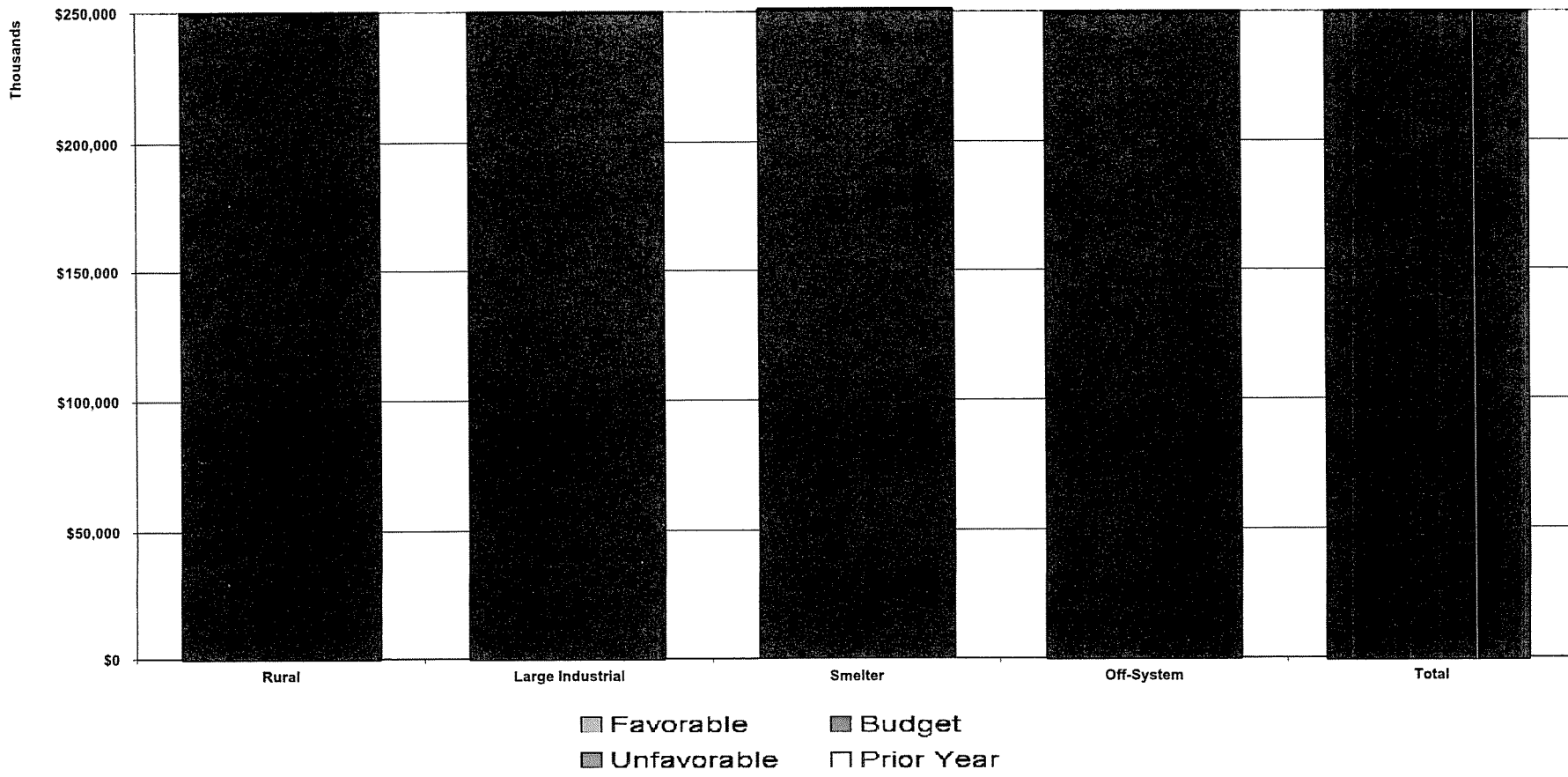
Revenue YTD - August



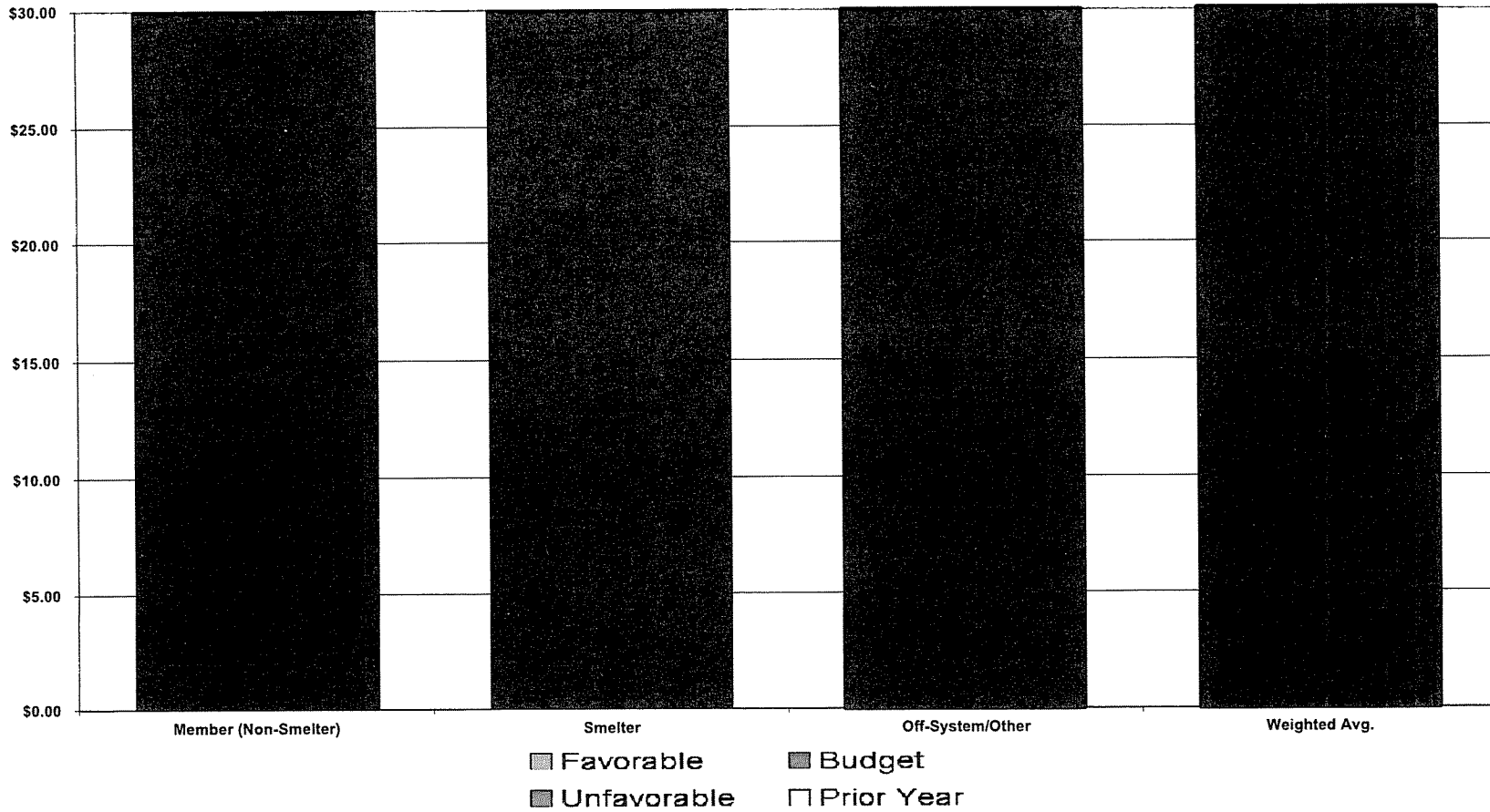
Variable Operations - \$/MWh Sold YTD - August



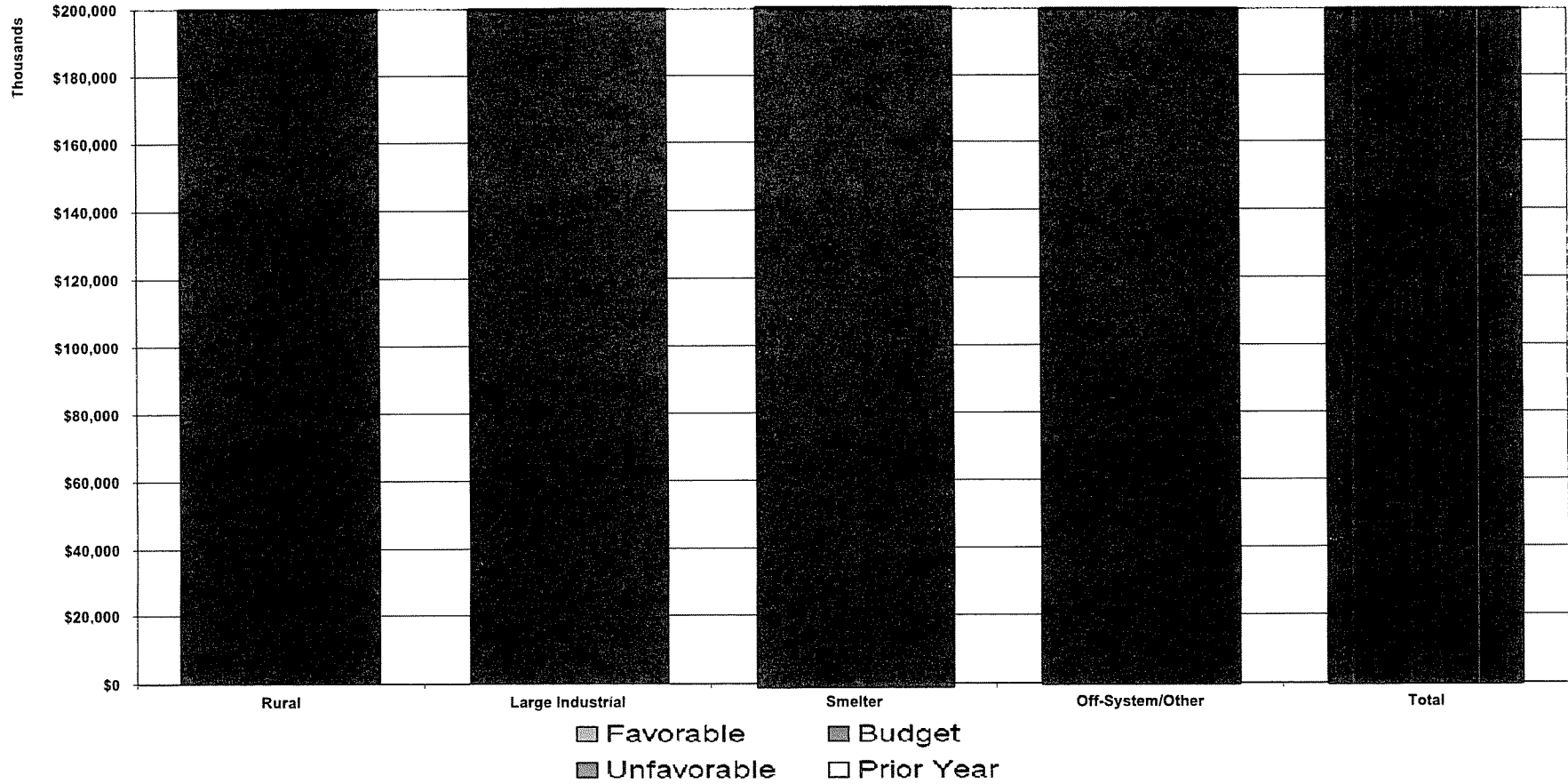
Variable Operations Cost YTD - August



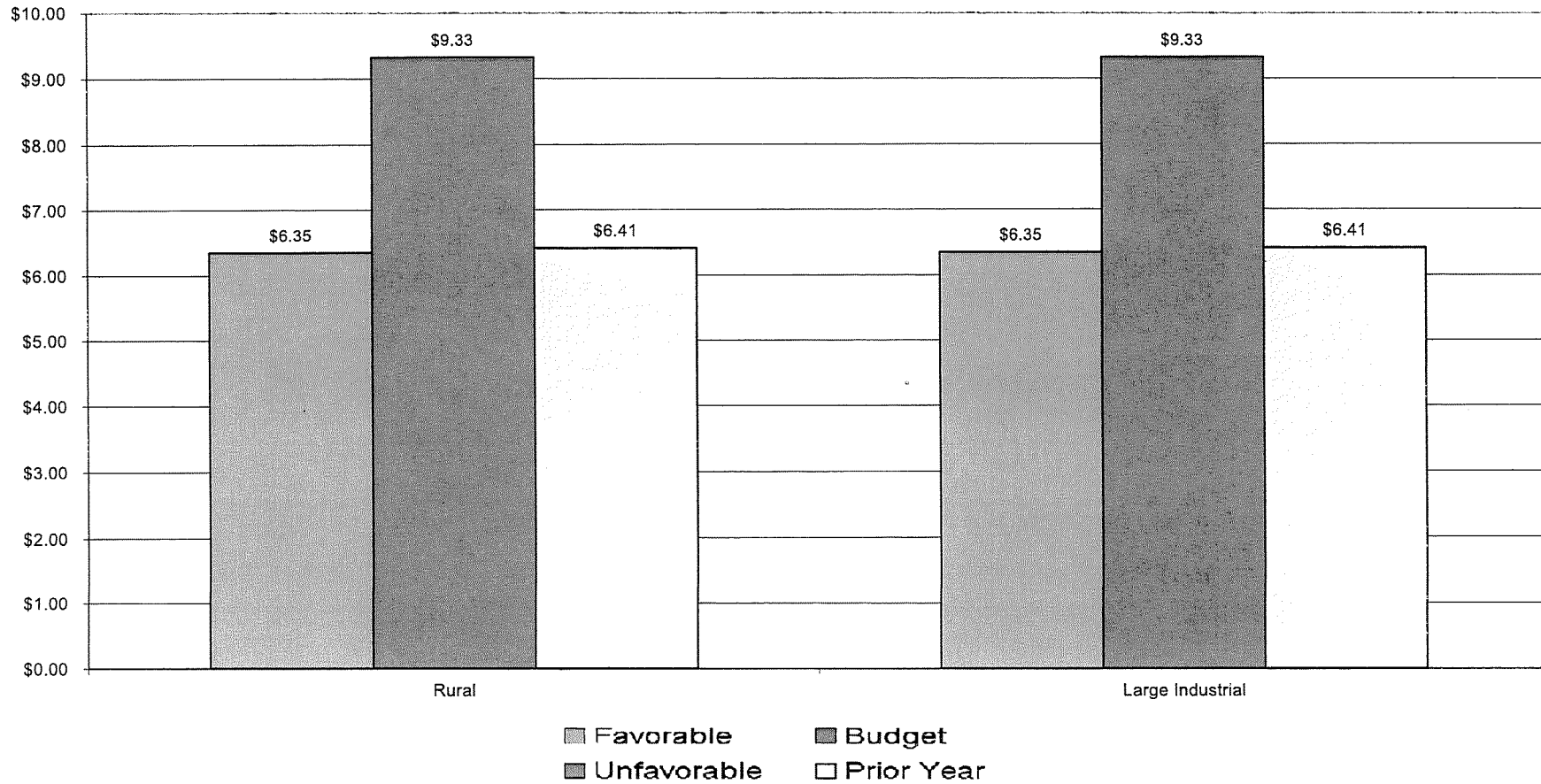
Net Sales Margin - \$/MWh YTD – August



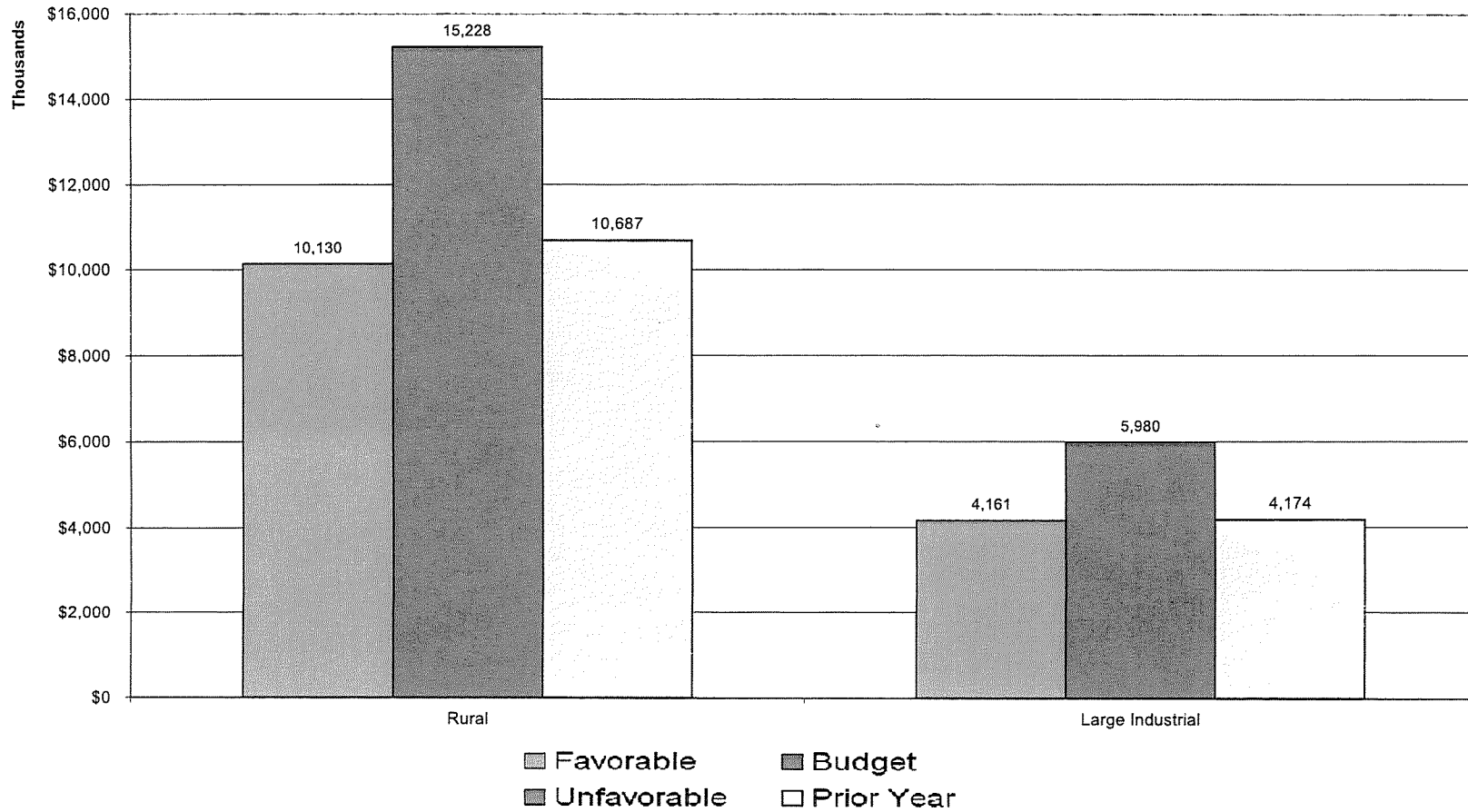
Net Sales Margin YTD – August



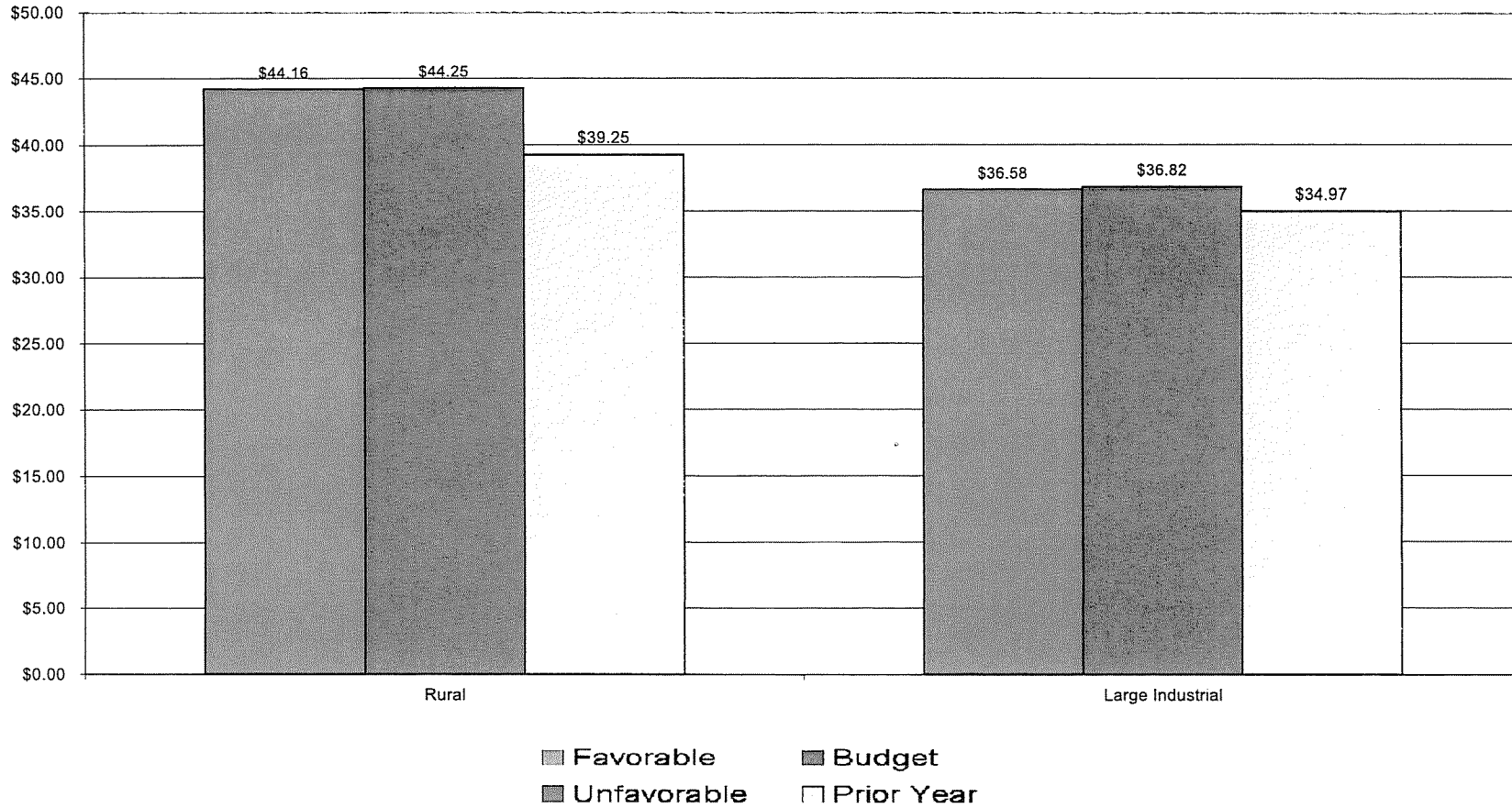
MRSM - \$/MWh YTD - August



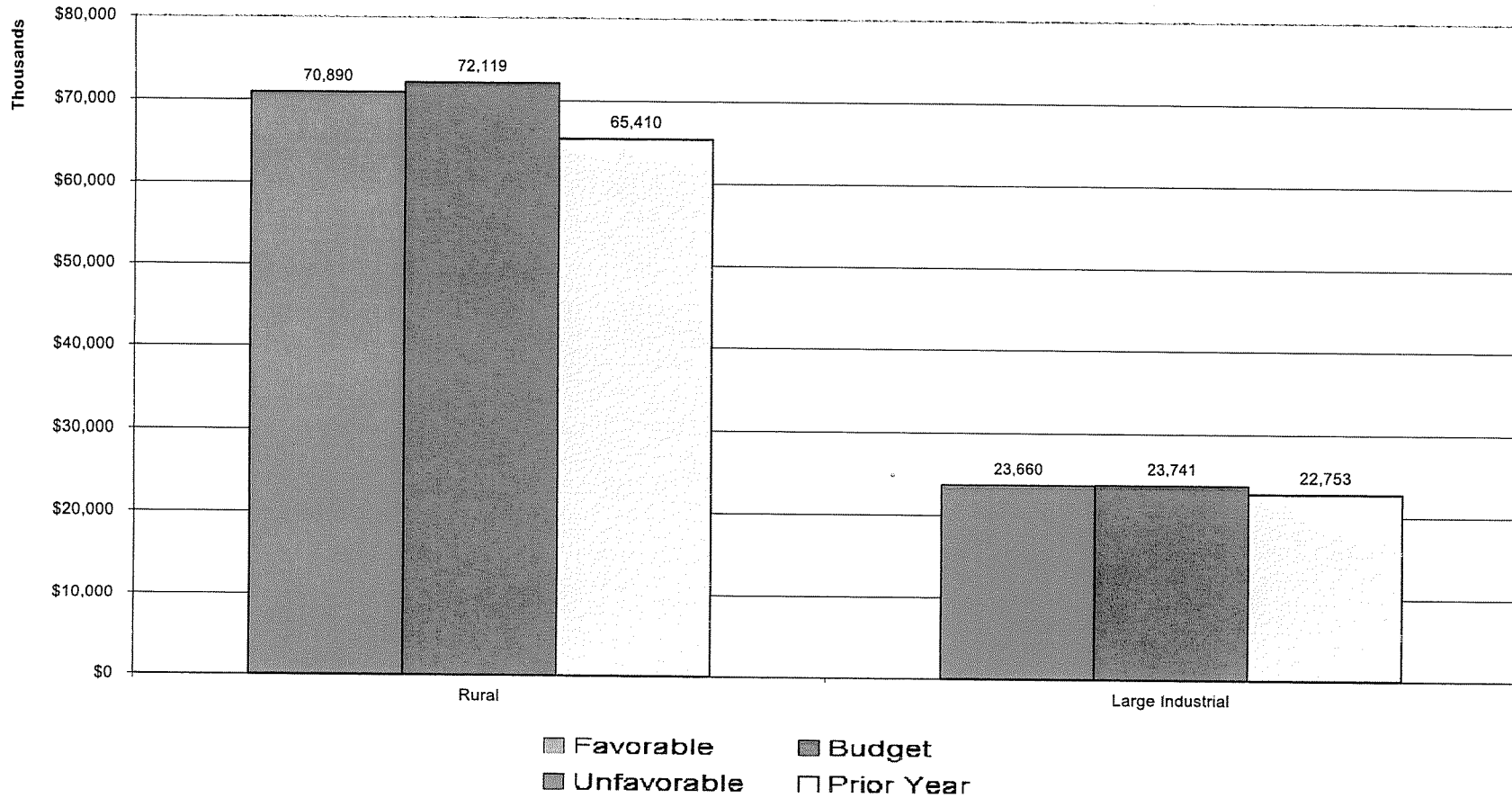
MRSM YTD - August



Net Revenue (Excl. MRSM) - \$/MWh YTD - August



Net Revenue (Excl. MRSM) YTD - August



Other Operating Revenue and Income

	2012	2011	Variance
	<u>Actual</u>	<u>Actual</u>	<u>Fav/(Unfav)</u>
August YTD	3,508	1,893	1,615

The favorable prior-year variance is due to higher transmission revenue this year.

Non-Variable Production and Other Power Supply – Operations

	2012		2011	
	<u>Actual</u>	<u>Budget</u>	<u>2011 Actual</u>	<u>Variance Fav/(Unfav)</u>
August YTD				2,735
				(3,646)

Current Year Variances

Power Supply transmission reservation	500
Plant Operations reductions	1,720
Station Two O&M reductions	500
Other	15
Non-Variable Production and Other Power Supply - Operations	2,735

Prior-Year Variances

Power Supply transmission reservation	(32)
Station-Two O&M [driven by higher outage expense in 2012]	(2,690)
Station-Two [higher depreciation expense]	(864)
Other	(60)
Non-Variable Production and Other Power Supply - Operations	(3,646)

Operation Expense – Transmission

	2012			2011	
	<u>Actual</u>	<u>Budget</u>	<u>Variance Fav/(Unfav)</u>	<u>2011 Actual</u>	<u>Variance Fav/(Unfav)</u>
August YTD	6,738	7,244	506	6,174	(564)

Favorable to budget as a larger percentage of labor is being charged to maintenance accounts than was budgeted (see page 28).

Unfavorable to prior year due to higher MISO and TVA transmission expenses.

Operation Expense – Sales

	2012		
	<u>Actual</u>	<u>Budget</u>	<u>Variance</u> <u>Fav/(Unfav)</u>
August YTD	97	697	600

Favorable to budget due to delay in the start of the energy efficiency/demand side management programs.

Operation Expense – Administrative & General

	2012	2011	Variance
	<u>Actual</u>	<u>Actual</u>	<u>Fav/(Unfav)</u>
August YTD	18,271	17,542	(729)

Unfavorable to prior-year due to costs related to the environmental compliance plan. These costs will be re-classed to a regulatory asset account and amortized over three years as stated in the PSC order dated October 1.

Maintenance Expense – Production

	2012			2011	
	<u>Actual</u>	<u>Budget</u>	<u>Variance Fav/(Unfav)</u>	<u>2011 Actual</u>	<u>Variance Fav/(Unfav)</u>
August YTD			13,669		(2,517)

The favorable YTD variance vs. budget is primarily due to scope reduction of the Wilson planned outage. The Green facility is favorable due to the cancellation of the unit two planned outage. The Coleman station is also favorable due to the cancellation of the unit 1 and unit 3 outages. The planned outage on the gas turbine was also cancelled.

The unfavorable variance to prior-year is driven by the Wilson spring outage this year.

Maintenance Expense – Transmission

	2012			2011	
	<u>Actual</u>	<u>Budget</u>	<u>Variance Fav/(Unfav)</u>	<u>2011 Actual</u>	<u>Variance Fav/(Unfav)</u>
August YTD	3,398	2,697	(701)	2,854	(544)

Unfavorable to budget primarily due to higher labor expense in the maintenance accounts. This is partially offset in Operation Expense – Transmission as a larger percentage of labor is being charged to maintenance accounts than was budgeted (see page 24).

Unfavorable to prior-year due to higher brush control expenses this year.

Depreciation & Amortization Expense

	2012	2011	Variance
	<u>Actual</u>	<u>Actual</u>	<u>Fav/(Unfav)</u>
August YTD	27,288	23,070	(4,218)

Unfavorable to prior-year due to the higher depreciation rates that are in effect as a result of the depreciation study and a higher plant in service balance being depreciated.

Interest on Long-Term Debt

	2012	2011	Variance
	<u>Actual</u>	<u>Actual</u>	<u>Fav/(Unfav)</u>
August YTD	30,015	30,706	691

Favorable to prior-year primarily due to the use of the transition reserve to pre-pay RUS debt.



North Star – YTD August

	2012			2011	
	Actual	Budget	Fav/(UnFav) Variance	Actual	Fav/(UnFav) Variance
Total Cost of Electric Service			39,696		(1,228)
Other Operating Revenues & Income	(3,508)	(2,676)	832	(1,893)	1,615
Smelter Avoidable Base Charge	(286)	0	286	(1,595)	(1,309)
Off-System Sales/Other					
Interest Income	(56)	(45)	11	(124)	(68)
Other Non-Operating Income	0	0	0	(9)	(9)
Other Capital Credits & Pat. Dividends	(59)	(33)	26	(97)	(38)
			26,842		(52,676)

Member MWh	7,202,313	7,152,298	50,015	6,789,571	412,742
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North Star - \$/kWh

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TIER

	<u>Actual</u>	<u>Budget</u>	<u>Fav/(Unfav)</u>
Interest on Long-Term Debt	30,015	29,797	(218)
Net Margins	[REDACTED]		
TIER - YTD August	[REDACTED]		
TIER (12 months ending 8/31)	[REDACTED]		

Notes:

TIER = (Net Margins + Interest on Long-Term Debt) divided by Interest on Long-Term Debt



Capital Expenditures*

Year-to-Date

	Actual	Budget	Fav/(UnFav)
IT	878	1,878	1,000
Generation	19,260	41,445	22,185
Transmission	5,648	8,374	2,726
Other	760	7,287	6,527
Total	26,546	58,984	32,438

Explanation:

IT was favorable \$1,000 due to the timing of the Oracle Extensions project, as well as the OSI EMS Hardware/Software projects.

Generation was favorable by \$22,185. Green Station was favorable by \$8,511 due to the G2 outage deferral, as well as the reduction of the FGD project and cancellation of the Coal Sampler project. Wilson Station was favorable \$8,492 primarily due to outage scope reductions/deferrals. Coleman Station was favorable \$3,693 due to the C1 and C3 outage deferrals/cancellations. Station-Two was favorable \$1,489 largely due to favorability of the H1 Burner Replacement project.

Transmission was favorable \$2,726 primarily due to deferral of the White Oak Substation project, as well as timing related to the Two-way Radio and Wilson EHV Substation projects.

Other was favorable \$6,527 mainly due to the delay of the MATS project, as well as cancellation of the CSAPR project. Additionally, the PCI Analyzer Software project was cancelled.

* Gross of the City's share of Station Two. Includes capitalized interest.



Cash & Temporary Investments

	<u>Actual</u>	<u>Budget</u>	<u>Fav/(Unfav)</u>	2011	<u>Actual</u>	<u>Fav/(Unfav)</u>
August 31st	107,528	56,386	51,142		76,642	30,886


The August 31, 2012 cash balance compared to budget is favorable due to the borrowing that occurred in July.

The variance to prior-year is driven by the borrowing this year, partially offset by the year-over-year increase in fuel inventory.

Lines of Credit <u>As of August 31st</u>	
Original Amount	\$100,000
Letters of Credit Outstanding	(5,375)
Advances Outstanding	0
Available Lines of Credit	\$ 94,625

Monthly Financial Report – July 2012



Your Touchstone Energy Cooperative 

Financial Report
July 2012
(\$ in Thousands)

Board Meeting Date: September 21, 2012



Summary of Statement of Operations YTD - July

	2012			2011	
	Actual	Budget	Fav/(UnFav) Variance	Actual	Fav/(UnFav) Variance
Revenues	327,373	356,976	(29,603)	326,000	1,373
Cost of Electric Service	323,047	360,271	37,224	322,287	(760)
Operating Margins	4,326	(3,295)	7,621	3,713	613
Interest Income/Other	82	63	19	222	(140)
Net Margins - YTD	4,408	(3,232)	7,640	3,935	473
August - YTD	5,890	(176)	6,066	5,963	(73)



Your. Together. Energy. Cost-effective.

Statement of Operations – July Variance to Budget

	Current Month			Year-to-Date			Explanation
	Actual	Budget	Variance Fav/(UnFav)	Actual	Budget	Variance Fav/(UnFav)	
ELECTRIC ENERGY REVENUES	50,686	52,888	(2,202)	324,398	354,634	(30,236)	[A] Pages 7, 9-13, 16-21
OTHER OPERATING REVENUE AND INCOME	567	334	233	2,975	2,342	633	
TOTAL OPER REVENUES & PATRONAGE CAPITAL	51,253	53,222	(1,969)	327,373	356,976	(29,603)	
OPERATION EXPENSE-PRODUCTION-EXCL FUEL	4,185	5,023	838	28,022	32,080	4,058	[A] Pages 8, 14-15, 23
OPERATION EXPENSE-PRODUCTION-FUEL	21,591	23,336	1,745	128,481	138,052	9,571	[A] Pages 8, 14-15
OPERATION EXPENSE-OTHER POWER SUPPLY	8,667	7,310	(1,357)	66,843	74,895	8,052	[A] Pages 8, 14-15, 23
OPERATION EXPENSE-TRANSMISSION	954	894	(60)	5,932	6,292	360	
OPERATION EXPENSE-RTO/ISO	138	227	89	1,364	1,457	93	
CONSUMER SERVICE & INFORMATIONAL EXPENSE	90	51	(39)	289	436	147	
OPERATION EXPENSE-SALES	5	73	68	25	624	599	[B] Page 25
OPERATION EXPENSE-ADMINISTRATIVE & GENERAL	2,004	2,009	5	15,797	15,830	33	
TOTAL OPERATION EXPENSE	37,634	38,923	1,289	246,753	269,666	22,913	
MAINTENANCE EXPENSE-PRODUCTION	3,350	4,516	1,166	23,776	38,072	14,296	[B], [C] Page 26
MAINTENANCE EXPENSE-TRANSMISSION	450	349	(101)	2,784	2,309	(475)	[B] Page 27
MAINTENANCE EXPENSE-GENERAL PLANT	1	9	8	94	62	(32)	
TOTAL MAINTENANCE EXPENSE	3,801	4,874	1,073	26,654	40,443	13,789	
DEPRECIATION & AMORTIZATION EXPENSE	3,404	3,508	104	23,767	24,261	494	
TAXES	0	0	0	4	1	(3)	
INTEREST ON LONG-TERM DEBT	3,680	3,777	97	26,164	26,019	(145)	
INTEREST CHARGED TO CONSTRUCTION-CREDIT	(59)	(68)	(9)	(444)	(322)	122	
OTHER INTEREST EXPENSE	11	0	(11)	11	0	(11)	
OTHER DEDUCTIONS	15	43	28	138	203	65	
TOTAL COST OF ELECTRIC SERVICE	48,486	51,057	2,571	323,047	360,271	37,224	
OPERATING MARGINS	2,767	2,165	602	4,326	(3,295)	7,621	
INTEREST INCOME	6	5	1	37	38	(1)	
ALLOWANCE FOR FUNDS USED DURING CONST	0	0	0	0	0	0	
OTHER NON-OPERATING INCOME - NET	0	0	0	0	0	0	
OTHER CAPITAL CREDITS & PAT DIVIDENDS	0	0	0	45	25	20	
EXTRAORDINARY ITEMS	0	0	0	0	0	0	
NET PATRONAGE CAPITAL OR MARGINS	2,773	2,170	603	4,408	(3,232)	7,640	

YTD Explanations: [A] Net Sales Margin, [B] 10% of line item and \$250,000 or [C] 10% of margins and \$500,000.

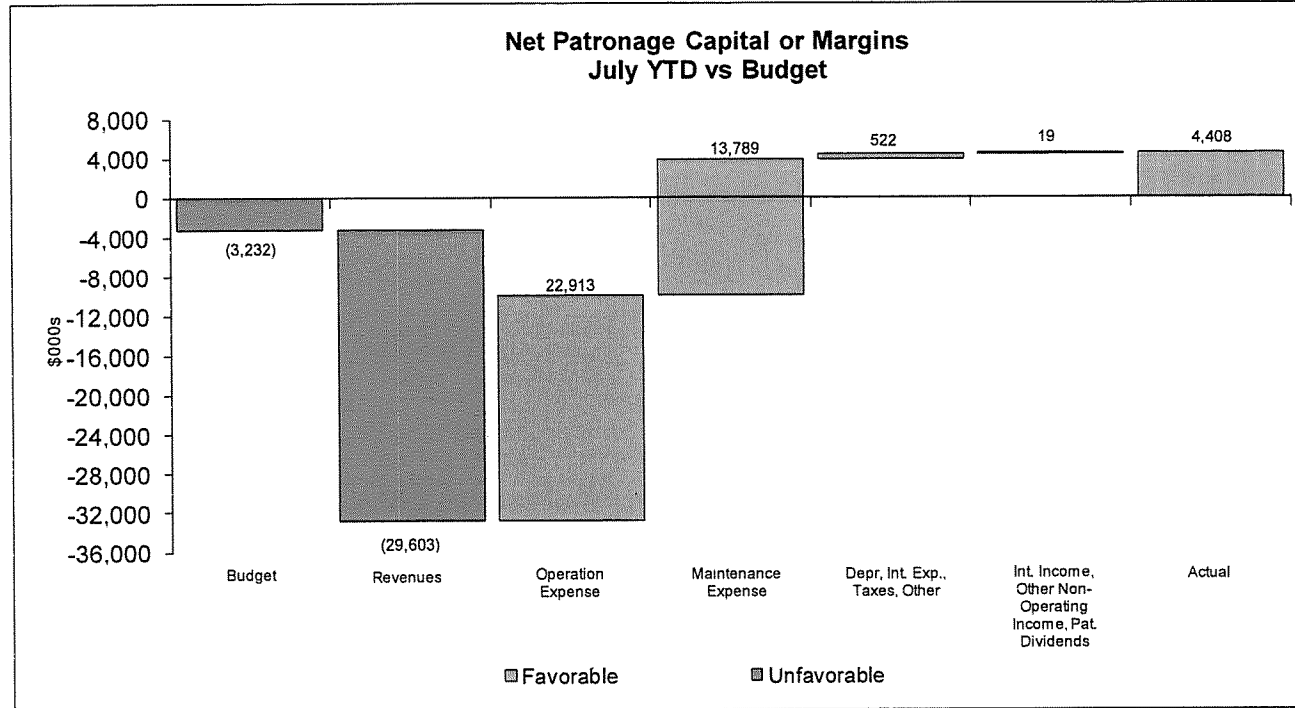


Statement of Operations – July Variance to Prior-Year

	Current Month			Year-to-Date			Explanation
	Actual	Prior Year	Variance Fav/(UnFav)	Actual	Prior Year	Variance Fav/(UnFav)	
ELECTRIC ENERGY REVENUES	50,686	50,741	(55)	324,398	324,292	106	[A] Pages 7, 9-13, 16-21
OTHER OPERATING REVENUE AND INCOME	567	188	379	2,975	1,708	1,267	Page 22
TOTAL OPER REVENUES & PATRONAGE CAPITAL	51,253	50,929	324	327,373	326,000	1,373	
OPERATION EXPENSE-PRODUCTION-EXCL FUEL	4,185	4,223	38	28,022	28,445	423	[A] Pages 8, 14-15, 23
OPERATION EXPENSE-PRODUCTION-FUEL	21,591	20,721	(870)	128,481	134,903	6,422	[A] Pages 8, 14-15
OPERATION EXPENSE-OTHER POWER SUPPLY	8,667	9,077	410	66,843	64,096	(2,747)	[A] Pages 8, 14-15, 23
OPERATION EXPENSE-TRANSMISSION	954	521	(433)	5,932	5,168	(764)	[B], [C] Page 24
OPERATION EXPENSE-RTO/ISO	138	181	43	1,364	1,448	84	
CONSUMER SERVICE & INFORMATIONAL EXPENSE	90	45	(45)	289	235	(54)	
OPERATION EXPENSE-SALES	5	(16)	(21)	25	7	(18)	
OPERATION EXPENSE-ADMINISTRATIVE & GENERAL	2,004	2,514	510	15,797	16,191	394	
TOTAL OPERATION EXPENSE	37,634	37,266	(368)	246,753	250,493	3,740	
MAINTENANCE EXPENSE-PRODUCTION	3,350	3,344	(6)	23,776	22,273	(1,503)	[C] Page 26
MAINTENANCE EXPENSE-TRANSMISSION	450	342	(108)	2,784	2,482	(302)	[B] Page 27
MAINTENANCE EXPENSE-GENERAL PLANT	1	17	16	94	75	(19)	
TOTAL MAINTENANCE EXPENSE	3,801	3,703	(98)	26,654	24,830	(1,824)	
DEPRECIATION & AMORTIZATION EXPENSE	3,404	2,878	(526)	23,767	20,192	(3,575)	[B], [C] Page 28
TAXES	0	0	0	4	128	124	
INTEREST ON LONG-TERM DEBT	3,680	3,855	175	26,164	26,851	687	
INTEREST CHARGED TO CONSTRUCTION-CREDIT	(59)	(18)	41	(444)	(394)	50	
OTHER INTEREST EXPENSE	11	0	(11)	11	59	48	
OTHER DEDUCTIONS	15	12	(3)	138	128	(10)	
TOTAL COST OF ELECTRIC SERVICE	48,486	47,696	(790)	323,047	322,287	(760)	
OPERATING MARGINS	2,767	3,233	(466)	4,326	3,713	613	
INTEREST INCOME	6	7	(1)	37	116	(79)	
ALLOWANCE FOR FUNDS USED DURING CONST	0	0	0	0	0	0	
OTHER NON-OPERATING INCOME - NET	0	0	0	0	9	(9)	
OTHER CAPITAL CREDITS & PAT DIVIDENDS	0	0	0	45	97	(52)	
EXTRAORDINARY ITEMS	0	0	0	0	0	0	
NET PATRONAGE CAPITAL OR MARGINS	2,773	3,240	(467)	4,408	3,935	473	

YTD Explanations: [A] Net Sales Margin, [B] 10% of line item and \$250,000 or [C] 10% of margins and \$500,000.

Variance Analysis Summary

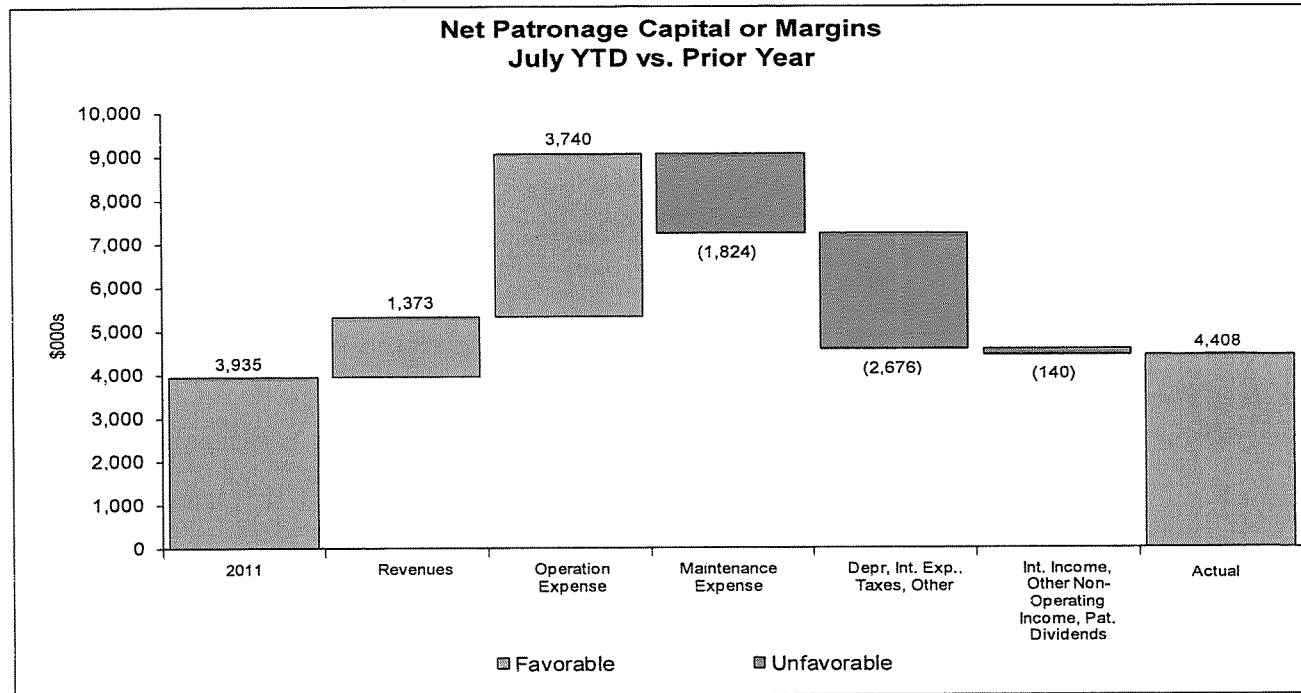


Financial Commentary

Year-to-Date

- July YTD 2012 Margins were \$7,640 favorable to budget.
 - Electric Energy Revenues were unfavorable \$30,236 primarily due to lower rural volume and lower rates (see page 7).
 - Operation Expense was favorable \$22,913 – driven by lower variable costs \$18,906 primarily due to lower variable costs per MWh (see page 8). The remainder of the variance is made up of favorable plant and fixed departmental expenses (see pages 23, 25).
 - Maintenance Expense was favorable \$13,789 primarily due to the scope reduction of the Wilson planned outage, cancellation of the Green 2 planned outage, cancellation of the planned outage on the combustion turbine and lower expenses at the Coleman facility to offset the lower power market (see pages 26-27).

Variance Analysis Summary



Financial Commentary

Year-to-Date

- July YTD 2012 margins were \$473 favorable to 2011.
 - Revenues were favorable \$1,373 primarily due to the 9/1/2011 rate increase, a higher smelter TIER Adjustment Charge (\$2.95/MWh vs \$1.95/MWh in 2011), and higher transmission revenue. These favorable variances were offset by lower off-system pricing and volumes.
 - Operation Expense was favorable \$3,740 – driven by lower variable costs \$7,051, due to volume, partially offset by higher expenses associated with Station-Two (see pages 8 & 23).
 - Maintenance Expense was unfavorable \$1,824 primarily due to the Wilson planned outage and higher maintenance activities at the plants (see pages 26-27).
 - Depreciation, Interest Expense, Taxes & Other combined was higher \$2,676 (see page 28).



**Revenue
YTD July**

	Actual 2012	Budget 2012	Variance	Actual 2011	2011 Variance
MWh Sales					
Rural	1,381,170	1,399,216	(18,046)	1,433,707	(52,537)
Large Industrial	566,068	561,903	4,165	564,745	1,323
Smelter	4,328,305	4,258,296	70,009	3,898,513	429,792
Off-System/Other					
Total					
Revenue - \$/MWh					
Rural	50.27	53.34	(3.07)	45.40	4.87
Large Industrial	42.84	46.09	(3.25)	41.34	1.50
Smelter	48.41	51.84	(3.43)	43.45	4.96
Off-System/Other					
Total					
Revenue - Thousands of \$					
Rural	69,436	74,638	(5,202)	65,093	4,343
Large Industrial	24,253	25,899	(1,646)	23,346	907
Smelter	209,527	220,741	(11,214)	169,387	40,140
Off-System/Other					
Total					

**Revenue Price / Volume Analysis
July 2012**

	Price / Volume		
	Price	Volume	Total
Rural	(4,240)	(962)	(5,202)
Large Industrial	(1,838)	192	(1,646)
Smelter	(14,843)	3,629	(11,214)
Off-System/Other			



Your Traditional Energy Company

Variable Operations Cost YTD July

	Actual 2012	Budget 2012	Variance	Actual 2011	2011 Variance
Variable Operations (VO) Cost - \$/MWh					
Rural					
Large Industrial					
Smelter					
Off-System/Other					
Total					
VO Cost - Thousands of \$					
Rural					
Large Industrial					
Smelter					
Off-System/Other					
Total					

YTD July 2012

Variable Operations Expense

	Actual	Budget	Fav/(UnFav)	Price Variance Fav/(UnFav)	Volume Variance Fav/(UnFav)	Fav/(UnFav)
Reagent						
Fuel						
Purchased Power						
Non-FAC PPA (Non-Smelter)						



Your Touchstone Energy Cooperative

**Net Sales Margin
YTD July**

	<u>Actual</u> <u>2012</u>	<u>Budget</u> <u>2012</u>	<u>Variance</u>	<u>Actual</u> <u>2011</u>	<u>2011</u> <u>Variance</u>
Net Sales Margin - \$/MWh					
Rural					
Large Industrial					
Smelter					
Off-System/Other					
Total					
Net Sales Margin - Thousands of \$					
Rural					
Large Industrial					
Smelter					
Off-System/Other					
Total					

**Net Sales Margin
Price / Volume Analysis
July 2012**

	<u>Price / Volume</u>
Rural	
Large Industrial	
Smelter	
Off-System/Other	



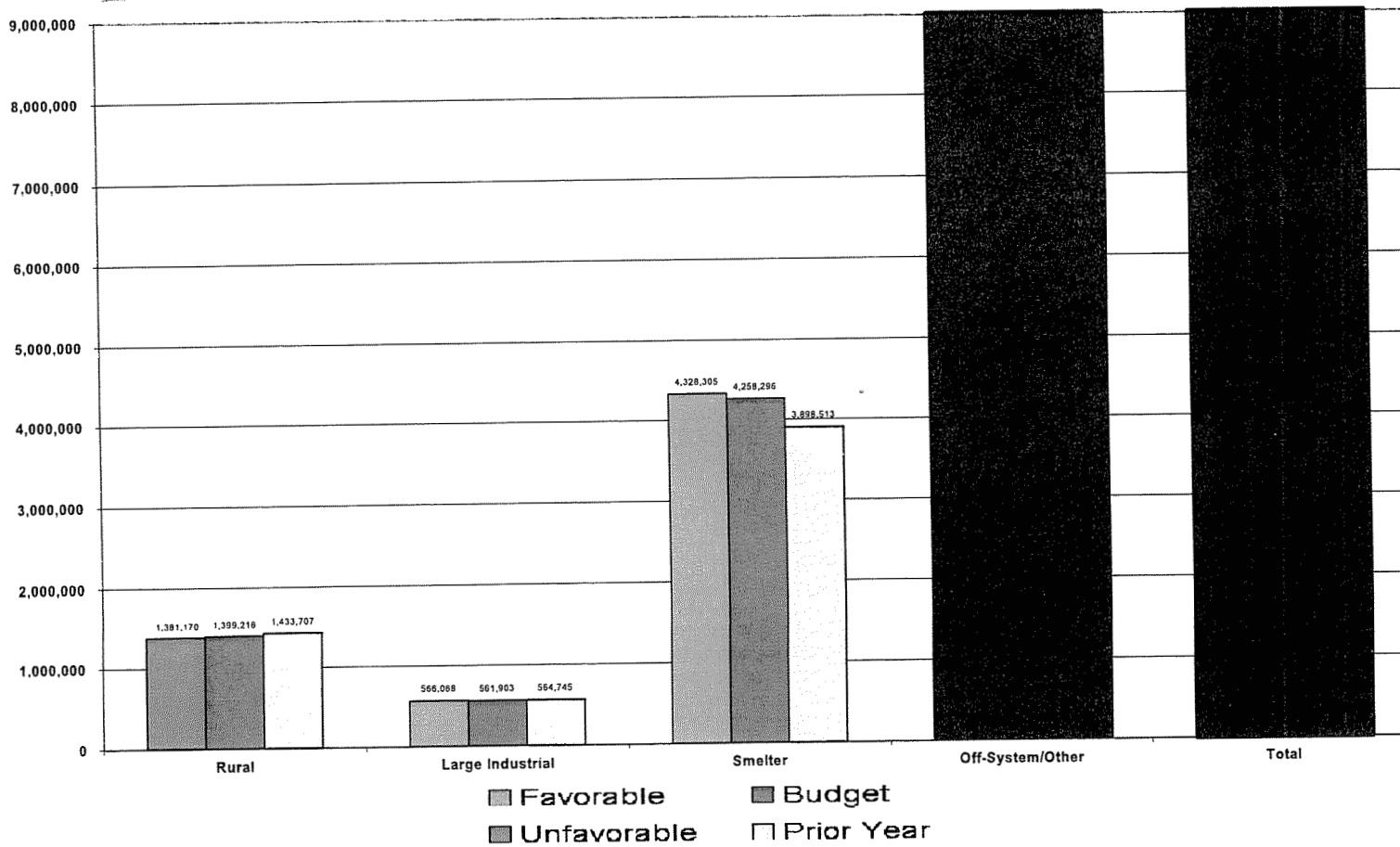
Your Touchstone Energy Cooperative

**Member Rate Stability Mechanism
YTD July**

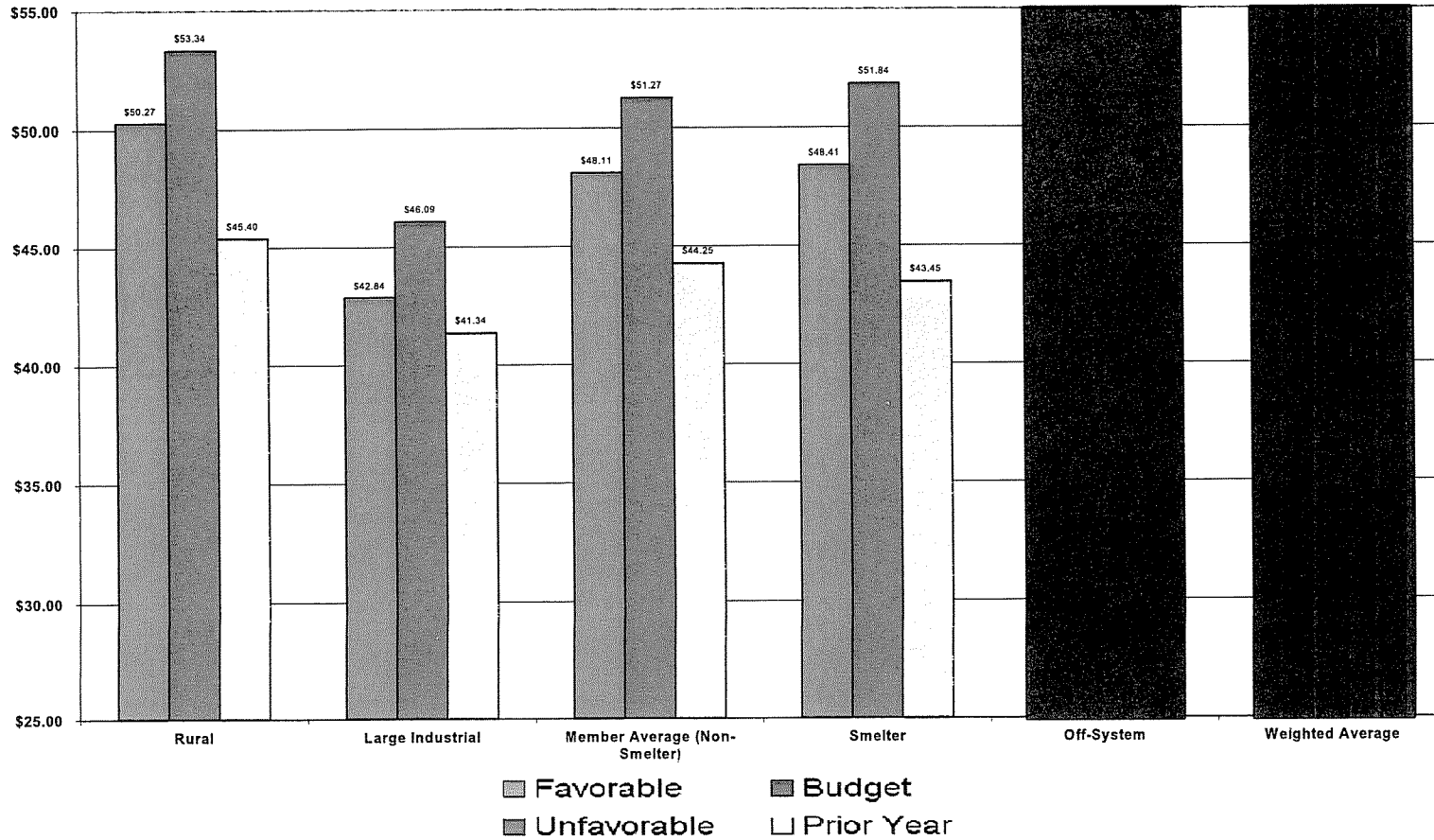
	<u>Actual</u> <u>2012</u>	<u>Budget</u> <u>2012</u>	<u>2012</u> <u>Variance</u>	<u>Actual</u> <u>2011</u>	<u>2011</u> <u>Variance</u>		<u>Actual</u> <u>2012</u>	<u>Budget</u> <u>2012</u>	<u>2012</u> <u>Variance</u>	<u>Actual</u> <u>2011</u>	<u>2011</u> <u>Variance</u>
<u>MRSM - \$/MWh</u>						<u>Net Revenue - \$/MWh</u>					
Rural	(6.42)	(9.64)	3.22	(6.73)	0.31	Rural	43.85	43.70	0.15	38.67	5.18
Large Industrial	(6.42)	(9.64)	3.22	(6.73)	0.31	Large Industrial	36.42	36.45	(0.03)	34.61	1.81
Total	(6.42)	(9.64)	3.22	(6.73)	0.31	Total	41.69	41.63	0.06	37.52	4.17
<u>MRSM - Thousands of \$</u>						<u>Net Revenue - Thousands of \$</u>					
Rural	(8,820)	(13,230)	4,410	(9,654)	834	Rural	60,616	61,408	(792)	55,439	5,177
Large Industrial	(3,680)	(5,270)	1,590	(3,804)	124	Large Industrial	20,573	20,629	(56)	19,542	1,031
Total	(12,500)	(18,500)	6,000	(13,458)	958	Total	81,189	82,037	(848)	74,981	6,208

<u>Economic Reserve Balance</u>			
<u>Cumulative-to-Date</u>	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
Original Deposit	\$ 157,000		
Interest Earnings	3,049		
Withdrawals	(71,648)		
Ending Balance 7/31/2012	\$ 88,401	\$ 82,422	\$ 5,979
<u>YTD July 2012</u>			
Beg. Balance 1/1/2012	\$ 100,601		
Interest Earnings	285		
Withdrawals	(12,485)		
Ending Balance 7/31/2012	\$ 88,401	\$ 82,422	\$ 5,979

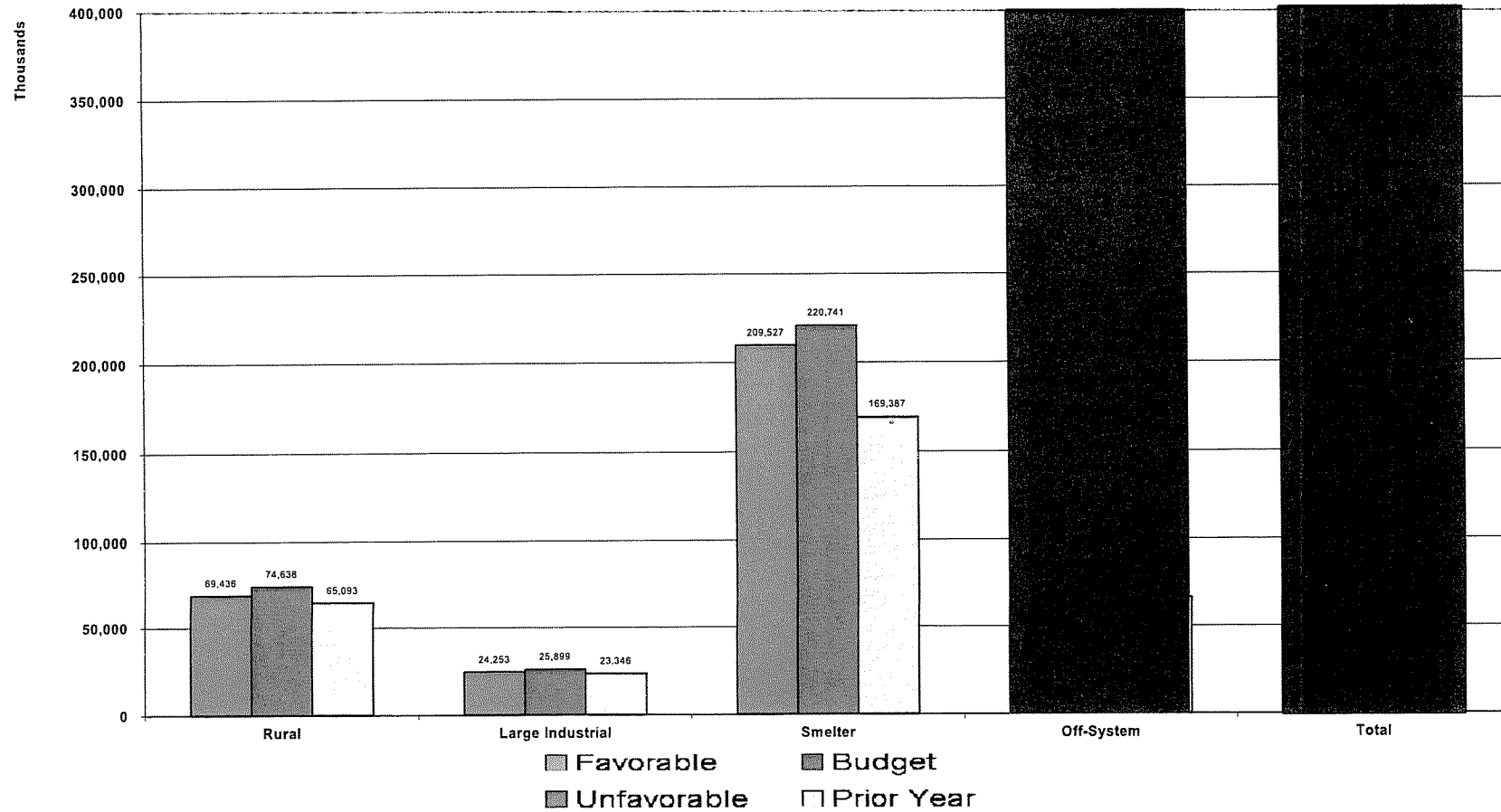
MWH Sales YTD - July



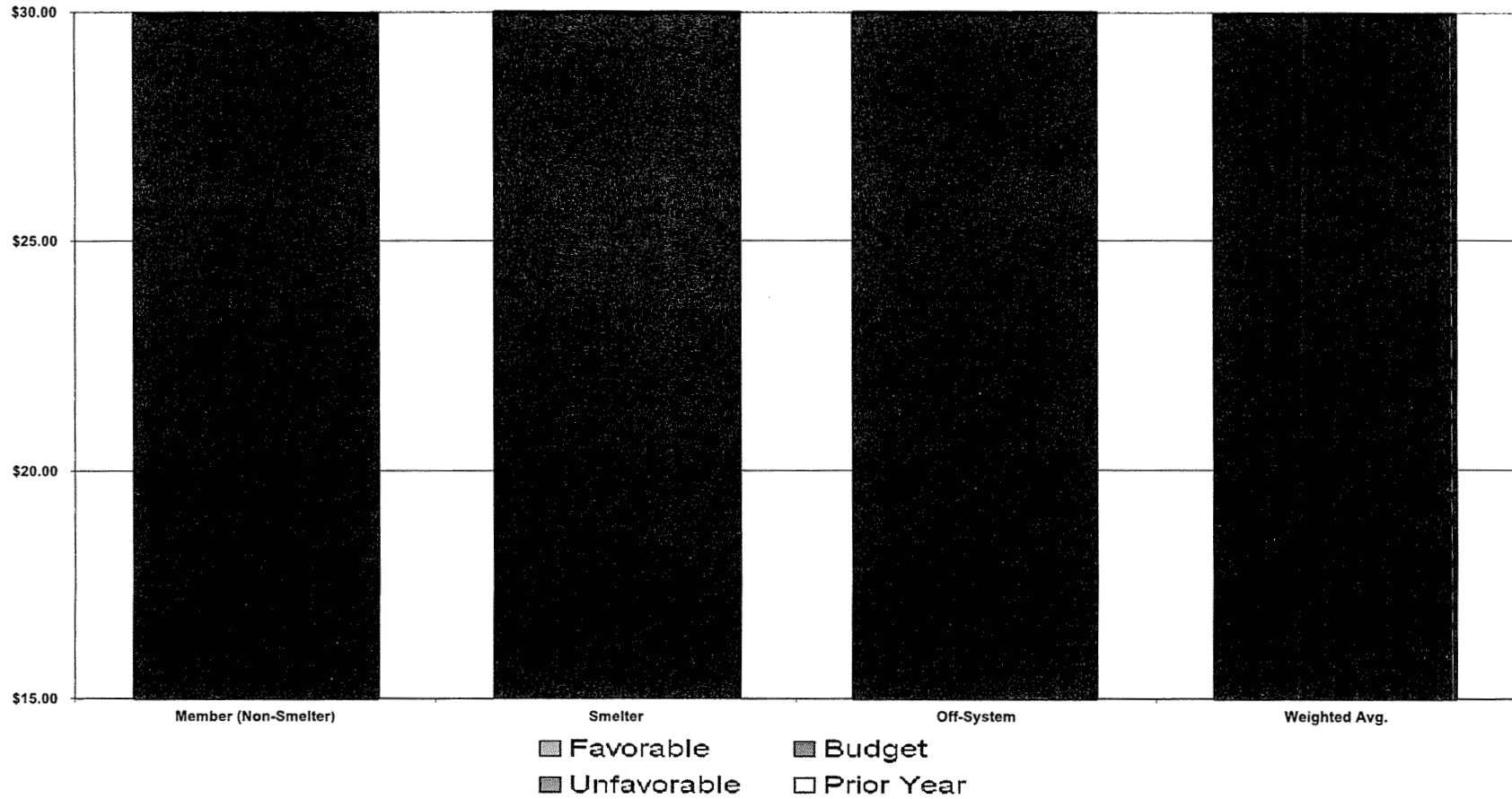
Revenue - \$/MWh Sold YTD - July



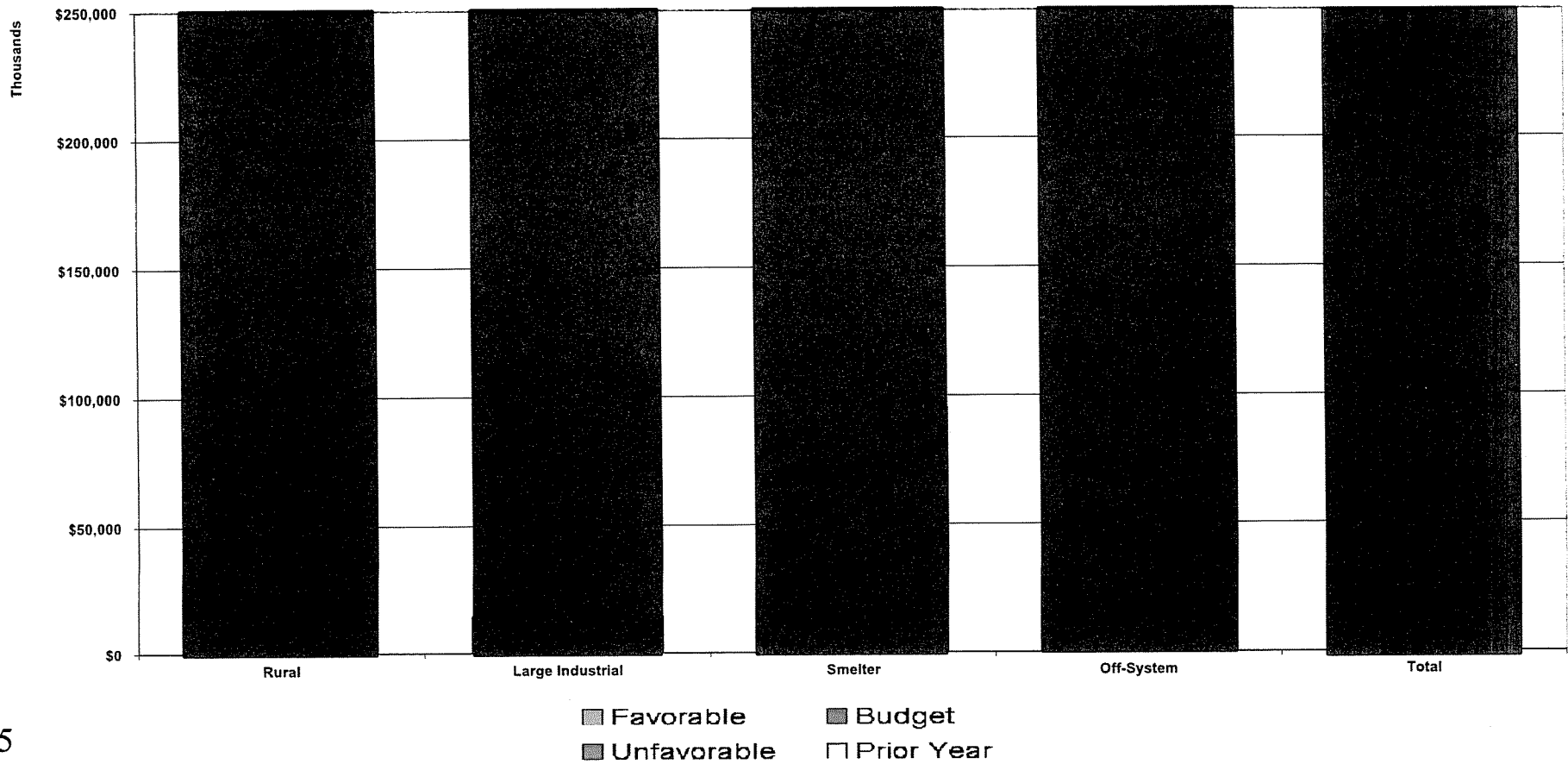
Revenue YTD - July



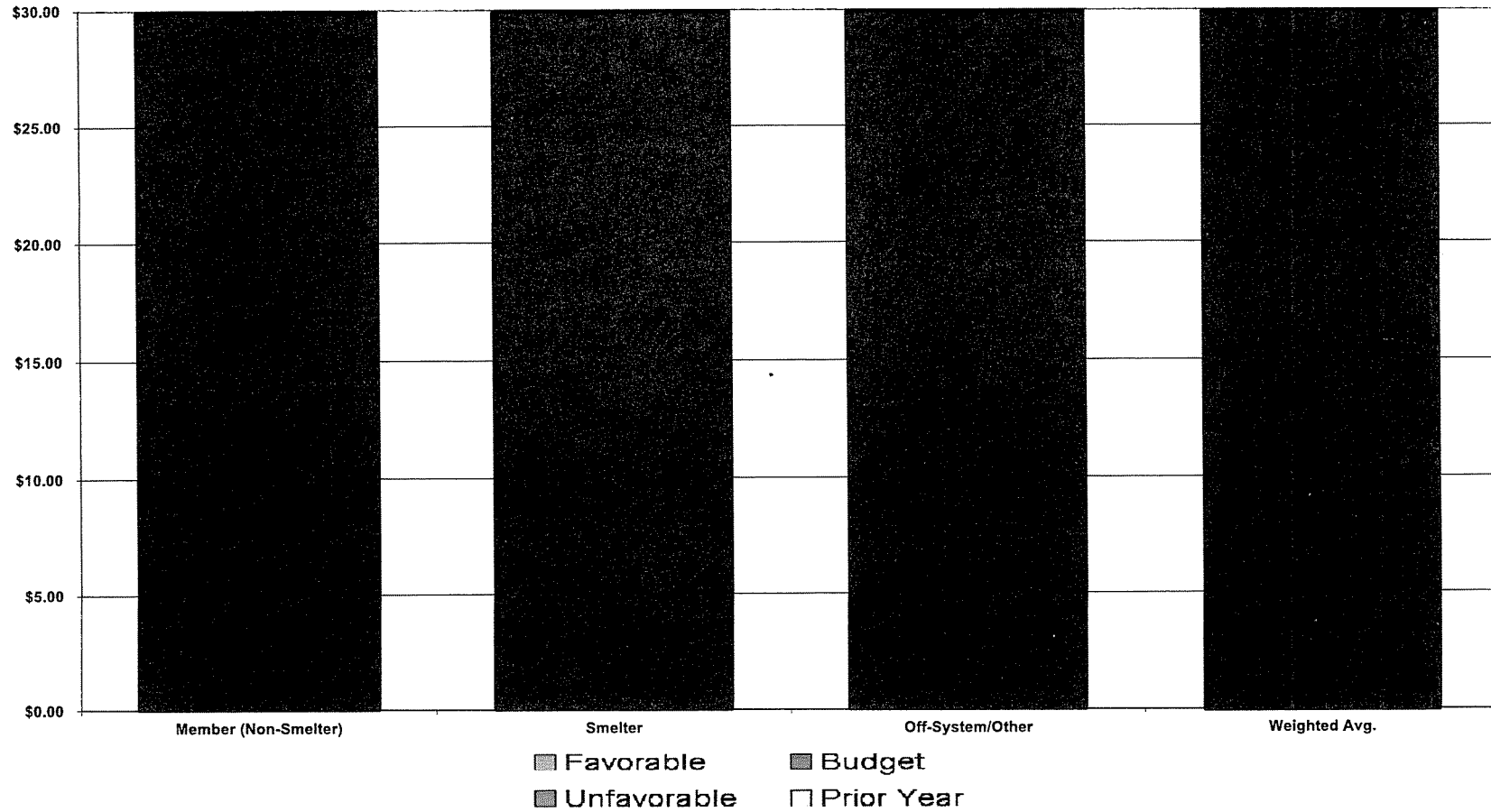
Variable Operations - \$/MWh Sold YTD - July



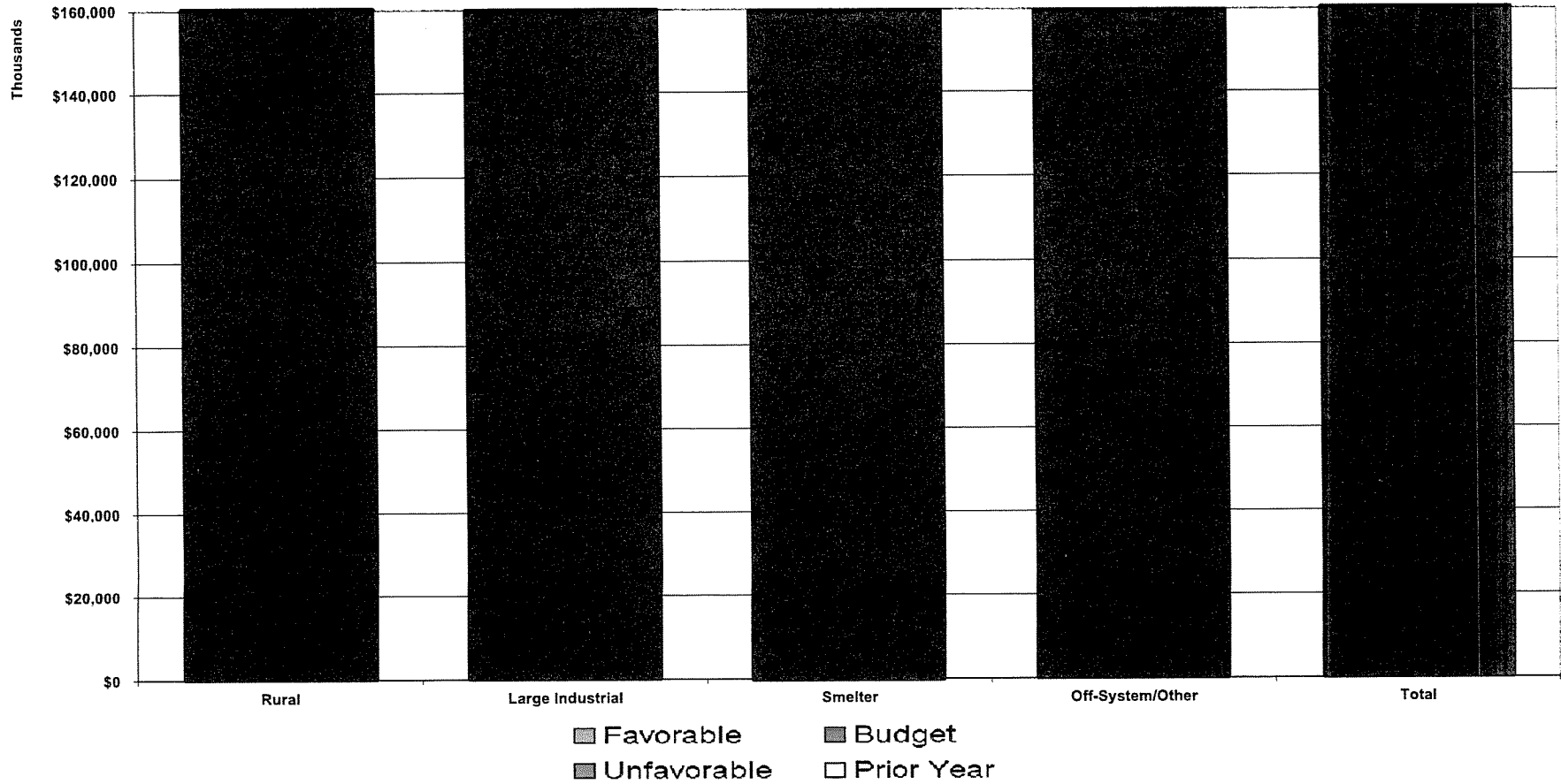
Variable Operations Cost YTD - July



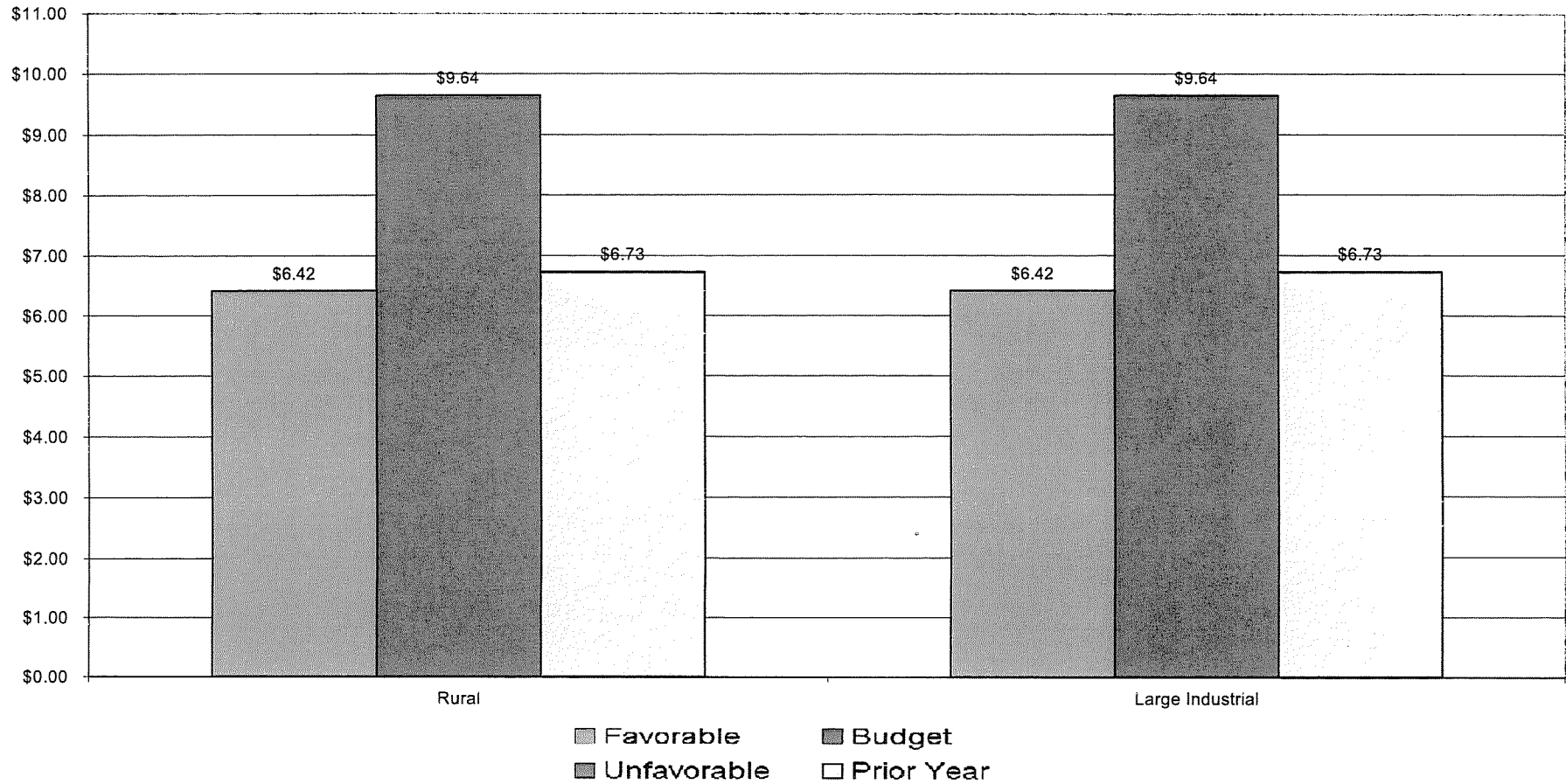
Net Sales Margin - \$/MWh YTD - July



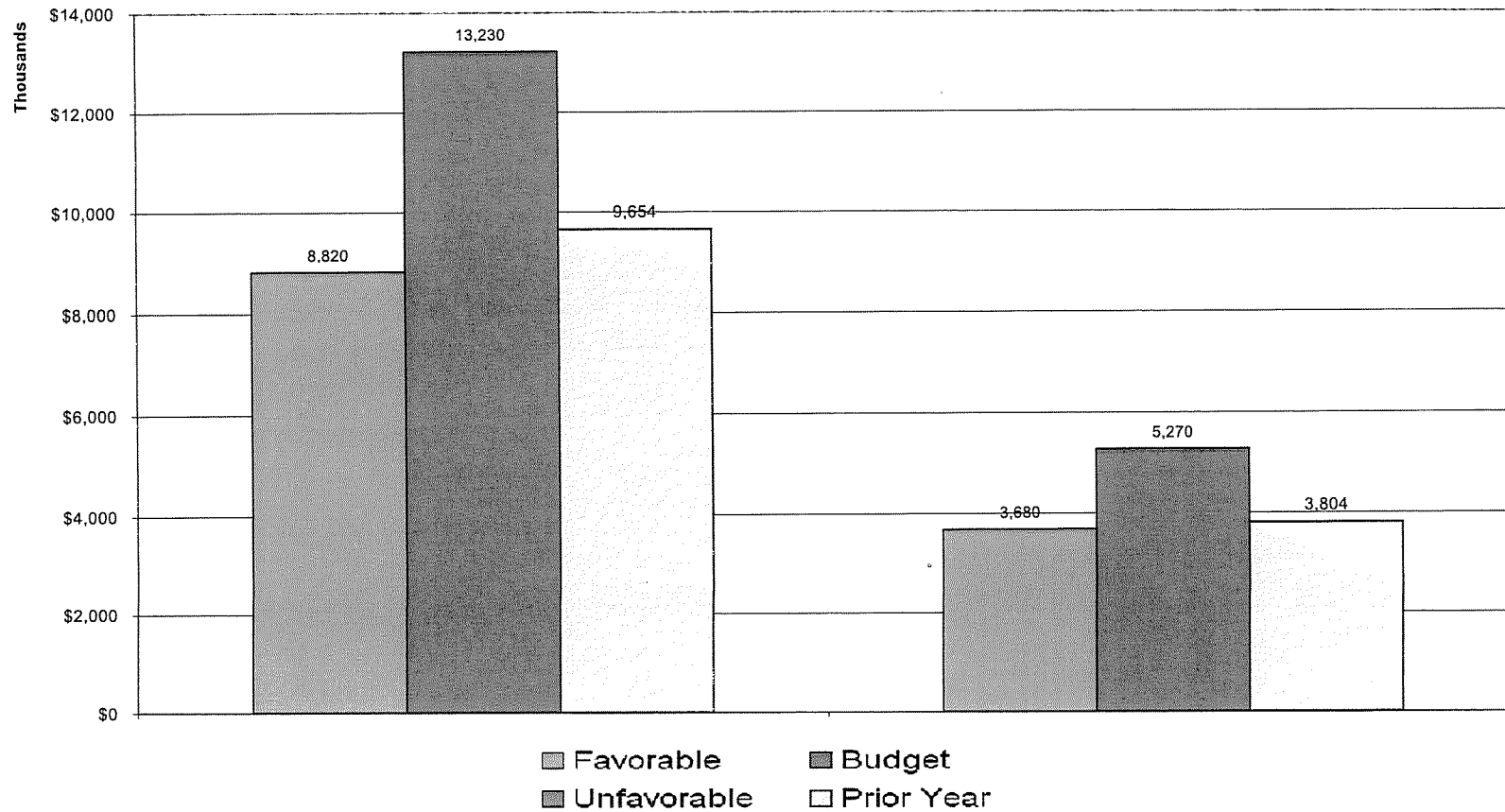
Net Sales Margin YTD – July



MRSM - \$/MWh YTD - July



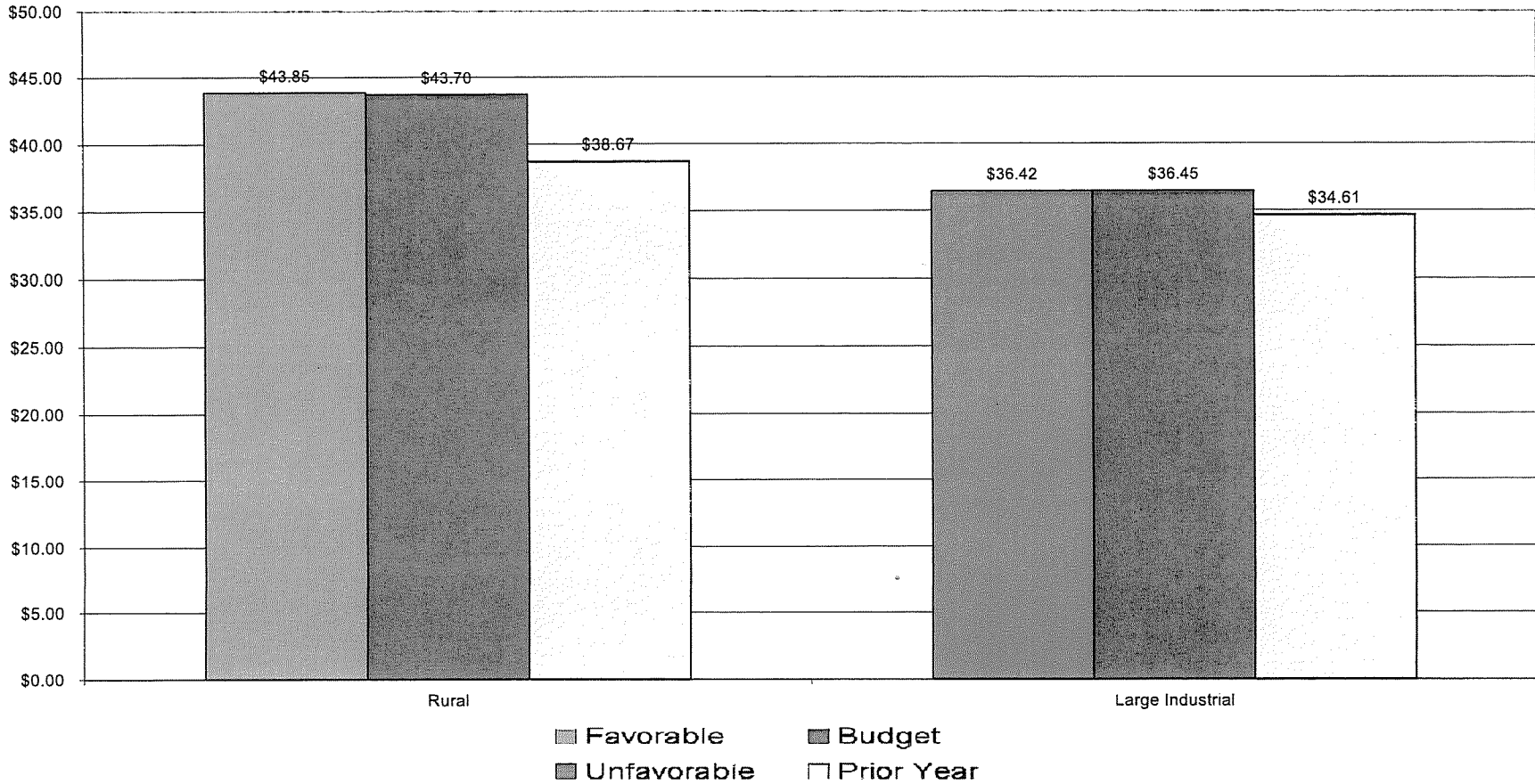
MRSM YTD - July



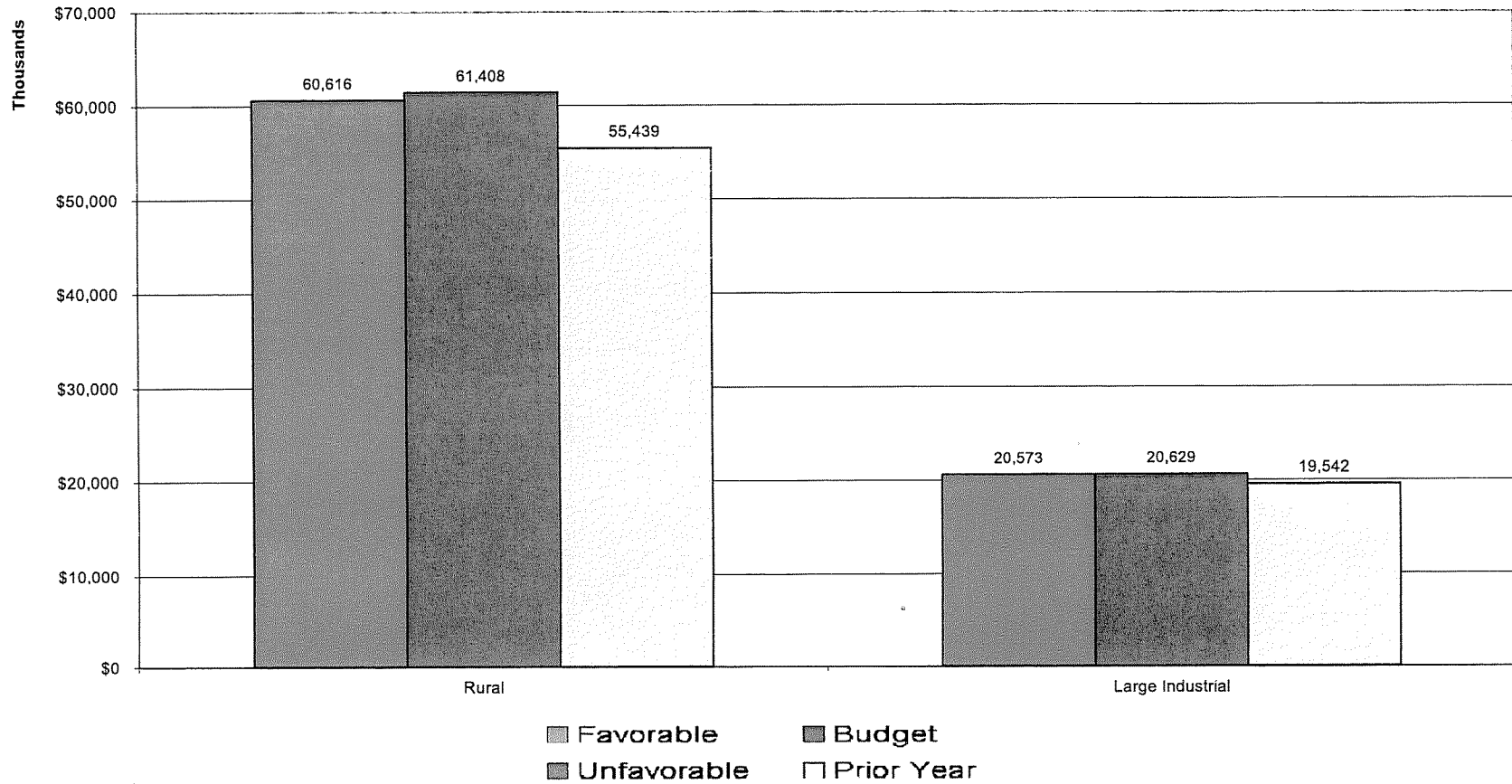


Your Best Future Energy Cooperative

Net Revenue (Excl. MRSM) - \$/MWh YTD - July



Net Revenue (Excl. MRSM) YTD - July



Other Operating Revenue and Income

	2012	2011	Variance
	<u>Actual</u>	<u>Actual</u>	<u>Fav/(Unfav)</u>
July YTD	2,975	1,708	1,267

The favorable prior-year variance is due to higher transmission revenue this year.



Non-Variable Production and Other Power Supply – Operations

July YTD

2012			2011	
<u>Actual</u>	<u>Budget</u>	Variance <u>Fav/(Unfav)</u>	<u>Actual</u>	Variance <u>Fav/(Unfav)</u>
		2,775		(2,953)

Current Year Variances

Power Supply transmission reservation
 Plant Operations reductions
 Station Two O&M (timing/reductions)
 Other

Fav/(UnFav)
 441
 1,713
 561
 60

Non-Variable Production and Other Power Supply - Operations

2,775

Prior-Year Variances

Power Supply transmission reservation
 Station-Two O&M [driven by higher outage expense in 2012]
 Station-Two [higher depreciation expense]
 Other

Fav/(UnFav)
 (34)
 (2,075)
 (755)
 (89)

Non-Variable Production and Other Power Supply - Operations

(2,953)



Operation Expense – Transmission

	2012	2011	Variance
	<u>Actual</u>	<u>Actual</u>	<u>Fav/(Unfav)</u>
July YTD	5,932	5,168	(764)

Unfavorable to prior year due to higher MISO and TVA transmission expenses.



Operation Expense – Sales

	2012		
			Variance
	<u>Actual</u>	<u>Budget</u>	<u>Fav/(Unfav)</u>
July YTD	25	624	599

Favorable to budget due to delay in the start of the energy efficiency/demand side management programs.

Maintenance Expense – Production

July YTD

2012			2011	
<u>Actual</u>	<u>Budget</u>	<u>Variance Fav/(Unfav)</u>	<u>2011 Actual</u>	<u>Variance Fav/(Unfav)</u>
		14,296		(1,503)

The favorable YTD variance vs. budget is primarily due to scope reduction of the Wilson planned outage. The Green facility is favorable due to the cancellation of the unit two planned outage. The Coleman station is also favorable due to the cancellation of the unit 1 outage and cost reductions at the plant. The planned outage on the gas turbine was also cancelled in June.

The unfavorable variance to prior-year is driven by the Wilson spring outage this year.

Maintenance Expense – Transmission

	2012			2011	
	<u>Actual</u>	<u>Budget</u>	<u>Variance Fav/(Unfav)</u>	<u>2011 Actual</u>	<u>Variance Fav/(Unfav)</u>
July YTD	2,784	2,309	(475)	2,482	(302)

Unfavorable to budget primarily due to higher labor expense in the maintenance accounts. This is partially offset in Operation Expense – Transmission as a larger percentage of labor is being charged to maintenance accounts than was budgeted.

Unfavorable to prior-year due to higher brush control expenses this year.

Depreciation & Amortization Expense

	2012	2011	Variance
	<u>Actual</u>	<u>Actual</u>	<u>Fav/(Unfav)</u>
July YTD	23,767	20,192	(3,575)

Unfavorable to prior-year due to the higher depreciation rates that are in effect as a result of the depreciation study and a higher plant in service balance being depreciated.

North Star – YTD July

	2012			2011	
	Actual	Budget	Fav/(UnFav) Variance	Actual	Fav/(UnFav) Variance
Total Cost of Electric Service			37,224		(759)
Other Operating Revenues & Income	(2,975)	(2,342)	633	(1,708)	1,267
Smelter Avoidable Base Charge	(234)	0	234	(1,351)	(1,117)
Off-System Sales/Other					
Interest Income	(37)	(39)	(2)	(116)	(79)
Other Non-Operating Income	0	0	0	(9)	(9)
Other Capital Credits & Pat. Dividends	(45)	(25)	20	(97)	(52)
			25,935		(46,033)

Member MWh	6,275,544	6,219,415	56,129	5,896,968	378,576
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North Star - \$/kWh



TIER

	<u>Actual</u>	<u>Budget</u>	<u>Fav/(Unfav)</u>
Interest on Long-Term Debt	26,164	26,019	(145)
Net Margins	[REDACTED]		
TIER - YTD July	[REDACTED]		
TIER (12 months ending 7/31)	[REDACTED]		

Notes:

TIER = (Net Margins + Interest on Long-Term Debt) divided by Interest on Long-Term Debt



Capital Expenditures*

Year-to-Date

	Actual	Budget	Fav/(UnFav)
IT	709	1,728	1,019
Generation	18,201	39,997	21,796
Transmission	3,376	7,701	4,325
Other	560	4,743	4,183
Total	22,846	54,169	31,323

Explanation:

IT was favorable \$1,019 due to the timing of the OSI EMS Hardware/Software projects, as well as the Oracle Extensions project.

Generation was favorable by \$21,796. Green Station was favorable by \$8,642 due to the G2 outage deferral, as well as the timing of the FGD and Coal Sampler projects. Wilson Station was favorable \$8,588 primarily due to outage scope reductions/deferrals. Coleman Station was favorable \$2,967 due to the C1 and C3 outage deferrals, as well as timing issues on various projects. Station-Two was favorable \$1,599 largely due to the timing of the H1 Burner Replacement project.

Transmission was favorable \$4,325 primarily due to timing related to the Two-way Radio and Wilson EHV Substation projects, as well as favorability attributable to the White Oak Substation project.

Other was favorable \$4,183 mainly due to the delay of the CSAPR project, as well as timing of the Operator Training Simulator project and the timing of vehicle purchases.

* Gross of the City's share of Station Two. Includes capitalized interest.



Cash & Temporary Investments

	2011				
	<u>Actual</u>	<u>Budget</u>	<u>Fav/(Unfav)</u>	<u>Actual</u>	<u>Fav/(Unfav)</u>
July 31st	105,762	53,490	52,272	71,262	34,500


The July 31, 2012 cash balance compared to budget is favorable due to the borrowing that occurred in July.

The variance to prior-year is driven by the borrowing this year, partially offset by the year-over-year increase in fuel inventory.

Lines of Credit <u>As of July 31st</u>	
Original Amount	\$100,000
Letters of Credit Outstanding	(5,375)
Advances Outstanding	0
Available Lines of Credit	\$ 94,625

Monthly Financial Report – June 2012



Your Touchstone Energy[®] Cooperative 

Financial Report
June 2012
(\$ in Thousands)

Board Meeting Date: August 21, 2012



Summary of Statement of Operations YTD - June

	2012			2011	
	Actual	Budget	Fav/(UnFav) Variance	Actual	Fav/(UnFav) Variance
Revenues	276,121	303,754	(27,633)	275,071	1,050
Cost of Electric Service	274,562	309,215	34,653	274,592	30
Operating Margins	1,559	(5,461)	7,020	479	1,080
Interest Income/Other	76	59	17	216	(140)
Net Margins - YTD	1,635	(5,402)	7,037	695	940



Your Local Energy Cooperative

Statement of Operations – June Variance to Budget

	Current Month			Year-to-Date			Explanation
	Actual	Budget	Variance Fav/(UnFav)	Actual	Budget	Variance Fav/(UnFav)	
ELECTRIC ENERGY REVENUES	46,967	47,810	(843)	273,712	301,746	(28,034)	[A] Pages 7, 9-13, 16-21
OTHER OPERATING REVENUE AND INCOME	503	334	169	2,409	2,008	401	
TOTAL OPER REVENUES & PATRONAGE CAPITAL	47,470	48,144	(674)	276,121	303,754	(27,633)	
OPERATION EXPENSE-PRODUCTION-EXCL FUEL	3,967	5,021	1,054	23,837	27,057	3,220	[A] Pages 8, 14-15, 23
OPERATION EXPENSE-PRODUCTION-FUEL	19,401	20,415	1,014	106,890	114,716	7,826	[A] Pages 8, 14-15
OPERATION EXPENSE-OTHER POWER SUPPLY	7,966	7,551	(415)	58,175	67,585	9,410	[A] Pages 8, 14-15, 23
OPERATION EXPENSE-TRANSMISSION	632	911	279	4,979	5,397	418	
OPERATION EXPENSE-RTO/ISO	181	217	36	1,225	1,230	5	
CONSUMER SERVICE & INFORMATIONAL EXPENSE	47	56	9	199	385	186	
OPERATION EXPENSE-SALES	10	85	75	21	551	530	[B] Page 24
OPERATION EXPENSE-ADMINISTRATIVE & GENERAL	3,270	2,654	(616)	13,793	13,821	28	
TOTAL OPERATION EXPENSE	35,474	36,910	1,436	209,119	230,742	21,623	
MAINTENANCE EXPENSE-PRODUCTION	2,679	7,032	4,353	20,426	33,556	13,130	[B], [C] Page 25
MAINTENANCE EXPENSE-TRANSMISSION	539	354	(185)	2,334	1,960	(374)	[B] Page 26
MAINTENANCE EXPENSE-GENERAL PLANT	25	8	(17)	93	53	(40)	
TOTAL MAINTENANCE EXPENSE	3,243	7,394	4,151	22,853	35,569	12,716	
DEPRECIATION & AMORTIZATION EXPENSE	3,392	3,492	100	20,364	20,753	389	
TAXES	0	0	0	4	1	(3)	
INTEREST ON LONG-TERM DEBT	3,706	3,684	(22)	22,484	22,243	(241)	
INTEREST CHARGED TO CONSTRUCTION-CREDIT	(57)	(50)	7	(385)	(254)	131	
OTHER INTEREST EXPENSE	0	0	0	0	0	0	
OTHER DEDUCTIONS	12	42	30	123	161	38	
TOTAL COST OF ELECTRIC SERVICE	45,770	51,472	5,702	274,562	309,215	34,653	
OPERATING MARGINS	1,700	(3,328)	5,028	1,559	(5,461)	7,020	
INTEREST INCOME	4	6	(2)	31	34	(3)	
ALLOWANCE FOR FUNDS USED DURING CONST	0	0	0	0	0	0	
OTHER NON-OPERATING INCOME - NET	0	0	0	0	0	0	
OTHER CAPITAL CREDITS & PAT DIVIDENDS	0	0	0	45	25	20	
EXTRAORDINARY ITEMS	0	0	0	0	0	0	
NET PATRONAGE CAPITAL OR MARGINS	1,704	(3,322)	5,026	1,635	(5,402)	7,037	

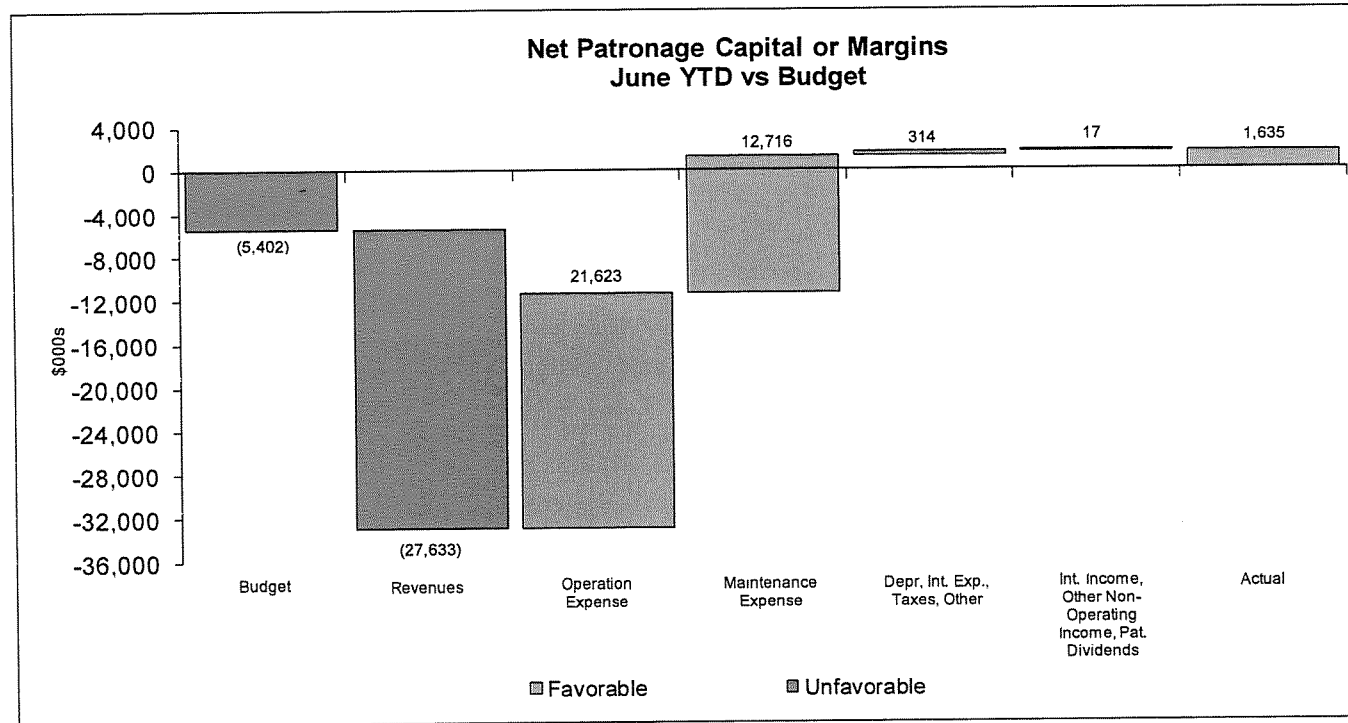
YTD Explanations: [A] Net Sales Margin, [B] 10% of line item and \$250,000 or [C] 10% of margins and \$500,000.

Statement of Operations – June Variance to Prior-Year

	Current Month			Year-to-Date			Explanation
	Actual	Prior Year	Variance Fav/(UnFav)	Actual	Prior Year	Variance Fav/(UnFav)	
ELECTRIC ENERGY REVENUES	46,967	45,488	1,479	273,712	273,551	161	[A] Pages 7, 9-13, 16-21
OTHER OPERATING REVENUE AND INCOME	503	206	297	2,409	1,520	889	Page 22
TOTAL OPER REVENUES & PATRONAGE CAPITAL	47,470	45,694	1,776	276,121	275,071	1,050	
OPERATION EXPENSE-PRODUCTION-EXCL FUEL	3,967	3,980	13	23,837	24,222	385	[A] Pages 8, 14-15, 23
OPERATION EXPENSE-PRODUCTION-FUEL	19,401	18,370	(1,031)	106,890	114,182	7,292	[A] Pages 8, 14-15
OPERATION EXPENSE-OTHER POWER SUPPLY	7,966	9,961	1,995	58,175	55,019	(3,156)	[A] Pages 8, 14-15, 23
OPERATION EXPENSE-TRANSMISSION	632	1,013	381	4,979	4,647	(332)	
OPERATION EXPENSE-RTO/ISO	181	263	82	1,225	1,267	42	
OPERATION EXPENSE-SALES	47	29	(18)	199	190	(9)	
CONSUMER SERVICE & INFORMATIONAL EXPENSE	10	21	11	21	23	2	
OPERATION EXPENSE-ADMINISTRATIVE & GENERAL	3,270	2,725	(545)	13,793	13,677	(116)	
TOTAL OPERATION EXPENSE	35,474	36,362	888	209,119	213,227	4,108	
MAINTENANCE EXPENSE-PRODUCTION	2,679	4,155	1,476	20,426	18,929	(1,497)	[C] Page 25
MAINTENANCE EXPENSE-TRANSMISSION	539	433	(106)	2,334	2,140	(194)	
MAINTENANCE EXPENSE-GENERAL PLANT	25	17	(8)	93	58	(35)	
TOTAL MAINTENANCE EXPENSE	3,243	4,605	1,362	22,853	21,127	(1,726)	
DEPRECIATION & AMORTIZATION EXPENSE	3,392	2,878	(514)	20,364	17,314	(3,050)	[B], [C] Page 27
TAXES	0	65	65	4	128	124	
INTEREST ON LONG-TERM DEBT	3,706	3,752	46	22,484	22,996	512	
INTEREST CHARGED TO CONSTRUCTION-CREDIT	(57)	(21)	36	(385)	(375)	10	
OTHER INTEREST EXPENSE	0	0	0	0	59	59	
OTHER DEDUCTIONS	12	11	(1)	123	116	(7)	
TOTAL COST OF ELECTRIC SERVICE	45,770	47,652	1,882	274,562	274,592	30	
OPERATING MARGINS	1,700	(1,958)	3,658	1,559	479	1,080	
INTEREST INCOME	4	7	(3)	31	110	(79)	
ALLOWANCE FOR FUNDS USED DURING CONST	0	0	0	0	0	0	
OTHER NON-OPERATING INCOME - NET	0	2	(2)	0	9	(9)	
OTHER CAPITAL CREDITS & PAT DIVIDENDS	0	0	0	45	97	(52)	
EXTRAORDINARY ITEMS	0	0	0	0	0	0	
NET PATRONAGE CAPITAL OR MARGINS	1,704	(1,949)	3,653	1,635	695	940	

YTD Explanations: [A] Net Sales Margin, [B] 10% of line item and \$250,000 or [C] 10% of margins and \$500,000.

Variance Analysis Summary

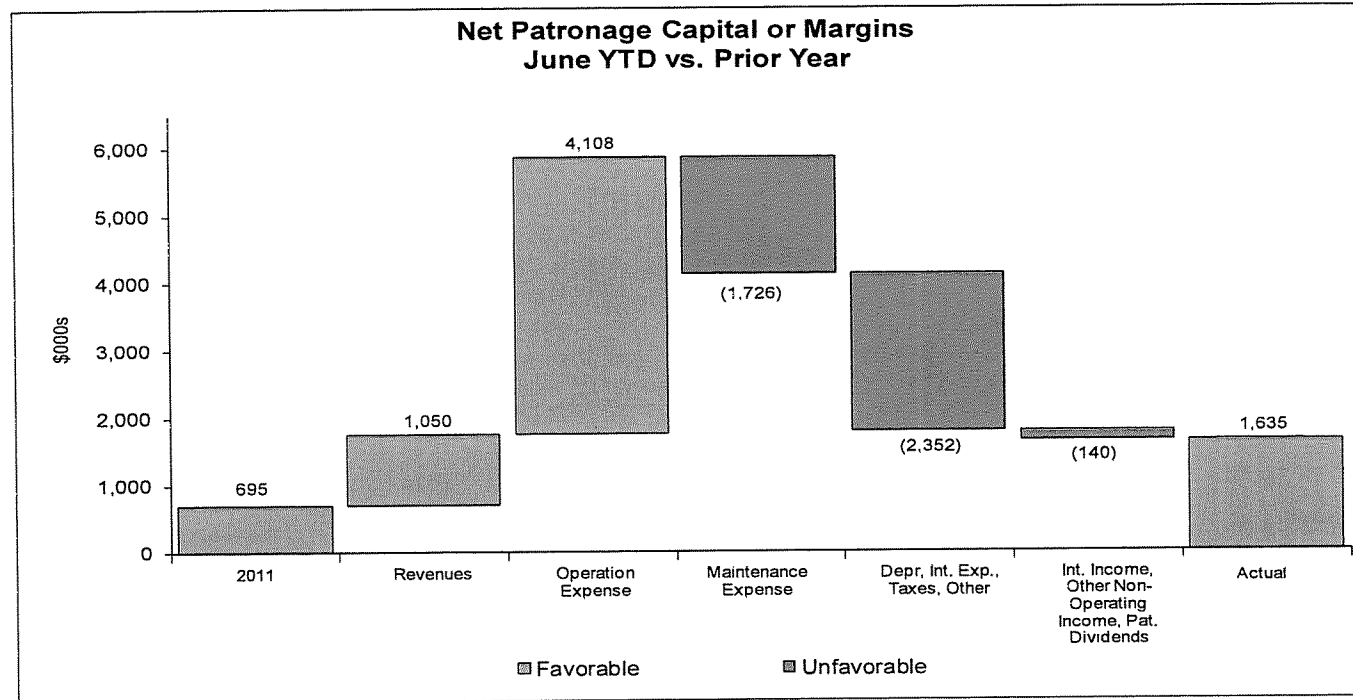


Financial Commentary

Year-to-Date

- June YTD 2012 Margins were \$7,037 favorable to budget.
 - Electric Energy Revenues were unfavorable \$28,034 primarily due to lower rural volume and lower rates (see page 7).
 - Operation Expense was favorable \$21,623 – driven by lower variable costs \$18,192 primarily due to lower variable costs per MWh (see page 8). The remainder of the variance is made up of favorable plant and fixed departmental expenses (see pages 23-24).
 - Maintenance Expense was favorable \$12,716 primarily due to the scope reduction of the Wilson planned outage, cancellation of the Green 2 planned outage, cancellation of the planned outage on the combustion turbine and lower expenses at the Coleman facility to offset the lower power market (see pages 25-26).

Variance Analysis Summary



Financial Commentary

Year-to-Date

- June YTD 2012 margins were \$940 unfavorable to 2011.
 - Revenues were favorable \$1,050 primarily due to the 9/1/2011 rate increase, a higher smelter TIER Adjustment Charge (\$2.95/MWh vs \$1.95/MWh in 2011), and higher transmission revenue. These favorable variances were partially offset by lower off-system pricing and volumes.
 - Operation Expense was favorable \$4,108 – driven by lower variable costs \$7,327, due to volume, partially offset by higher expenses associated with Station-Two (see pages 8 & 23).
 - Maintenance Expense was unfavorable \$1,726 primarily due to the Wilson planned outage and higher maintenance activities at the plants (see page 25).
 - Depreciation, Interest Expense, Taxes & Other combined was higher \$2,352 (see page 27).

**Revenue
YTD June**

	Actual 2012	Budget 2012	Variance	Actual 2011	2011 Variance
MWh Sales					
Rural	1,118,075	1,159,202	(41,127)	1,171,779	(53,704)
Large Industrial	481,492	477,142	4,350	478,636	2,856
Smelter	3,699,068	3,638,544	60,524	3,328,302	370,766
Off-System/Other					
Total					
Revenue - \$/MWh					
Rural	50.62	53.55	(2.93)	45.57	5.05
Large Industrial	42.90	46.17	(3.27)	41.48	1.42
Smelter	48.40	51.97	(3.57)	43.27	5.13
Off-System/Other					
Total					
Revenue - Thousands of \$					
Rural	56,601	62,079	(5,478)	53,396	3,205
Large Industrial	20,655	22,030	(1,375)	19,852	803
Smelter	179,021	189,084	(10,063)	144,006	35,015
Off-System/Other					
Total					

**Revenue Price / Volume Analysis
June 2012**

	Price / Volume		
	Price	Volume	Total
Rural	(3,275)	(2,203)	(5,478)
Large Industrial	(1,576)	201	(1,375)
Smelter	(13,209)	3,146	(10,063)
Off-System/Other			



Your Touchstone Energy Cooperative

Variable Operations Cost YTD June

	Actual 2012	Budget 2012	Variance	Actual 2011	2011 Variance
Variable Operations (VO) Cost - \$/MWh					
Rural					
Large Industrial					
Smelter					
Off-System/Other					
Total					
VO Cost - Thousands of \$					
Rural					
Large Industrial					
Smelter					
Off-System/Other					
Total					

YTD June 2012 Variable Operations Expense

	Actual	Budget	Fav/(UnFav)	Price Variance Fav/(UnFav)	Volume Variance Fav/(UnFav)	Fav/(UnFav)
Reagent						
Fuel						
Purchased Power						
Non-FAC PPA (Non-Smelter)						



Your Tecktonic Energy Cooperative

**Net Sales Margin
YTD June**

	<u>Actual</u> <u>2012</u>	<u>Budget</u> <u>2012</u>	<u>Variance</u>	<u>Actual</u> <u>2011</u>	<u>2011</u> <u>Variance</u>
Net Sales Margin - \$/MWh					
Rural					
Large Industrial					
Smelter					
Off-System/Other					
Total					
Net Sales Margin - Thousands of \$					
Rural					
Large Industrial					
Smelter					
Off-System/Other					
Total					

**Net Sales Margin
Price / Volume Analysis
June 2012**

Price / Volume

Rural
Large Industrial
Smelter
Off-System/Other



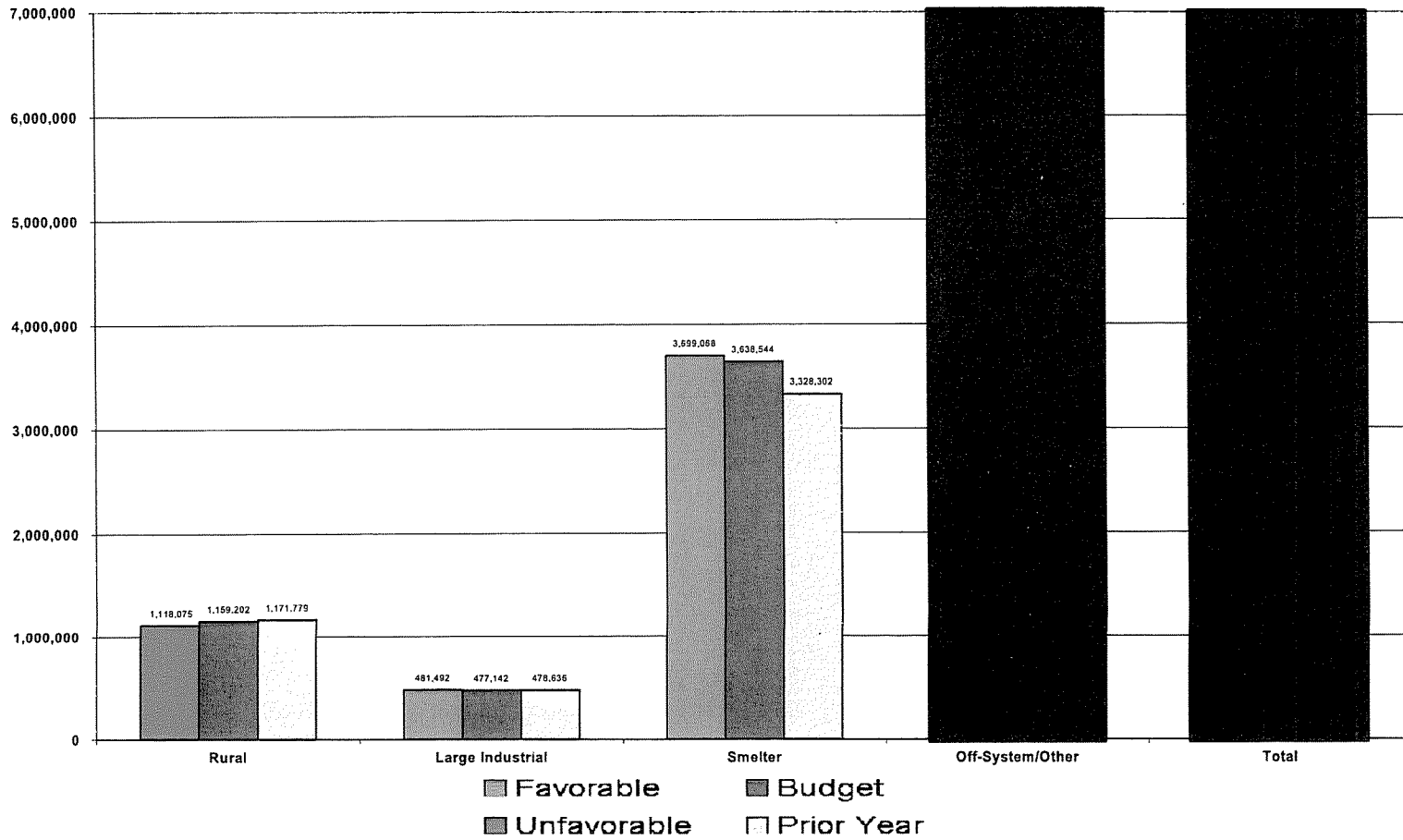
Your Touchstone Energy Cooperative

**Member Rate Stability Mechanism
YTD June**

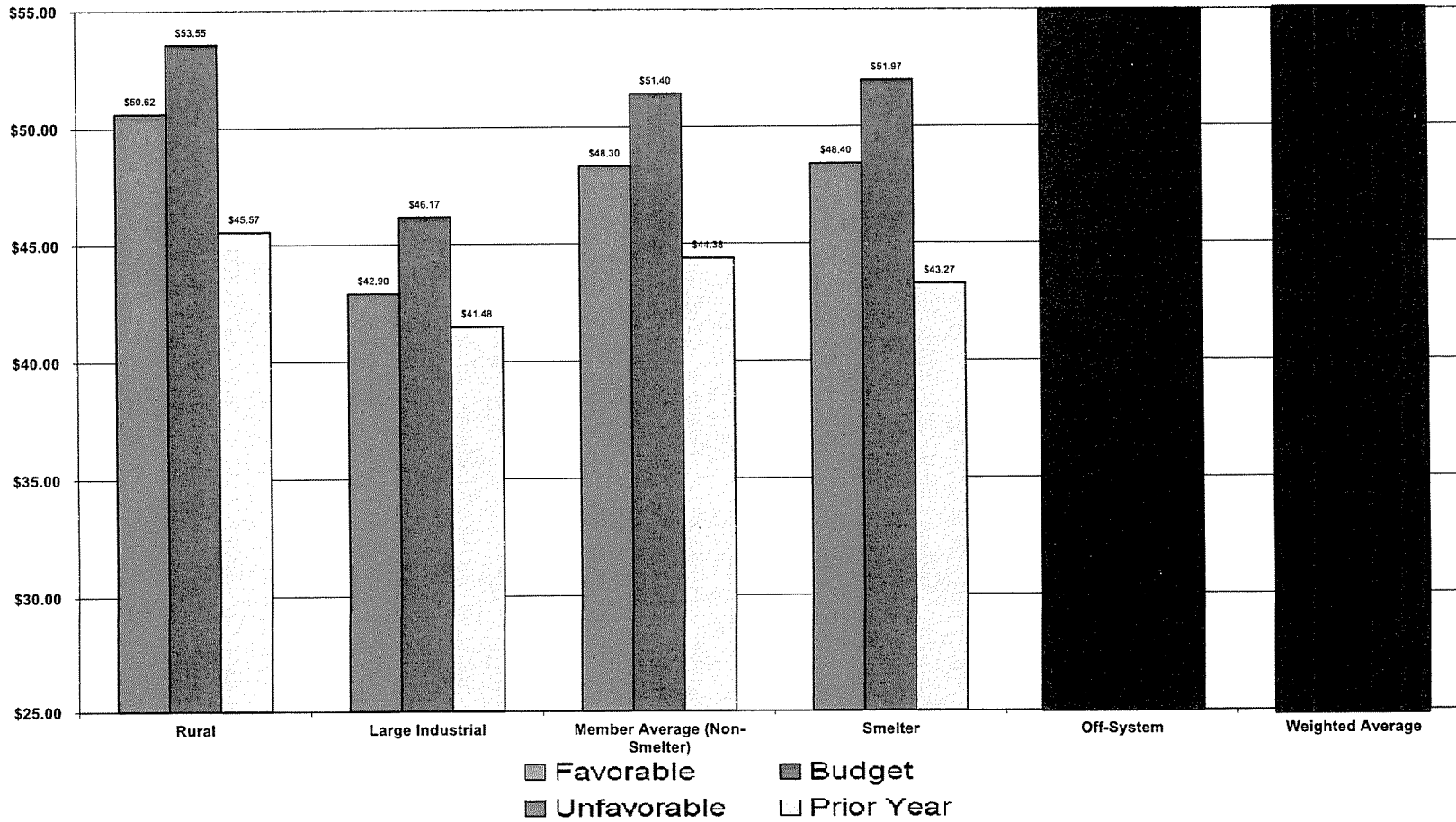
	<u>Actual</u> <u>2012</u>	<u>Budget</u> <u>2012</u>	<u>2012</u> <u>Variance</u>	<u>Actual</u> <u>2011</u>	<u>2011</u> <u>Variance</u>		<u>Actual</u> <u>2012</u>	<u>Budget</u> <u>2012</u>	<u>2012</u> <u>Variance</u>	<u>Actual</u> <u>2011</u>	<u>2011</u> <u>Variance</u>
<u>MRSM - \$/MWh</u>						<u>Net Revenue - \$/MWh</u>					
Rural	(6.72)	(9.64)	2.92	(7.05)	0.33	Rural	43.90	43.91	(0.01)	38.52	5.38
Large Industrial	(6.72)	(9.64)	2.92	(7.05)	0.33	Large Industrial	36.18	36.53	(0.35)	34.43	1.75
Total	(6.72)	(9.64)	2.92	(7.05)	0.33	Total	41.58	41.76	(0.18)	37.33	4.25
<u>MRSM - Thousands of \$</u>						<u>Net Revenue - Thousands of \$</u>					
Rural	(7,510)	(11,178)	3,668	(8,260)	750	Rural	49,091	50,900	(1,809)	45,136	3,955
Large Industrial	(3,231)	(4,600)	1,369	(3,376)	145	Large Industrial	17,424	17,430	(6)	16,476	948
Total	(10,741)	(15,778)	5,037	(11,636)	895	Total	66,515	68,330	(1,815)	61,612	4,903

<u>Economic Reserve Balance</u>			
<u>Cumulative-to-Date</u>	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
Original Deposit	\$ 157,000		
Interest Earnings	3,015		
Withdrawals	(69,676)		
Ending Balance 6/30/2012	\$ 90,339	\$ 85,090	\$ 5,249
<u>YTD June 2012</u>			
Beg. Balance 1/1/2012	\$ 100,601		
Interest Earnings	251		
Withdrawals	(10,513)		
Ending Balance 6/30/2012	\$ 90,339	\$ 85,090	\$ 5,249

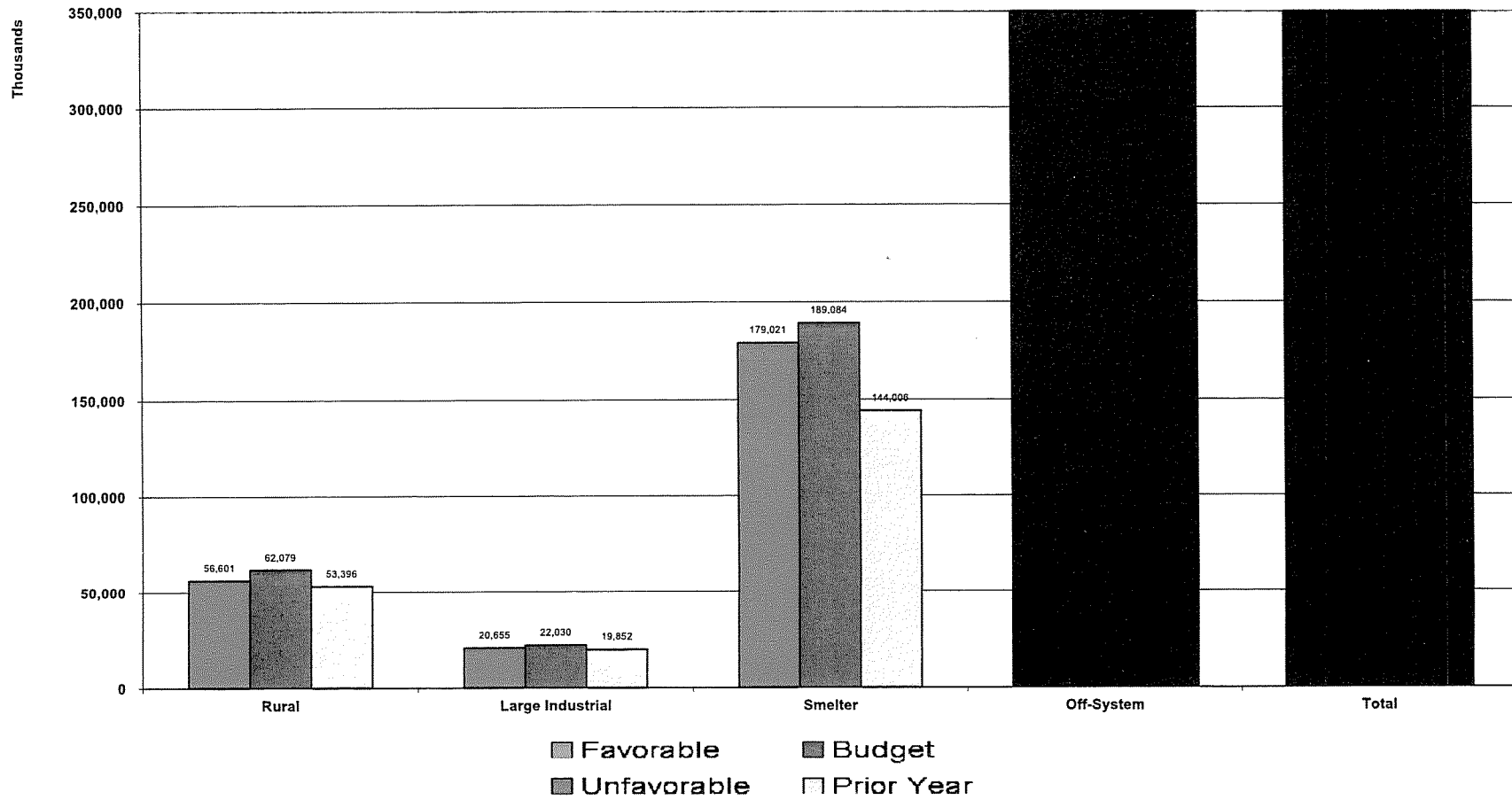
MWH Sales YTD - June



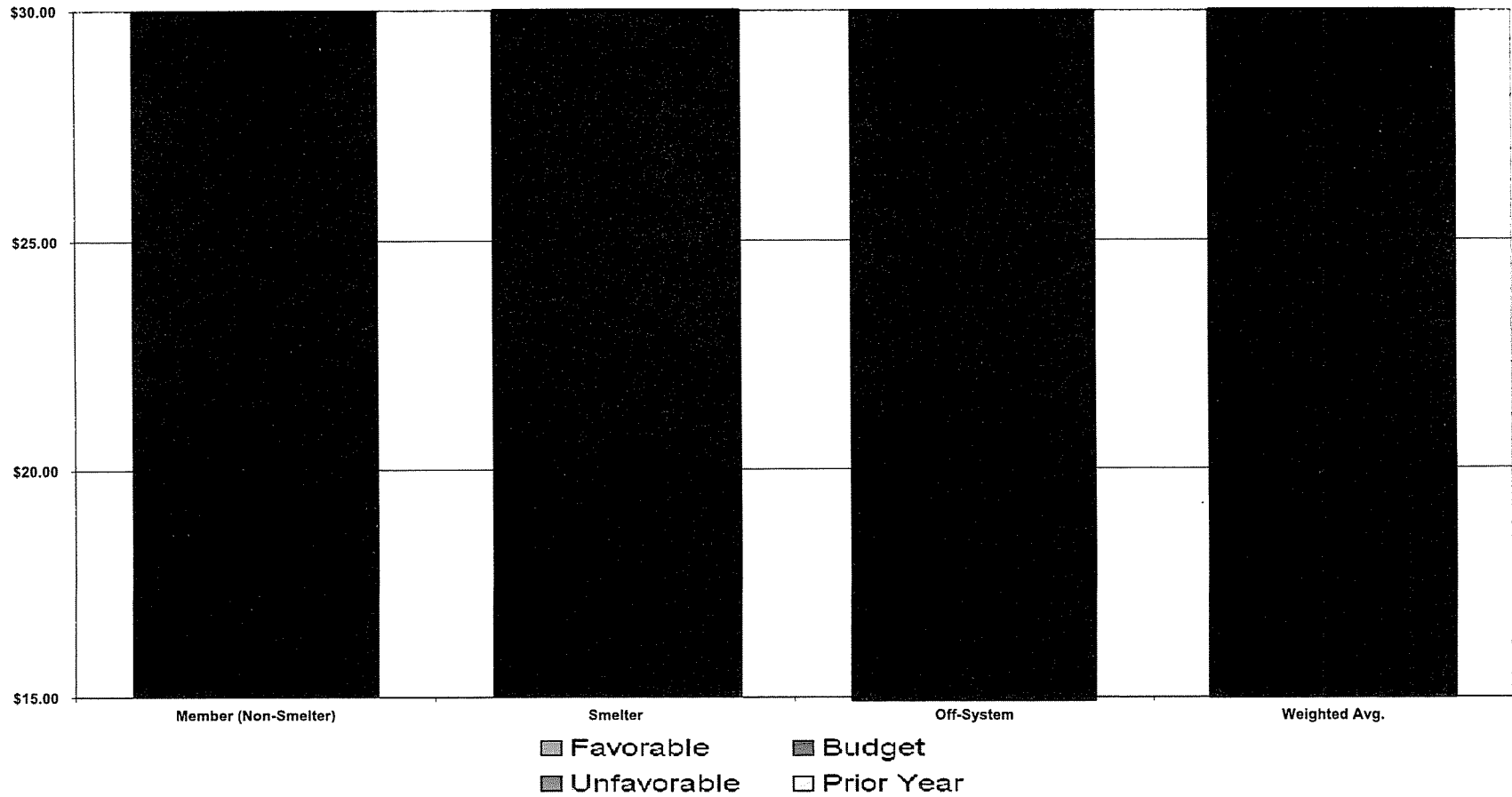
Revenue - \$/MWh Sold YTD - June



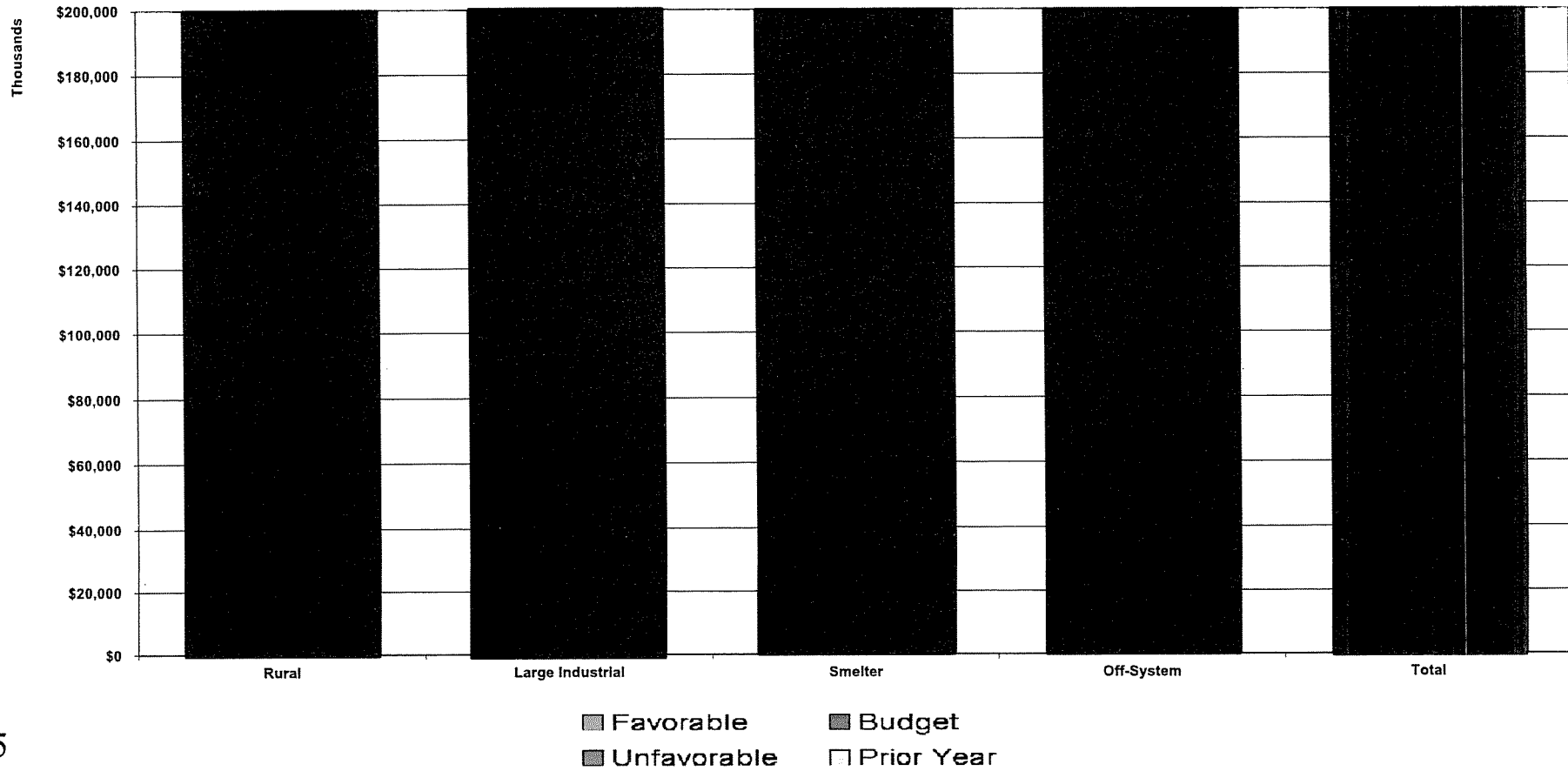
Revenue YTD - June



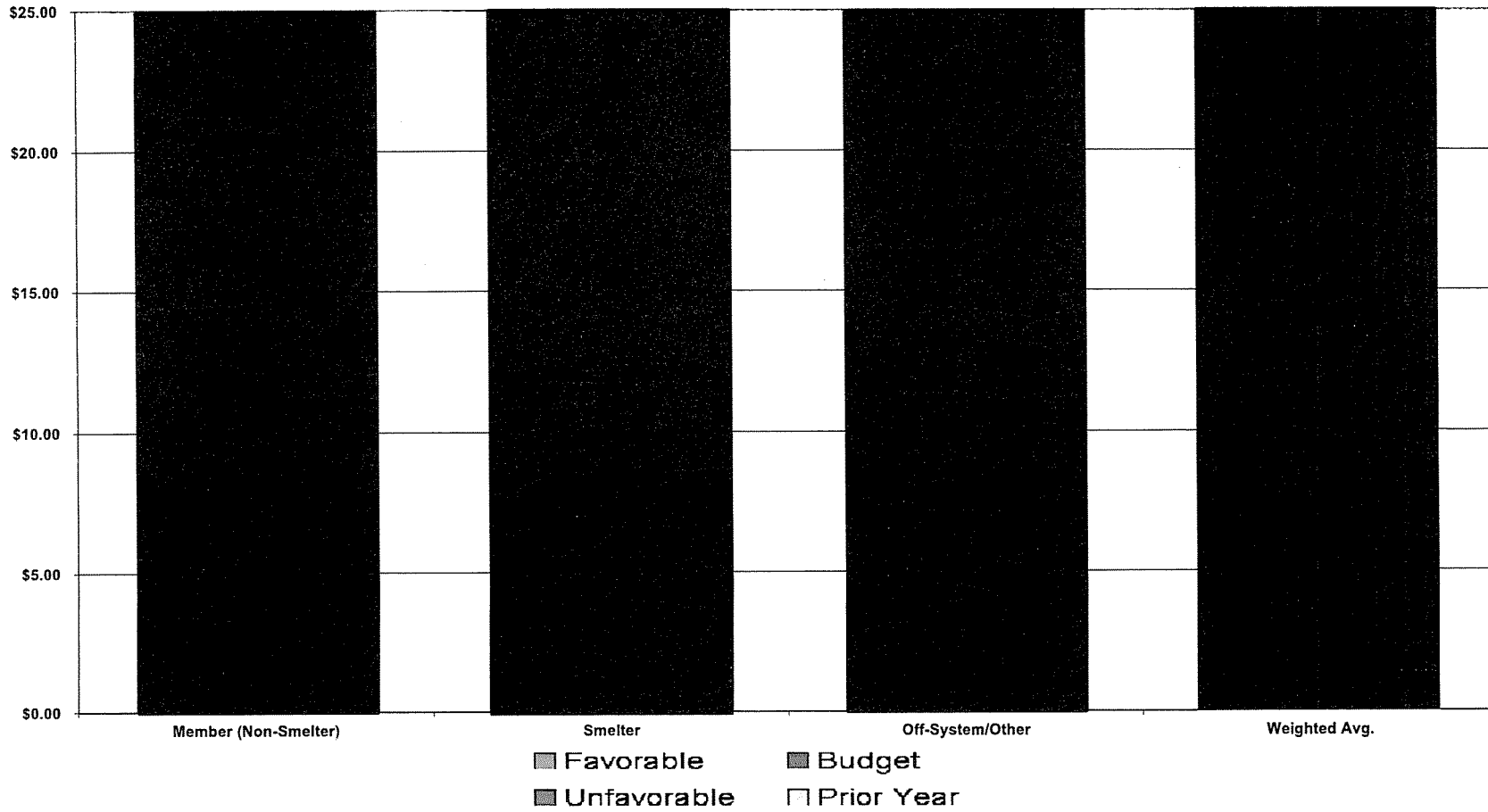
Variable Operations - \$/MWh Sold YTD - June



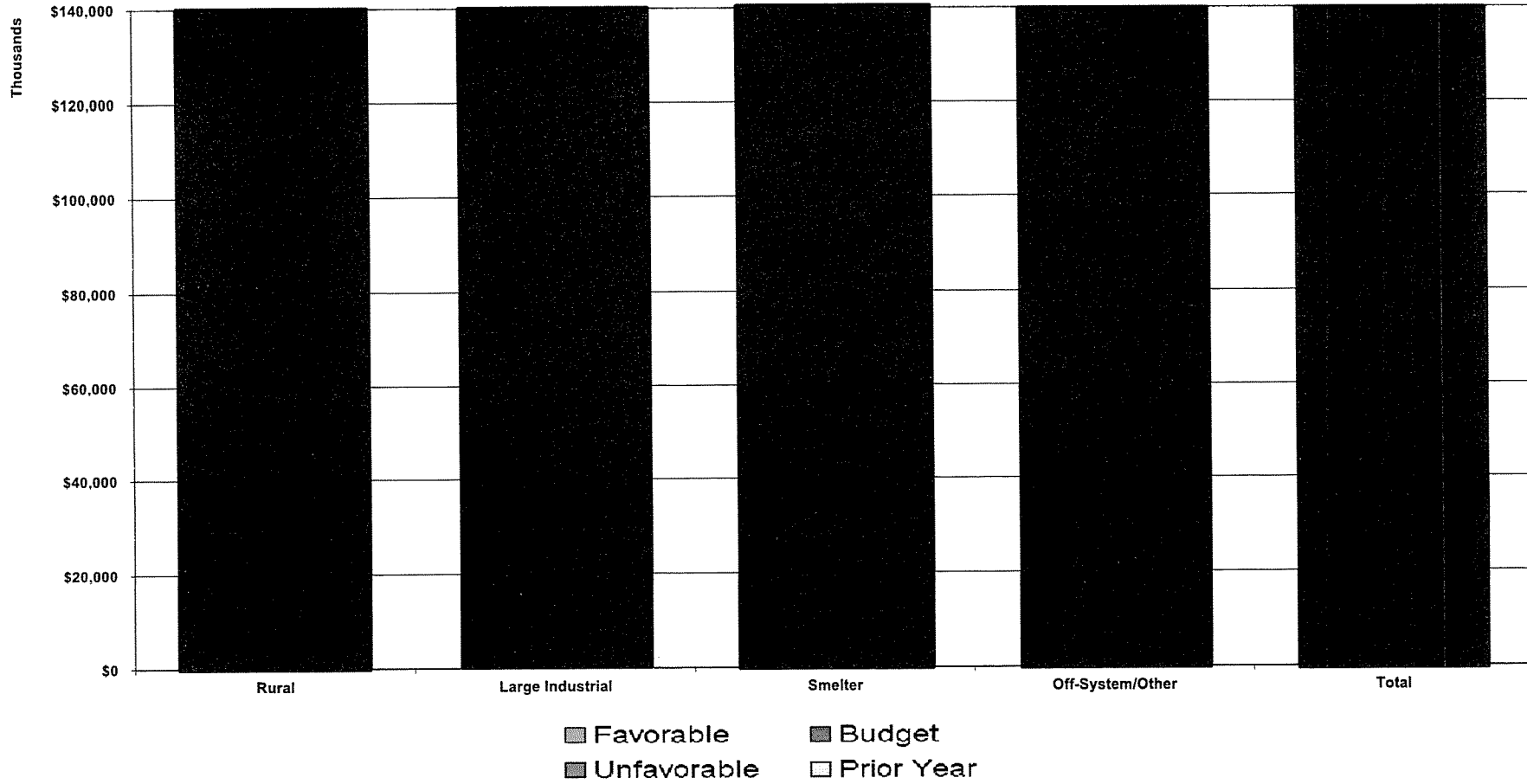
Variable Operations Cost YTD - June



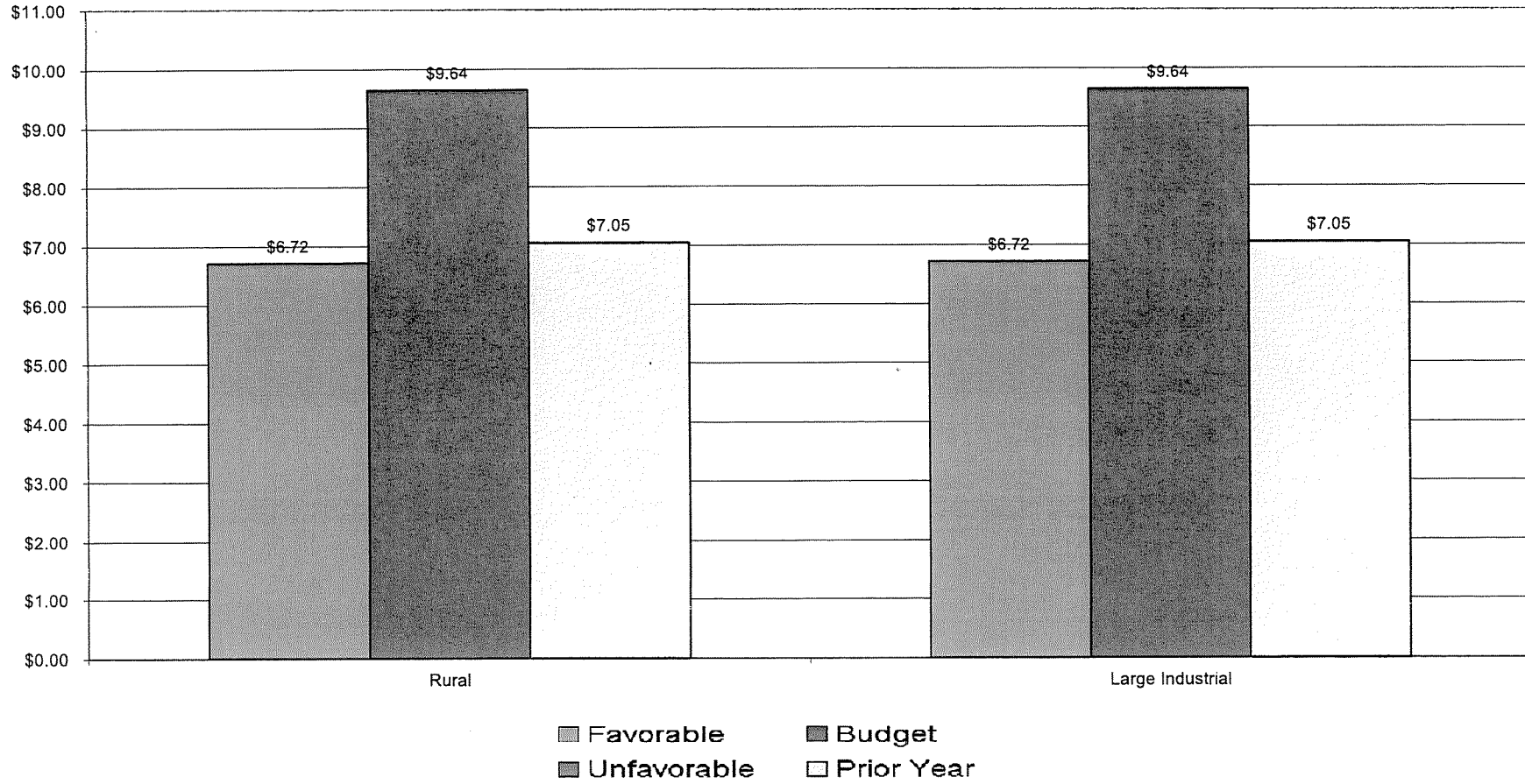
Net Sales Margin - \$/MWh YTD - June



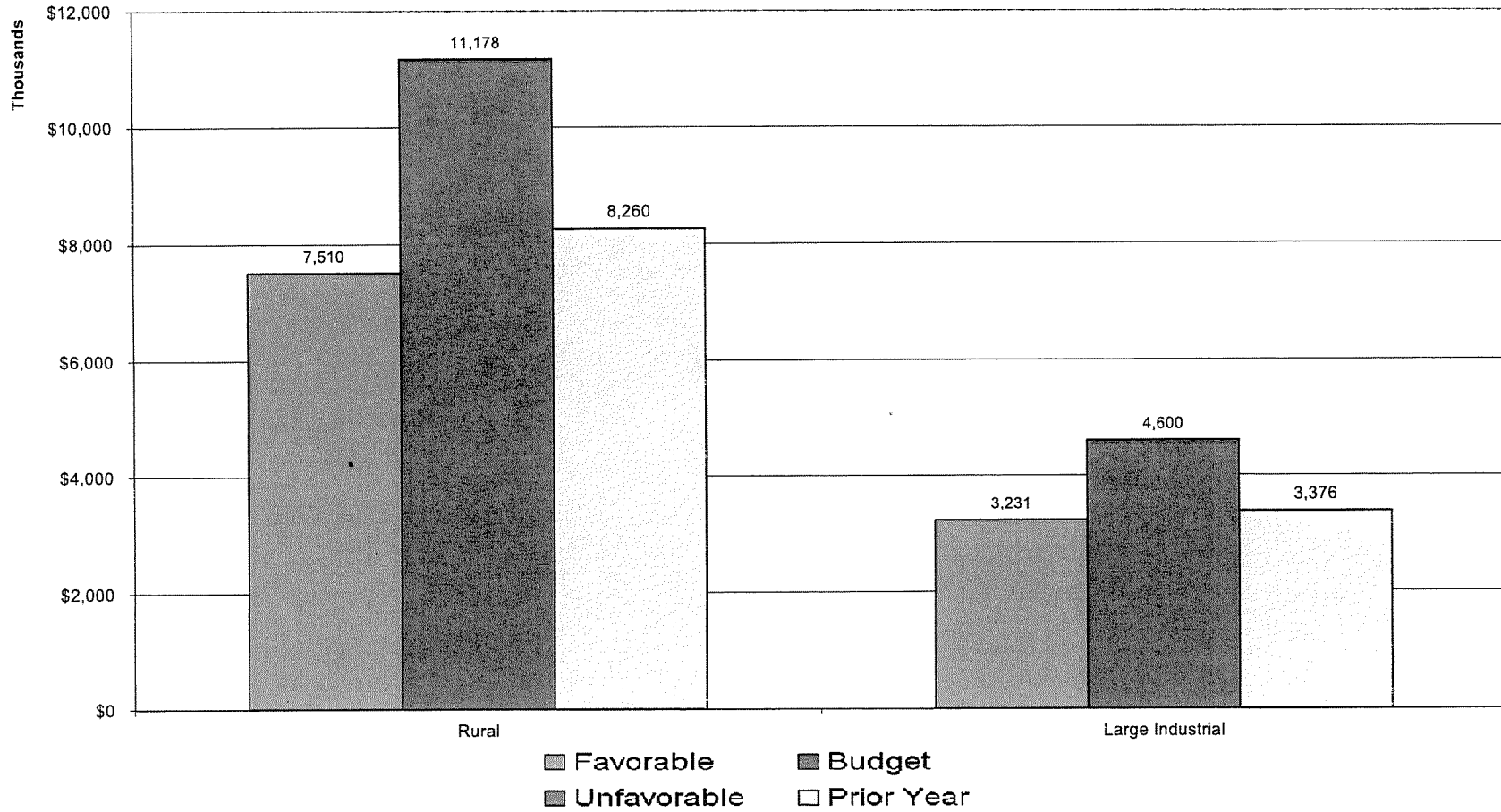
Net Sales Margin YTD – June



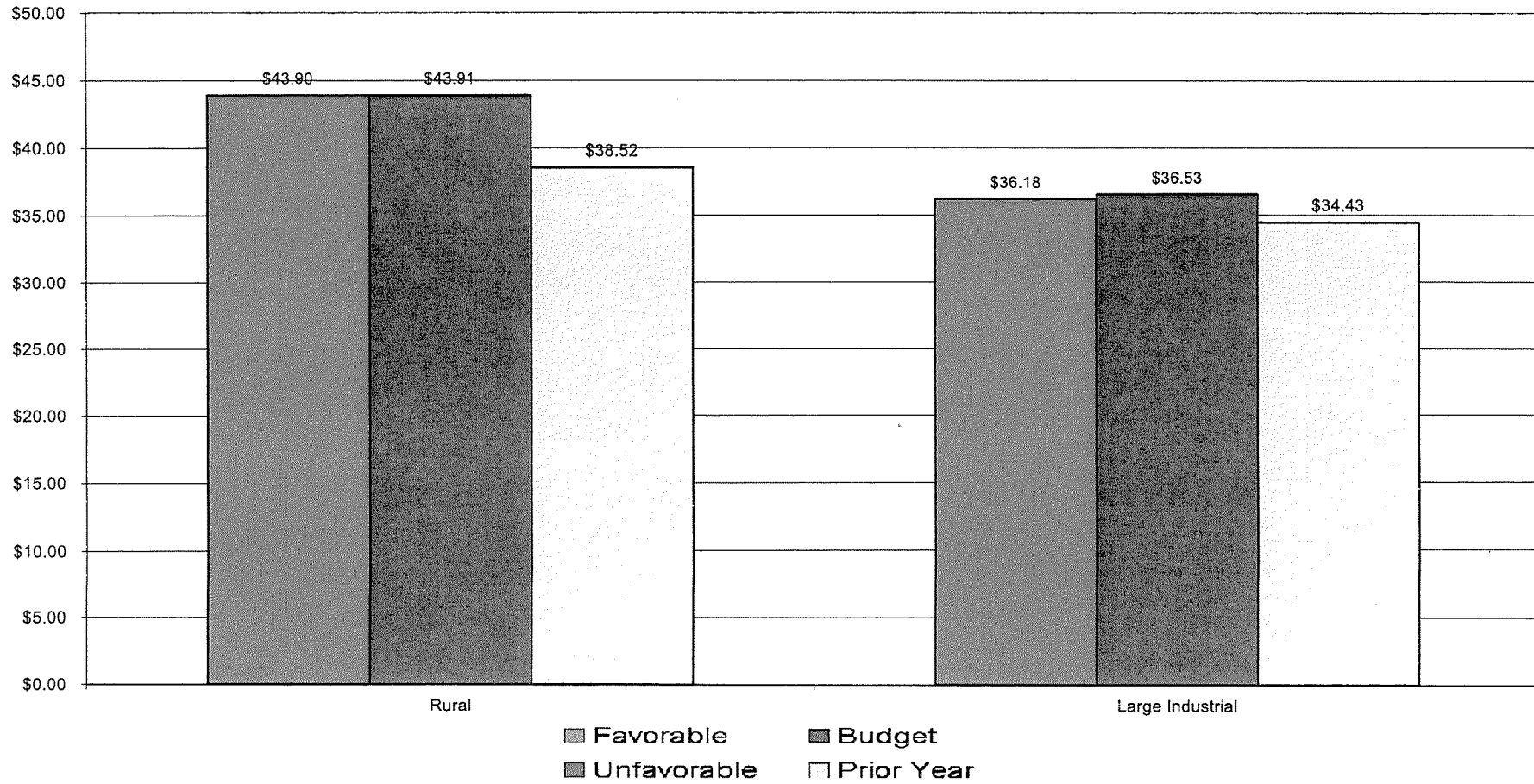
MRSM - \$/MWh YTD - June



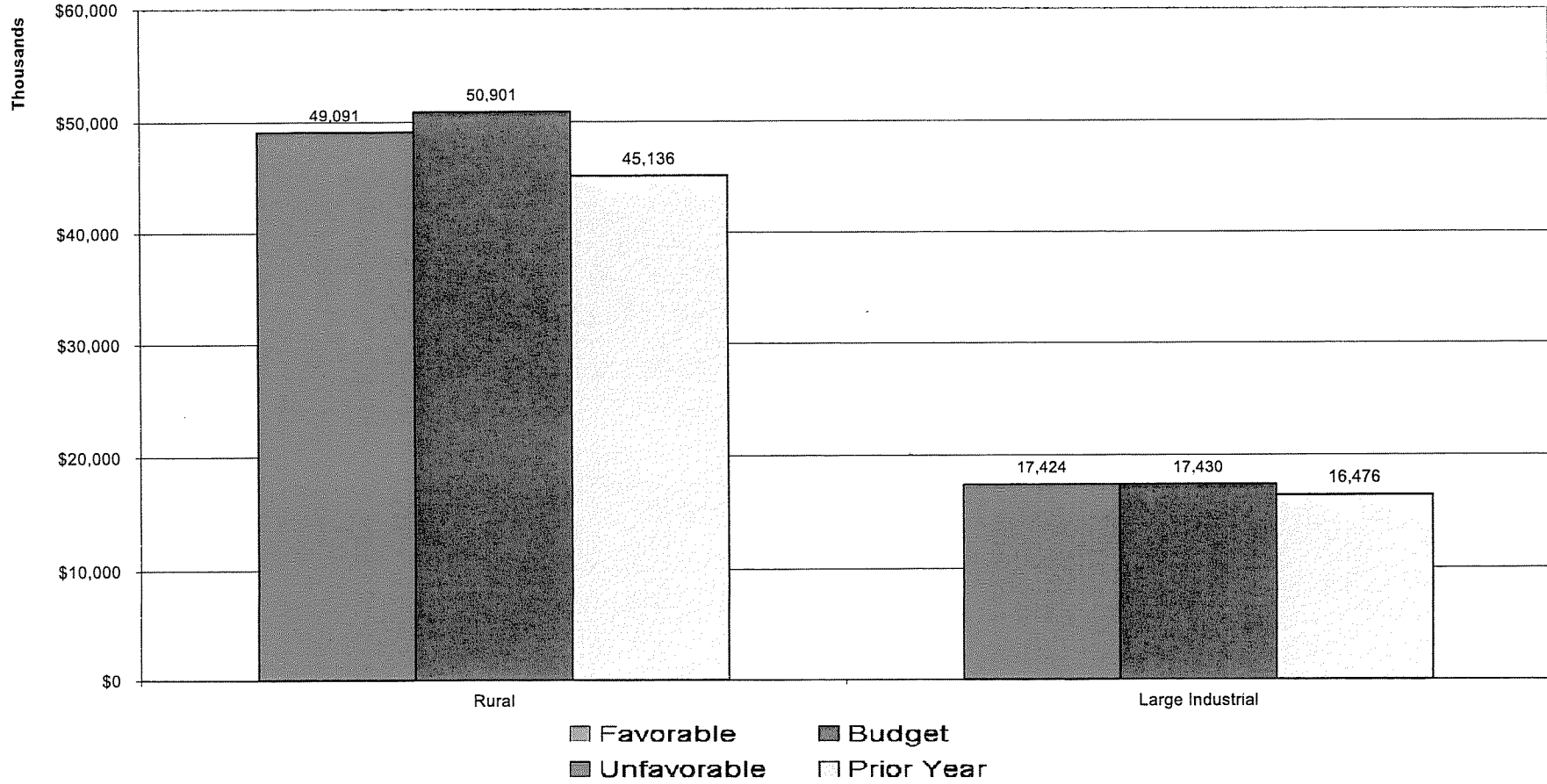
MRSM YTD - June



Net Revenue (Excl. MRSM) - \$/MWh YTD - June



Net Revenue (Excl. MRSM) YTD - June



Other Operating Revenue and Income

	2012	2011	Variance
	<u>Actual</u>	<u>Actual</u>	<u>Fav/(Unfav)</u>
June YTD	2,409	1,520	889

The favorable prior-year variance is due to higher transmission revenue this year.



Non-Variable Production and Other Power Supply – Operations

	<u>Actual</u>	<u>Budget</u>	<u>Variance Fav/(Unfav)</u>	<u>2011 Actual</u>	<u>Variance Fav/(Unfav)</u>
June YTD			2,264		(2,806)

<u>Current Year Variances</u>	<u>Fav/(UnFav)</u>
Power Supply transmission reservation	314
Plant Operations reductions	1,187
Station Two O&M (timing/reductions)	602
Other	161
Non-Variable Production and Other Power Supply - Operations	2,264

<u>Prior-Year Variances</u>	<u>Fav/(UnFav)</u>
Power Supply transmission reservation	(37)
Station-Two O&M [driven by higher outage expense in 2012]	(1,937)
Station-Two [higher depreciation expense]	(646)
Other	(186)
Non-Variable Production and Other Power Supply - Operations	(2,806)

Operation Expense – Sales

	2012		
	<u>Actual</u>	<u>Budget</u>	<u>Variance</u> <u>Fav/(Unfav)</u>
June YTD	21	551	530

Favorable to budget due to delay in the start of the energy efficiency/demand side management programs.

Maintenance Expense – Production

2012			2011	
<u>Actual</u>	<u>Budget</u>	<u>Variance Fav/(Unfav)</u>	<u>2011 Actual</u>	<u>Variance Fav/(Unfav)</u>
		13,130		(1,497)
June YTD				

The favorable YTD variance vs. budget is primarily due to scope reduction of the Wilson planned outage. The Green facility is favorable due to the cancellation of the unit two planned outage. The Coleman station is also favorable due to the timing of a mill overhaul and cost reductions at the plant. The planned outage on the gas turbine was also cancelled in June.

The unfavorable variance to prior-year is driven by the Wilson spring outage this year.

Maintenance Expense – Transmission

	2012		
	<u>Actual</u>	<u>Budget</u>	<u>Variance</u> <u>Fav/(Unfav)</u>
June YTD	2,334	1,960	(374)

Unfavorable to budget primarily due to higher labor expense in the maintenance accounts. This is partially offset in Operation Expense – Transmission as a larger percentage of labor is being charged to maintenance accounts than was budgeted.

Depreciation & Amortization Expense

	2012	2011	Variance
	<u>Actual</u>	<u>Actual</u>	<u>Fav/(Unfav)</u>
June YTD	20,364	17,314	(3,050)

Unfavorable to prior-year due to the higher depreciation rates that are in effect as a result of the depreciation study and a higher plant in service balance being depreciated.

North Star – YTD June

	2012			2011	
	Actual	Budget	Fav/(UnFav) Variance	Actual	Fav/(UnFav) Variance
Total Cost of Electric Service			34,652		30
Other Operating Revenues & Income	(2,409)	(2,008)	401	(1,520)	889
Smelter Avoidable Base Charge	(234)	0	234	(1,351)	(1,117)
Off-System Sales/Other					
Interest Income	(32)	(34)	(2)	(110)	(78)
Other Non-Operating Income	0	0	0	(9)	(9)
Other Capital Credits & Pat. Dividends	(45)	(25)	20	(97)	(52)
			24,187		(39,198)

Member MWh	5,298,635	5,274,888	23,747	4,978,719	319,916
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North Star - \$/kWh

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TIER

	<u>Actual</u>	<u>Budget</u>	<u>Fav/(Unfav)</u>
Interest on Long-Term Debt	22,484	22,243	(241)
Net Margins	[REDACTED]		
TIER - YTD June	[REDACTED]		
TIER (12 months ending 6/30)	[REDACTED]		

Notes:

TIER = (Net Margins + Interest on Long-Term Debt) divided by Interest on Long-Term Debt

Capital Expenditures*

Year-to-Date

	Actual	Budget	Fav/(UnFav)
IT	505	1,617	1,112
Generation	17,173	37,689	20,516
Transmission	2,616	6,977	4,361
Other	411	1,903	1,492
Total	20,705	48,186	27,481

Explanation:

IT was favorable \$1,112 due to the timing of the OSI EMS Hardware/Software projects, as well as the Oracle Extensions project.

Generation was favorable by \$20,516. Wilson Station was favorable \$8,427 primarily due to outage scope reductions/deferrals. Green Station was favorable by \$7,626 due to the G2 outage deferral, as well as the timing of the FGD and Coal Sampler projects. Station-Two was favorable \$1,736 largely due to the timing of the H1 Burner Replacement project. Coleman Station was favorable \$2,727 due to the C1 and C3 outage deferrals, as well as timing issues on various projects.

Transmission was favorable \$4,361 primarily due to timing related to the Two-way Radio and Wilson EHV Substation projects, as well as favorability attributable to the White Oak Substation project.

Other was favorable \$1,492 mainly due to the timing of the Operator Training Simulator and the timing of vehicle purchases.

* Gross of the City's share of Station Two. Includes capitalized interest.

Cash & Temporary Investments

	<u>Actual</u>	<u>Budget</u>	<u>Fav/(Unfav)</u>	2011 <u>Actual</u>	<u>Fav/(Unfav)</u>
June 30th	47,659	59,152	(11,493)	76,443	(28,784)


The June 30, 2012 cash balance compared to budget is unfavorable primarily due to the borrowing that was budgeted in April, but will not occur until July. These unfavorable variances are partially offset by lower capital spending.

The variance to prior-year is driven by the year-over-year increase in fuel inventory.

<u>Lines of Credit</u> <u>As of June 30th</u>	
Original Amount	\$100,000
Letters of Credit Outstanding	(6,775)
Advances Outstanding	0
Available Lines of Credit	<u>\$ 93,225</u>

Monthly Financial Report – May 2012



Your Touchstone Energy Cooperative 

Financial Report
May 2012
(\$ in Thousands)

Board Meeting Date: July 20, 2012



Summary of Statement of Operations YTD - May

	2012			2011	
	Actual	Budget	Fav/(UnFav) Variance	Actual	Fav/(UnFav) Variance
Revenues	228,651	255,610	(26,959)	229,377	(726)
Cost of Electric Service	228,792	257,743	28,951	226,940	(1,852)
Operating Margins	(141)	(2,133)	1,992	2,437	(2,578)
Interest Income/Other	72	53	19	207	(135)
Net Margins - YTD	(69)	(2,080)	2,011	2,644	(2,713)

June	1,704	(3,322)	5,026	1,949	3,653
YTD June	1,635	(5,402)	7,037	695	940

Statement of Operations – May Variance to Budget

	Current Month			Year-to-Date			Explanation
	Actual	Budget	Variance Fav/(UnFav)	Actual	Budget	Variance Fav/(UnFav)	
ELECTRIC ENERGY REVENUES	48,310	58,845	(10,535)	226,744	253,936	(27,192)	Pages 7, 9-13, 16-21
OTHER OPERATING REVENUE AND INCOME	380	333	47	1,907	1,674	233	
TOTAL OPER REVENUES & PATRONAGE CAPITAL	48,690	59,178	(10,488)	228,651	255,610	(26,959)	
OPERATION EXPENSE-PRODUCTION-EXCL FUEL	4,063	4,331	268	19,870	22,036	2,166	Pages 8, 14-15, 23
OPERATION EXPENSE-PRODUCTION-FUEL	20,412	18,278	(2,134)	87,489	94,301	6,812	Pages 8, 14-15
OPERATION EXPENSE-OTHER POWER SUPPLY	8,773	17,990	9,217	50,209	60,034	9,825	Pages 8, 14-15, 23
OPERATION EXPENSE-TRANSMISSION	1,080	895	(185)	4,346	4,486	140	
OPERATION EXPENSE-RTO/ISO	196	193	(3)	1,044	1,014	(30)	
CONSUMER SERVICE & INFORMATIONAL EXPENSE	22	57	35	153	329	176	
OPERATION EXPENSE-SALES	4	73	69	11	466	455	Page 25
OPERATION EXPENSE-ADMINISTRATIVE & GENERAL	1,923	2,390	467	10,523	11,166	643	Page 26
TOTAL OPERATION EXPENSE	36,473	44,207	7,734	173,645	193,832	20,187	
MAINTENANCE EXPENSE-PRODUCTION	2,626	5,616	2,990	17,747	26,524	8,777	Page 27
MAINTENANCE EXPENSE-TRANSMISSION	391	350	(41)	1,795	1,605	(190)	
MAINTENANCE EXPENSE-GENERAL PLANT	22	8	(14)	68	46	(22)	
TOTAL MAINTENANCE EXPENSE	3,039	5,974	2,935	19,610	28,175	8,565	
DEPRECIATION & AMORTIZATION EXPENSE	3,392	3,483	91	16,972	17,280	288	
TAXES	0	0	0	4	1	(3)	
INTEREST ON LONG-TERM DEBT	3,815	3,786	(29)	18,779	18,559	(220)	
INTEREST CHARGED TO CONSTRUCTION-CREDIT	(65)	(38)	27	(328)	(203)	125	
OTHER INTEREST EXPENSE	0	0	0	0	0	0	
OTHER DEDUCTIONS	27	43	16	110	119	9	
TOTAL COST OF ELECTRIC SERVICE	46,681	57,455	10,774	228,792	257,743	28,951	
OPERATING MARGINS	2,009	1,723	286	(141)	(2,133)	1,992	
INTEREST INCOME	4	7	(3)	27	28	(1)	
ALLOWANCE FOR FUNDS USED DURING CONST	0	0	0	0	0	0	
OTHER NON-OPERATING INCOME - NET	0	0	0	0	0	0	
OTHER CAPITAL CREDITS & PAT DIVIDENDS	0	0	0	45	25	20	
EXTRAORDINARY ITEMS	0	0	0	0	0	0	
NET PATRONAGE CAPITAL OR MARGINS	2,013	1,730	283	(69)	(2,080)	2,011	

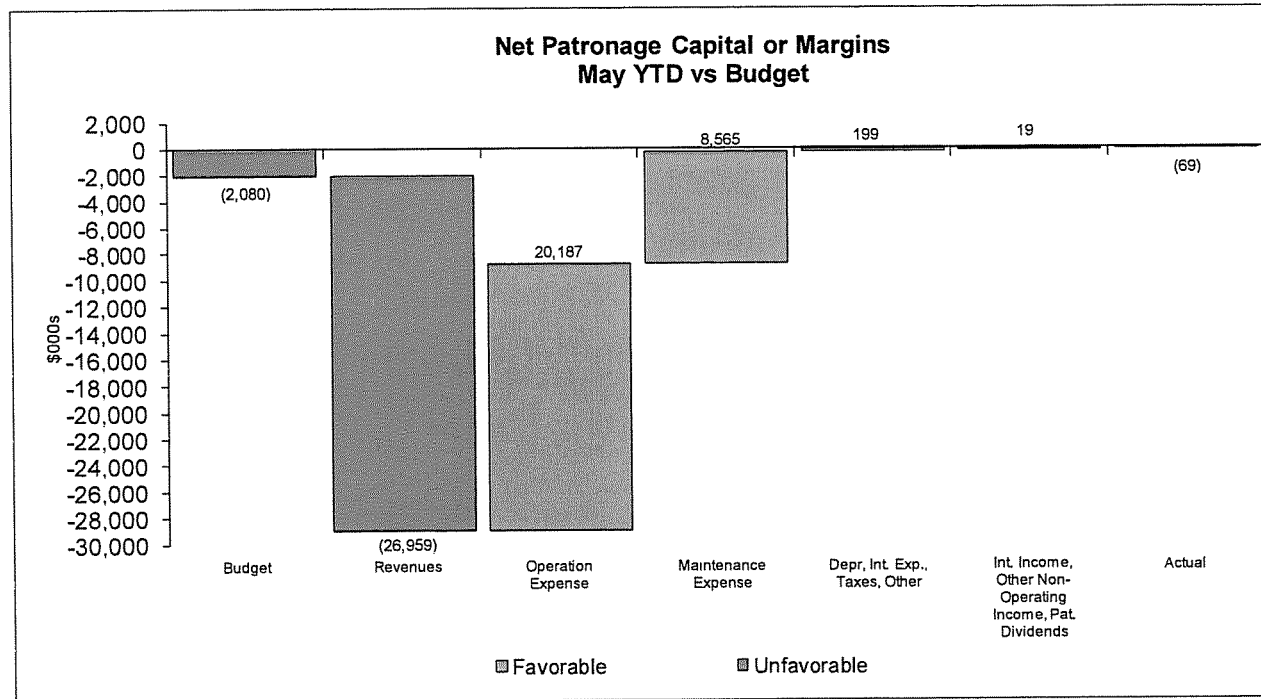
YTD Explanations: [A] Net Sales Margin, [B] 10% of line item and \$250,000 or [C] 10% of margins and \$500,000.

Statement of Operations – May Variance to Prior-Year

	Current Month			Year-to-Date			Explanation
	Actual	Prior Year	Variance Fav/(UnFav)	Actual	Prior Year	Variance Fav/(UnFav)	
ELECTRIC ENERGY REVENUES	48,310	50,393	(2,083)	226,744	228,063	(1,319)	Pages 7, 9-13, 16-21
OTHER OPERATING REVENUE AND INCOME	380	319	61	1,907	1,314	593	Page 22
TOTAL OPER REVENUES & PATRONAGE CAPITAL	48,690	50,712	(2,022)	228,651	229,377	(726)	
OPERATION EXPENSE-PRODUCTION-EXCL FUEL	4,053	4,138	75	19,870	20,242	372	Pages 8, 14-15, 23
OPERATION EXPENSE-PRODUCTION-FUEL	20,412	20,070	(342)	87,489	95,813	8,324	Pages 8, 14-15
OPERATION EXPENSE-OTHER POWER SUPPLY	8,773	10,517	1,744	50,209	45,058	(5,151)	Pages 8, 14-15, 23
OPERATION EXPENSE-TRANSMISSION	1,080	416	(664)	4,346	3,634	(712)	Page 24
OPERATION EXPENSE-RTO/ISO	196	206	10	1,044	1,003	(41)	
CONSUMER SERVICE & INFORMATIONAL EXPENSE	22	27	5	153	161	8	
OPERATION EXPENSE-SALES	4	7	3	11	2	(9)	
OPERATION EXPENSE-ADMINISTRATIVE & GENERAL	1,923	2,198	275	10,523	10,952	429	
TOTAL OPERATION EXPENSE	36,473	37,579	1,106	173,645	176,865	3,220	
MAINTENANCE EXPENSE-PRODUCTION	2,626	2,632	6	17,747	14,774	(2,973)	Page 27
MAINTENANCE EXPENSE-TRANSMISSION	391	387	(4)	1,795	1,707	(88)	
MAINTENANCE EXPENSE-GENERAL PLANT	22	13	(9)	68	41	(27)	
TOTAL MAINTENANCE EXPENSE	3,039	3,032	(7)	19,610	16,522	(3,088)	
DEPRECIATION & AMORTIZATION EXPENSE	3,392	2,878	(514)	16,972	14,436	(2,536)	Page 28
TAXES	0	0	0	4	63	59	
INTEREST ON LONG-TERM DEBT	3,815	3,863	48	18,779	19,244	465	
INTEREST CHARGED TO CONSTRUCTION-CREDIT	(65)	(17)	48	(328)	(354)	(26)	
OTHER INTEREST EXPENSE	0	0	0	0	59	59	
OTHER DEDUCTIONS	27	13	(14)	110	105	(5)	
TOTAL COST OF ELECTRIC SERVICE	46,681	47,348	667	228,792	226,940	(1,852)	
OPERATING MARGINS	2,009	3,364	(1,355)	(141)	2,437	(2,578)	
INTEREST INCOME	4	9	(5)	27	103	(76)	
ALLOWANCE FOR FUNDS USED DURING CONST	0	0	0	0	0	0	
OTHER NON-OPERATING INCOME - NET	0	3	(3)	0	7	(7)	
OTHER CAPITAL CREDITS & PAT DIVIDENDS	0	0	0	45	97	(52)	
EXTRAORDINARY ITEMS	0	0	0	0	0	0	
NET PATRONAGE CAPITAL OR MARGINS	2,013	3,376	(1,363)	(69)	2,644	(2,713)	

YTD Explanations: [A] Net Sales Margin, [B] 10% of line item and \$250,000 or [C] 10% of margins and \$500,000.

Variance Analysis Summary

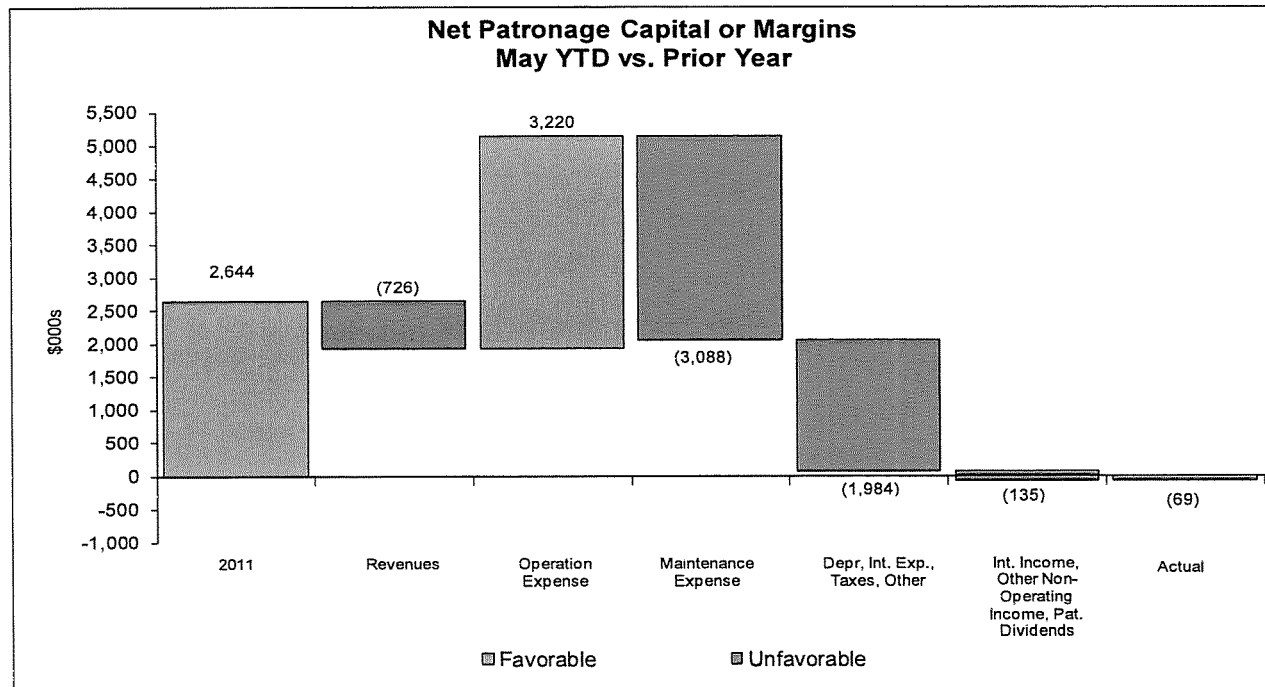


Financial Commentary

Year-to-Date

- May YTD 2012 Margins were \$2,011 favorable to budget.
 - Electric Energy Revenues were unfavorable \$27,192 primarily due to lower rural volume and lower rates (see page 7).
 - Operation Expense was favorable \$20,187 – driven by lower variable costs \$17,553 primarily due to lower variable costs per MWh (see page 8). The remainder of the variance is made up of favorable plant and fixed departmental expenses (see pages 23, 25-26).
 - Maintenance Expense was favorable \$8,565 primarily due to the scope reduction of the Wilson planned outage, cancellation of the Green 2 planned outage and lower expenses at the Coleman facility to offset the lower power market (see page 27).

Variance Analysis Summary



Financial Commentary

Year-to-Date

- May YTD 2012 margins were \$2,713 unfavorable to 2011.
 - Revenues were unfavorable \$726 primarily due to lower OSS volumes and pricing, partially offset by the 9/1/2011 rate increase, a higher smelter TIER Adjustment Charge (\$2.95/MWh vs \$1.95/MWh in 2011), and higher transmission revenue
 - Operation Expense was favorable \$3,220 – driven by lower variable costs \$6,089, due to volume, partially offset by higher expenses associated with Station-Two (see pages 8 & 23-24).
 - Maintenance Expense was unfavorable \$3,088 primarily due to the Wilson planned outage and higher maintenance activities at the plants (see page 27).
 - Depreciation, Interest Expense, Taxes & Other combined was higher \$1,984 (see page 28).



Your Touchstone Energy Cooperative

**Revenue
YTD May**

	Actual 2012	Budget 2012	Variance	Actual 2011	2011 Variance
MWh Sales					
Rural	910,248	945,324	(35,076)	961,586	(51,338)
Large Industrial	403,299	395,369	7,930	394,769	8,530
Smelter	3,088,661	3,038,784	49,877	2,768,246	320,415
Off-System/Other					
Total					
Revenue - \$/MWh					
Rural	49.90	53.55	(3.65)	45.64	4.26
Large Industrial	42.82	46.17	(3.35)	41.84	0.98
Smelter	48.40	52.00	(3.60)	43.43	4.97
Off-System/Other					
Total					
Revenue - Thousands of \$					
Rural	45,420	50,619	(5,199)	43,889	1,531
Large Industrial	17,269	18,256	(987)	16,518	751
Smelter	149,502	158,016	(8,514)	120,223	29,279
Off-System/Other					
Total					

**Revenue Price / Volume Analysis
May 2012**

	Price / Volume		
	Price	Volume	Total
Rural	(3,321)	(1,878)	(5,199)
Large Industrial	(1,353)	366	(987)
Smelter	(11,108)	2,594	(8,514)
Off-System/Other			

Variable Operations Cost
YTD May

	Actual 2012	Budget 2012	Variance	Actual 2011	2011 Variance
Variable Operations (VO) Cost - \$/MWh					
Rural					
Large Industrial					
Smelter					
Off-System/Other					
Total					
<u>VO Cost - Thousands of \$</u>					
Rural					
Large Industrial					
Smelter					
Off-System/Other					
Total					

YTD May 2012
Variable Operations Expense

	Actual	Budget	Fav/(UnFav)	Price Variance Fav/(UnFav)	Volume Variance Fav/(UnFav)	Fav/(UnFav)
Reagent						
Fuel						
Purchased Power						
Non-FAC PPA (Non-Smelter)						



Your Touchstone Energy® Cooperative

**Net Sales Margin
YTD May**

	<u>Actual</u> <u>2012</u>	<u>Budget</u> <u>2012</u>	<u>Variance</u>	<u>Actual</u> <u>2011</u>	<u>2011</u> <u>Variance</u>
Net Sales Margin - \$/MWh					
Rural					
Large Industrial					
Smelter					
Off-System/Other					
Total					
Net Sales Margin - Thousands of \$					
Rural					
Large Industrial					
Smelter					
Off-System/Other					
Total					

**Net Sales Margin
Price / Volume Analysis
May 2012**

	<u>Price / Volume</u>
Rural	
Large Industrial	
Smelter	
Off-System/Other	



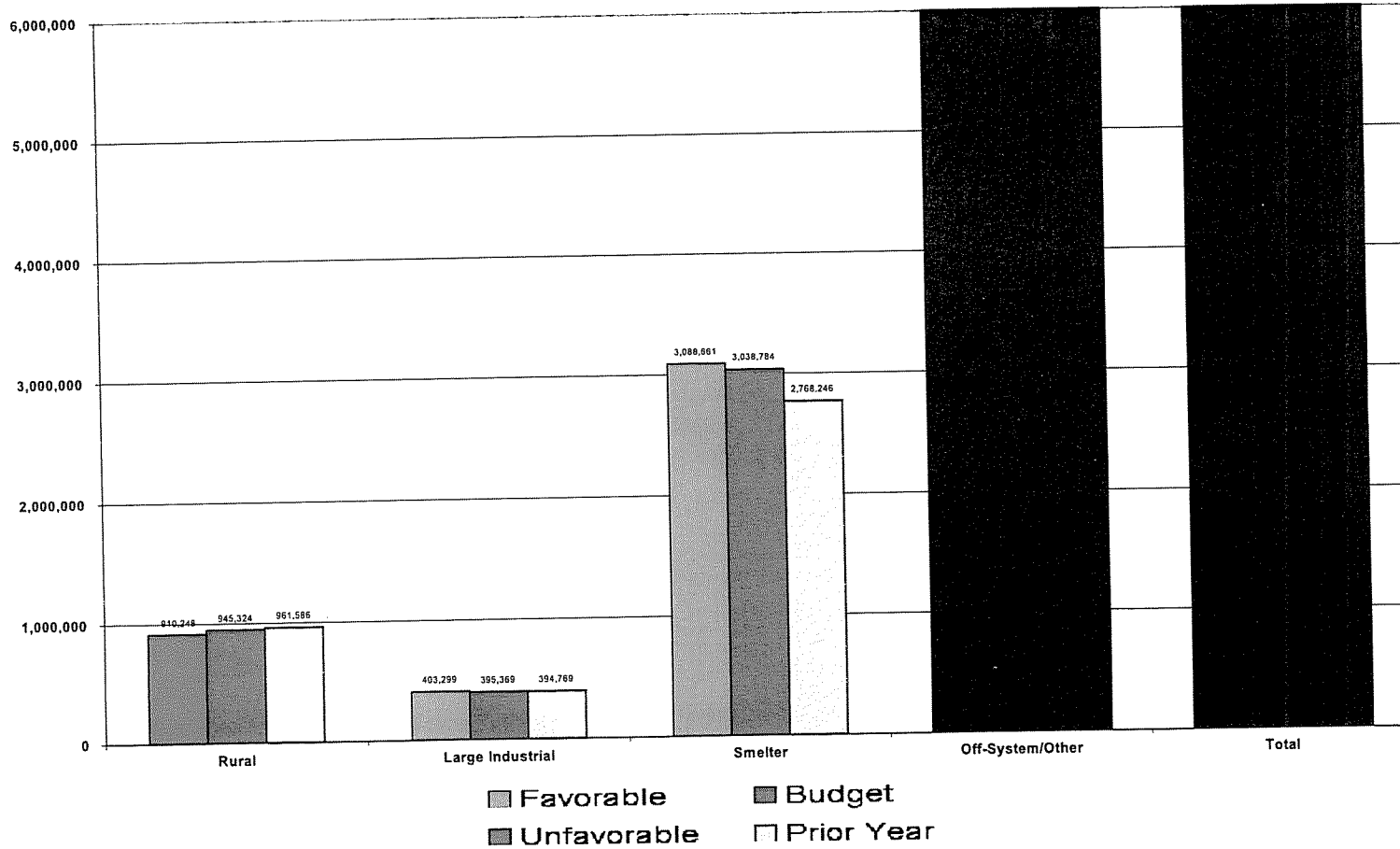
Your Touchstone Energy Cooperative

Member Rate Stability Mechanism YTD May

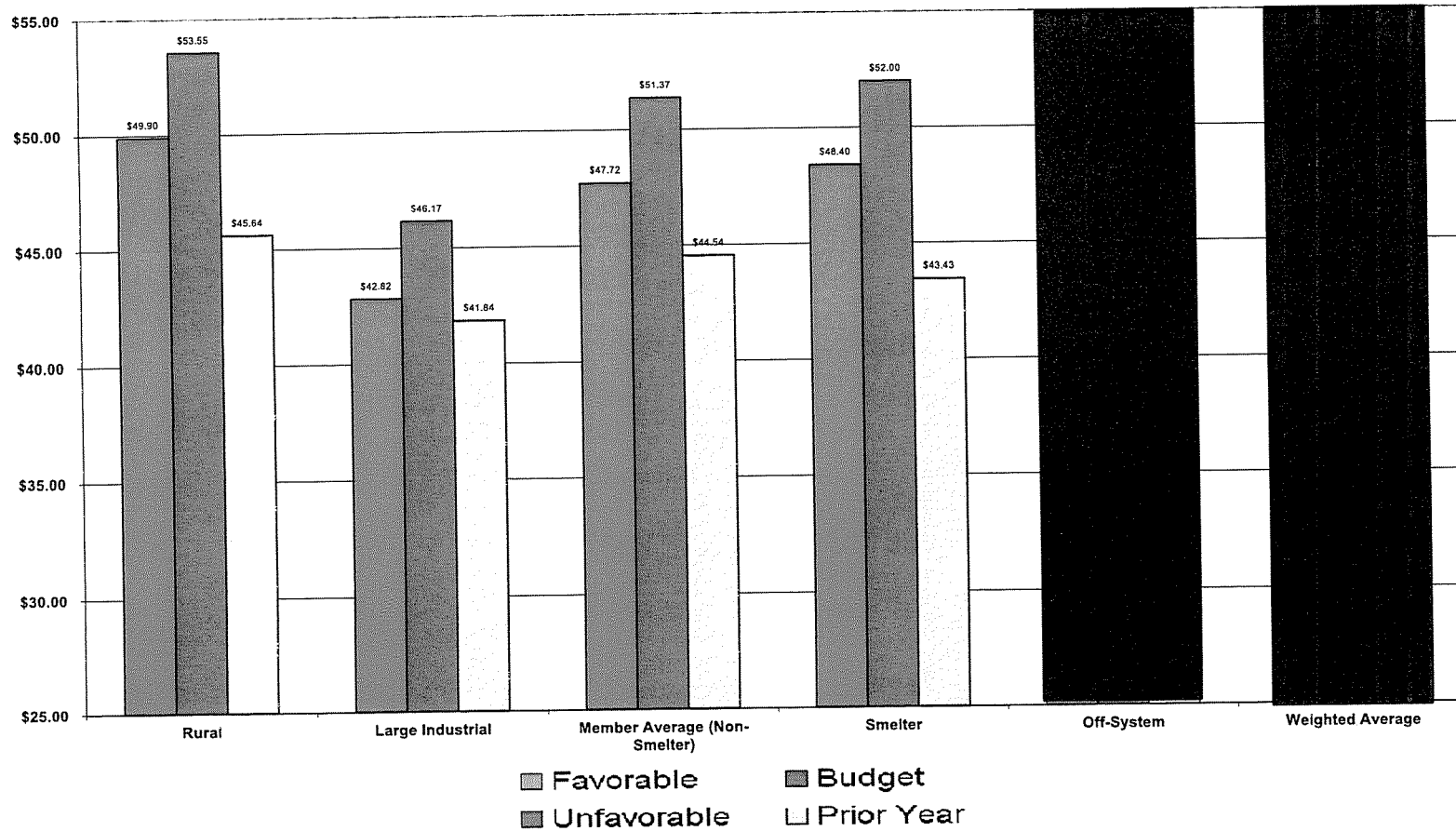
	<u>Actual</u> <u>2012</u>	<u>Budget</u> <u>2012</u>	<u>2012</u> <u>Variance</u>	<u>Actual</u> <u>2011</u>	<u>2011</u> <u>Variance</u>		<u>Actual</u> <u>2012</u>	<u>Budget</u> <u>2012</u>	<u>2012</u> <u>Variance</u>	<u>Actual</u> <u>2011</u>	<u>2011</u> <u>Variance</u>
<u>MRSM - \$/MWh</u>						<u>Net Revenue - \$/MWh</u>					
Rural	(6.68)	(9.53)	2.85	(7.28)	0.60	Rural	43.22	44.02	(0.80)	38.36	4.86
Large Industrial	(6.68)	(9.53)	2.85	(7.28)	0.60	Large Industrial	36.14	36.64	(0.50)	34.56	1.58
Total	(6.68)	(9.53)	2.85	(7.28)	0.60	Total	41.04	41.84	(0.80)	37.26	3.78
<u>MRSM - Thousands of \$</u>						<u>Net Revenue - Thousands of \$</u>					
Rural	(6,078)	(9,004)	2,926	(7,003)	925	Rural	39,342	41,615	(2,273)	36,886	2,456
Large Industrial	(2,692)	(3,763)	1,071	(2,876)	184	Large Industrial	14,577	14,493	84	13,642	935
Total	(8,770)	(12,767)	3,997	(9,879)	1,109	Total	53,919	56,108	(2,189)	50,528	3,391

<u>Economic Reserve Balance</u>			
<u>Cumulative-to-Date</u>	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
Original Deposit	\$ 157,000		
Interest Earnings	2,983		
Withdrawals	<u>(67,730)</u>		
Ending Balance 5/31/2012	\$ 92,253	\$ 88,047	\$ 4,206
<u>YTD May 2012</u>			
Beg. Balance 1/1/2012	\$ 100,601		
Interest Earnings	219		
Withdrawals	<u>(8,567)</u>		
Ending Balance 5/31/2012	\$ 92,253	\$ 88,047	\$ 4,206

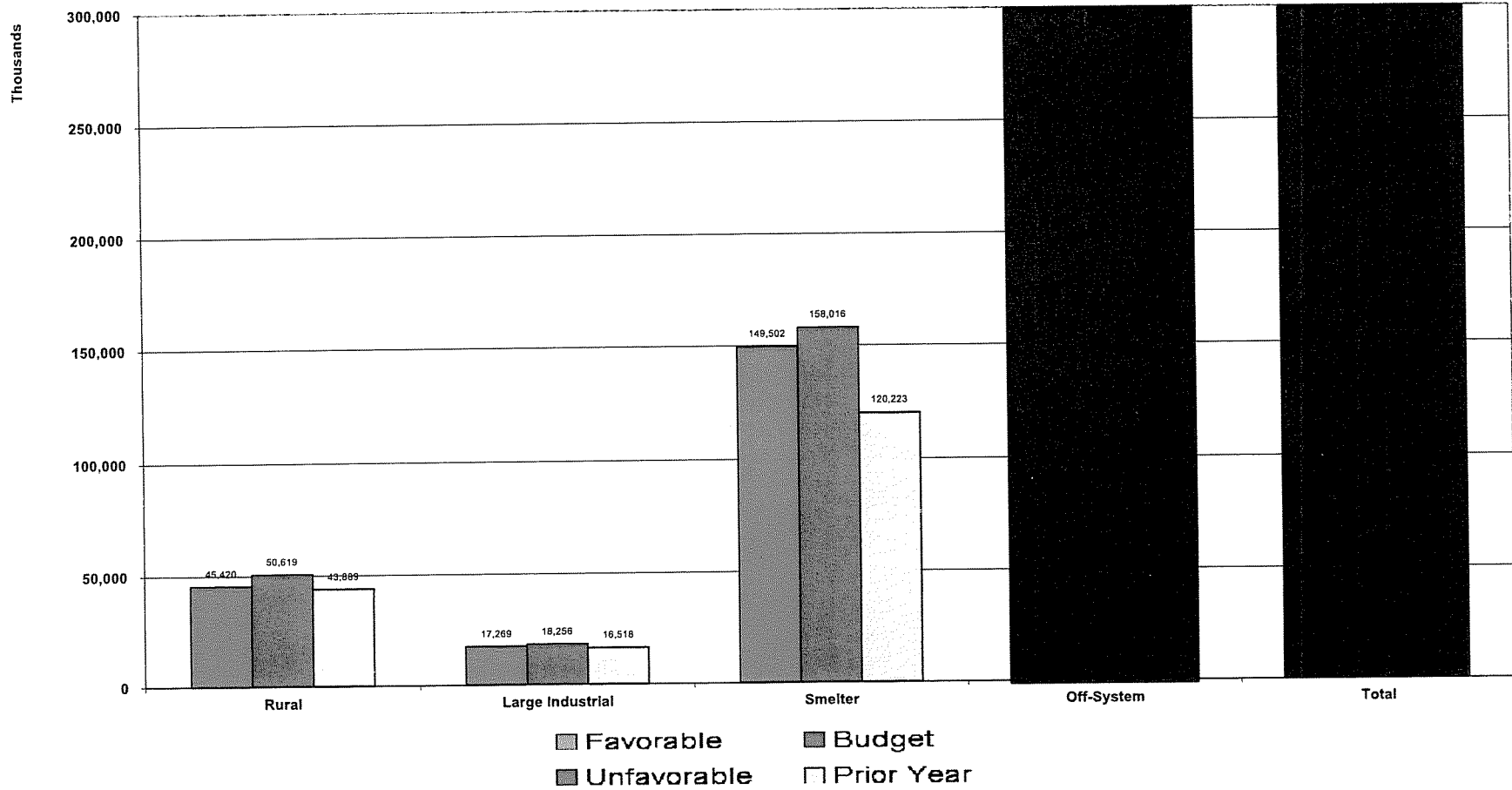
MWH Sales YTD - May



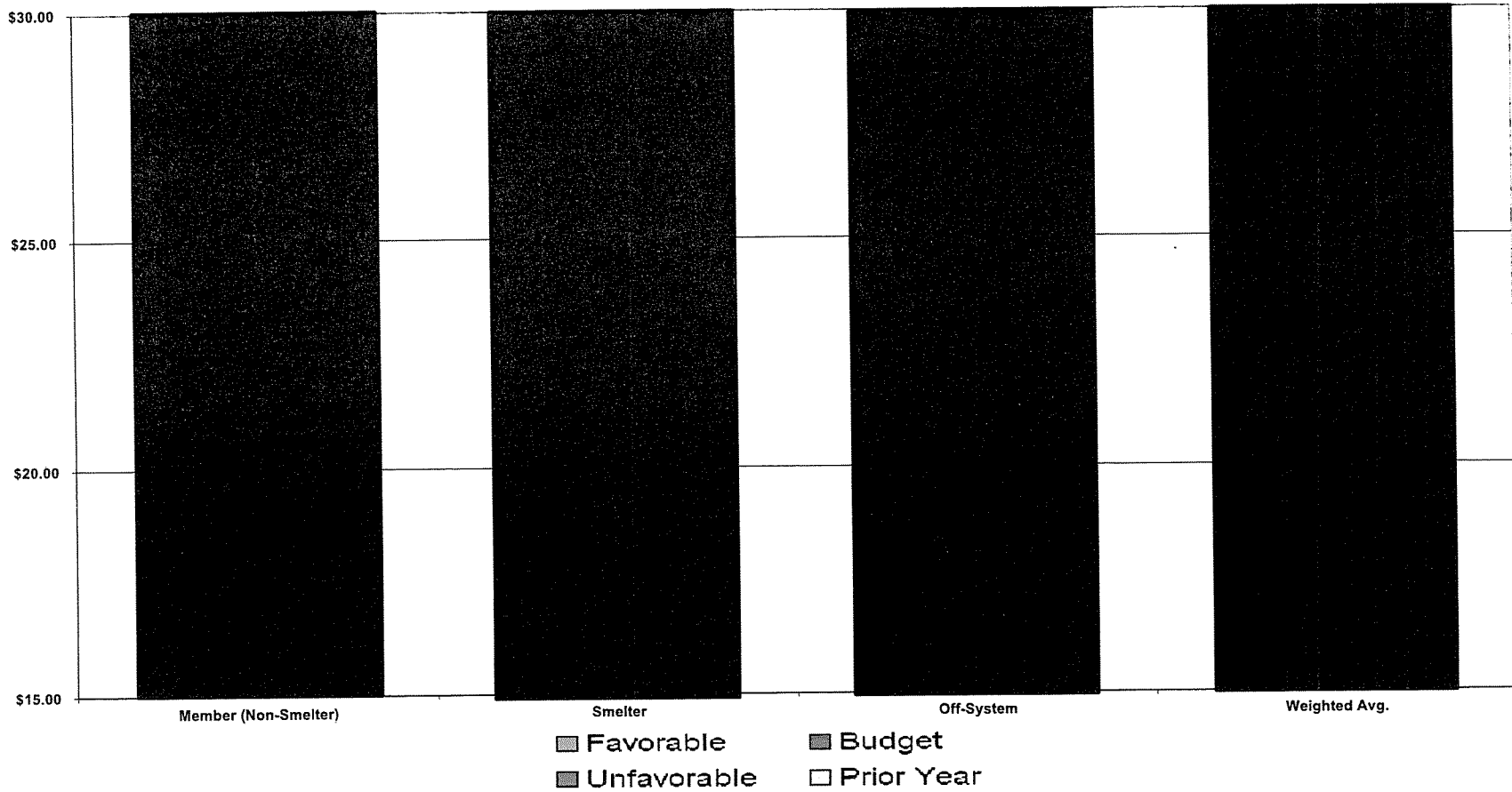
Revenue - \$/MWh Sold YTD - May



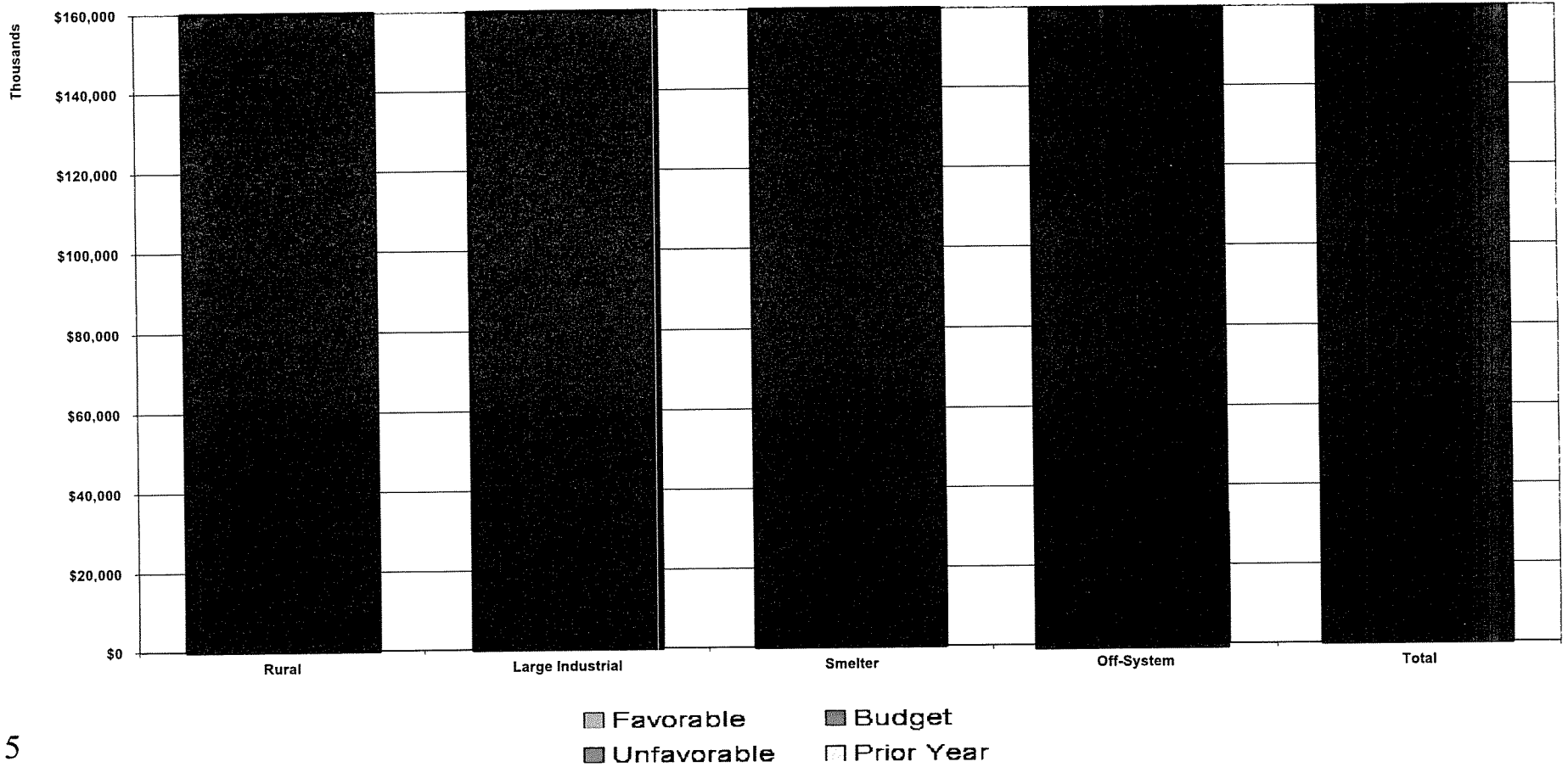
Revenue YTD - May



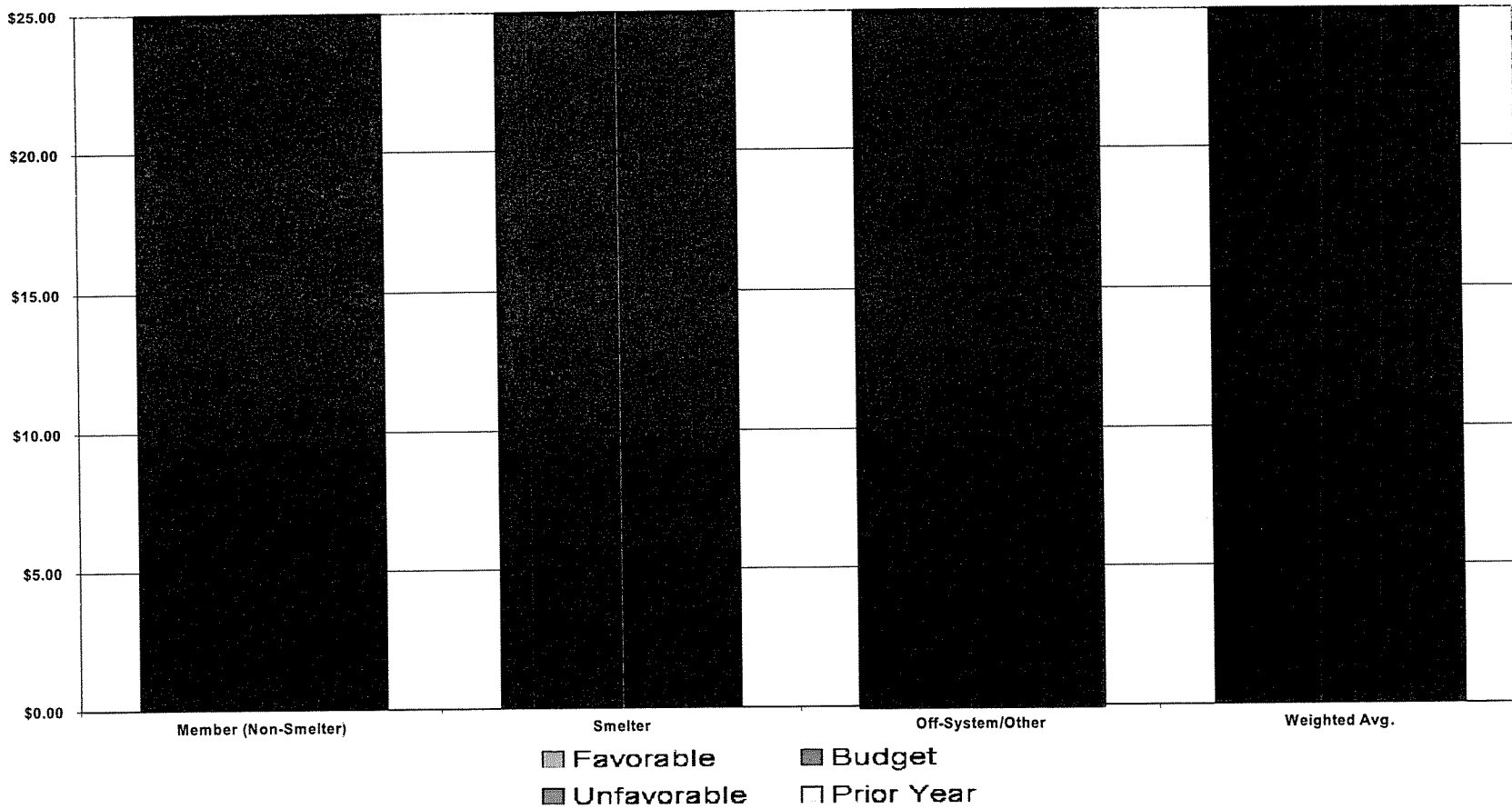
Variable Operations - \$/MWh Sold YTD - May



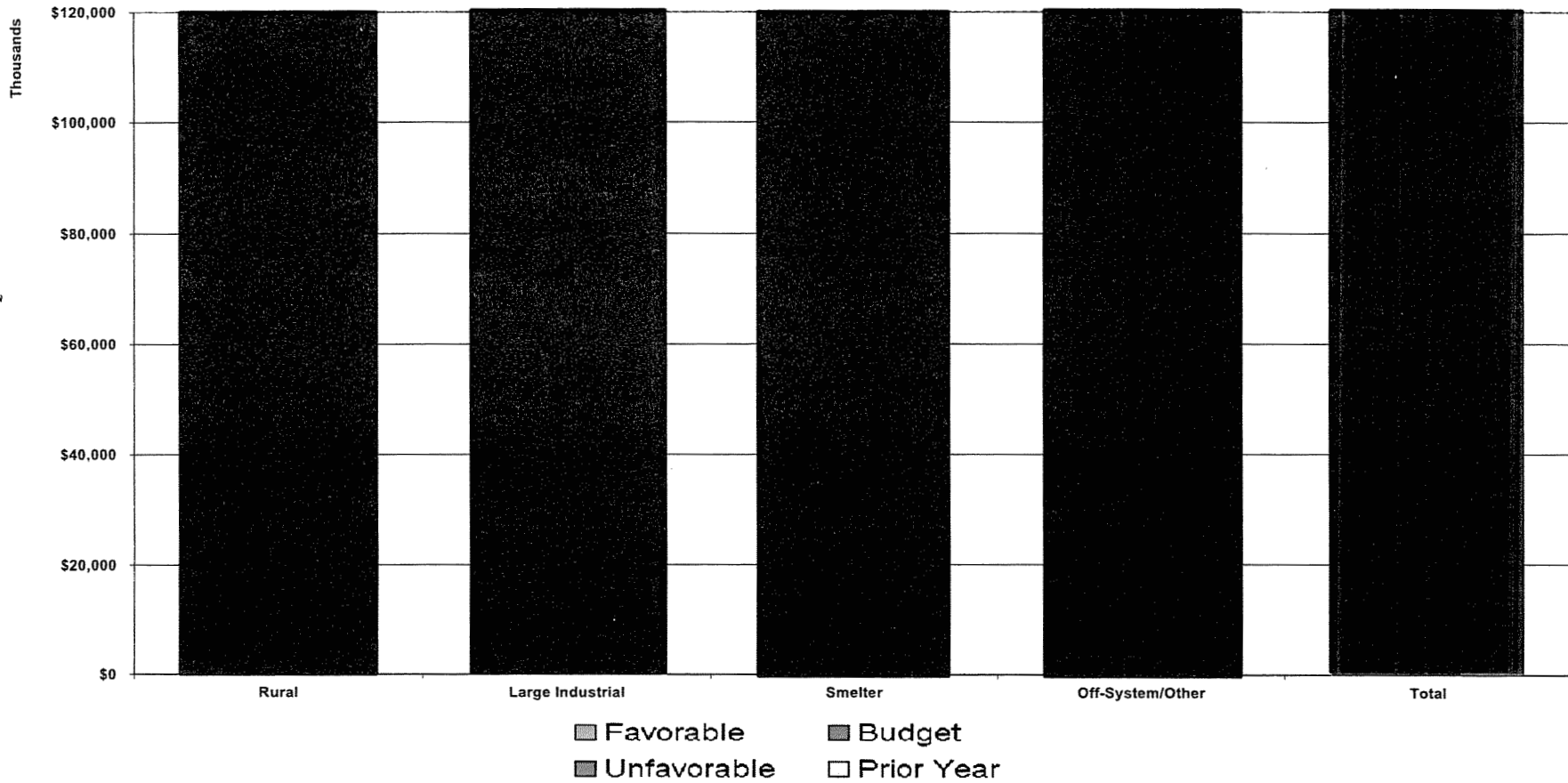
Variable Operations Cost YTD - May



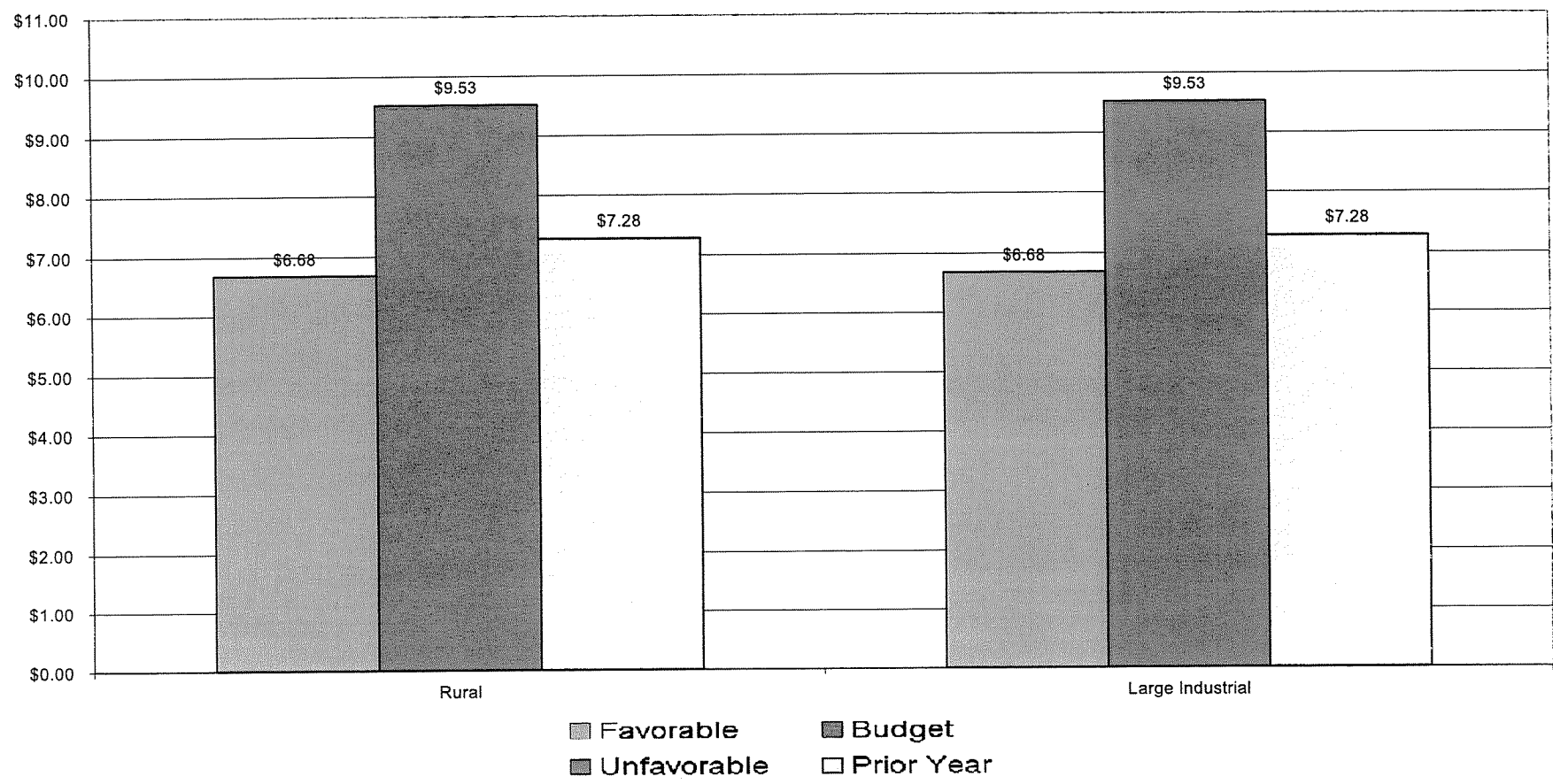
Net Sales Margin - \$/MWh YTD - May



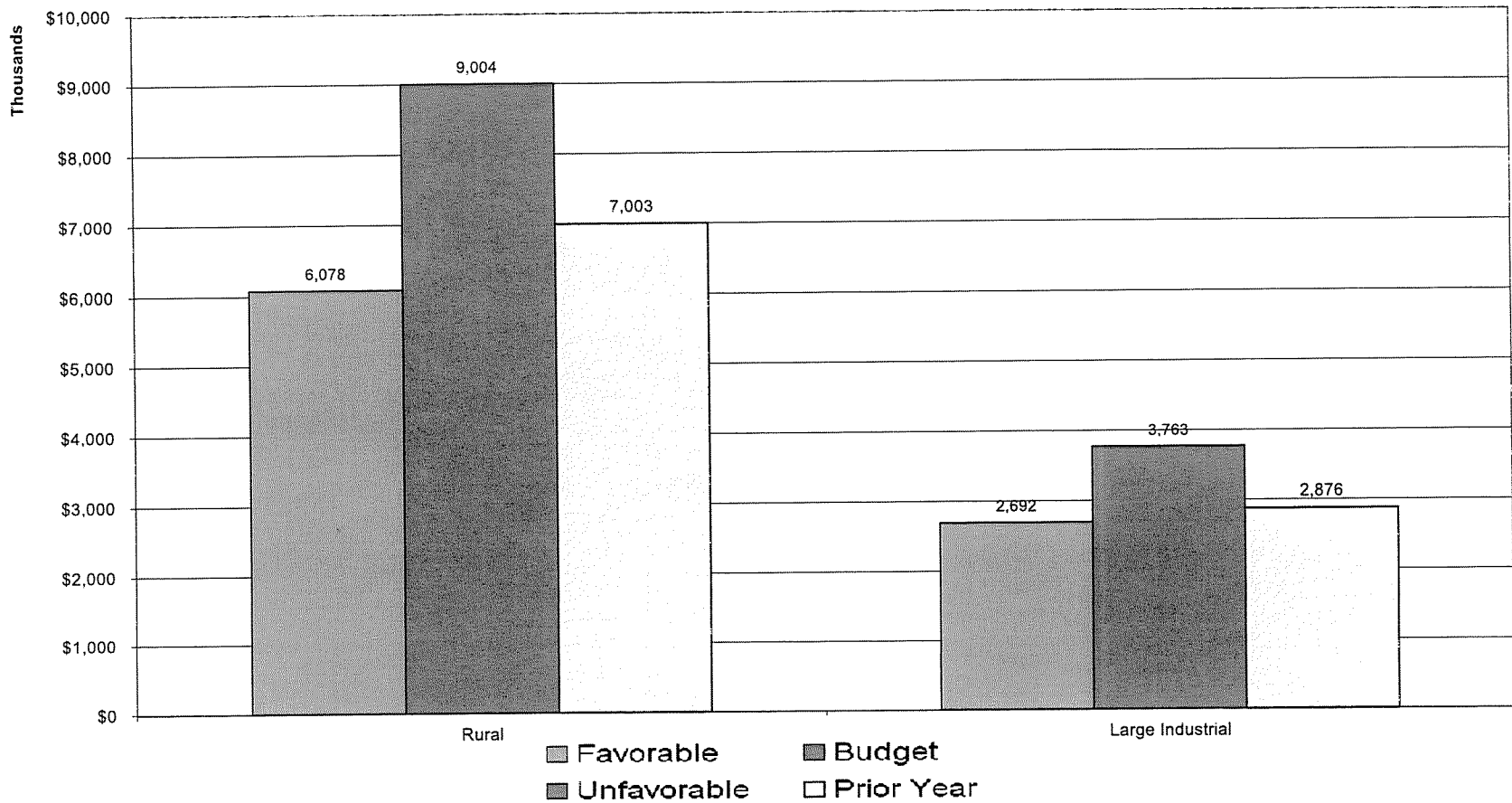
Net Sales Margin YTD – May



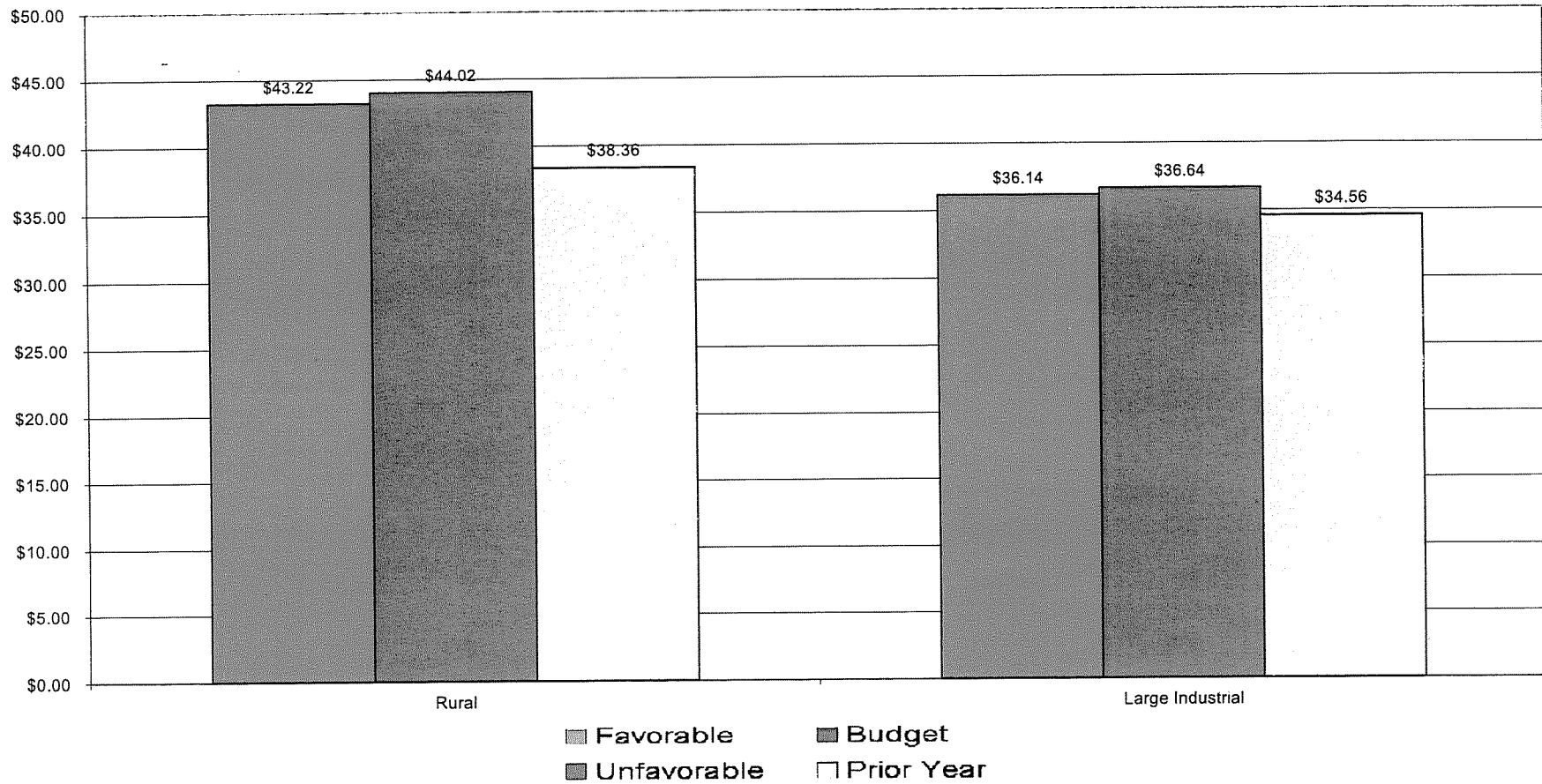
MRSM - \$/MWh YTD - May



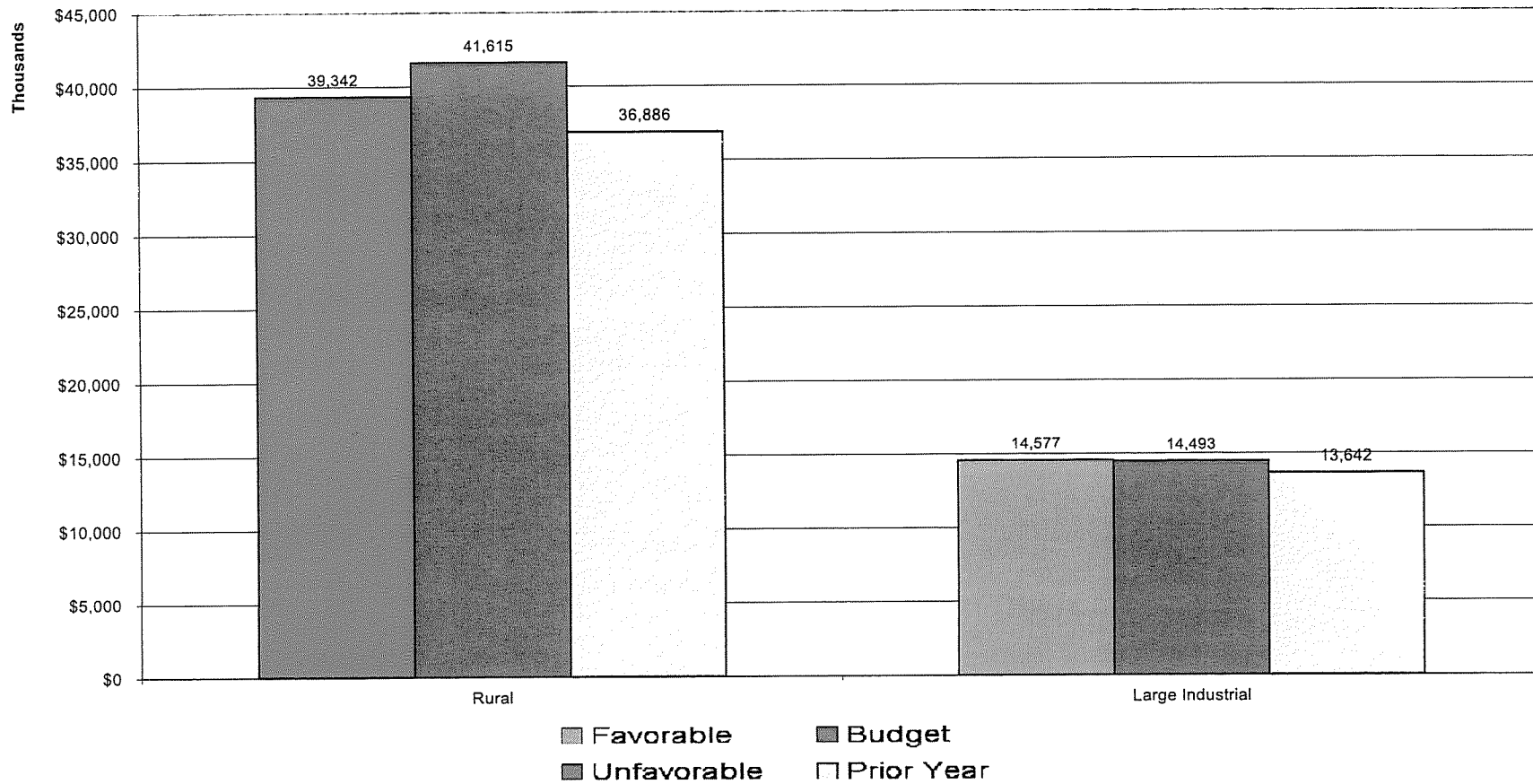
MRSM YTD - May



Net Revenue (Excl. MRSM) - \$/MWh YTD - May



Net Revenue (Excl. MRSM) YTD - May



Other Operating Revenue and Income

	2012	2011	Variance
	<u>Actual</u>	<u>Actual</u>	<u>Fav/(Unfav)</u>
May YTD	1,907	1,314	593

The favorable prior-year variance is due to higher transmission revenue this year.



Non-Variable Production and Other Power Supply – Operations

May YTD

2012			2011	
<u>Actual</u>	<u>Budget</u>	<u>Variance Fav/(Unfav)</u>	<u>2011 Actual</u>	<u>Variance Fav/(Unfav)</u>
		1,250		(2,544)

Current Year Variances

Power Supply transmission reservation	314
Station-Two O&M (outage timing)	589
Plant operations timing/expense reductions	540
Other	<u>(193)</u>
Non-Variable Production and Other Power Supply - Operations	1,250

Prior-Year Variances

Power Supply transmission reservation	(33)
Station-Two O&M [driven by higher outage expense in 2012]	(1,867)
Station-Two [higher depreciation expense]	(516)
Other	<u>(128)</u>
Non-Variable Production and Other Power Supply - Operations	(2,544)

Operation Expense – Transmission

	2012	2011	Variance
	<u>Actual</u>	<u>Actual</u>	<u>Fav/(Unfav)</u>
May YTD	4,346	3,634	(712)

Unfavorable to prior year due to higher MISO and TVA transmission expenses.

Operation Expense – Sales

	2012		
	<u>Actual</u>	<u>Budget</u>	<u>Variance</u> <u>Fav/(Unfav)</u>
May YTD	11	466	455

Favorable to budget due to delay in the start of the energy efficiency/demand side management programs.

Operation Expense – Admin. & General

	2012		
			Variance
	<u>Actual</u>	<u>Budget</u>	<u>Fav/(Unfav)</u>
May YTD	10,523	11,166	643

Favorable to budget due to favorable timing of fixed departmental expenses and cost saving measures to offset the lower off-system market.



Maintenance Expense – Production

2012			2011	
		Variance	2011	Variance
<u>Actual</u>	<u>Budget</u>	<u>Fav/(Unfav)</u>	<u>Actual</u>	<u>Fav/(Unfav)</u>
May YTD		8,777		(2,973)

The favorable YTD variance vs. budget is primarily due to the scope reduction of the Wilson planned outage. The Green facility is favorable due to the cancellation of the unit two planned outage. The Coleman station is also favorable due to the timing of a mill overhaul and cost reductions at the plant.

The unfavorable variance to prior-year is driven by the Wilson spring outage and increased maintenance spending at the Green & Coleman locations this year.

Depreciation & Amortization Expense

	2012	2011	Variance
	<u>Actual</u>	<u>Actual</u>	<u>Fav/(Unfav)</u>
May YTD	16,972	14,436	(2,536)

Unfavorable to prior-year due to the higher depreciation rates that are in effect as a result of the depreciation study and a higher plant in service balance being depreciated.

North Star – YTD May

	2012			2011	
	Actual	Budget	Fav/(UnFav) Variance	Actual	Fav/(UnFav) Variance
Total Cost of Electric Service			28,951		(1,852)
Other Operating Revenues & Income	(1,906)	(1,674)	232	(1,314)	592
Smelter Avoidable Base Charge	(234)	0	234	(1,241)	(1,007)
Off-System Sales/Other					
Interest Income	(27)	(28)	(1)	(103)	(76)
Other Non-Operating Income	0	0	0	(7)	(7)
Other Capital Credits & Pat. Dividends	(45)	(25)	20	(97)	(52)
			16,944		(35,282)

Member MWh	4,402,208	4,379,477	22,731	4,124,603	277,605
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North Star - \$/kWh



TIER

	<u>Actual</u>	<u>Budget</u>	<u>Fav/(Unfav)</u>
Interest on Long-Term Debt	18,779	18,558	(221)
Net Margins	[REDACTED]		
TIER - YTD May	[REDACTED]		
TIER (12 months ending 5/31)	[REDACTED]		

Notes:

TIER = (Net Margins + Interest on Long-Term Debt) divided by Interest on Long-Term Debt

Capital Expenditures*

Year-to-Date

	Actual	Budget	Fav/(UnFav)
IT	279	1,441	1,162
Generation	15,800	35,232	19,432
Transmission	1,962	5,962	4,000
Other	368	1,006	638
Total	18,409	43,641	25,232

Explanation:

IT was favorable \$1,162 due to the timing of the OSI EMS Hardware/Software projects, as well as the Oracle Extensions project.

Generation was favorable by \$19,432. Wilson Station was favorable \$8,139 primarily due to outage scope reductions/deferrals. Green Station was favorable by \$7,042 due to the G2 outage deferral, as well as the timing of the FGD and Coal Sampler projects. Station-Two was favorable \$1,825 largely due to the timing of the H1 Burner Replacement project. Coleman Station was favorable \$2,426 due to the C1 and C3 outage deferrals.

Transmission was favorable \$4,000 primarily due to timing related to the Two-way Radio project, as well as favorability attributable to the White Oak Substation project.

Other was favorable \$638 mainly due to the timing of the Operator Training Simulator and the timing of vehicle purchases.



Cash & Temporary Investments

			2011		
	<u>Actual</u>	<u>Budget</u>	<u>Fav/(Unfav)</u>	<u>Actual</u>	<u>Fav/(Unfav)</u>
May 31st	39,627	56,386	(16,759)	67,027	(27,400)


The May 31, 2012 cash balance compared to budget is unfavorable primarily due to the borrowing that was budgeted, partially offset by lower capital spending.

The variance to prior-year is driven by the year-over-year increase in fuel inventory.

Lines of Credit <u>As of May 31st</u>	
Original Amount	\$100,000
Letters of Credit Outstanding	(6,775)
Advances Outstanding	0
Available Lines of Credit	\$ 93,225

Monthly Financial Report – April 2012



Your Touchstone Energy Cooperative 

Financial Report
April 2012
(\$ in Thousands)

Board Meeting Date: June 15, 2012



Summary of Statement of Operations YTD - April

	2012			2011	
	Actual	Budget	Fav/(UnFav) Variance	Actual	Fav/(UnFav) Variance
Revenues	179,961	196,431	(16,470)	178,664	1,297
Cost of Electric Service	182,111	200,287	18,176	179,592	(2,519)
Operating Margins	(2,150)	(3,856)	1,706	(928)	(1,222)
Interest Income/Other	68	46	22	196	(128)
Net Margins - YTD	(2,082)	(3,810)	1,728	(732)	(1,350)



Statement of Operations – April Variance to Budget

	Current Month			Year-to-Date			Explanation
	Actual	Budget	Variance Fav/(UnFav)	Actual	Budget	Variance Fav/(UnFav)	
ELECTRIC ENERGY REVENUES	44,334	44,894	(560)	178,434	195,091	(16,657)	Pages 7, 9-13, 16-21
OTHER OPERATING REVENUE AND INCOME	322	334	(12)	1,527	1,340	187	
TOTAL OPER REVENUES & PATRONAGE CAPITAL	44,656	45,228	(572)	179,961	196,431	(16,470)	
OPERATION EXPENSE-PRODUCTION-EXCL FUEL	3,987	4,146	159	15,807	17,705	1,898	Pages 8, 14-15, 23
OPERATION EXPENSE-PRODUCTION-FUEL	17,355	18,388	1,033	67,077	76,022	8,945	Pages 8, 14-15
OPERATION EXPENSE-OTHER POWER SUPPLY	9,910	9,858	(52)	41,436	42,044	608	Pages 8, 14-15, 23
OPERATION EXPENSE-TRANSMISSION	857	831	(26)	3,266	3,591	325	
OPERATION EXPENSE-RTO/ISO	190	190	0	848	821	(27)	
CONSUMER SERVICE & INFORMATIONAL EXPENSE	26	59	33	131	271	140	
OPERATION EXPENSE-SALES	0	73	73	6	393	387	Page 24
OPERATION EXPENSE-ADMINISTRATIVE & GENERAL	1,879	2,043	164	8,601	8,777	176	
TOTAL OPERATION EXPENSE	34,204	35,588	1,384	137,172	149,624	12,452	
MAINTENANCE EXPENSE-PRODUCTION	2,986	4,449	1,463	15,121	20,909	5,788	Page 25
MAINTENANCE EXPENSE-TRANSMISSION	348	289	(59)	1,403	1,255	(148)	
MAINTENANCE EXPENSE-GENERAL PLANT	7	9	2	47	37	(10)	
TOTAL MAINTENANCE EXPENSE	3,341	4,747	1,406	16,571	22,201	5,630	
DEPRECIATION & AMORTIZATION EXPENSE	3,404	3,465	61	13,580	13,778	198	
TAXES	3	1	(2)	4	0	(4)	
INTEREST ON LONG-TERM DEBT	3,707	3,684	(23)	14,964	14,773	(191)	
INTEREST CHARGED TO CONSTRUCTION-CREDIT	(62)	(98)	(36)	(263)	(165)	98	
OTHER INTEREST EXPENSE	0	0	0	0	0	0	
OTHER DEDUCTIONS	42	42	0	83	76	(7)	
TOTAL COST OF ELECTRIC SERVICE	44,639	47,429	2,790	182,111	200,287	18,176	
OPERATING MARGINS	17	(2,201)	2,218	(2,150)	(3,856)	1,706	
INTEREST INCOME	5	7	(2)	23	21	2	
ALLOWANCE FOR FUNDS USED DURING CONST	0	0	0	0	0	0	
OTHER NON-OPERATING INCOME - NET	0	0	0	0	0	0	
OTHER CAPITAL CREDITS & PAT DIVIDENDS	0	25	(25)	45	25	20	
EXTRAORDINARY ITEMS	0	0	0	0	0	0	
NET PATRONAGE CAPITAL OR MARGINS	22	(2,169)	2,191	(2,082)	(3,810)	1,728	

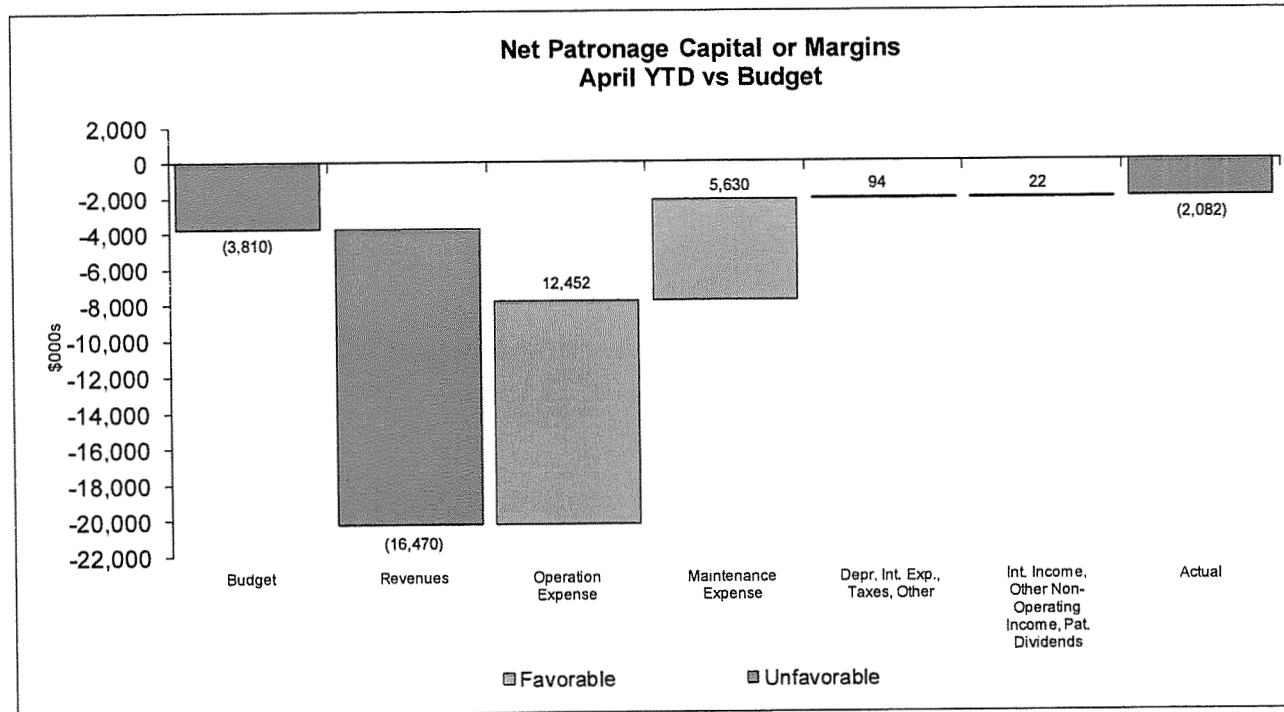
YTD Explanations: [A] Net Sales Margin, [B] 10% of line item and \$250,000 or [C] 10% of margins and \$500,000.

Statement of Operations – April Variance to Prior-Year

	Current Month			Year-to-Date			Explanation
	Actual	Prior Year	Variance Fav/(UnFav)	Actual	Prior Year	Variance Fav/(UnFav)	
ELECTRIC ENERGY REVENUES	44,334	44,069	265	178,434	177,670	764	Pages 7, 9-13, 16-21
OTHER OPERATING REVENUE AND INCOME	322	370	(48)	1,527	994	533	Page 22
TOTAL OPER REVENUES & PATRONAGE CAPITAL	44,656	44,439	217	179,961	178,664	1,297	
OPERATION EXPENSE-PRODUCTION-EXCL FUEL	3,987	3,955	(32)	15,807	16,104	297	Pages 8, 14-15, 23
OPERATION EXPENSE-PRODUCTION-FUEL	17,355	19,417	2,062	67,077	75,743	8,666	Pages 8, 14-15
OPERATION EXPENSE-OTHER POWER SUPPLY	9,910	8,680	(1,230)	41,436	34,542	(6,894)	Pages 8, 14-15, 23
OPERATION EXPENSE-TRANSMISSION	857	968	111	3,266	3,219	(47)	
OPERATION EXPENSE-RTO/ISO	190	217	27	848	797	(51)	
CONSUMER SERVICE & INFORMATIONAL EXPENSE	26	34	8	131	134	3	
OPERATION EXPENSE-SALES	0	(6)	(6)	6	(6)	(12)	
OPERATION EXPENSE-ADMINISTRATIVE & GENERAL	1,879	1,958	79	8,601	8,754	153	
TOTAL OPERATION EXPENSE	34,204	35,223	1,019	137,172	139,287	2,115	
MAINTENANCE EXPENSE-PRODUCTION	2,986	2,726	(260)	15,121	12,143	(2,978)	Page 25
MAINTENANCE EXPENSE-TRANSMISSION	348	397	49	1,403	1,321	(82)	
MAINTENANCE EXPENSE-GENERAL PLANT	7	25	18	47	28	(19)	
TOTAL MAINTENANCE EXPENSE	3,341	3,148	(193)	16,571	13,492	(3,079)	
DEPRECIATION & AMORTIZATION EXPENSE	3,404	2,877	(527)	13,580	11,558	(2,022)	Page 26
TAXES	3	66	63	4	63	59	
INTEREST ON LONG-TERM DEBT	3,707	3,770	63	14,964	15,380	416	
INTEREST CHARGED TO CONSTRUCTION-CREDIT	(62)	(16)	46	(263)	(337)	(74)	
OTHER INTEREST EXPENSE	0	0	0	0	59	59	
OTHER DEDUCTIONS	42	14	(28)	83	90	7	
TOTAL COST OF ELECTRIC SERVICE	44,639	45,082	443	182,111	179,592	(2,519)	
OPERATING MARGINS	17	(643)	660	(2,150)	(928)	(1,222)	
INTEREST INCOME	5	9	(4)	23	94	(71)	
ALLOWANCE FOR FUNDS USED DURING CONST	0	0	0	0	0	0	
OTHER NON-OPERATING INCOME - NET	0	0	0	0	5	(5)	
OTHER CAPITAL CREDITS & PAT DIVIDENDS	0	0	0	45	97	(52)	
EXTRAORDINARY ITEMS	0	0	0	0	0	0	
NET PATRONAGE CAPITAL OR MARGINS	22	(634)	656	(2,082)	(732)	(1,350)	

YTD Explanations: [A] Net Sales Margin, [B] 10% of line item and \$250,000 or [C] 10% of margins and \$500,000.

Variance Analysis Summary

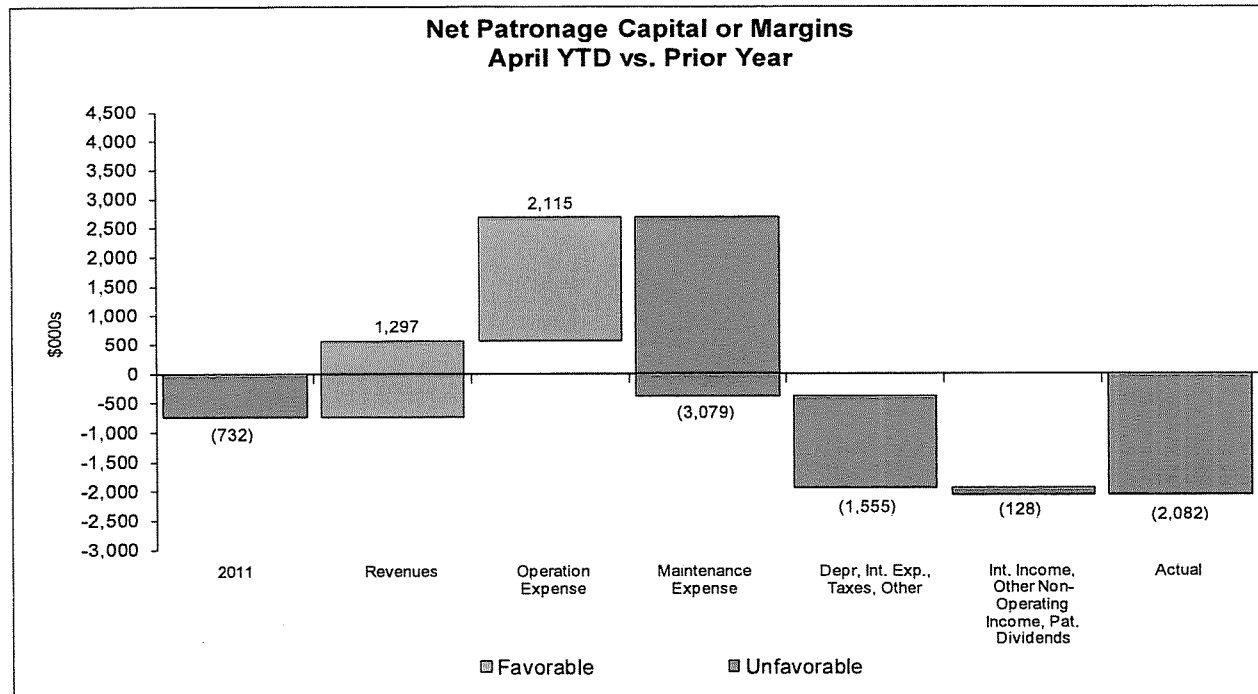


Financial Commentary

Year-to-Date

- April YTD 2012 Margins were \$1,728 favorable to budget.
 - Electric Energy Revenues were unfavorable \$16,657 primarily due to lower rural volume and lower rates (see page 7).
 - Operation Expense was favorable \$12,452 – driven by lower variable costs \$10,331 primarily due to lower variable costs per MWh (see page 8). The remainder of the variance is made up of favorable plant and fixed departmental expenses (see pages 23-24).
 - Maintenance Expense was favorable \$5,630 primarily due to the scope reduction of the Wilson planned outage and lower expenses at the Coleman facility to offset the lower power market (see page 25).

Variance Analysis Summary



Financial Commentary

Year-to-Date

- April YTD 2012 margins were \$1,350 unfavorable to 2011.
 - Revenues were favorable \$1,297 primarily due to the 9/1/2011 rate increase, a higher smelter TIER Adjustment Charge (\$2.95/MWh vs \$1.95/MWh in 2011), and higher transmission revenue
 - Operation Expense was favorable \$2,115 – driven by lower variable costs \$4,645, due to volume, partially offset by higher expenses associated with Station-Two (see pages 8 & 23).
 - Maintenance Expense was unfavorable \$3,079 primarily due to the Wilson planned outage and higher maintenance activities at the plants (see page 25).
 - Depreciation, Interest Expense, Taxes & Other combined was higher \$1,555 (see page 26).

**Revenue
YTD April**

	Actual 2012	Budget 2012	Variance	Actual 2011	2011 Variance
MWh Sales					
Rural	722,719	782,329	(59,610)	792,638	(69,919)
Large Industrial	323,362	313,201	10,161	311,029	12,333
Smelter	2,454,879	2,419,032	35,847	2,176,336	278,543
Off-System/Other					
Total					
Revenue - \$/MWh					
Rural	49.48	53.71	(4.23)	44.73	4.75
Large Industrial	42.72	46.66	(3.94)	41.92	0.80
Smelter	48.39	51.94	(3.55)	43.26	5.13
Off-System/Other					
Total					
Revenue - Thousands of \$					
Rural	35,762	42,022	(6,260)	35,457	305
Large Industrial	13,814	14,612	(798)	13,038	776
Smelter	118,791	125,650	(6,859)	94,140	24,651
Off-System/Other					
Total					

**Revenue Price / Volume Analysis
April 2012**

	Price / Volume		
	Price	Volume	Total
Rural	(3,058)	(3,202)	(6,260)
Large Industrial	(1,272)	474	(798)
Smelter	(8,721)	1,862	(6,859)
Off-System/Other			



Your Touchstone Energy Cooperative

Variable Operations Cost YTD April

	Actual 2012	Budget 2012	Variance	Actual 2011	2011 Variance
Variable Operations (VO) Cost - \$/MWh					
Rural					
Large Industrial					
Smelter					
Off-System/Other					
Total					
VO Cost - Thousands of \$					
Rural					
Large Industrial					
Smelter					
Off-System/Other					
Total					

YTD April 2012 Variable Operations Expense

	Actual	Budget	Fav/(UnFav)	Price Variance Fav/(UnFav)	Volume Variance Fav/(UnFav)	Fav/(UnFav)
Reagent						
Fuel						
Purchased Power						
Non-FAC PPA (Non-Smelter)						



Your Touchstone Energy Cooperative

**Net Sales Margin
YTD April**

	<u>Actual</u> 2012	<u>Budget</u> 2012	<u>Variance</u>	<u>Actual</u> 2011	<u>2011</u> <u>Variance</u>
Net Sales Margin - \$/MWh					
Rural					
Large Industrial					
Smelter					
Off-System/Other					
Total					
Net Sales Margin - Thousands of \$					
Rural					
Large Industrial					
Smelter					
Off-System/Other					
Total					

**Net Sales Margin
Price / Volume Analysis
April 2012**

	<u>Price / Volume</u>
Rural	
Large Industrial	
Smelter	
Off-System/Other	
Total	



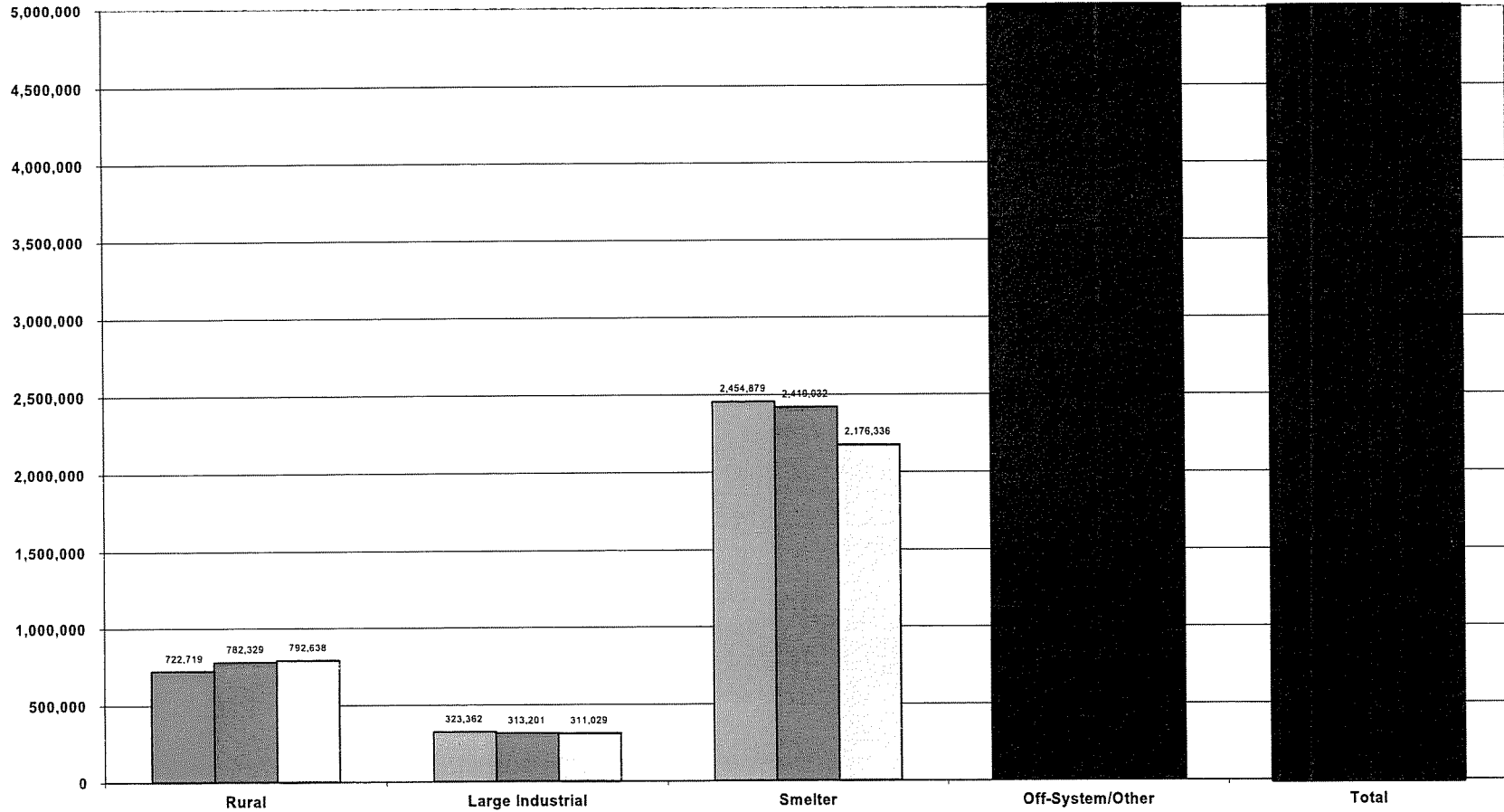
Your Touchstone Energy Cooperative

**Member Rate Stability Mechanism
YTD April**

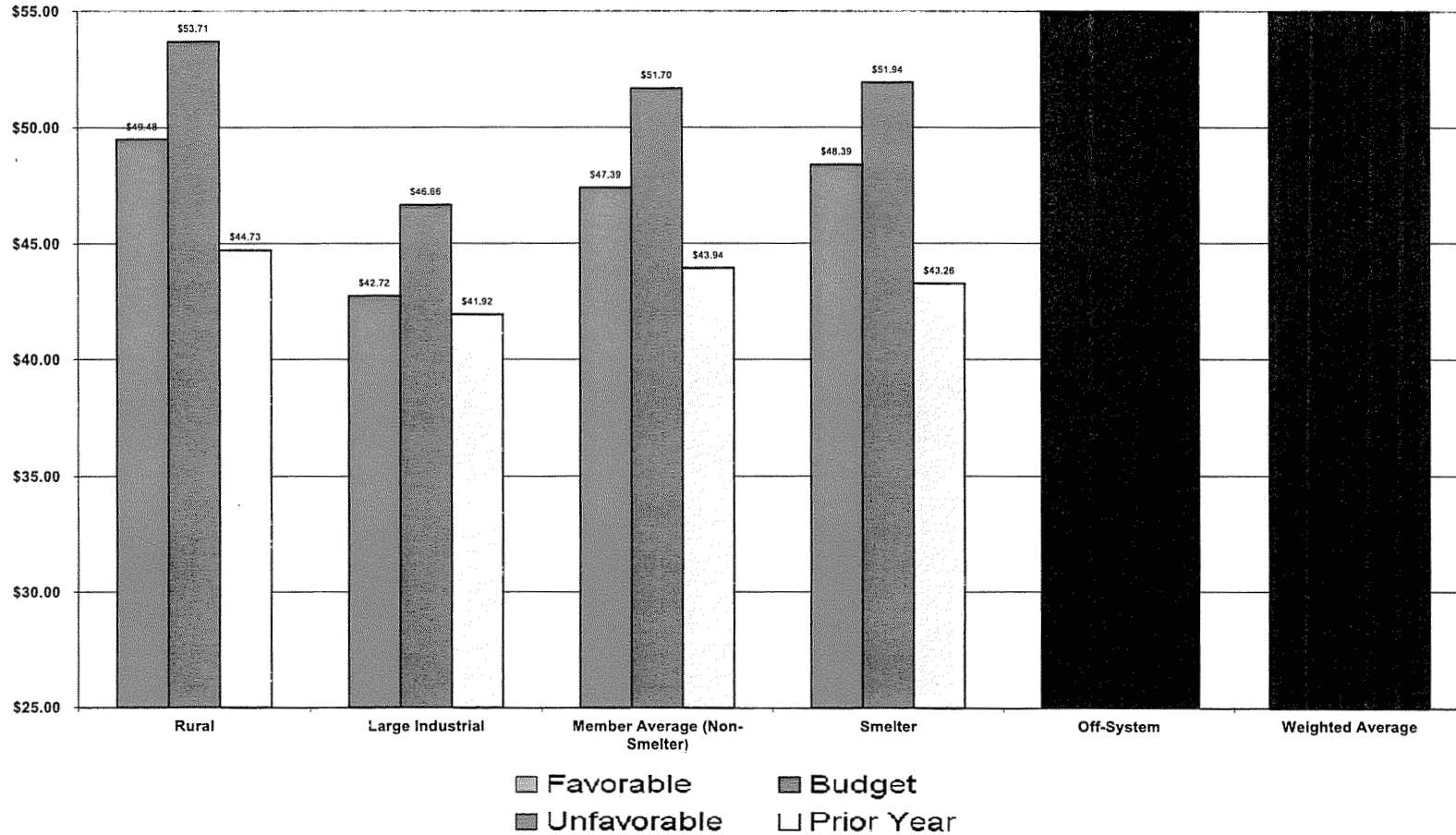
	<u>Actual</u> <u>2012</u>	<u>Budget</u> <u>2012</u>	<u>2012</u> <u>Variance</u>	<u>Actual</u> <u>2011</u>	<u>2011</u> <u>Variance</u>		<u>Actual</u> <u>2012</u>	<u>Budget</u> <u>2012</u>	<u>2012</u> <u>Variance</u>	<u>Actual</u> <u>2011</u>	<u>2011</u> <u>Variance</u>
<u>MRSM - \$/MWh</u>						<u>Net Revenue - \$/MWh</u>					
Rural	(6.53)	(9.77)	3.24	(7.14)	0.61	Rural	42.95	43.94	(0.99)	37.59	5.36
Large Industrial	(6.53)	(9.77)	3.24	(7.14)	0.61	Large Industrial	36.19	36.89	(0.70)	34.78	1.41
Total	(6.53)	(9.77)	3.24	(7.14)	0.61	Total	40.86	41.93	(1.07)	36.80	4.06
<u>MRSM - Thousands of \$</u>						<u>Net Revenue - Thousands of \$</u>					
Rural	(4,718)	(7,636)	2,918	(5,661)	943	Rural	31,044	34,386	(3,342)	29,796	1,248
Large Industrial	(2,108)	(3,057)	949	(2,220)	112	Large Industrial	11,706	11,555	151	10,818	888
Total	(6,826)	(10,693)	3,867	(7,881)	1,055	Total	42,750	45,941	(3,191)	40,614	2,136

<u>Economic Reserve Balance</u>			
<u>Cumulative-to-Date</u>	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
Original Deposit	\$ 157,000		
Interest Earnings	2,950		
Withdrawals	(66,072)		
Ending Balance 4/30/2012	\$ 93,878	\$ 90,069	\$ 3,809
<u>YTD April 2012</u>			
Beg. Balance 1/1/2012	\$ 100,601		
Interest Earnings	186		
Withdrawals	(6,909)		
Ending Balance 4/30/2012	\$ 93,878	\$ 90,069	\$ 3,809

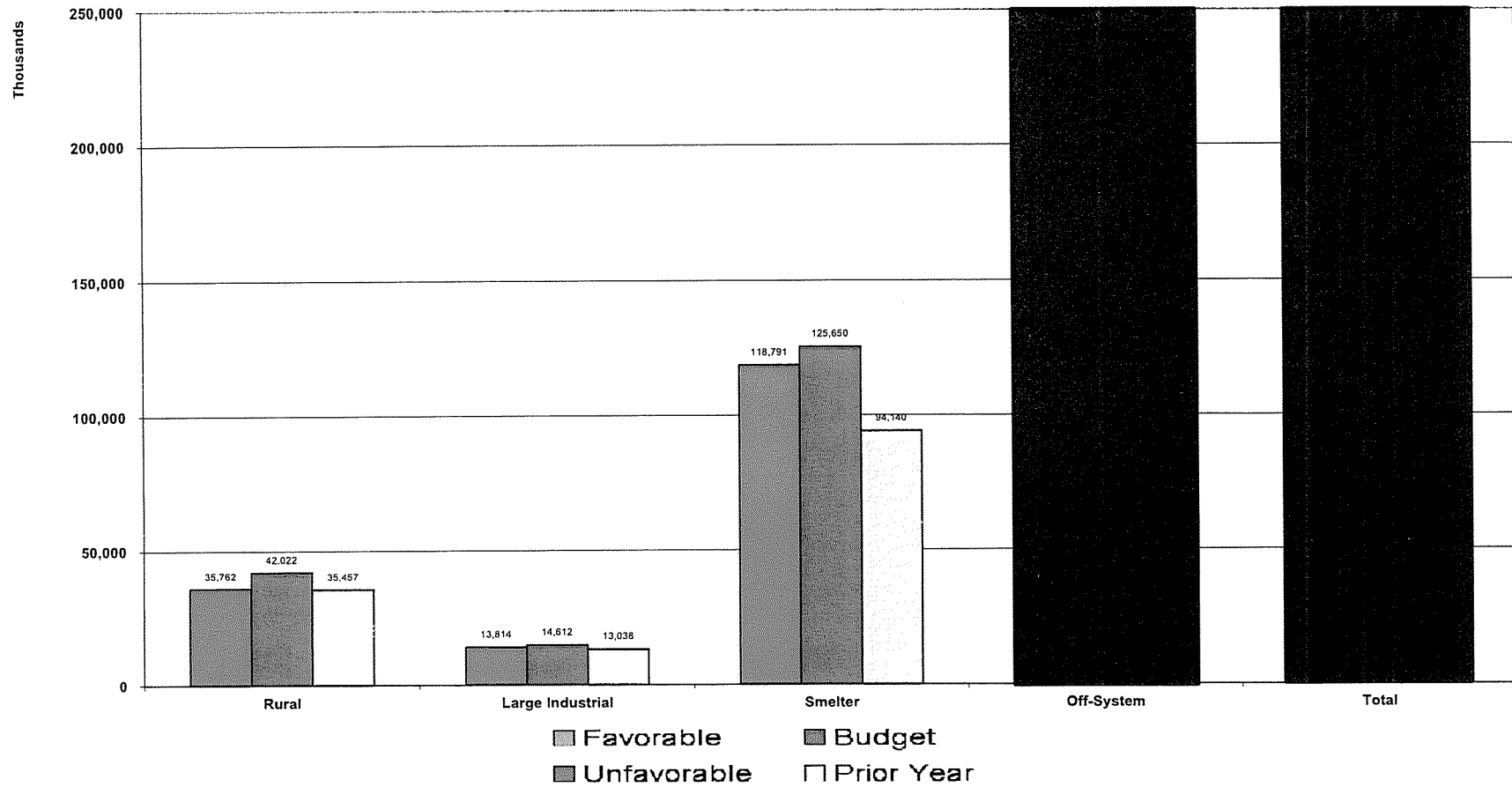
MWH Sales YTD - April



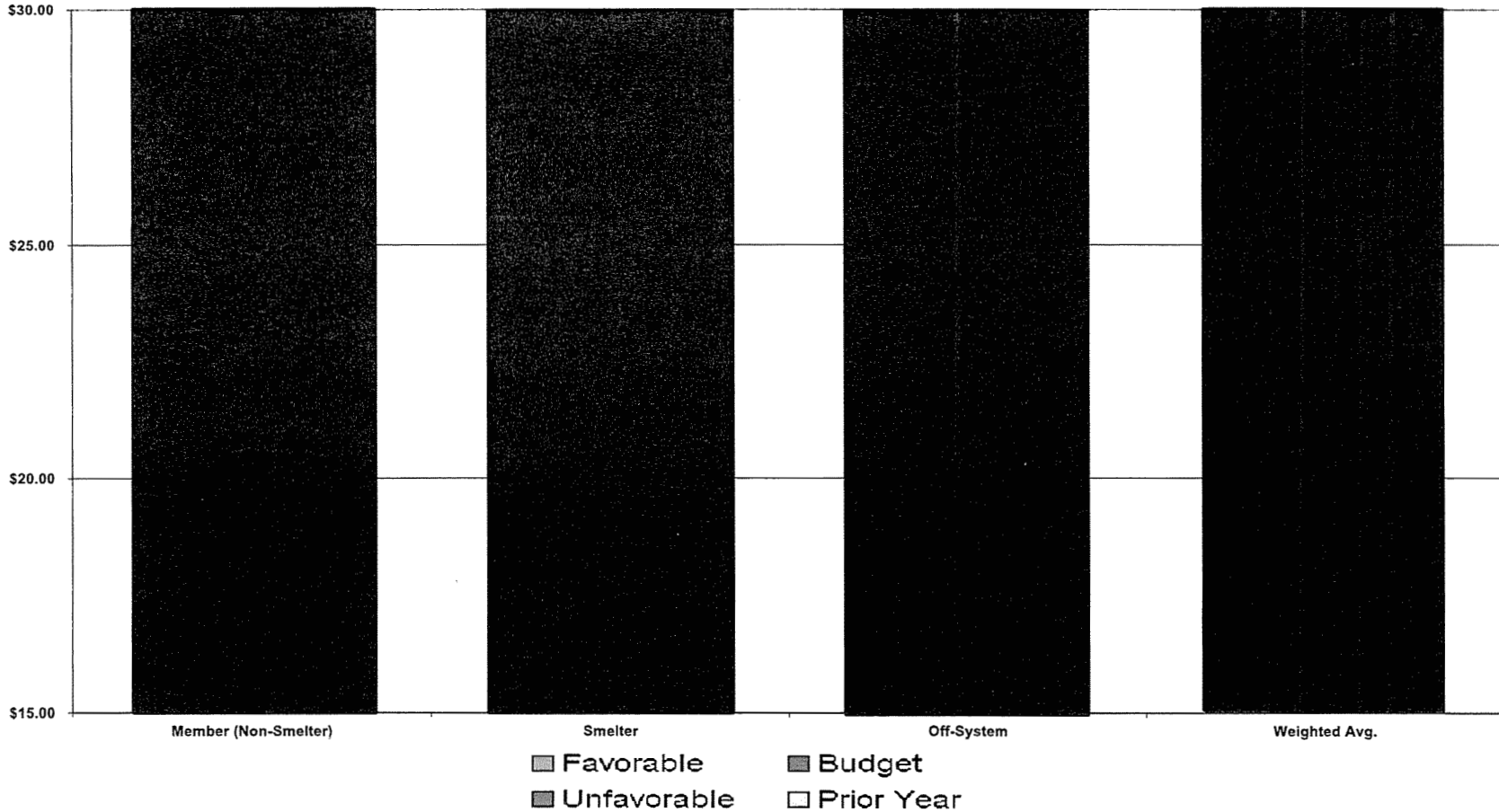
Revenue - \$/MWh Sold YTD - April



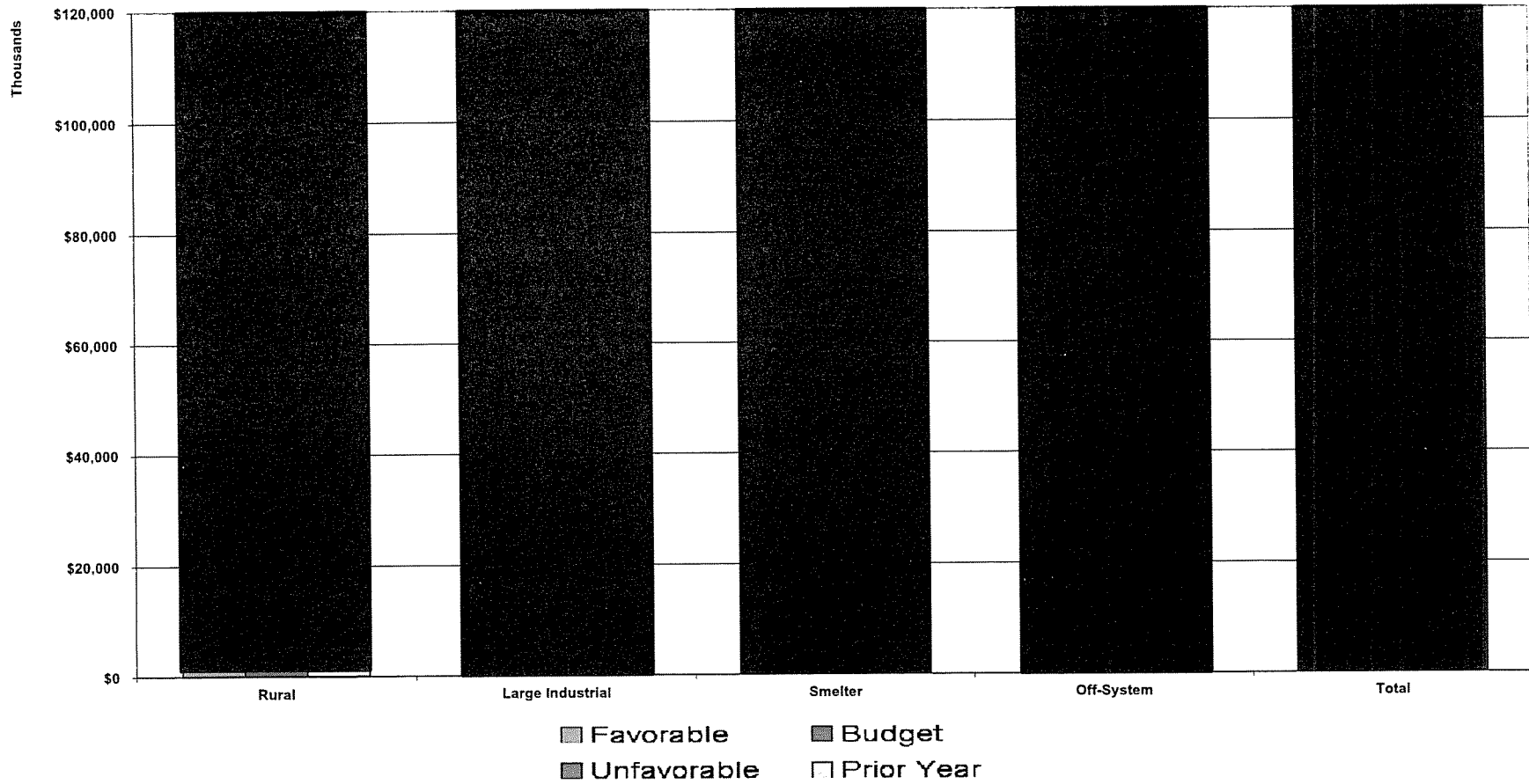
Revenue YTD - April



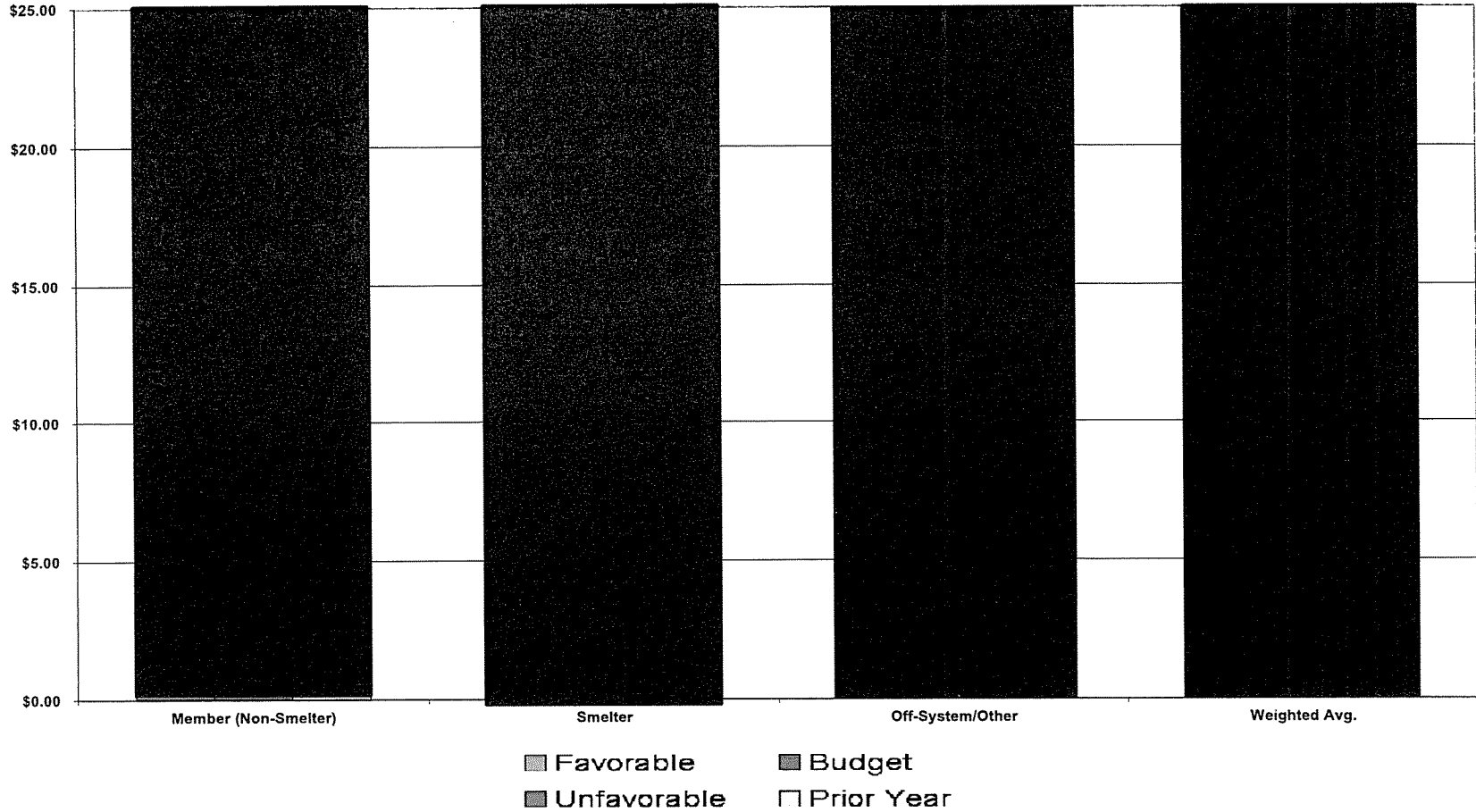
Variable Operations - \$/MWh Sold YTD - April



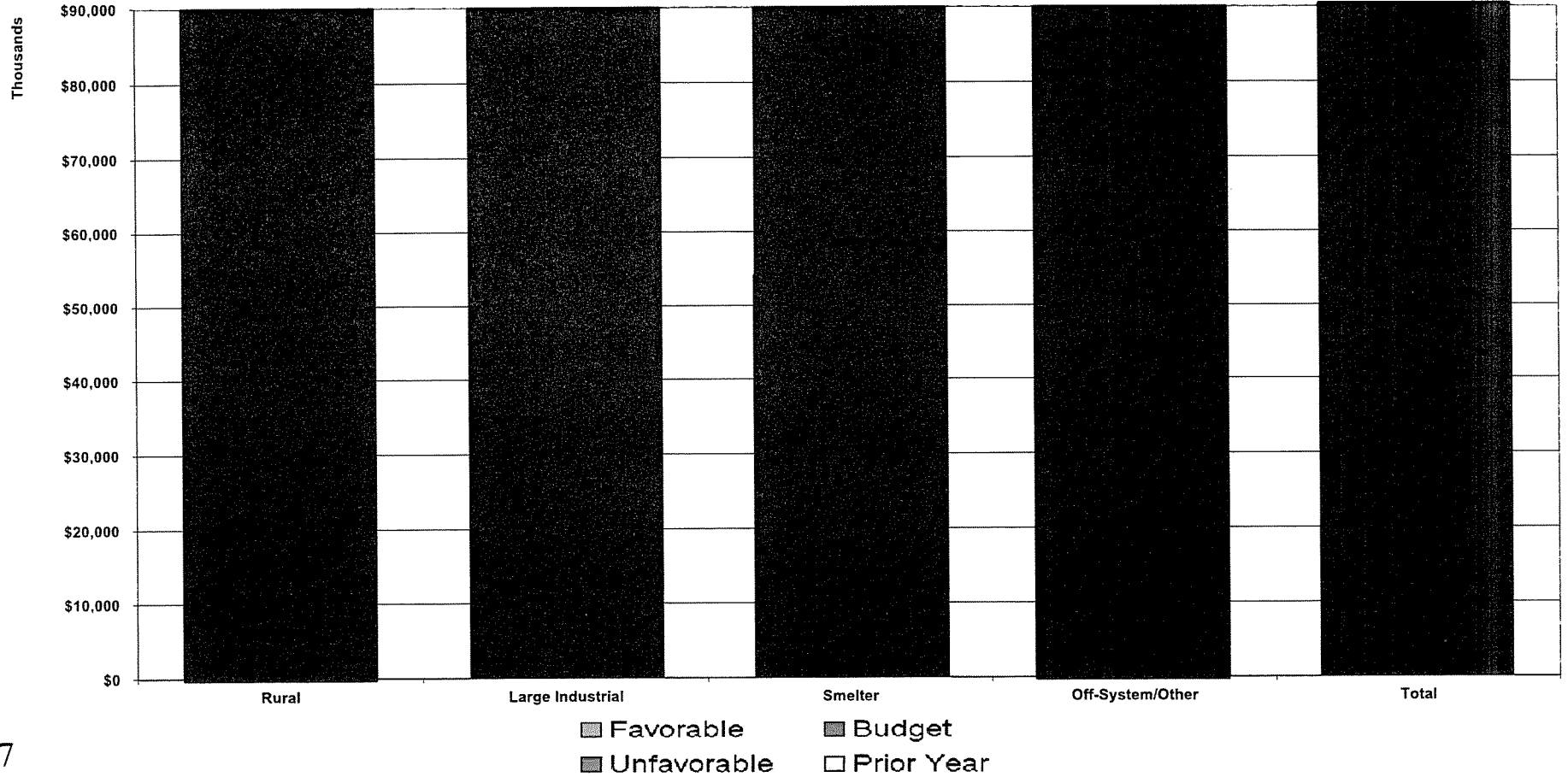
Variable Operations Cost YTD - April



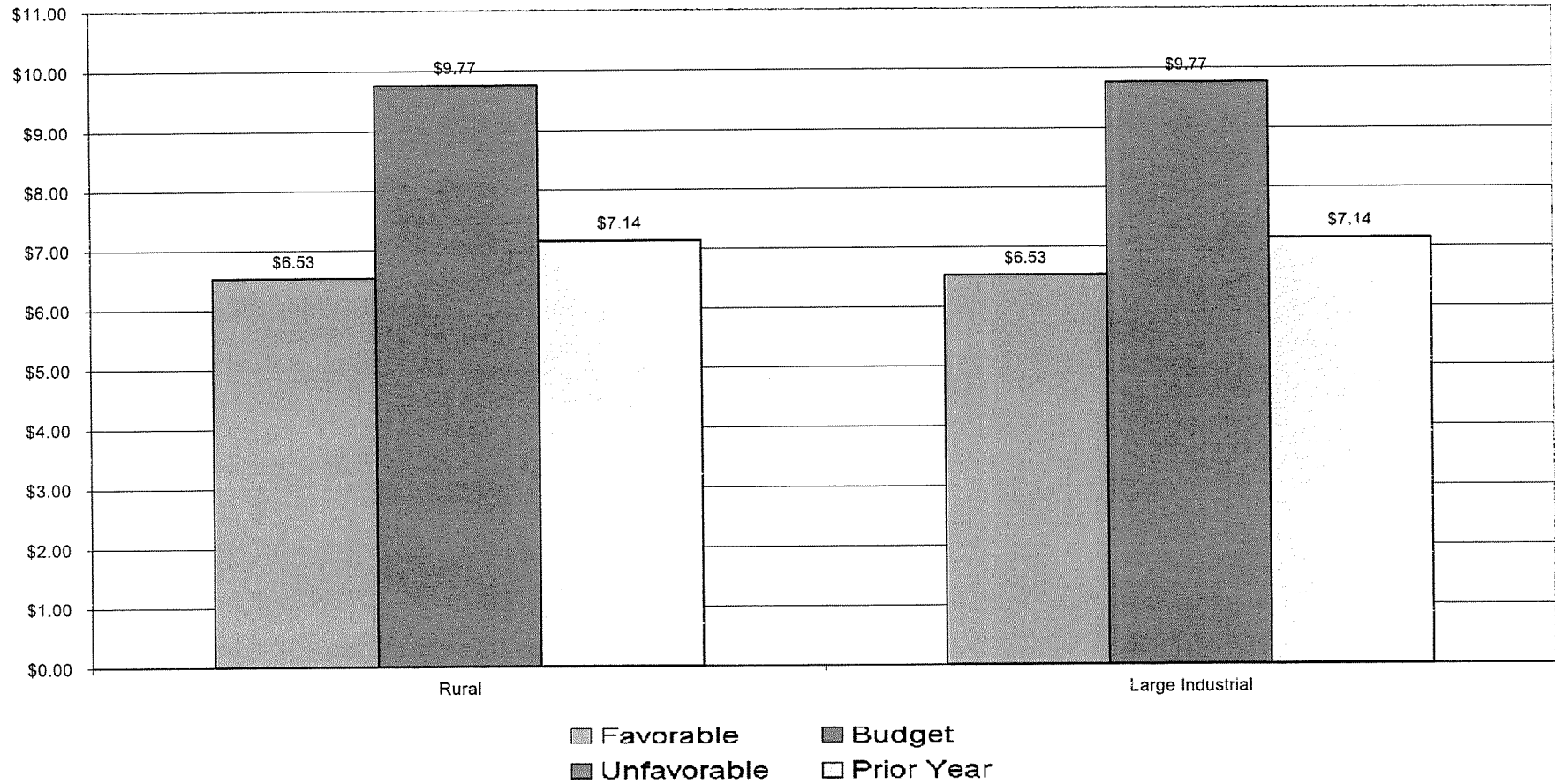
Net Sales Margin - \$/MWh YTD - April



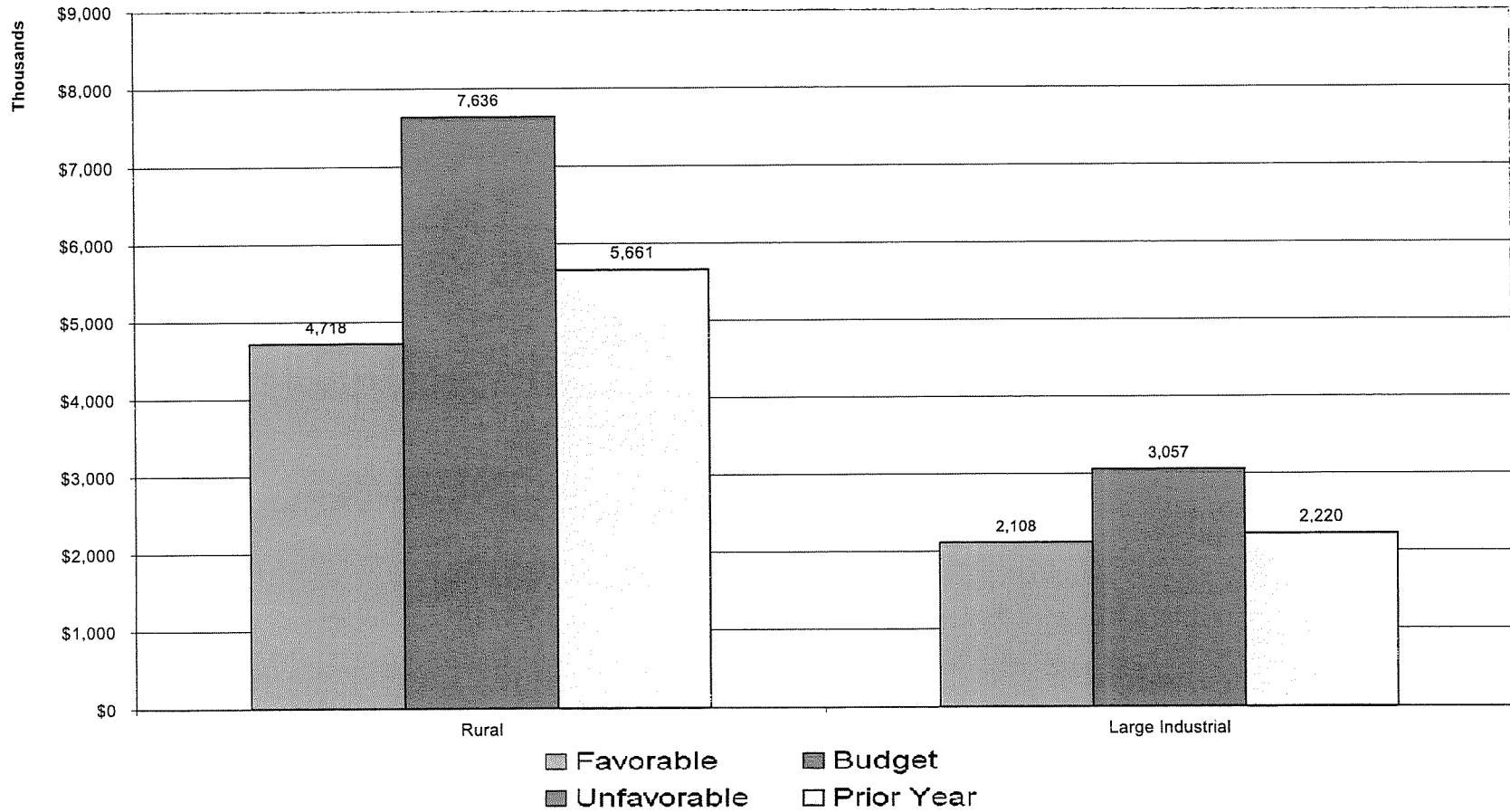
Net Sales Margin YTD – April



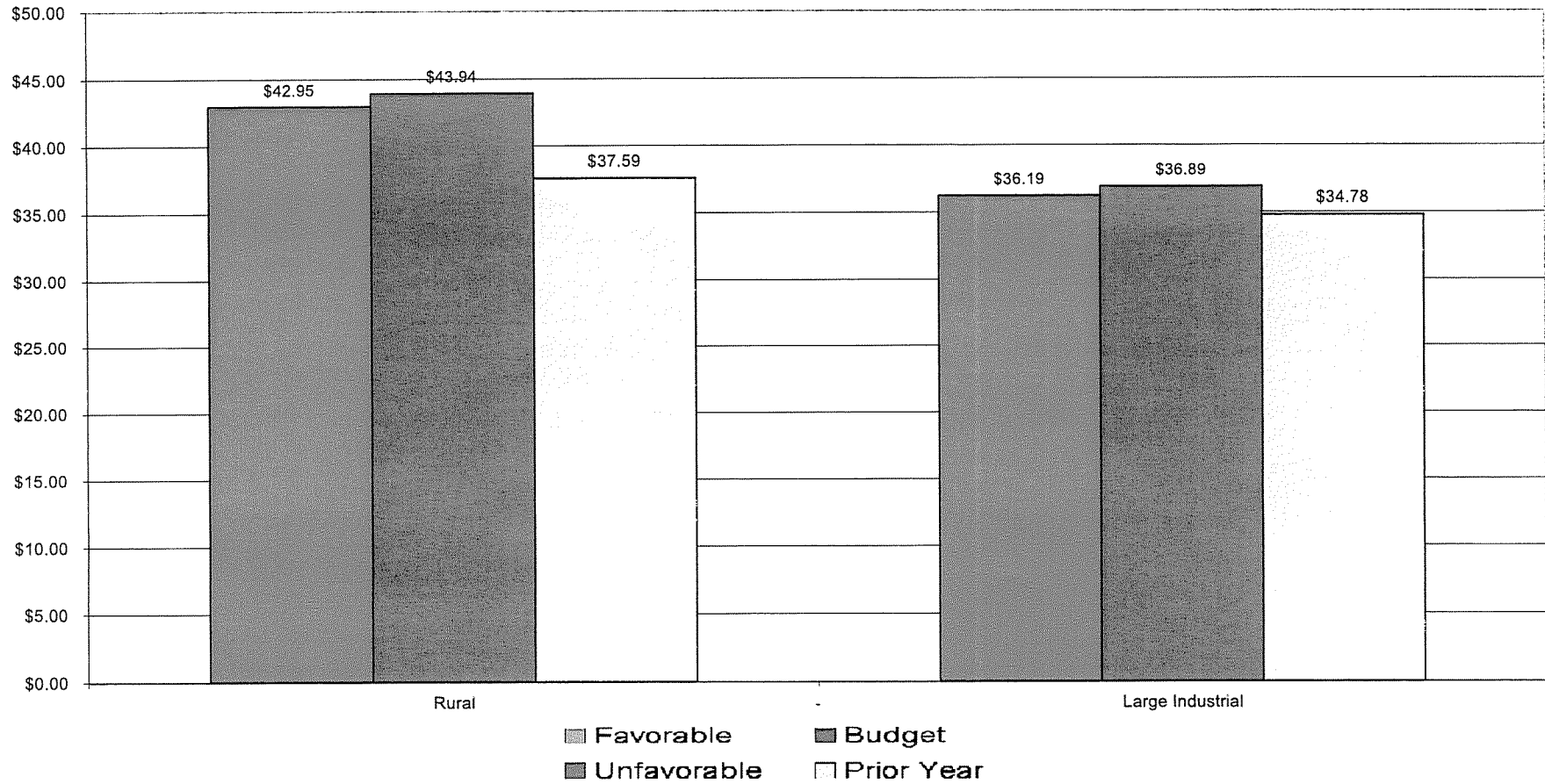
MRSM - \$/MWh YTD - April



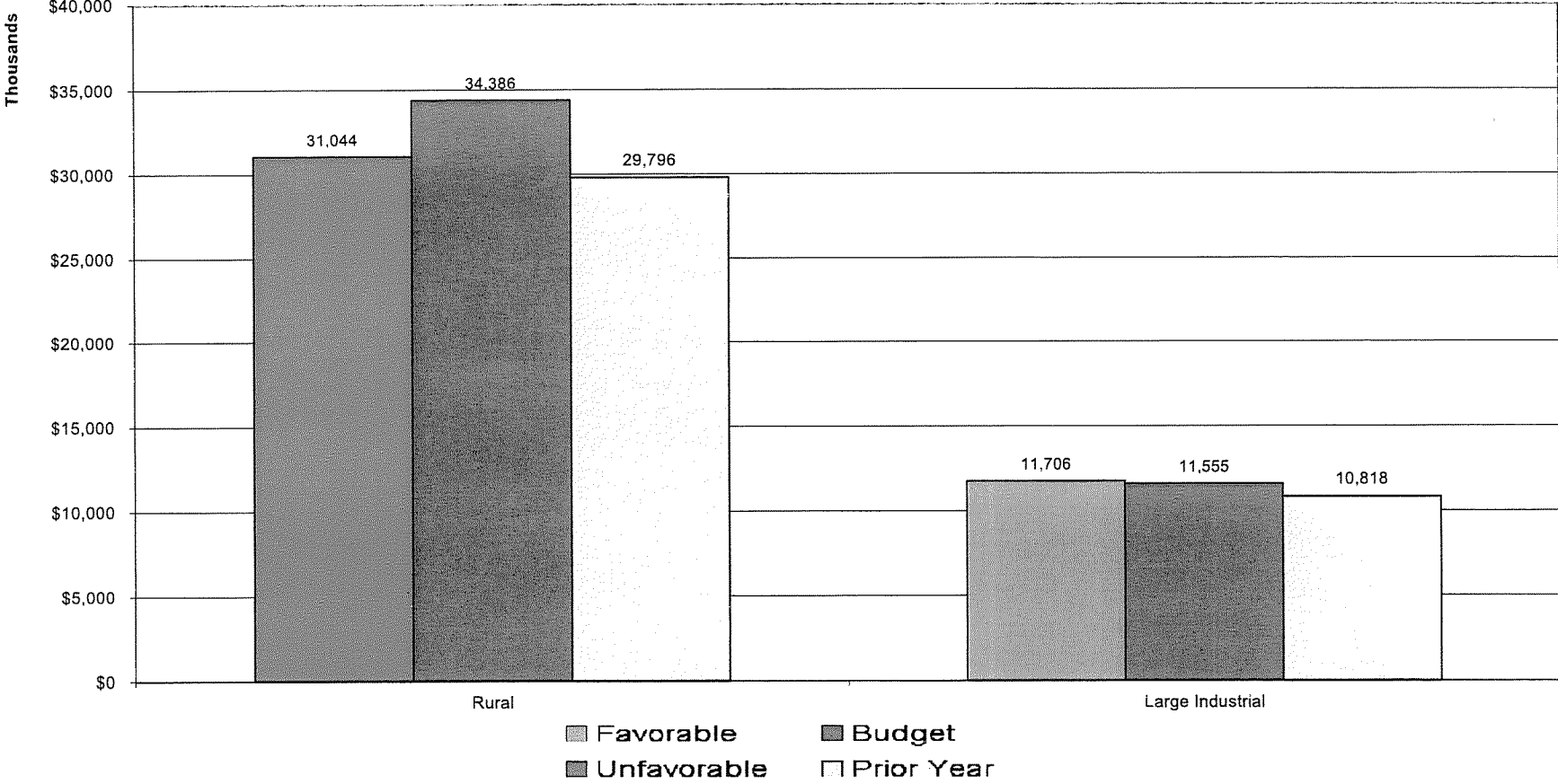
MRSM YTD - April



Net Revenue (Excl. MRSM) - \$/MWh YTD - April



Net Revenue (Excl. MRSM) YTD - April



Other Operating Revenue and Income

	2012	2011	Variance
	<u>Actual</u>	<u>Actual</u>	<u>Fav/(Unfav)</u>
April YTD	1,527	994	533

The favorable prior-year variance is due to higher transmission revenue this year.

Non-Variable Production and Other Power Supply – Operations

	2012		2011		
	<u>Actual</u>	<u>Budget</u>	<u>Variance Fav/(Unfav)</u>	<u>2011 Actual</u>	<u>Variance Fav/(Unfav)</u>
April YTD			1,120		(2,576)

Current Year Variances

Power Supply transmission reservation
Station-Two O&M (outage timing)
Other

Fav/(UnFav)
433
589
98

Non-Variable Production and Other Power Supply - Operations

1,120

Prior-Year Variances

Power Supply transmission reservation
Station-Two O&M [driven by higher outage expense in 2012]
Station-Two [higher depreciation expense]
Other

Fav/(UnFav)
(29)
(2,005)
(429)
(113)

Non-Variable Production and Other Power Supply - Operations

(2,576)

Operation Expense – Sales

	2012		
	<u>Actual</u>	<u>Budget</u>	<u>Variance</u> <u>Fav/(Unfav)</u>
April YTD	6	393	387

Favorable to budget due to delay in the start of the energy efficiency/demand side management programs.

Maintenance Expense – Production

	2012			2011	
	<u>Actual</u>	<u>Budget</u>	<u>Variance Fav/(Unfav)</u>	<u>2011 Actual</u>	<u>Variance Fav/(Unfav)</u>
April YTD			5,788		(2,978)

The favorable YTD variance vs. budget is primarily due to scope reduction of the Wilson planned outage. The Coleman station is also favorable due to the delay of mill overhauls and cost reductions at the plant.

The unfavorable variance to prior-year is driven by the Wilson spring outage and increased maintenance spending at the Green facility this year.

Depreciation & Amortization Expense

	2012	2011	Variance
	<u>Actual</u>	<u>Actual</u>	<u>Fav/(Unfav)</u>
April YTD	13,580	11,558	(2,022)

Unfavorable to prior-year due to the higher depreciation rates that are in effect as a result of the depreciation study and a higher plant in service balance being depreciated.

North Star – YTD April

	2012			2011	
	Actual	Budget	Fav/(UnFav) Variance	Actual	Fav/(UnFav) Variance
Total Cost of Electric Service			18,176		(2,519)
Other Operating Revenues & Income	(1,527)	(1,340)	187	(994)	533
Smelter Avoidable Base Charge	(234)	0	234	(1,113)	(879)
Off-System Sales/Other					
Interest Income	(23)	(21)	2	(94)	(71)
Other Non-Operating Income	0	0	0	(5)	(5)
Other Capital Credits & Pat. Dividends	(45)	(25)	20	(97)	(52)
			15,880		(27,961)
Member MWh	3,500,960	3,514,562	(13,602)	3,280,005	220,955
North Star - \$/kWh					



TIER

	<u>Actual</u>	<u>Budget</u>	<u>Fav/(Unfav)</u>
Interest on Long-Term Debt	14,964	14,773	(191)
Net Margins	[REDACTED]		
TIER - YTD April	[REDACTED]		
TIER (12 months ending 4/30)	[REDACTED]		

Notes:

TIER = (Net Margins + Interest on Long-Term Debt) divided by Interest on Long-Term Debt

Capital Expenditures*

	Year-to-Date		
	Actual	Budget	Fav/(UnFav)
IT	245	1,197	952
Generation	14,266	31,276	17,010
Transmission	1,231	5,238	4,007
Other	228	977	749
Total	15,970	38,688	22,718

Explanation:

IT was favorable \$952 due to the timing of the OSI EMS Hardware/Software projects, as well as the Oracle Extensions project.

Generation was favorable by \$17,010. Wilson Station was favorable \$7,780 primarily due to outage scope reductions/deferrals. Green Station was favorable by \$5,162 due to the G2 outage deferral, as well as the timing of the FGD and Coal Sampler projects. Station-Two was favorable \$2,449 due to the timing of the H1 Burner Replacement and the H1 and H2 Cooling Tower projects. Coleman Station was favorable \$1,619 due to the C1 and C3 outage deferrals.

Transmission was favorable \$4,007 primarily due to timing related to the Two-way Radio project, as well as other timing issues.

Other was favorable \$749 mainly due to the timing of the Operator Training Simulator and the timing of vehicle purchases.

* Gross of the City's share of Station Two. Includes capitalized interest.



Cash & Temporary Investments

	<u>Actual</u>	<u>Budget</u>	<u>Fav/(Unfav)</u>	2011	<u>Actual</u>	<u>Fav/(Unfav)</u>
April 30th	38,179	67,361	(29,182)		39,667	(1,488)


The April 30, 2012 cash balance compared to budget is unfavorable primarily due to the borrowing that was budgeted in April and will not occur until later in the year.

The variance to prior-year is driven by the year over year increase in fuel inventory.

Lines of Credit <u>As of April 30th</u>	
Original Amount	\$100,000
Letters of Credit Outstanding	(6,775)
Advances Outstanding	0
Available Lines of Credit	\$ 93,225

Monthly Financial Report – March 2012



Your Touchstone Energy[®] Cooperative 

Financial Report
March 2012
(\$ in Thousands)

Board Meeting Date: May 18, 2012



Summary of Statement of Operations YTD - March

	2012			2011	
	Actual	Budget	Fav/(UnFav) Variance	Actual	Fav/(UnFav) Variance
Revenues	135,305	151,203	(15,898)	134,225	1,080
Cost of Electric Service	137,472	152,859	15,387	134,510	(2,962)
Operating Margins	(2,167)	(1,656)	(511)	(285)	(1,882)
Interest Income/Other	63	15	48	187	(124)
Net Margins - YTD	(2,104)	(1,641)	(463)	(98)	(2,006)
<i>April 2012</i>	<i>22</i>	<i>(2,169)</i>	<i>2,191</i>	<i>(634)</i>	<i>656</i>
<i>YTD April 2012</i>	<i>(2,082)</i>	<i>(3,810)</i>	<i>1,728</i>	<i>(732)</i>	<i>(1,350)</i>



Our Customers Know Us Best

Statement of Operations – March Variance to Budget

	Current Month			Year-to-Date			Explanation
	Actual	Budget	Variance Fav/(UnFav)	Actual	Budget	Variance Fav/(UnFav)	
ELECTRIC ENERGY REVENUES	45,146	47,003	(1,857)	134,100	150,197	(16,097)	[A] Pages 7, 9-13, 16-21
INCOME FROM LEASED PROPERTY - NET	0	0	0	0	0	0	
OTHER OPERATING REVENUE AND INCOME	348	334	14	1,205	1,006	199	
TOTAL OPER REVENUES & PATRONAGE CAPITAL	45,494	47,337	(1,843)	135,305	151,203	(15,898)	
OPERATION EXPENSE-PRODUCTION-EXCL FUEL	4,346	4,249	(97)	11,820	13,559	1,739	[A] Pages 8, 14-15, 23
OPERATION EXPENSE-PRODUCTION-FUEL	16,511	13,564	(2,947)	49,722	57,635	7,913	[A] Pages 8, 14-15
OPERATION EXPENSE-OTHER POWER SUPPLY	11,958	15,747	3,789	31,526	32,187	661	[A] Pages 8, 14-15, 23
OPERATION EXPENSE-TRANSMISSION	799	927	128	2,409	2,760	351	[B], [C] Page 24
OPERATION EXPENSE-RTO/ISO	233	195	(38)	659	631	(28)	
CONSUMER SERVICE & INFORMATIONAL EXPENSE	68	66	(2)	104	212	108	
OPERATION EXPENSE-SALES	9	169	160	6	320	314	[B], [C] Page 25
OPERATION EXPENSE-ADMINISTRATIVE & GENERAL	2,576	2,615	39	6,722	6,733	11	
TOTAL OPERATION EXPENSE	36,500	37,532	1,032	102,968	114,037	11,069	
MAINTENANCE EXPENSE-PRODUCTION	5,682	9,630	3,948	12,134	16,460	4,326	[B], [C] Page 26
MAINTENANCE EXPENSE-TRANSMISSION	436	359	(77)	1,055	966	(89)	
MAINTENANCE EXPENSE-GENERAL PLANT	10	11	1	40	28	(12)	
TOTAL MAINTENANCE EXPENSE	6,128	10,000	3,872	13,229	17,454	4,225	
DEPRECIATION & AMORTIZATION EXPENSE	3,390	3,442	52	10,176	10,313	137	
TAXES	1	0	(1)	1	0	(1)	
INTEREST ON LONG-TERM DEBT	3,827	3,768	(59)	11,257	11,088	(169)	
INTEREST CHARGED TO CONSTRUCTION-CREDIT	(66)	(54)	12	(200)	(67)	133	
OTHER INTEREST EXPENSE	0	0	0	0	0	0	
OTHER DEDUCTIONS	15	12	(3)	41	34	(7)	
TOTAL COST OF ELECTRIC SERVICE	49,795	54,700	4,905	137,472	152,859	15,387	
OPERATING MARGINS	(4,301)	(7,363)	3,062	(2,167)	(1,656)	(511)	
INTEREST INCOME	7	4	3	18	15	3	
ALLOWANCE FOR FUNDS USED DURING CONST	0	0	0	0	0	0	
OTHER NON-OPERATING INCOME - NET	0	0	0	0	0	0	
OTHER CAPITAL CREDITS & PAT DIVIDENDS	45	0	45	45	0	45	
EXTRAORDINARY ITEMS	0	0	0	0	0	0	
NET PATRONAGE CAPITAL OR MARGINS	(4,249)	(7,359)	3,110	(2,104)	(1,641)	(463)	

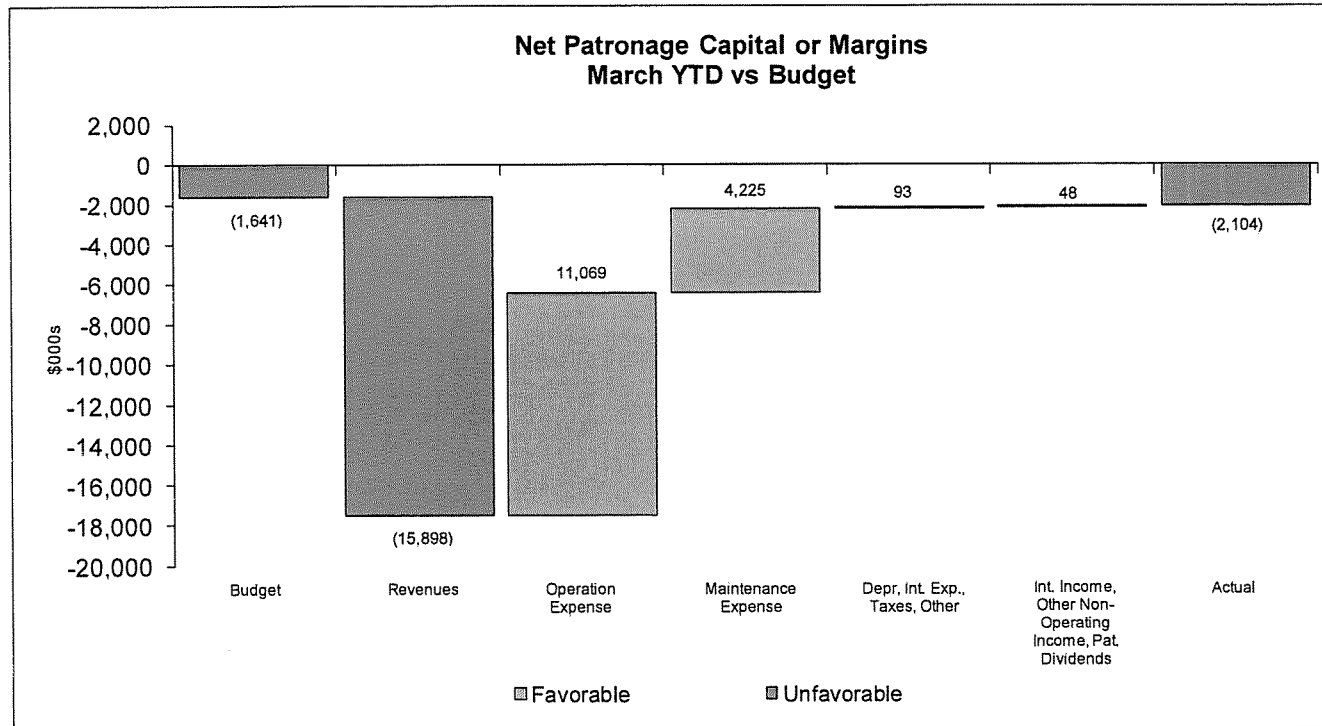
YTD Explanations: [A] Net Sales Margin, [B] 10% of line item and \$250,000 or [C] 10% of margins and \$500,000.

Statement of Operations – March Variance to Prior-Year

	Current Month			Year-to-Date			Explanation
	Actual	Prior Year	Variance Fav/(UnFav)	Actual	Prior Year	Variance Fav/(UnFav)	
ELECTRIC ENERGY REVENUES	45,146	46,395	(1,249)	134,100	133,601	499	[A] Pages 7, 9-13, 16-21
INCOME FROM LEASED PROPERTY - NET	0	0	0	0	0	0	
OTHER OPERATING REVENUE AND INCOME	348	235	113	1,205	624	581	[B], [C] Page 22
TOTAL OPER REVENUES & PATRONAGE CAPITAL	45,494	46,630	(1,136)	135,305	134,225	1,080	
OPERATION EXPENSE-PRODUCTION-EXCL FUEL	4,346	4,087	(259)	11,820	12,149	329	[A] Pages 8, 14-15, 23
OPERATION EXPENSE-PRODUCTION-FUEL	16,511	18,347	1,836	49,722	56,326	6,604	[A] Pages 8, 14-15
OPERATION EXPENSE-OTHER POWER SUPPLY	11,958	10,591	(1,367)	31,526	25,861	(5,665)	[A] Pages 8, 14-15, 23
OPERATION EXPENSE-TRANSMISSION	799	733	(66)	2,409	2,250	(159)	
OPERATION EXPENSE-RTO/ISO	233	207	(26)	659	580	(79)	
CONSUMER SERVICE & INFORMATIONAL EXPENSE	68	31	(37)	104	100	(4)	
OPERATION EXPENSE-SALES	9	12	3	6	0	(6)	
OPERATION EXPENSE-ADMINISTRATIVE & GENERAL	2,576	2,146	(430)	6,722	6,796	74	
TOTAL OPERATION EXPENSE	36,500	36,154	(346)	102,968	104,062	1,094	
MAINTENANCE EXPENSE-PRODUCTION	5,682	3,768	(1,914)	12,134	9,417	(2,717)	[B], [C] Page 26
MAINTENANCE EXPENSE-TRANSMISSION	436	361	(75)	1,055	924	(131)	
MAINTENANCE EXPENSE-GENERAL PLANT	10	(34)	(44)	40	2	(38)	
TOTAL MAINTENANCE EXPENSE	6,128	4,095	(2,033)	13,229	10,343	(2,886)	
DEPRECIATION & AMORTIZATION EXPENSE	3,390	2,963	(427)	10,176	8,681	(1,495)	[B], [C] Page 27
TAXES	1	0	(1)	1	(2)	(3)	
INTEREST ON LONG-TERM DEBT	3,827	3,987	160	11,257	11,611	354	
INTEREST CHARGED TO CONSTRUCTION-CREDIT	(66)	(12)	54	(200)	(323)	(123)	
OTHER INTEREST EXPENSE	0	18	18	0	59	59	
OTHER DEDUCTIONS	15	55	40	41	79	38	
TOTAL COST OF ELECTRIC SERVICE	49,795	47,260	(2,535)	137,472	134,510	(2,962)	
OPERATING MARGINS	(4,301)	(630)	(3,671)	(2,167)	(285)	(1,882)	
INTEREST INCOME	7	29	(22)	18	86	(68)	
ALLOWANCE FOR FUNDS USED DURING CONST	0	0	0	0	0	0	
OTHER NON-OPERATING INCOME - NET	0	0	0	0	4	(4)	
OTHER CAPITAL CREDITS & PAT DIVIDENDS	45	97	(52)	45	97	(52)	
EXTRAORDINARY ITEMS	0	0	0	0	0	0	
NET PATRONAGE CAPITAL OR MARGINS	(4,249)	(504)	(3,745)	(2,104)	(98)	(2,006)	

YTD Explanations: [A] Net Sales Margin, [B] 10% of line item and \$250,000 or [C] 10% of margins and \$500,000.

Variance Analysis Summary

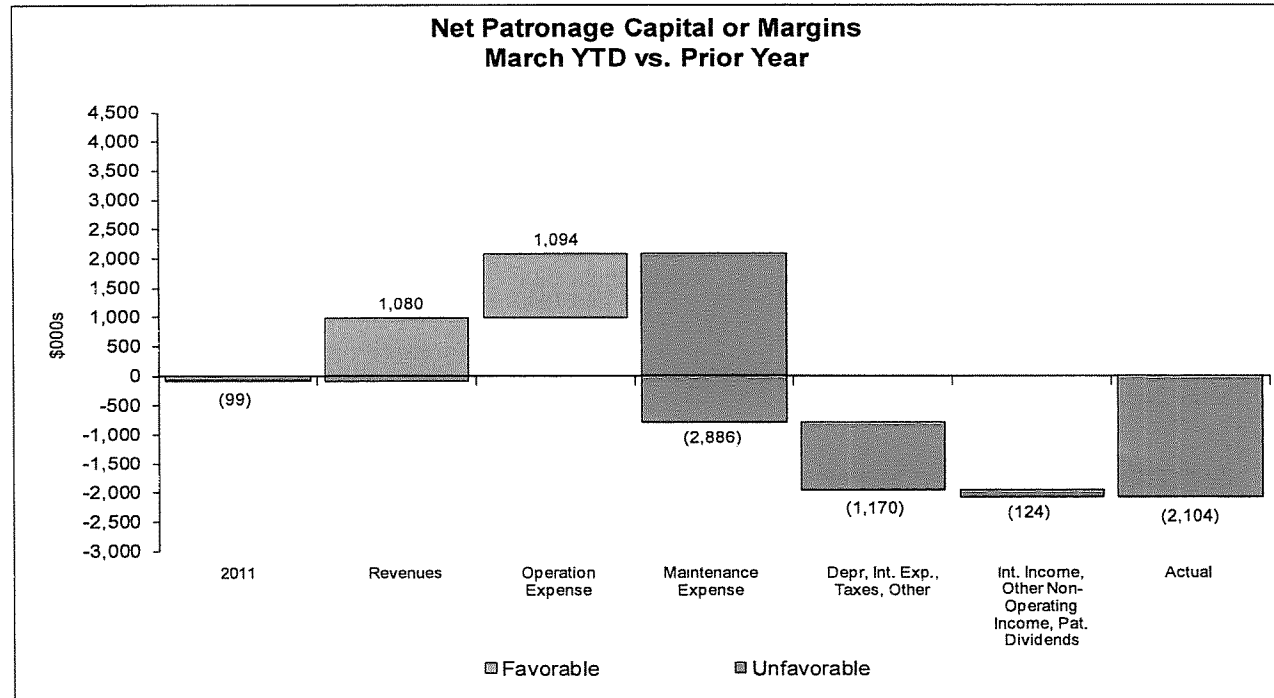


Financial Commentary

Year-to-Date

- March YTD 2012 Margins were \$463 unfavorable to budget.
 - Electric Energy Revenues were unfavorable \$16,097 primarily due to lower rural volume and lower rates (see page 7).
 - Operation Expense was favorable \$11,069 – driven by lower variable costs \$9,367 primarily due to (a) lower sales volumes and (b) the MWh cost to purchase being less than the MWh cost to generate (see page 18). The remainder of the variance is made up of favorable plant and fixed departmental expenses (see pages 23-25).
 - Maintenance Expense was favorable \$4,225 primarily due to the scope reduction of the Wilson planned outage to offset the lower power market (see page 26).

Variance Analysis Summary



Financial Commentary

Year-to-Date

- March YTD 2012 margins were \$2,006 unfavorable to 2011.
 - Revenues were favorable \$1,080 primarily due to the 9/1/2011 rate increase, a higher smelter TIER Adjustment Charge (\$2.95/MWh vs \$1.95/MWh in 2011), and higher transmission revenue
 - Operation Expense was favorable \$1,094 – driven by lower variable costs \$2,896, due to volume, partially offset by higher transmission reservation and higher MISO expense (see pages 8 & 23).
 - Maintenance Expense was unfavorable \$2,886 primarily due to the Wilson planned outage and higher maintenance activities at the plants (see page 26).
 - Depreciation, Interest Expense, Taxes & Other combined was higher \$1,170 (see page 27).

**Revenue
YTD March**

	Actual 2012	Budget 2012	Variance	Actual 2011	2011 Variance
MWh Sales					
Rural	574,390	636,409	(62,019)	645,798	(71,408)
Large Industrial	243,840	236,316	7,524	235,825	8,015
Smelter	1,841,799	1,819,272	22,527	1,605,848	235,951
Off-System/Other					
Total					
Revenue - \$/MWh					
Rural	49.12	53.95	(4.83)	44.55	4.57
Large Industrial	42.50	46.82	(4.32)	41.84	0.66
Smelter	48.02	52.04	(4.02)	43.27	4.75
Off-System/Other					
Total					
Revenue - Thousands of \$					
Rural	28,212	34,332	(6,120)	28,771	(559)
Large Industrial	10,363	11,065	(702)	9,866	497
Smelter	88,447	94,684	(6,237)	69,487	18,960
Off-System/Other					
Total					

**Revenue Price / Volume Analysis
March 2012**

	Price / Volume		
	Price	Volume	Total
Rural	(2,775)	(3,345)	(6,120)
Large Industrial	(1,054)	352	(702)
Smelter	(7,409)	1,172	(6,237)
Off-System/Other			



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**Variable Operations Cost
YTD March**

	Actual 2012	Budget 2012	Variance	Actual 2011	2011 Variance
Variable Operations (VO) Cost - \$/MWh					
Rural					
Large Industrial					
Smelter					
Off-System/Other					
Total					
VO Cost - Thousands of \$					
Rural					
Large Industrial					
Smelter					
Off-System/Other					
Total					

**YTD March 2012
Variable Operations Expense**

	Actual	Budget	Fav/(UnFav)	Price Variance Fav/(UnFav)	Volume Variance Fav/(UnFav)	Fav/(UnFav)
Reagent						
Fuel						
Purchased Power						
Non-FAC PPA (Non-Smelter)						



Your Touch, the Energy. **GREEN**

**Net Sales Margin
YTD March**

	<u>Actual 2012</u>	<u>Budget 2012</u>	<u>Variance</u>	<u>Actual 2011</u>	<u>2011 Variance</u>
Net Sales Margin - \$/MWh					
Rural					
Large Industrial					
Smelter					
Off-System/Other					
Total					
Net Sales Margin - Thousands of \$					
Rural					
Large Industrial					
Smelter					
Off-System/Other					
Total					

**Net Sales Margin
Price / Volume Analysis
March 2012**

	<u>Price / Volume</u>		<u>Total</u>
	<u>Price</u>	<u>Volume</u>	
Rural			
Large Industrial			
Smelter			
Off-System/Other			



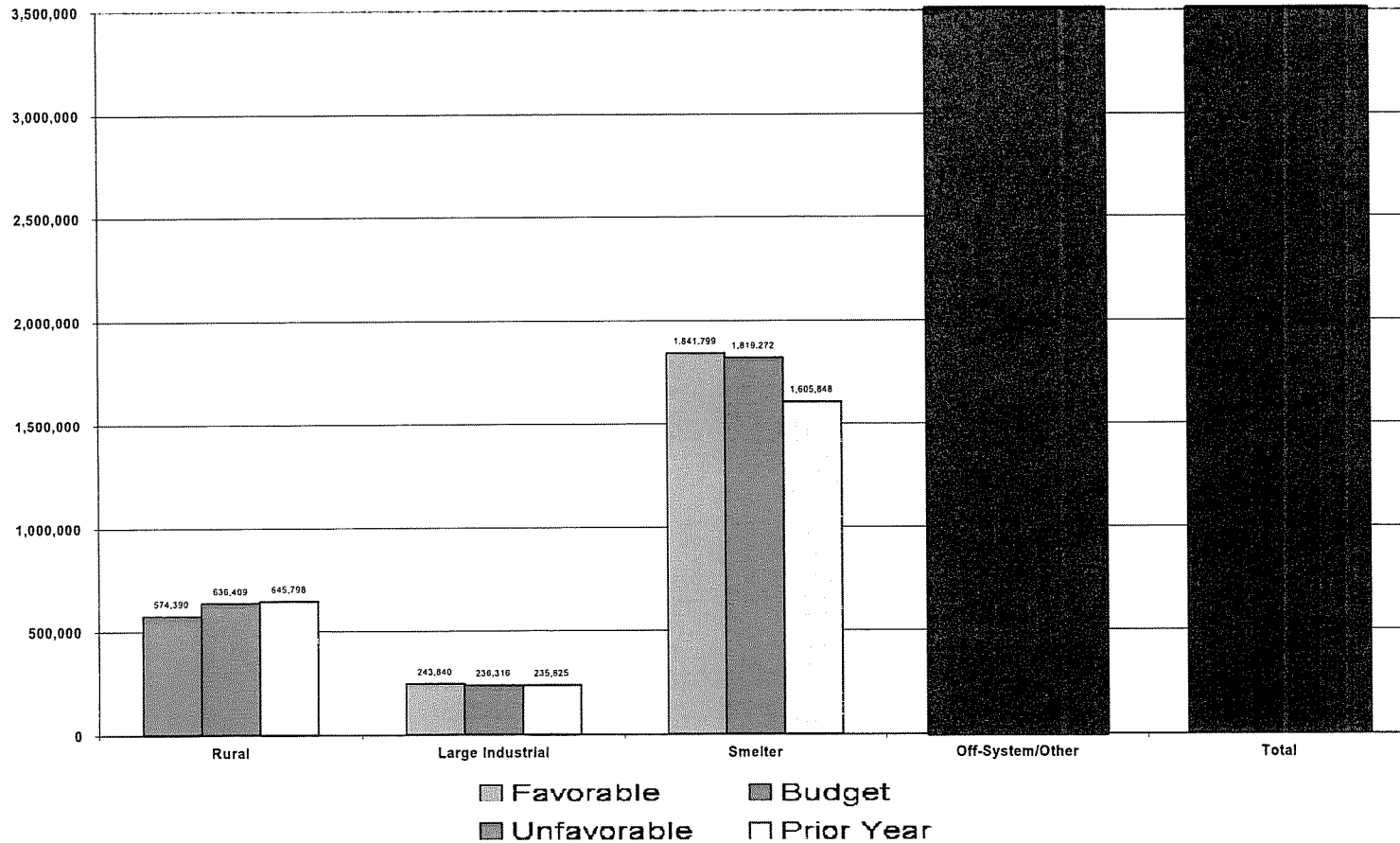
Your Touchstone Energy Cooperative

**Member Rate Stability Mechanism
YTD March**

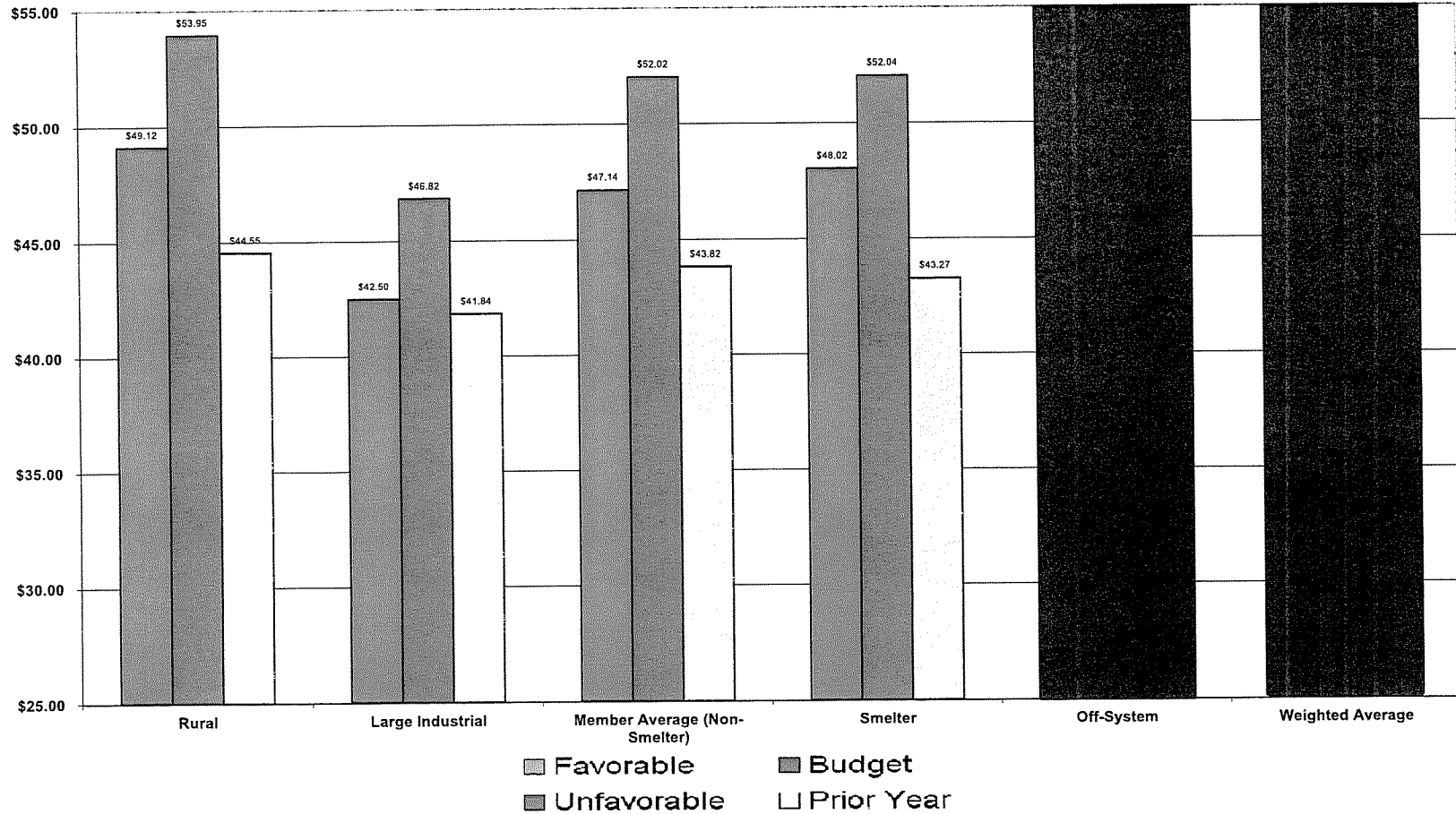
	<u>Actual</u> <u>2012</u>	<u>Budget</u> <u>2012</u>	<u>2012</u> <u>Variance</u>	<u>Actual</u> <u>2011</u>	<u>2011</u> <u>Variance</u>		<u>Actual</u> <u>2012</u>	<u>Budget</u> <u>2012</u>	<u>2012</u> <u>Variance</u>	<u>Actual</u> <u>2011</u>	<u>2011</u> <u>Variance</u>
<u>MRSM - \$/MWh</u>						<u>Net Revenue - \$/MWh</u>					
Rural	(6.32)	(10.00)	3.68	(6.61)	0.29	Rural	42.80	43.95	(1.15)	37.94	4.86
Large Industrial	(6.32)	(10.00)	3.68	(6.61)	0.29	Large Industrial	36.18	36.82	(0.64)	35.23	0.95
Total	(6.32)	(10.00)	3.68	(6.61)	0.29	Total	40.82	42.02	(1.20)	37.21	3.61
<u>MRSM - Thousands of \$</u>						<u>Net Revenue - Thousands of \$</u>					
Rural	(3,626)	(6,358)	2,732	(4,269)	643	Rural	24,586	27,974	(3,388)	24,502	84
Large Industrial	(1,541)	(2,359)	818	(1,560)	19	Large Industrial	8,822	8,706	116	8,306	516
Total	(5,167)	(8,717)	3,550	(5,829)	662	Total	33,408	36,680	(3,272)	32,808	600

<u>Economic Reserve Balance</u>			
<u>Cumulative-to-Date</u>	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
Original Deposit	\$ 157,000		
Interest Earnings	2,907		
Withdrawals	<u>(64,364)</u>		
Ending Balance 3/31/2012	\$ 95,543	\$ 91,990	\$ 3,553
<u>YTD March 2012</u>			
Beg. Balance 1/1/2012	\$ 100,601		
Interest Earnings	143		
Withdrawals	<u>(5,201)</u>		
Ending Balance 3/31/2012	\$ 95,543	\$ 91,990	\$ 3,553

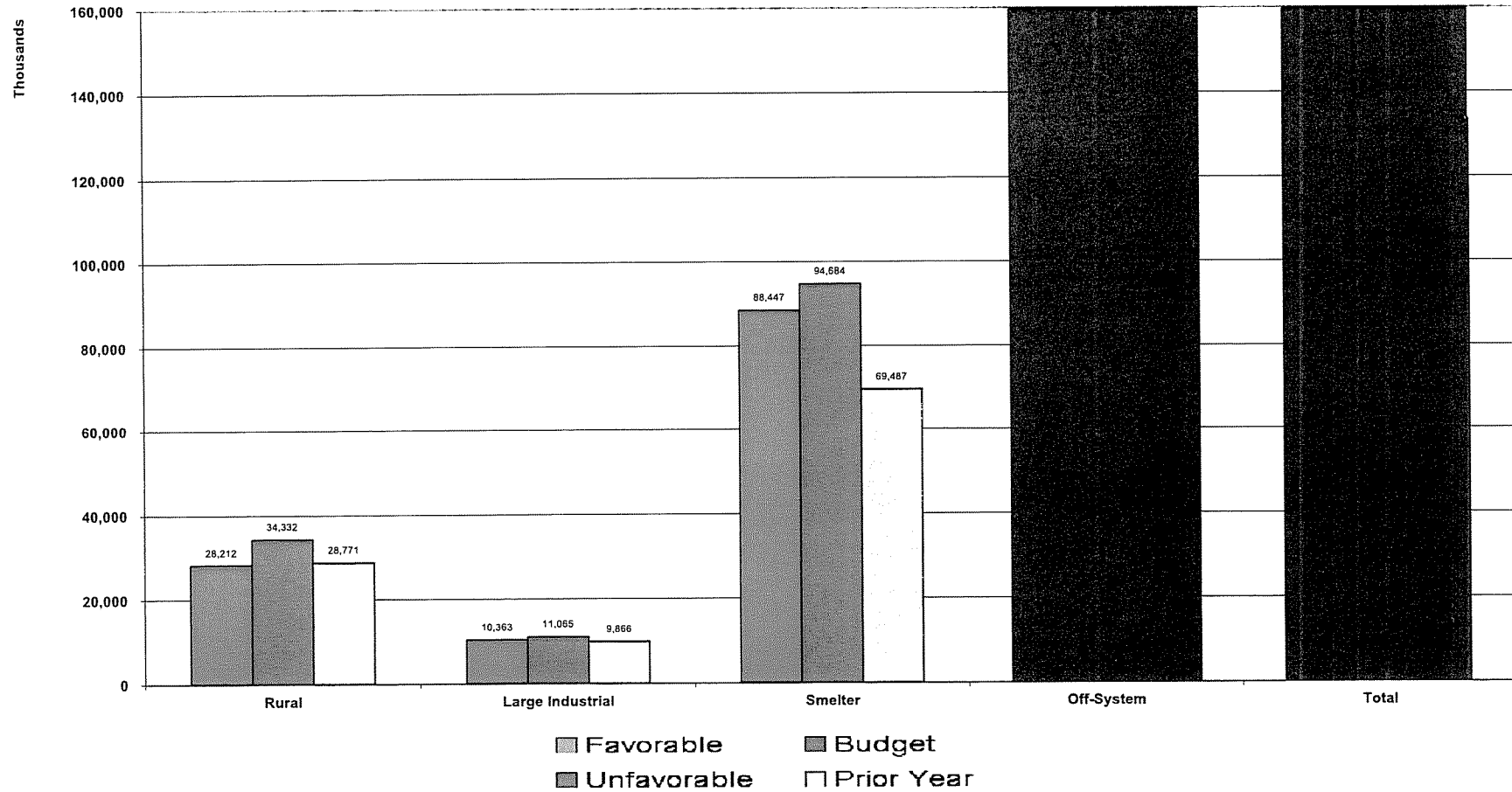
MWH Sales YTD - March



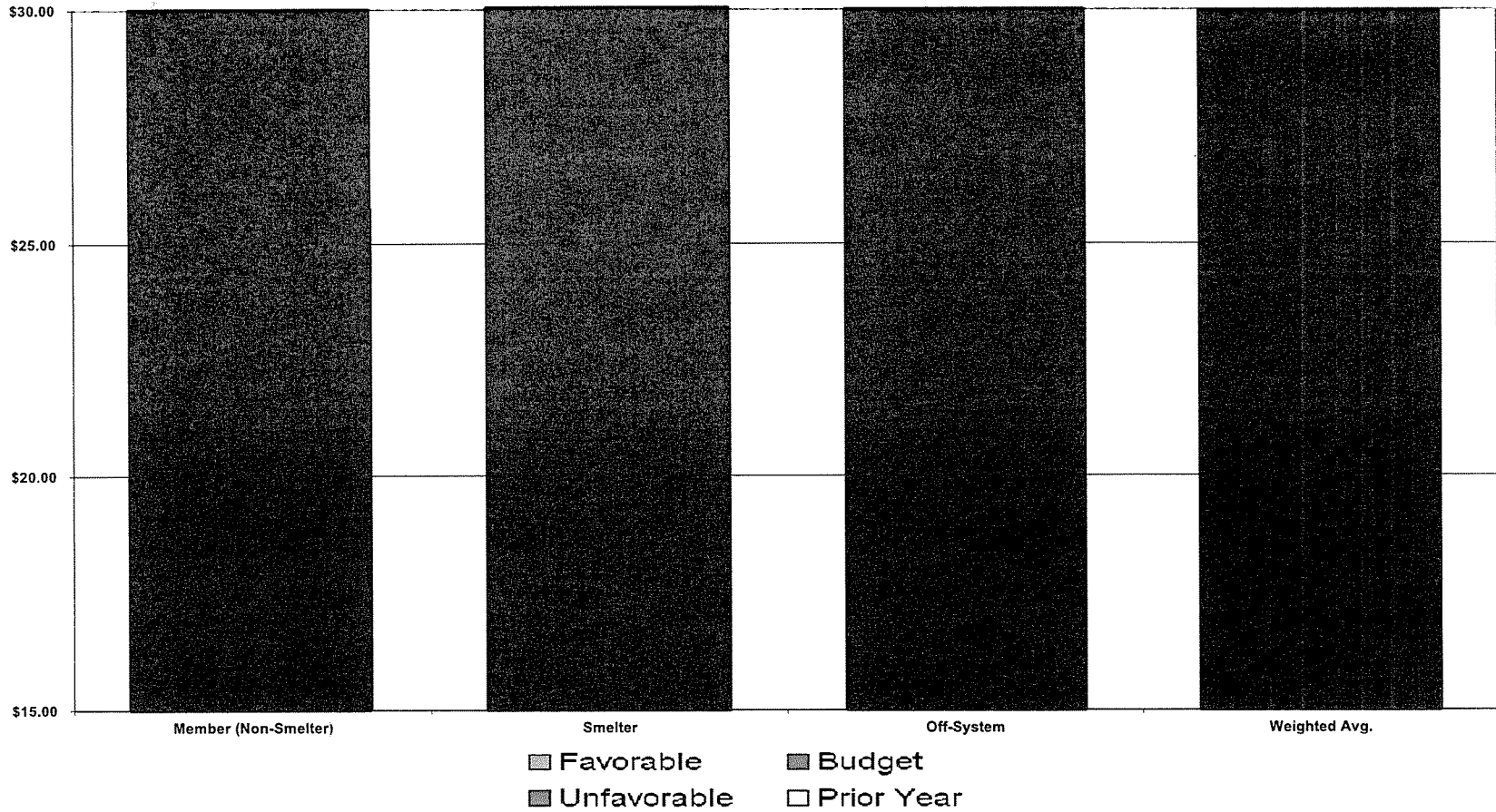
Revenue - \$/MWh Sold YTD - March



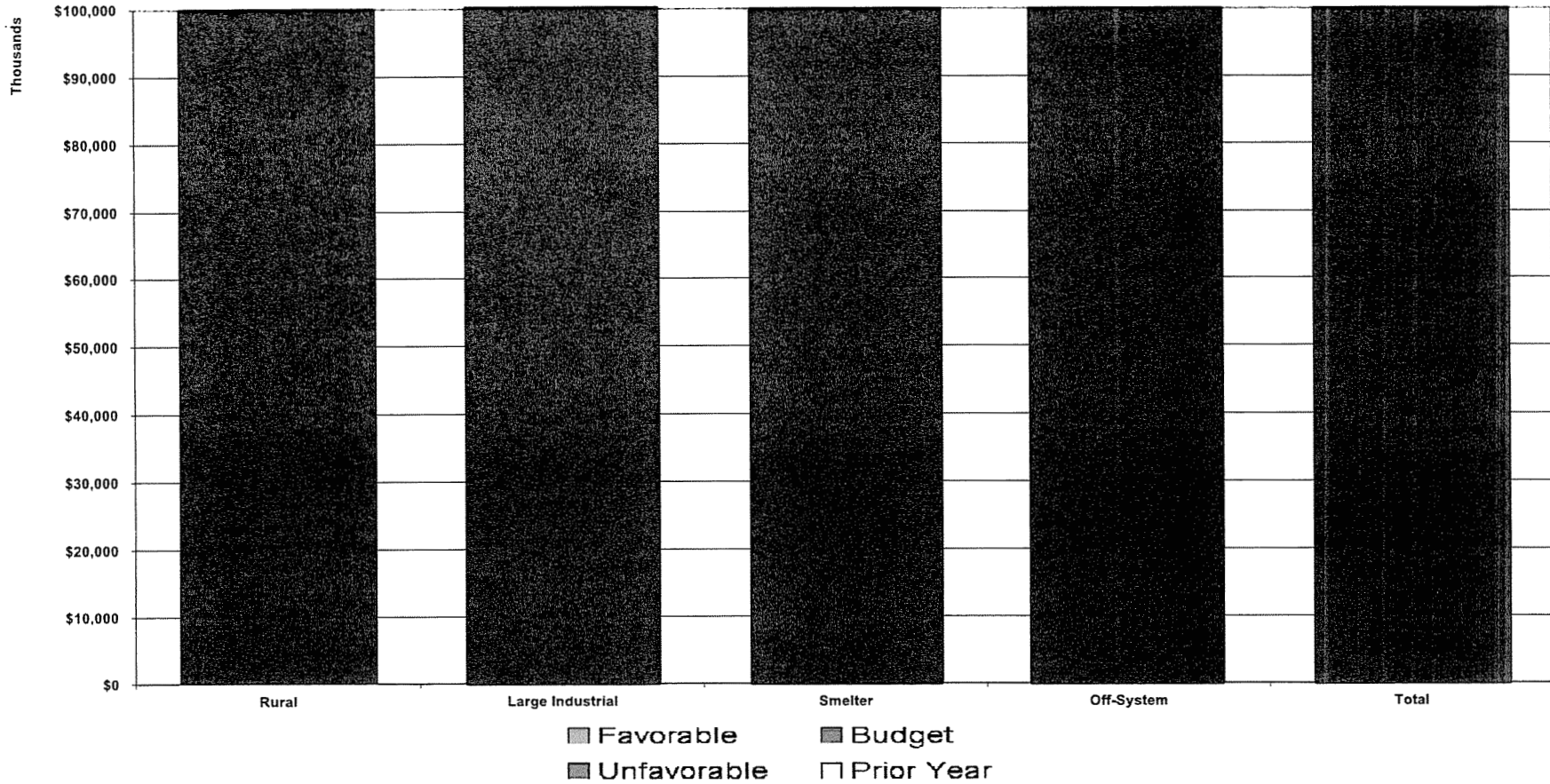
Revenue YTD - March



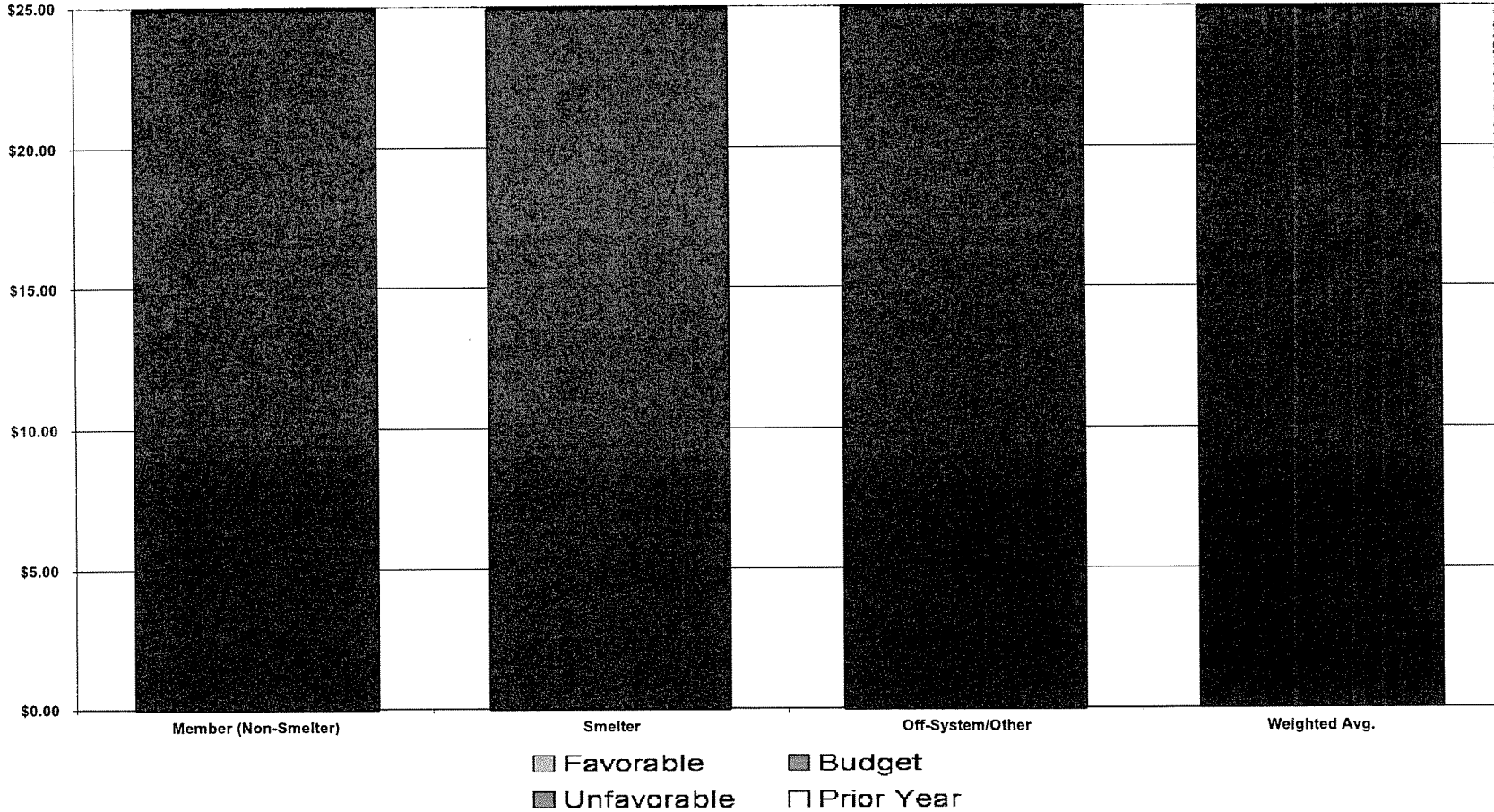
Variable Operations - \$/MWh Sold YTD - March



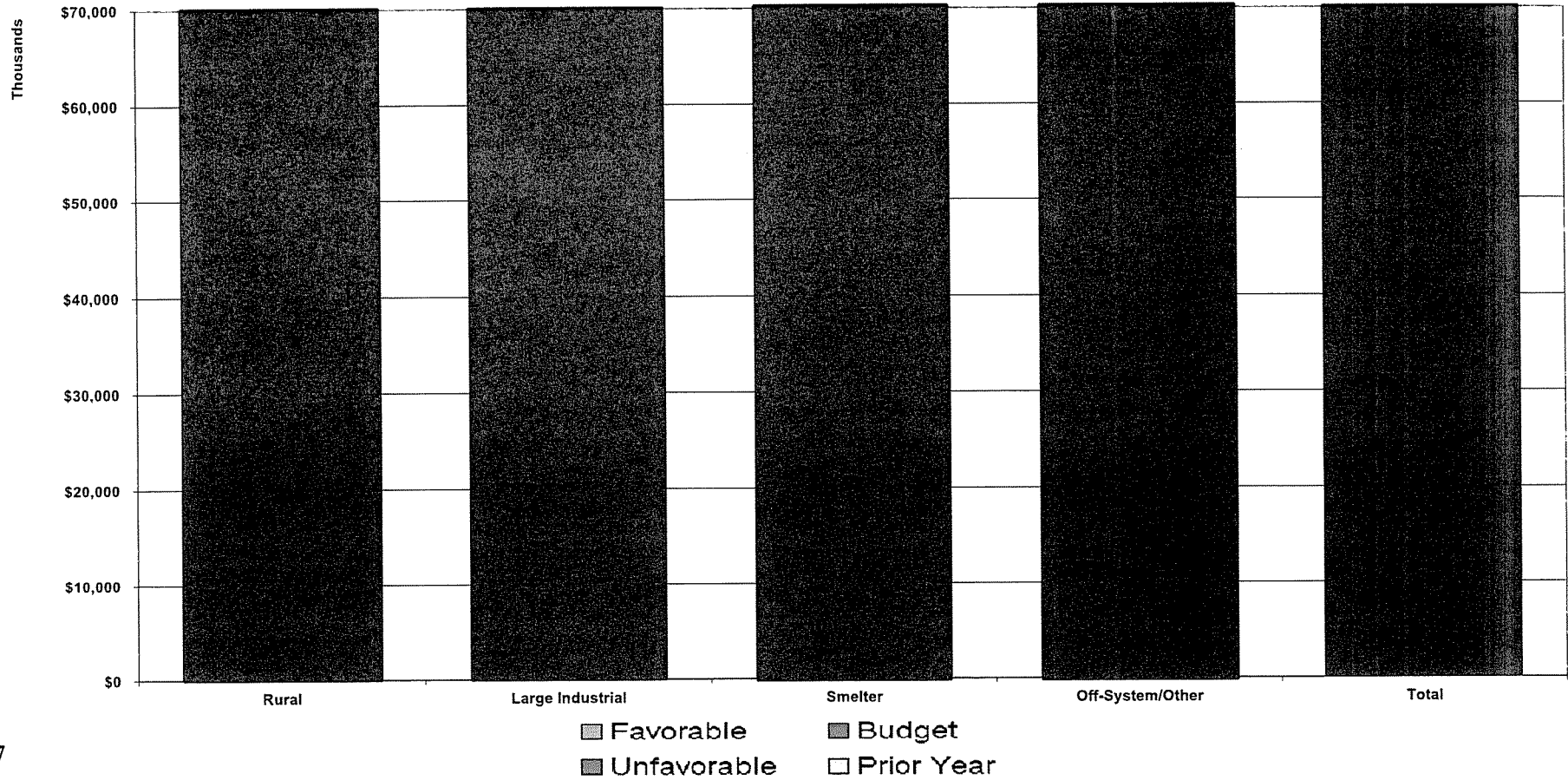
Variable Operations Cost YTD - March



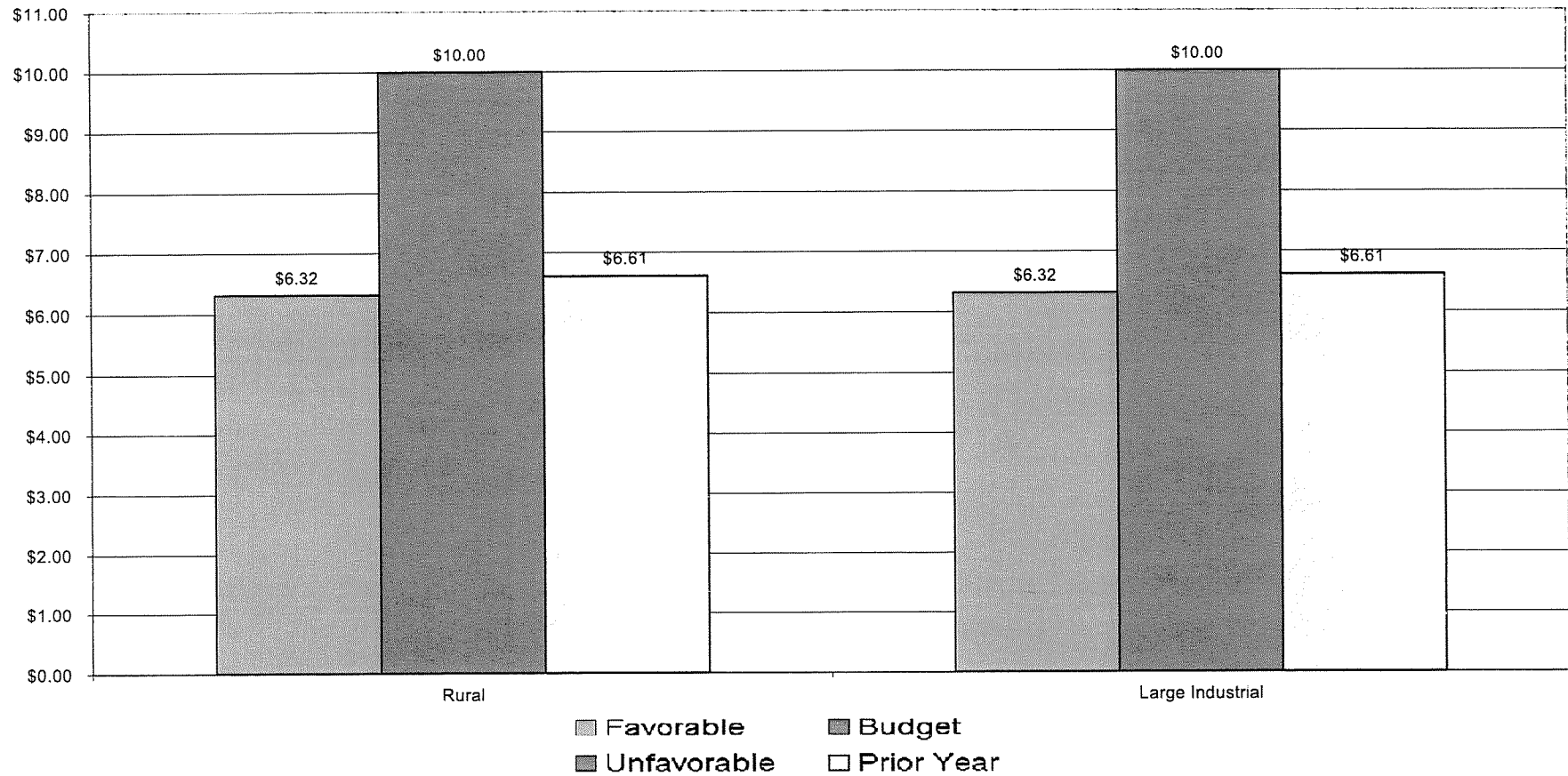
Net Sales Margin - \$/MWh YTD - March



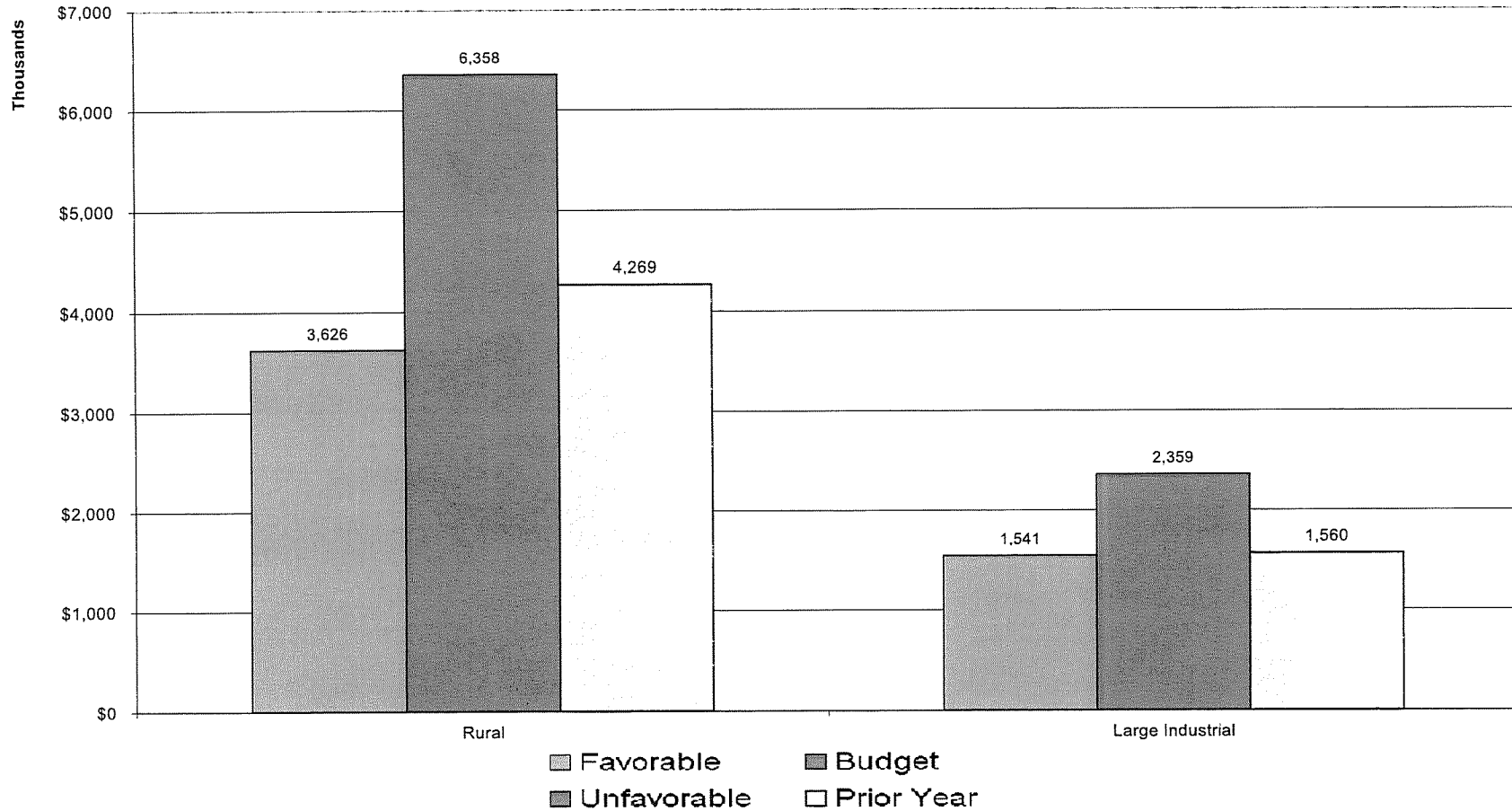
Net Sales Margin YTD – March



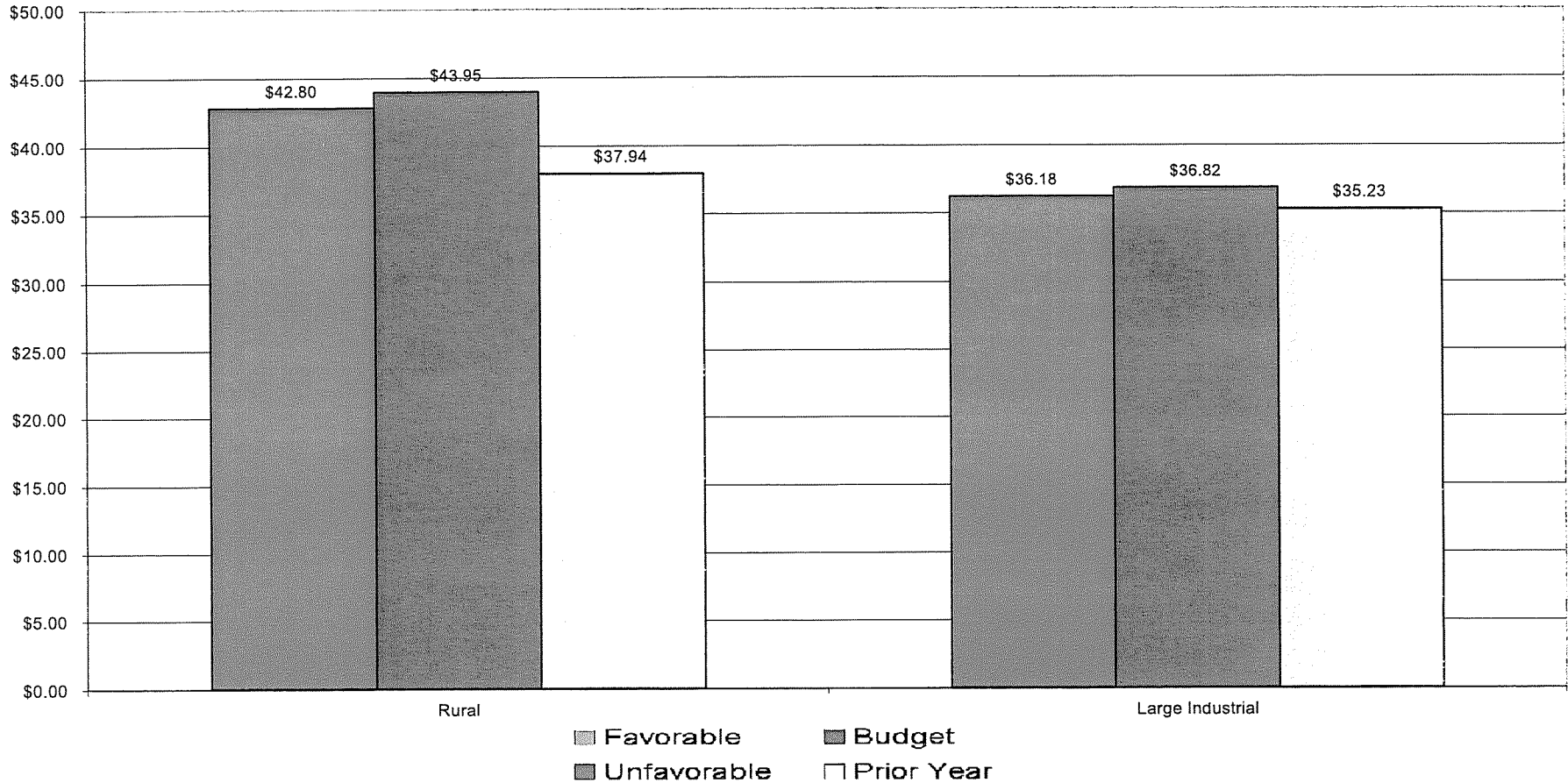
MRSM - \$/MWh YTD - March



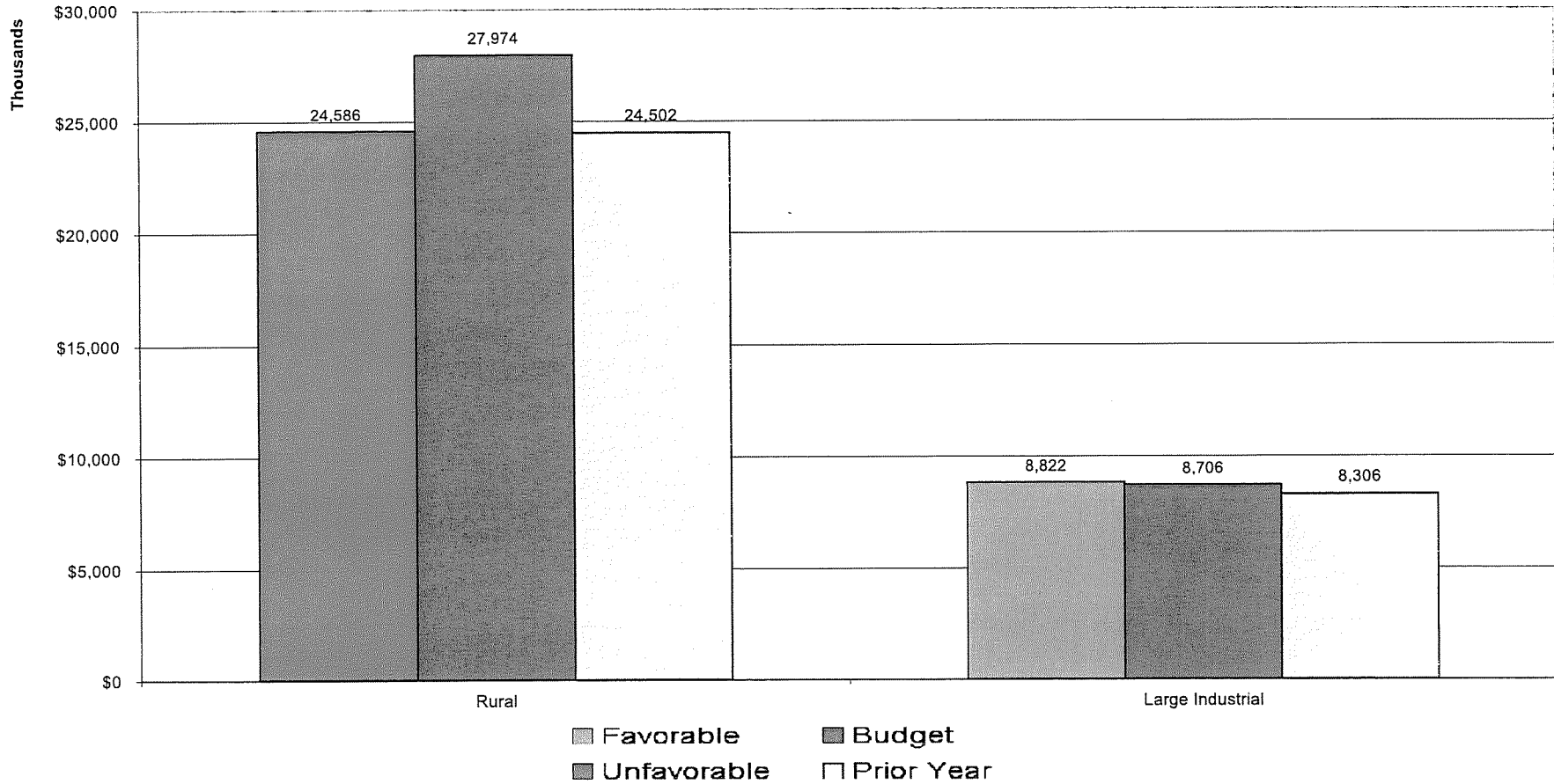
MRSM YTD - March



Net Revenue (Excl. MRSM) - \$/MWh YTD - March



Net Revenue (Excl. MRSM) YTD - March



Other Operating Revenue and Income

	2012	2011	Variance
	<u>Actual</u>	<u>Actual</u>	<u>Fav/(Unfav)</u>
March YTD	1,205	624	581

The favorable prior-year variance is due to higher transmission revenue this year.



Non-Variable Production and Other Power Supply – Operations

	2012			2011	
	<u>Actual</u>	<u>Budget</u>	<u>Variance Fav/(Unfav)</u>	<u>2011 Actual</u>	<u>Variance Fav/(Unfav)</u>
March YTD			946		(1,628)

Current Year Variances

Power Supply transmission reservation
 Station-Two O&M (outage timing)
 Other

Fav/(UnFav)
 192
 589
 165

Non-Variable Production and Other Power Supply - Operations

946

Prior-Year Variances

Power Supply transmission reservation
 Station-Two O&M [driven by higher outage expense in 2012]
 Station-Two [higher depreciation expense]
 Other

Fav/(UnFav)
 (216)
 (952)
 (320)
 (140)

Non-Variable Production and Other Power Supply - Operations

(1,628)

Operation Expense – Transmission

		2012		
		Variance		
		<u>Actual</u>	<u>Budget</u>	<u>Fav/(Unfav)</u>
March YTD		2,409	2,760	351

Favorable to budget primarily due to lower labor expense in the operation accounts. This is partially offset in Maintenance Expense – Transmission as a larger percentage of labor is being charged to maintenance accounts than was budgeted. Favorable timing of fixed departmental expenses also contributed to the variance.

Operation Expense – Sales

		2012	
			Variance
		<u>Actual</u>	<u>Budget</u>
		<u>Fav/(Unfav)</u>	
March YTD		6	320
			314

Favorable to budget due to delay in the start of the energy efficiency/demand side management programs.

Maintenance Expense – Production

	2012			2011	
	<u>Actual</u>	<u>Budget</u>	<u>Variance Fav/(Unfav)</u>	<u>2011 Actual</u>	<u>Variance Fav/(Unfav)</u>
March YTD			4,326		(2,717)

The favorable YTD variance vs. budget is primarily due to scope reduction of the Wilson planned outage in March.

The unfavorable variance to prior-year is driven by the Wilson spring outage and increased maintenance spending at the Green facility this year.

Depreciation & Amortization Expense

	2012	2011	Variance
	<u>Actual</u>	<u>Actual</u>	<u>Fav/(Unfav)</u>
March YTD	10,176	8,681	(1,495)

Unfavorable to prior-year due to the higher depreciation rates that are in effect as a result of the depreciation study and a higher plant in service balance being depreciated.

North Star – YTD March

	2012			2011	
	Actual	Budget	Fav/(UnFav) Variance	Actual	Fav/(UnFav) Variance
Total Cost of Electric Service			15,387		(2,962)
Other Operating Revenues & Income	(1,205)	(1,006)	199	(624)	581
Smelter Avoidable Base Charge	(234)	0	234	(955)	(721)
Off-System Sales/Other					
Interest Income	(18)	(14)	4	(86)	(68)
Other Non-Operating Income	0	0	0	(5)	(5)
Other Capital Credits & Pat. Dividends	(45)	0	45	(97)	(52)
			12,831		(21,626)

Member MWh	2,660,030	2,691,997	(31,967)	2,487,472	172,558
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North Star - \$/kWh



TIER

	<u>Actual</u>	<u>Budget</u>	<u>Fav/(Unfav)</u>
Interest on Long-Term Debt	11,257	11,088	(169)
Net Margins	[REDACTED]		
TIER - YTD March	[REDACTED]		
TIER (12 months ending 3/31)	[REDACTED]		

Notes:

TIER = (Net Margins + Interest on Long-Term Debt) divided by Interest on Long-Term Debt

Capital Expenditures*

	Year-to-Date		
	Actual	Budget	Fav/(UnFav)
IT	80	937	857
Generation	10,394	23,555	13,161
Transmission	537	3,761	3,224
Other	88	838	750
Total	11,099	29,091	17,992

Explanation:

IT was favorable \$857 due to the timing of the OSI EMS Hardware/Software projects, as well as the Oracle Extensions project.

Generation was favorable by \$13,161. Wilson Station was favorable \$7,929 due to outage scope reductions/deferrals. Station Two was favorable \$4,092 due to the timing of the H1 Burner Replacement, and H2 Cooling Tower projects, as well as timing associated with multiple other H1 outage projects. Green was favorable \$1,636 primarily due to the G2 outage deferral. Partially offsetting these favorable variances, Coleman was \$496 unfavorable due to the timing of the Hot Reheat Tube Replacement project, which was budgeted April to October.

Transmission was favorable \$3,224 primarily due to timing related to the Two-way Radio project, as well as other timing issues.

Other was favorable \$750 mainly due to the timing of the Operator Training Simulator and the timing of vehicle purchases.

* Gross of the City's share of Station Two. Includes capitalized interest.



Cash & Temporary Investments

	<u>Actual</u>	<u>Budget</u>	<u>Fav/(Unfav)</u>	2011 <u>Actual</u>	<u>Fav/(Unfav)</u>
March 31st	49,467	34,061	15,406	55,928	(6,461)


The March 31, 2012 cash balance compared to budget is favorable primarily due to the decision to “claw back” \$11,500 from RUS in January due to lower than forecast off-system sales market. Lower capital spending also contributed to the favorable variance.

The variance to prior-year is driven by the year over year increase in fuel inventory.

Lines of Credit <u>As of March 31st</u>	
Original Amount	\$100,000
Letters of Credit Outstanding	(7,775)
Advances Outstanding	0
Available Lines of Credit	<u>\$ 92,225</u>

Monthly Financial Report – February 2012



Your Touchstone Energy Cooperative 

Financial Report
February 2012
(\$ in Thousands)

Board Meeting Date: April 20, 2012



Summary of Statement of Operations YTD - February

	2012			2011	
	Actual	Budget	Fav/(UnFav) Variance	Actual	Fav/(UnFav) Variance
Revenues	89,811	103,866	(14,055)	87,595	2,216
Cost of Electric Service	87,677	98,159	10,482	87,249	(428)
Operating Margins	2,134	5,707	(3,573)	346	1,788
Interest Income/Other	11	11	0	62	(51)
Net Margins - YTD Feb	2,145	5,718	(3,573)	408	1,737
<i>March</i>	<i>(4,249)</i>	<i>(7,359)</i>	<i>3,110</i>	<i>(505)</i>	<i>(3,744)</i>
<i>YTD March</i>	<i>(2,104)</i>	<i>(1,641)</i>	<i>(463)</i>	<i>(97)</i>	<i>(2,007)</i>

Statement of Operations – February Variance to Budget

	Current Month			Year-to-Date			Explanation
	Actual	Budget	Variance Fav/(UnFav)	Actual	Budget	Variance Fav/(UnFav)	
ELECTRIC ENERGY REVENUES	42,452	49,459	(7,007)	88,954	103,194	(14,240)	[A] Pages 7, 12-14
INCOME FROM LEASED PROPERTY - NET	0	0	0	0	0	0	
OTHER OPERATING REVENUE AND INCOME	483	334	149	857	672	185	
TOTAL OPER REVENUES & PATRONAGE CAPITAL	42,935	49,793	(6,858)	89,811	103,866	(14,055)	
OPERATION EXPENSE-PRODUCTION-EXCL FUEL	3,502	4,420	918	7,474	9,310	1,836	[A] Pages 7, 12-14
OPERATION EXPENSE-PRODUCTION-FUEL	16,308	20,178	3,870	33,211	44,070	10,859	[A] Pages 7, 12-14
OPERATION EXPENSE-OTHER POWER SUPPLY	9,334	9,104	(230)	19,568	16,440	(3,128)	[A] Pages 7, 12-14
OPERATION EXPENSE-TRANSMISSION	793	903	110	1,611	1,833	222	
OPERATION EXPENSE-RTO/ISO	217	207	(10)	426	436	10	
CONSUMER SERVICE & INFORMATIONAL EXPENSE	21	69	48	36	146	110	
OPERATION EXPENSE-SALES	0	73	73	(4)	152	156	
OPERATION EXPENSE-ADMINISTRATIVE & GENERAL	2,119	1,977	(142)	4,146	4,118	(28)	
TOTAL OPERATION EXPENSE	32,294	36,931	4,637	66,468	76,505	10,037	
MAINTENANCE EXPENSE-PRODUCTION	3,294	4,124	830	6,453	6,829	376	
MAINTENANCE EXPENSE-TRANSMISSION	304	303	(1)	619	607	(12)	
MAINTENANCE EXPENSE-GENERAL PLANT	12	8	(4)	29	17	(12)	
TOTAL MAINTENANCE EXPENSE	3,610	4,435	825	7,101	7,453	352	
DEPRECIATION & AMORTIZATION EXPENSE	3,389	3,432	43	6,786	6,870	84	
TAXES	0	0	0	0	0	0	
INTEREST ON LONG-TERM DEBT	3,606	3,552	(54)	7,431	7,321	(110)	
INTEREST CHARGED TO CONSTRUCTION-CREDIT	(64)	(12)	52	(134)	(13)	121	
OTHER INTEREST EXPENSE	0	0	0	0	0	0	
OTHER DEDUCTIONS	12	11	(1)	25	23	(2)	
TOTAL COST OF ELECTRIC SERVICE	42,847	48,349	5,502	87,677	98,159	10,482	
OPERATING MARGINS	88	1,444	(1,356)	2,134	5,707	(3,573)	
INTEREST INCOME	5	6	(1)	11	11	0	
ALLOWANCE FOR FUNDS USED DURING CONST	0	0	0	0	0	0	
OTHER NON-OPERATING INCOME - NET	0	0	0	0	0	0	
OTHER CAPITAL CREDITS & PAT DIVIDENDS	0	0	0	0	0	0	
EXTRAORDINARY ITEMS	0	0	0	0	0	0	
NET PATRONAGE CAPITAL OR MARGINS	93	1,450	(1,357)	2,145	5,718	(3,573)	

YTD Explanations: [A] Net Sales Margin, [B] 10% of line item and \$250,000 or [C] 10% of margins and \$500,000.



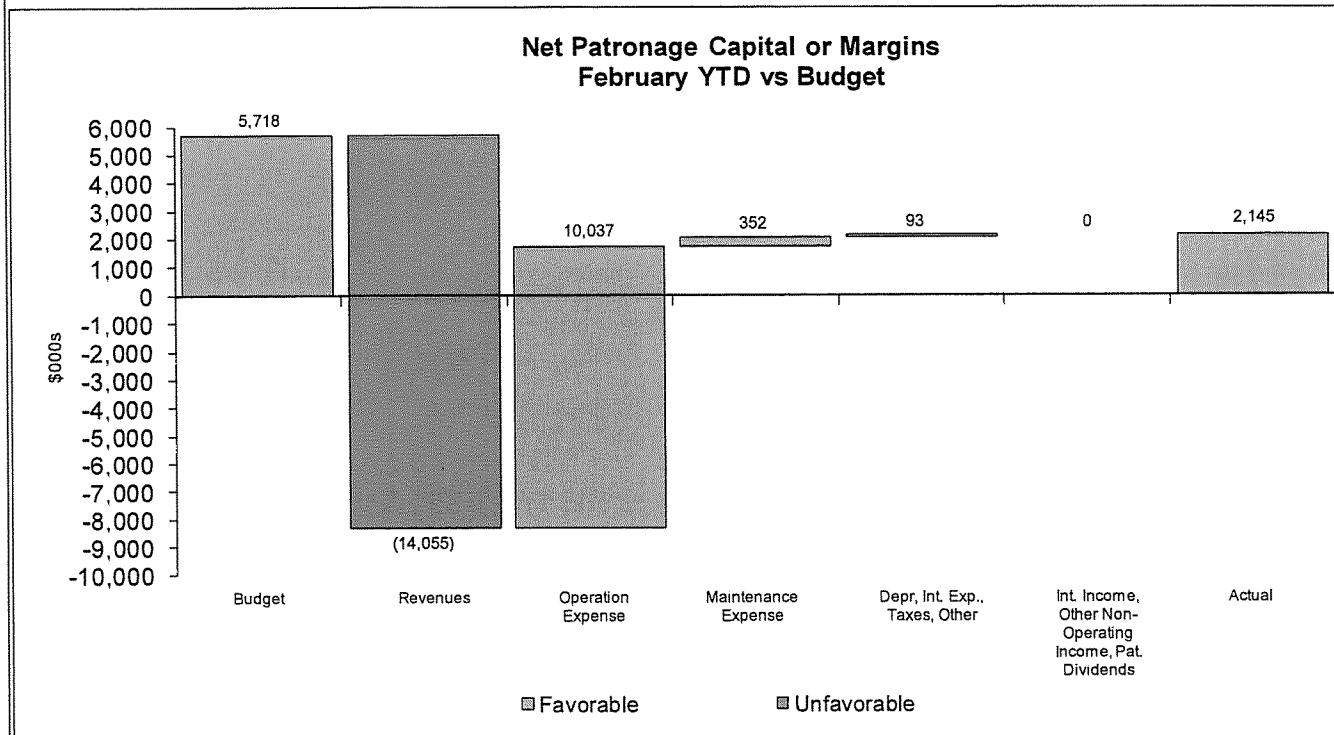
Your Electricity from a Cooperative

Statement of Operations – February Variance to Prior-Year

	Current Month			Year-to-Date			Explanation
	Actual	Prior Year	Variance Fav/(UnFav)	Actual	Prior Year	Variance Fav/(UnFav)	
ELECTRIC ENERGY REVENUES	42,452	41,982	470	88,954	87,206	1,748	[A] Pages 7, 12-14
INCOME FROM LEASED PROPERTY - NET	0	0	0	0	0	0	
OTHER OPERATING REVENUE AND INCOME	483	243	240	857	389	468	
TOTAL OPER REVENUES & PATRONAGE CAPITAL	42,935	42,225	710	89,811	87,595	2,216	
OPERATION EXPENSE-PRODUCTION-EXCL FUEL	3,502	3,841	339	7,474	8,062	588	[A] Pages 7, 12-14, 26
OPERATION EXPENSE-PRODUCTION-FUEL	16,308	18,070	1,762	33,211	37,979	4,768	[A] Pages 7, 12-14
OPERATION EXPENSE-OTHER POWER SUPPLY	9,334	6,800	(2,534)	19,568	15,269	(4,299)	[A] Pages 7, 12-14, [B] 26
OPERATION EXPENSE-TRANSMISSION	793	784	(9)	1,611	1,517	(94)	
OPERATION EXPENSE-RTO/ISO	217	203	(14)	426	373	(53)	
CONSUMER SERVICE & INFORMATIONAL EXPENSE	21	44	23	36	70	34	
OPERATION EXPENSE-SALES	0	(17)	(17)	(4)	(12)	(8)	
OPERATION EXPENSE-ADMINISTRATIVE & GENERAL	2,119	2,669	550	4,146	4,650	504	[B], [C] Page 27
TOTAL OPERATION EXPENSE	32,294	32,394	100	66,468	67,908	1,440	
MAINTENANCE EXPENSE-PRODUCTION	3,294	2,870	(424)	6,453	5,649	(804)	[B], [C] Page 28
MAINTENANCE EXPENSE-TRANSMISSION	304	283	(21)	619	563	(56)	
MAINTENANCE EXPENSE-GENERAL PLANT	12	21	9	29	36	7	
TOTAL MAINTENANCE EXPENSE	3,610	3,174	(436)	7,101	6,248	(853)	
DEPRECIATION & AMORTIZATION EXPENSE	3,389	2,858	(531)	6,786	5,718	(1,068)	[B], [C] Page 29
TAXES	0	(2)	(2)	0	(2)	(2)	
INTEREST ON LONG-TERM DEBT	3,606	3,679	73	7,431	7,624	193	
INTEREST CHARGED TO CONSTRUCTION-CREDIT	(64)	(188)	(124)	(134)	(311)	(177)	
OTHER INTEREST EXPENSE	0	19	19	0	40	40	
OTHER DEDUCTIONS	12	11	(1)	25	24	(1)	
TOTAL COST OF ELECTRIC SERVICE	42,847	41,945	(902)	87,677	87,249	(428)	
OPERATING MARGINS	88	280	(192)	2,134	346	1,788	
INTEREST INCOME	5	27	(22)	11	57	(46)	
ALLOWANCE FOR FUNDS USED DURING CONST	0	0	0	0	0	0	
OTHER NON-OPERATING INCOME - NET	0	2	(2)	0	5	(5)	
OTHER CAPITAL CREDITS & PAT DIVIDENDS	0	0	0	0	0	0	
EXTRAORDINARY ITEMS	0	0	0	0	0	0	
NET PATRONAGE CAPITAL OR MARGINS	93	309	(216)	2,145	408	1,737	

YTD Explanations: [A] Net Sales Margin, [B] 10% of line item and \$250,000 or [C] 10% of margins and \$500,000.

Variance Analysis Summary

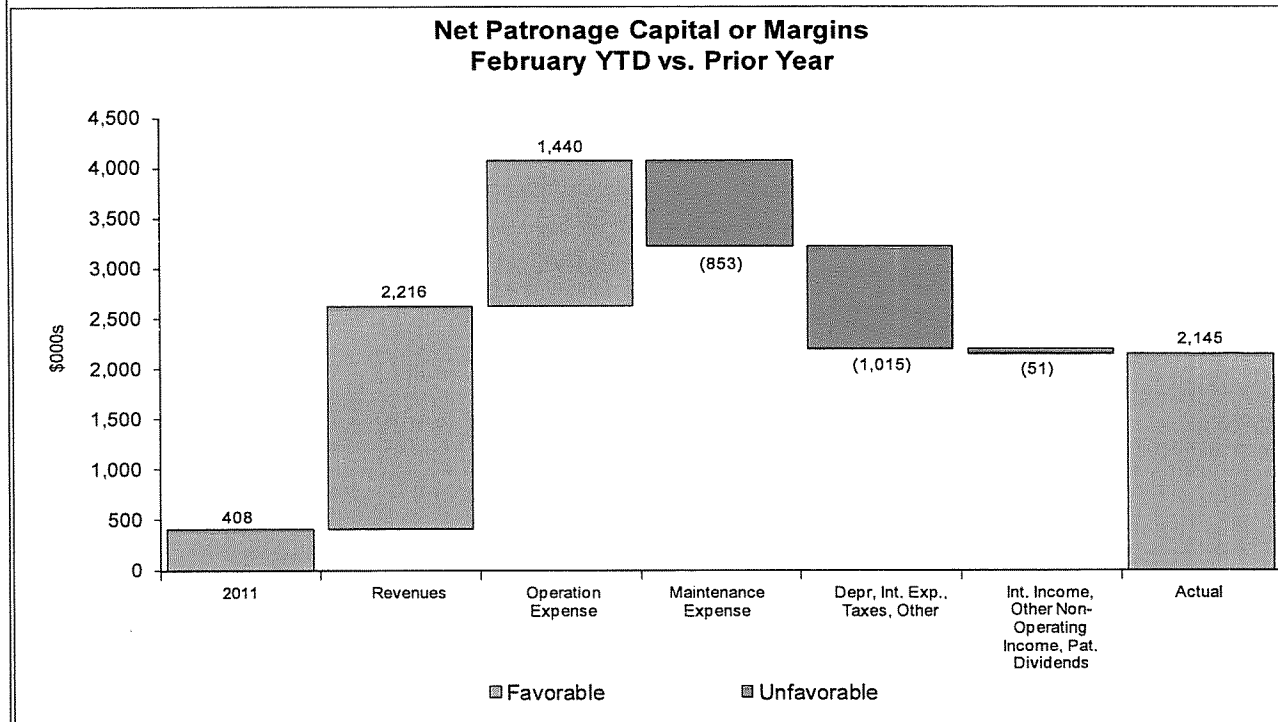


Financial Commentary

Year-to-Date

- February YTD 2012 Margins were \$3,573 unfavorable to budget.
 - Electric Energy Revenues were unfavorable \$14,240 primarily due to lower rural and off-system volume and lower rates (see page 12).
 - Operation Expense was favorable \$10,037 – driven by lower variable costs \$9,438 primarily due to (a) lower sales volumes and (b) the MWh cost to purchase being less than the MWh cost to generate (see page 13).
 - Maintenance Expense was favorable \$352 primarily due to cost cutting measures at the plants to offset the lower power market.

Variance Analysis Summary



Financial Commentary

Year-to-Date

- February YTD 2012 margins were \$1,737 favorable to 2011.
 - Revenues were favorable \$2,216 primarily due to the 9/1/2011 rate increase and a higher smelter TIER Adjustment Charge (\$2.95/MWh vs \$1.95/MWh in 2011).
 - Operation Expense was favorable \$1,440 – driven by lower variable costs \$2,509, due to volume, partially offset by higher transmission reservation and higher MISO expense (see pages 13 & 26).
 - Maintenance Expense was unfavorable \$853 primarily due to higher maintenance activities at the plants (see page 27).
 - Depreciation, Interest Expense, Taxes & Other combined was higher \$1,015 (see page 28).



Your Touchstone Energy Cooperative

**Member Rate Stability Mechanism
YTD February**

	<u>Actual</u> <u>2012</u>	<u>Budget</u> <u>2012</u>	<u>2012</u> <u>Variance</u>	<u>Actual</u> <u>2011</u>	<u>2011</u> <u>Variance</u>		<u>Actual</u> <u>2012</u>	<u>Budget</u> <u>2012</u>	<u>2012</u> <u>Variance</u>	<u>Actual</u> <u>2011</u>	<u>2011</u> <u>Variance</u>
<u>MRSM - \$/MWh</u>						<u>Net Revenue - \$/MWh</u>					
Rural	(6.01)	(10.31)	4.30	(5.65)	(0.36)	Rural	42.56	43.94	(1.38)	38.23	4.33
Large Industrial	(6.01)	(10.31)	4.30	(5.65)	(0.36)	Large Industrial	36.55	37.38	(0.83)	35.57	0.98
Total	(6.01)	(10.31)	4.30	(5.65)	(0.36)	Total	40.90	42.27	(1.37)	37.57	3.33
<u>MRSM - Thousands of \$</u>						<u>Net Revenue - Thousands of \$</u>					
Rural	(2,500)	(4,649)	2,149	(2,606)	106	Rural	17,721	19,828	(2,107)	17,632	89
Large Industrial	(962)	(1,587)	625	(865)	(97)	Large Industrial	5,827	5,756	71	5,455	372
Total	(3,462)	(6,236)	2,774	(3,471)	9	Total	23,548	25,584	(2,036)	23,087	461

<u>Economic Reserve Balance</u>			
<u>Cumulative-to-Date</u>	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
Original Deposit	\$ 157,000		
Interest Earnings	2,862		
Withdrawals	(62,724)		
Ending Balance 2/29/2012	\$ 97,138	\$ 94,419	\$ 2,719
<u>YTD February 2012</u>			
Beg. Balance 1/1/2012	\$ 100,601		
Interest Earnings	98		
Withdrawals	(3,561)		
Ending Balance 2/29/2012	\$ 97,138	\$ 94,419	\$ 2,719



Cash & Temporary Investments

	<u>Actual</u>	<u>Budget</u>	<u>Fav/(Unfav)</u>	2011 <u>Actual</u>	<u>Fav/(Unfav)</u>
February 29th	49,472	46,207	3,265	55,870	(6,398)

The February 29, 2012 cash balance compared to budget is favorable primarily due to the decision to “claw back” \$11,500 from RUS in January due to lower than forecast off-system sales market.

The variance to prior-year is driven by the year over year increase in fuel inventory.

Lines of Credit <u>As of February 29th</u>	
Original Amount	\$100,000
Letters of Credit Outstanding	(6,775)
Advances Outstanding	0
Available Lines of Credit	<u>\$ 93,225</u>



North Star – YTD February

	2012			2011	
	Actual	Budget	Fav/(UnFav) Variance	Actual	Fav/(UnFav) Variance
Total Cost of Electric Service			10,482		(428)
Other Operating Revenues & Income	(857)	(672)	185	(389)	468
Smelter Avoidable Base Charge	(222)	0	222	(520)	(298)
Off-System Sales/Other					
Interest Income	(11)	(10)	1	(57)	(46)
Other Non-Operating Income	0	0	0	(5)	(5)
Other Capital Credits & Pat. Dividends	0	0	0	0	0
			5,849		(12,929)
Member MWh	1,785,427	1,804,732	(19,305)	1,653,629	131,798
North Star - \$/kWh					



TIER

	<u>Actual</u>	<u>Budget</u>	<u>Fav/(Unfav)</u>
Interest on Long-Term Debt	7,431	7,321	(110)
Net Margins	[REDACTED]		
TIER - YTD February	[REDACTED]		
TIER (12 months ending 2/29)	[REDACTED]		

Notes:

TIER = (Net Margins + Interest on Long-Term Debt) divided by Interest on Long-Term Debt



Capital Expenditures*

	Year-to-Date		
	Actual	Budget	Fav/(UnFav)
IT	57	659	602
Generation	6,392	6,808	416
Transmission	359	2,986	2,627
Other	9	545	536
Total	6,817	10,998	4,181

Explanation:

IT was favorable \$602 due to the timing of the OSI EMS Hardware/Software projects, as well as the Oracle Extensions project.

Generation was favorable \$416. Wilson Station was favorable \$1,613 largely due to cancelled projects and deferred projects related to the shift in the planned outage, as well as timing associated with current outage projects. Somewhat offsetting this favorability, Coleman Station was unfavorable \$1,000 primarily due to timing of the Hot Reheat Tubes and C2 Mill Gear Reducer projects. Station Two was unfavorable \$114 and Green Station was unfavorable \$83, both of which were due to timing issues.

Transmission was favorable \$2,627 primarily due to timing related to the Two-way Radio project, as well as other timing issues.

Other was favorable \$536 mainly due to the timing of the Operator Training Simulator and the timing of vehicle purchases.

* Gross of the City's share of Station Two. Includes capitalized interest.

**Revenue
YTD February**

	Actual 2012	Budget 2012	Variance	Actual 2011	2011 Variance
MWh Sales					
Rural	416,315	451,225	(34,910)	461,230	(44,915)
Large Industrial	159,519	153,987	5,532	153,321	6,198
Smelter	1,209,593	1,199,520	10,073	1,039,077	170,516
Off-System/Other					
Total					
Revenue - \$/MWh					
Rural	48.57	54.25	(5.68)	43.88	4.69
Large Industrial	42.56	47.69	(5.13)	41.22	1.34
Smelter	47.82	51.88	(4.06)	42.27	5.55
Off-System/Other					
Total					
Revenue - Thousands of \$					
Rural	20,221	24,477	(4,256)	20,238	(17)
Large Industrial	6,789	7,343	(554)	6,320	469
Smelter	57,837	62,226	(4,389)	43,921	13,916
Off-System/Other					
Total					

**Revenue Price / Volume Analysis
February 2012**

	Price / Volume		
	Price	Volume	Total
Rural	(2,362)	(1,894)	(4,256)
Large Industrial	(818)	264	(554)
Smelter	(4,912)	523	(4,389)
Off-System/Other			



Your Touchstone Energy® Cooperative

Variable Operations Cost YTD February

	Actual 2012	Budget 2012	Variance	Actual 2011	2011 Variance
Variable Operations (VO) Cost - \$/MWh					
Rural					
Large Industrial					
Smelter					
Off-System/Other					
Total					
VO Cost - Thousands of \$					
Rural					
Large Industrial					
Smelter					
Off-System/Other					
Total					

YTD February 2012 Variable Operations Expense

	Actual	Budget	Fav/(UnFav)	Price Variance Fav/(UnFav)	Volume Variance Fav/(UnFav)	Fav/(UnFav)
Reagent						
Fuel						
Purchased Power						
Non-FAC PPA (Non-Smelter)						

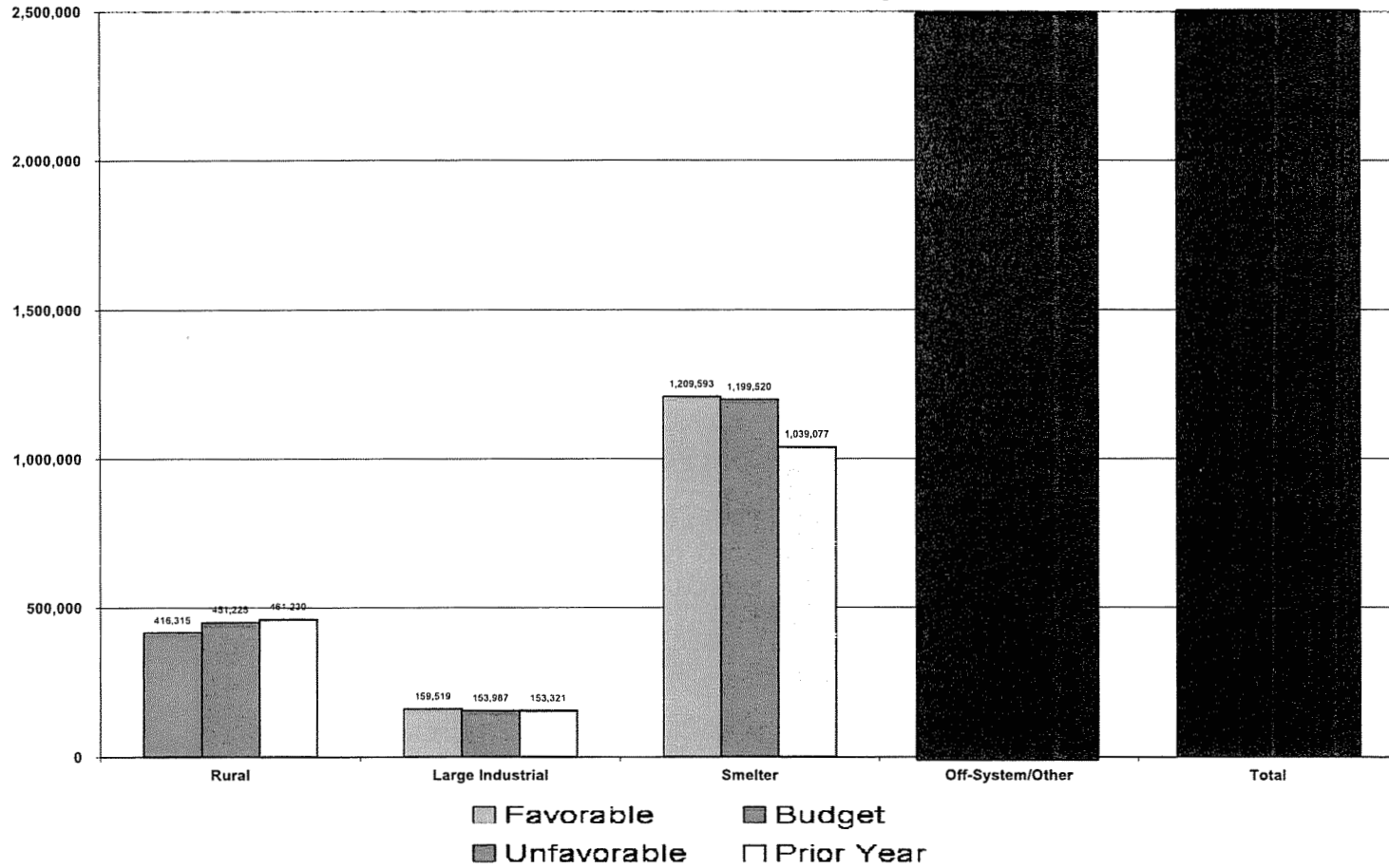
Net Sales Margin YTD February

	Actual 2012	Budget 2012	Variance	Actual 2011	2011 Variance
Net Sales Margin - \$/MWh					
Rural					
Large Industrial					
Smelter					
Off-System/Other					
Total					
Net Sales Margin - Thousands of \$					
Rural					
Large Industrial					
Smelter					
Off-System/Other					
Total					

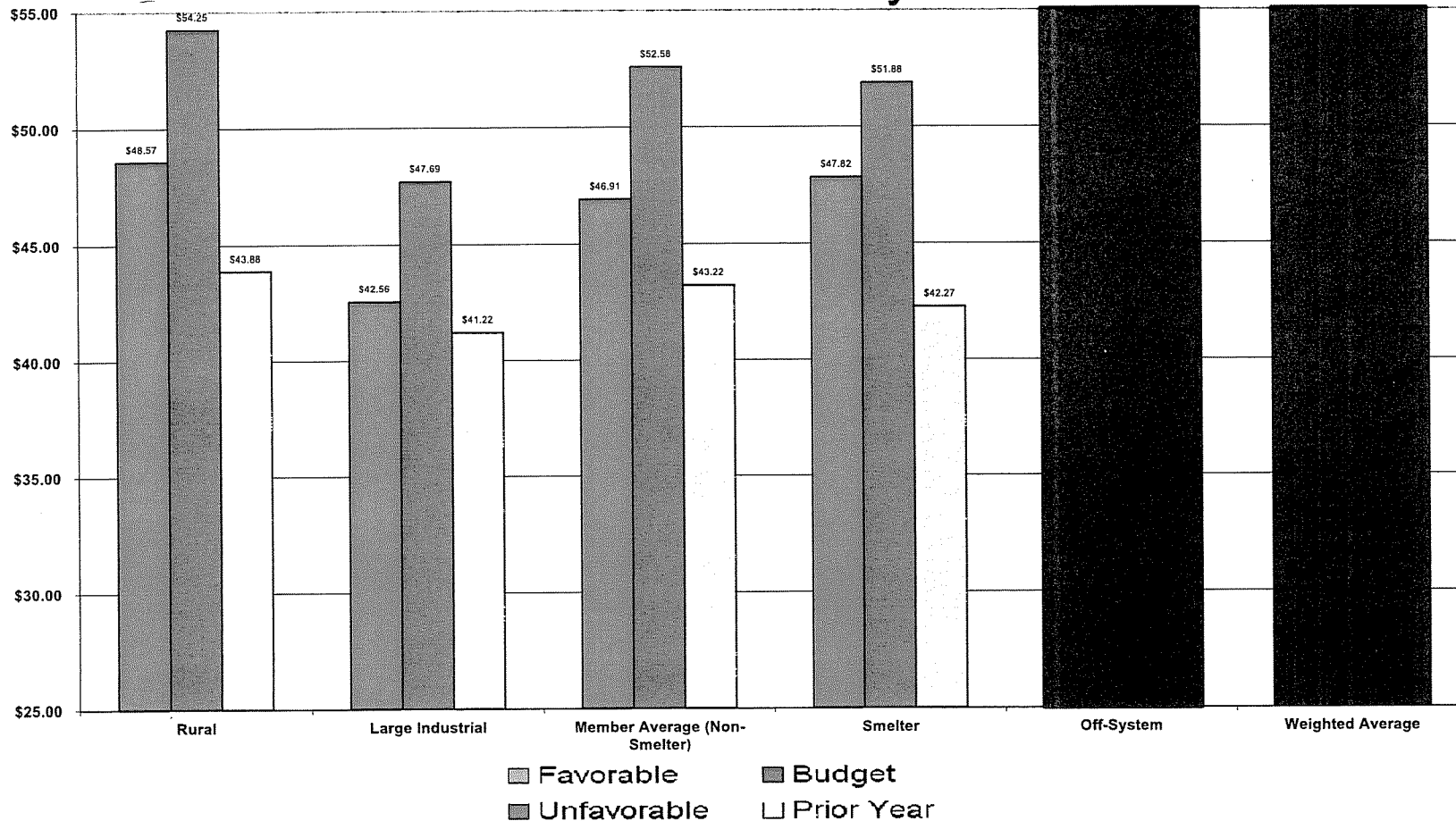
Net Sales Margin Price / Volume Analysis February 2012

	Price / Volume		Total
	Price	Volume	
Rural			
Large Industrial			
Smelter			
Off-System/Other			

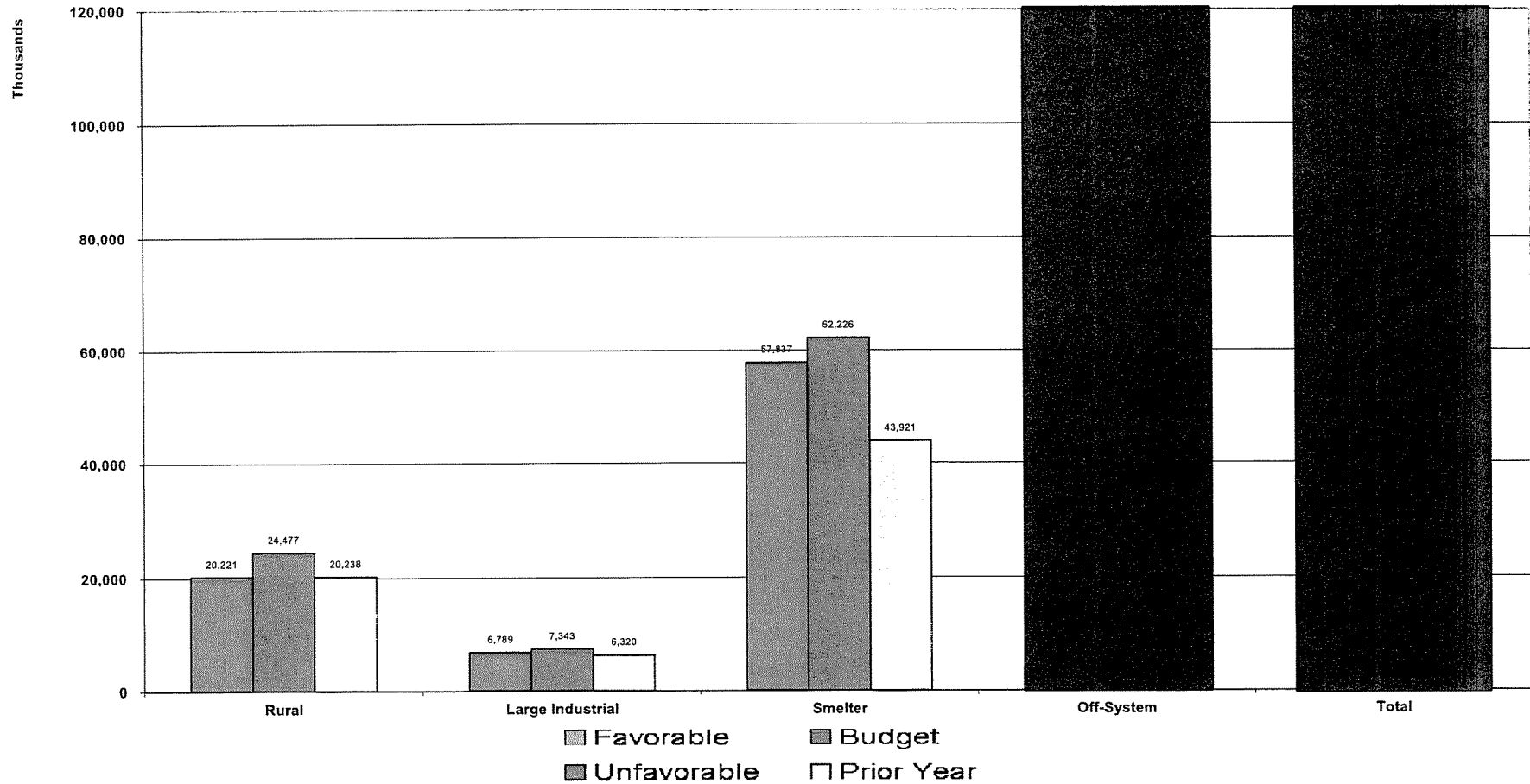
MWH Sales YTD - February



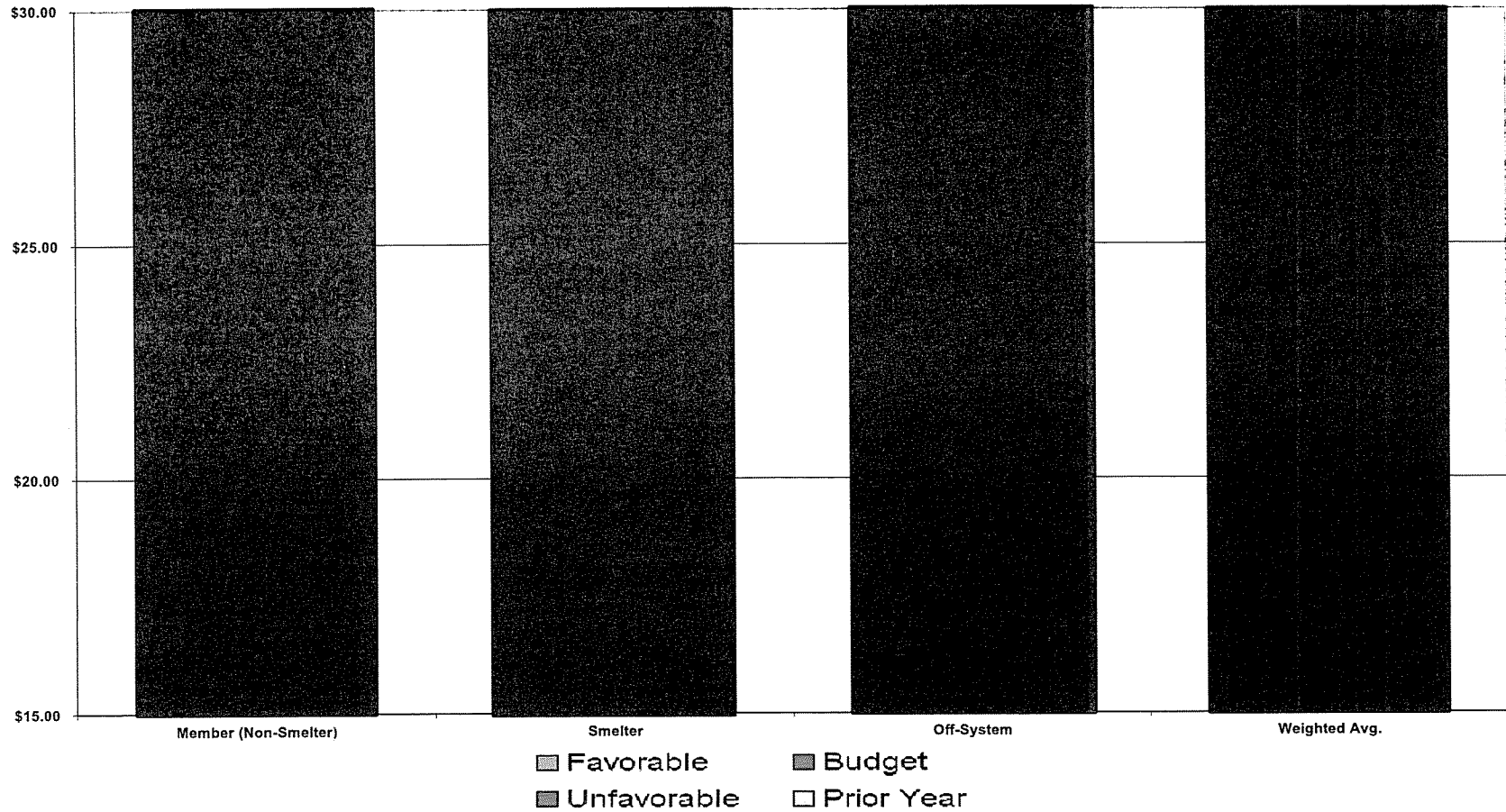
Revenue - \$/MWh Sold YTD - February



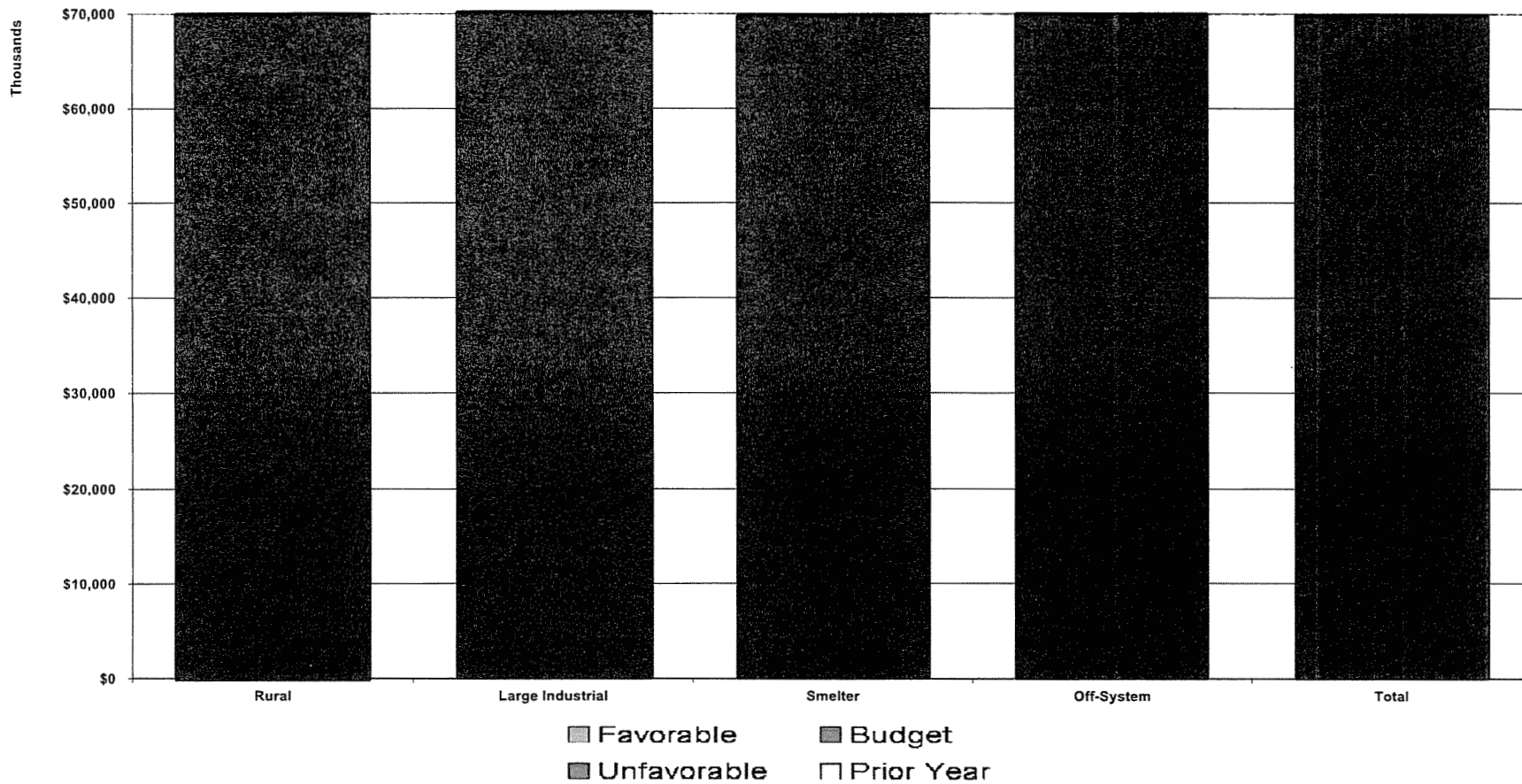
Revenue YTD - February



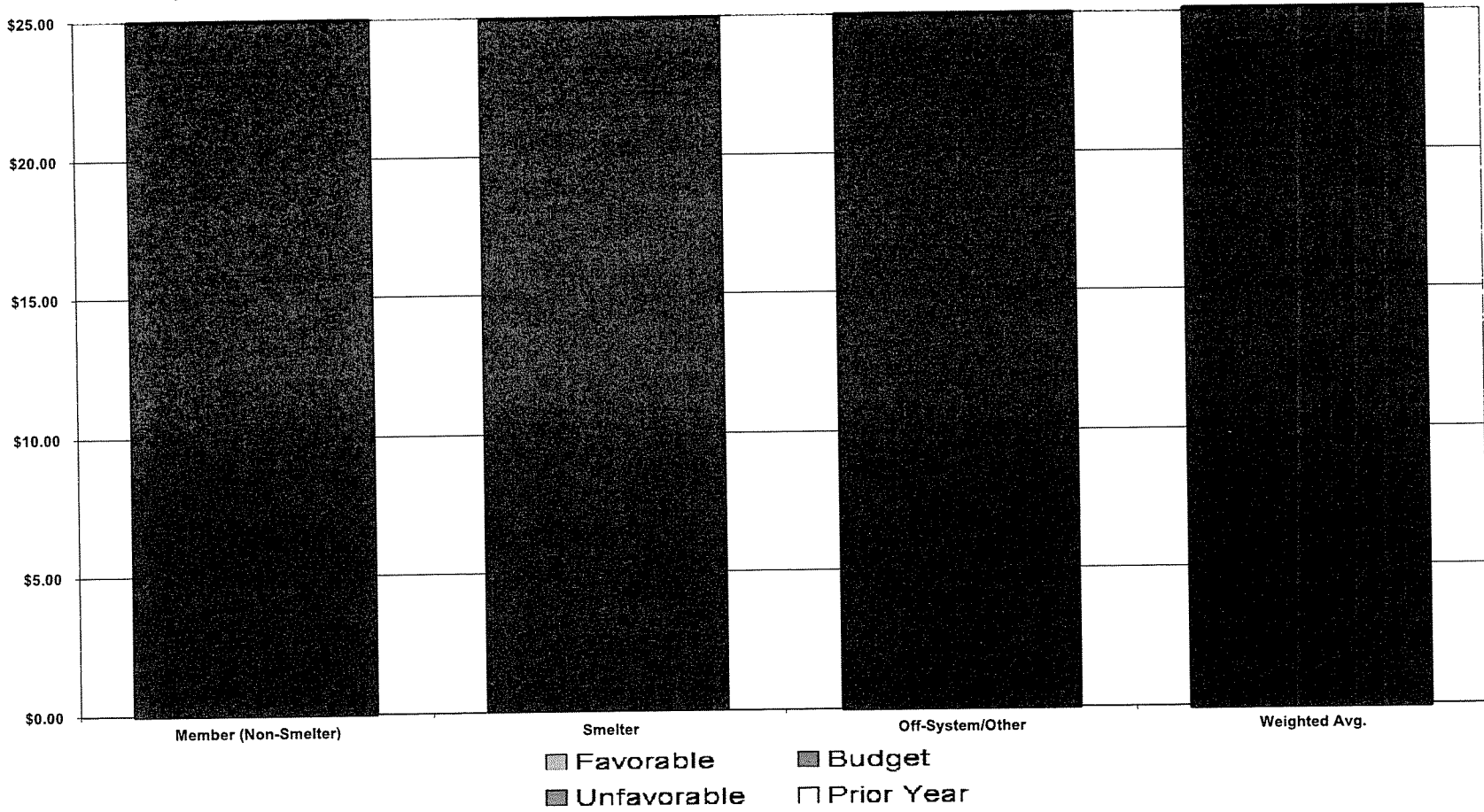
Variable Operations - \$/MWh Sold YTD - February



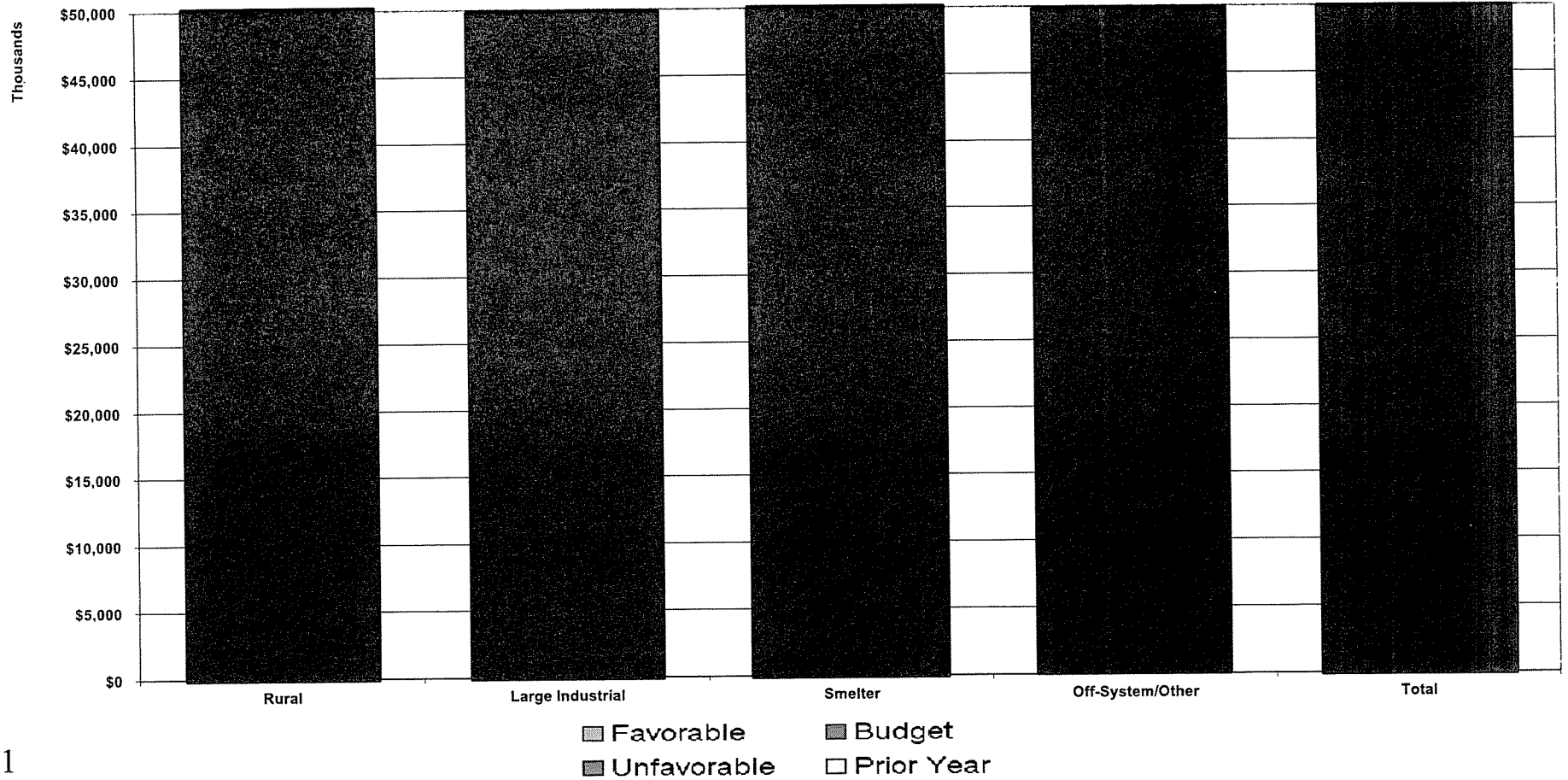
Variable Operations Cost YTD - February



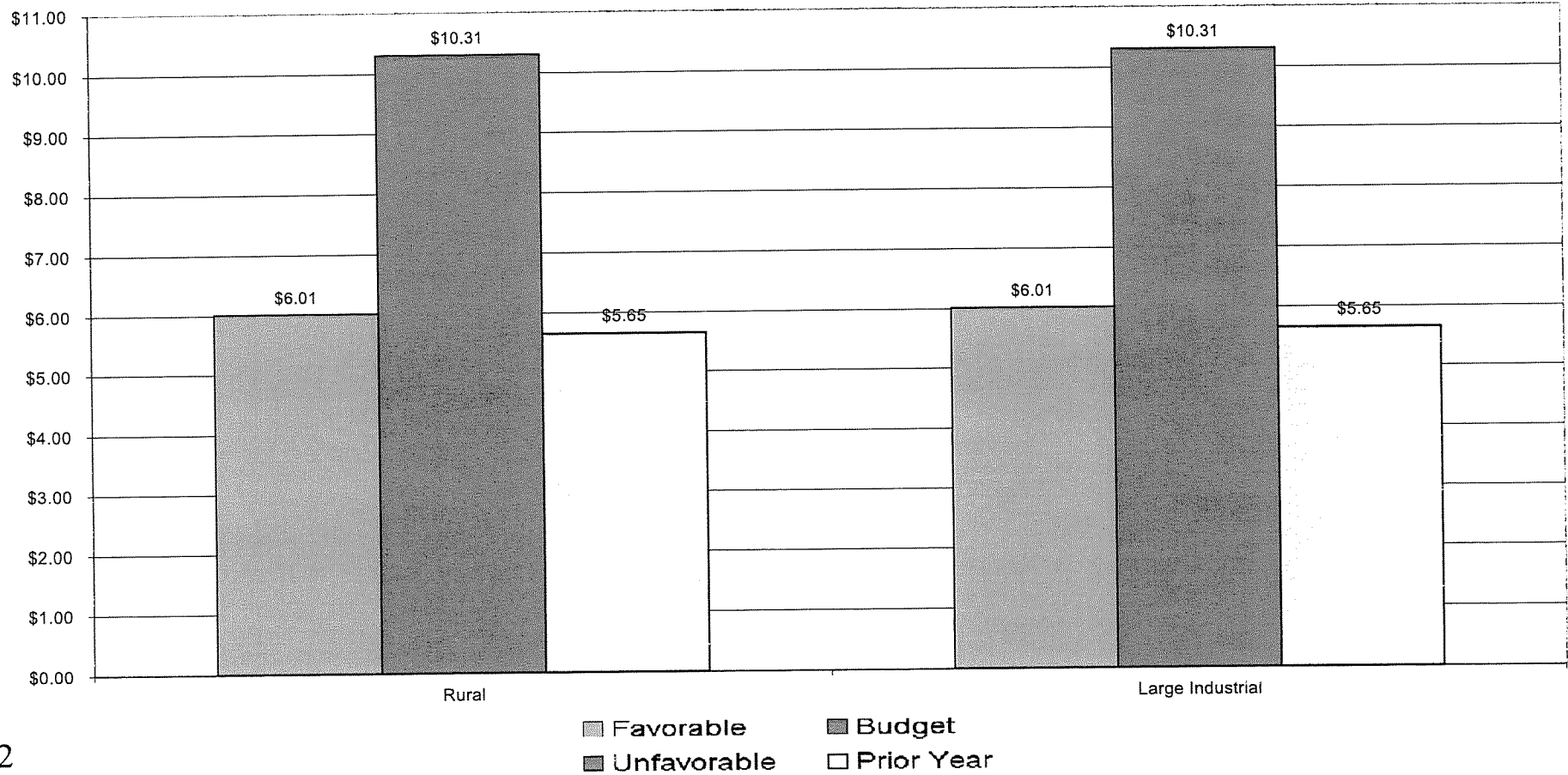
Net Sales Margin - \$/MWh YTD - February



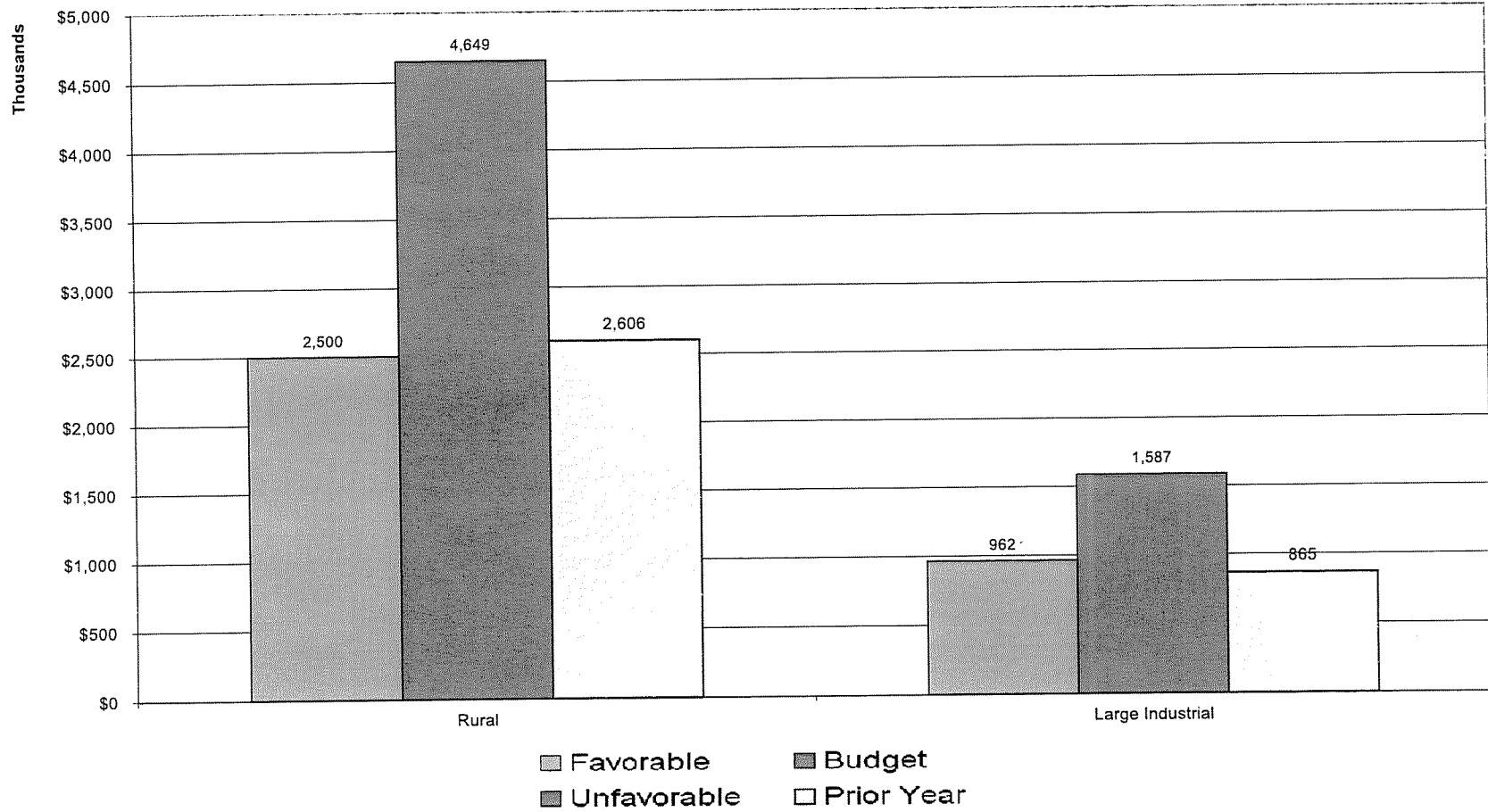
Net Sales Margin YTD - February



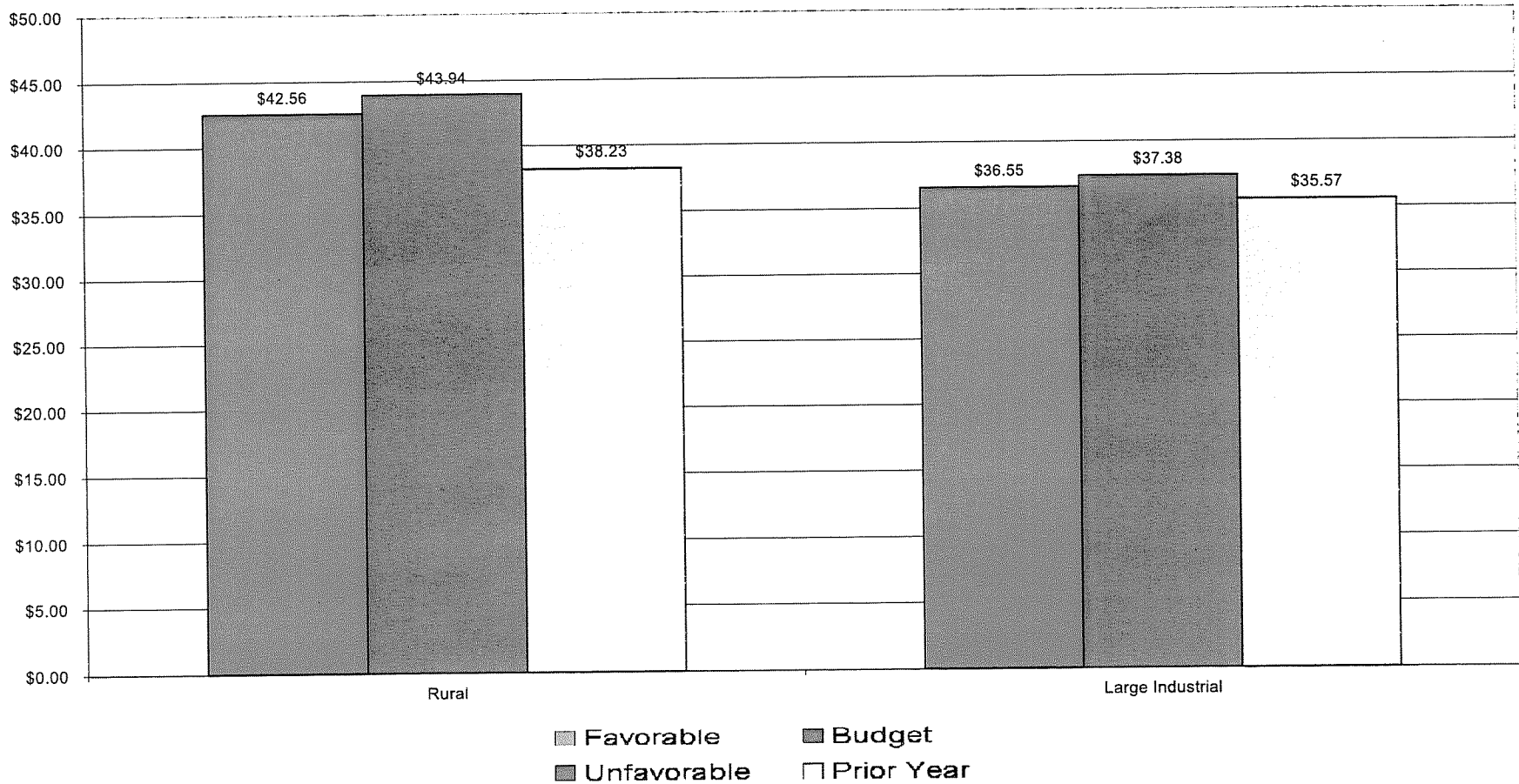
MRSM - \$/MWh YTD - February



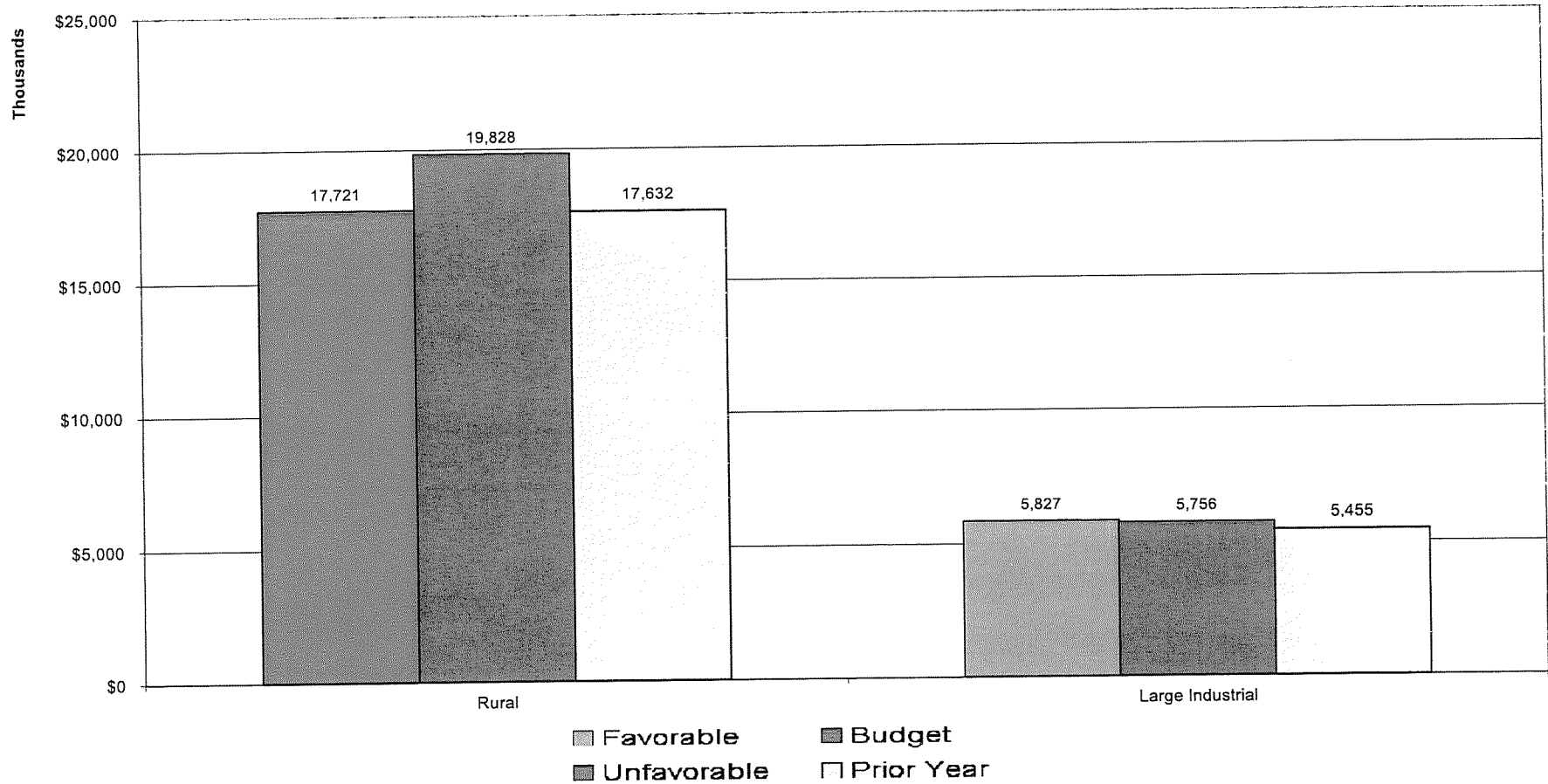
MRSM YTD - February



Net Revenue (Excl. MRSM) - \$/MWh YTD - February



Net Revenue (Excl. MRSM) YTD - February





Non-Variable Production and Other Power Supply – Operations

	2012	2011	Variance
	<u>Actual</u>	<u>Actual</u>	<u>Fav/(Unfav)</u>
February YTD			(1,452)

	<u>Fav/(UnFav)</u>
<u>Prior-Year Variances</u>	
Power Supply transmission reservation	(582)
Station-Two O&M [higher outage expense in 2012]	(602)
Other	(268)
Non-Variable Production and Other Power Supply - Operations	(1,452)

Operation Expense – Administrative & General

	2012	2011	Variance
	<u>Actual</u>	<u>Actual</u>	<u>Fav/(Unfav)</u>
February YTD	4,146	4,650	504

The favorable prior-year variance is primarily due to higher IT expenses in the first two months of 2011 related to the Oracle implementation.

Maintenance Expense – Production

	2012	2011	Variance
	<u>Actual</u>	<u>Actual</u>	<u>Fav/(Unfav)</u>
February YTD			(804)

The unfavorable 2011 variance is primarily due to higher maintenance spending at the Wilson & Green stations.


Depreciation & Amortization Expense

2012	2011	Variance
<u>Actual</u>	<u>Actual</u>	<u>Fav/(Unfav)</u>
6,786	5,718	(1,068)

Unfavorable to prior-year due to the higher depreciation rates that are in effect as a result of the depreciation study and a higher plant in service balance being depreciated.

Monthly Financial Report – January 2012



Your Touchstone Energy[®] Cooperative 

Financial Report
January 2012
(\$ in Thousands)

Board Meeting Date: March 16, 2012



Summary of Statement of Operations January 2012

	2012			2011	
	Actual	Budget	Fav/(UnFav) Variance	Actual	Fav/(UnFav) Variance
Revenues	46,876	54,073	(7,197)	45,370	1,506
Cost of Electric Service	44,830	49,811	4,981	45,304	474
Operating Margins	2,046	4,262	(2,216)	66	1,980
Interest Income/Other	6	5	1	32	(26)
Net Margins - YTD	2,052	4,267	(2,215)	98	1,954



Big Rivers Electric Corporation

Statement of Operations – January Variance to Budget

	Actual	Budget	Variance Fav/(UnFav)	Explanation
ELECTRIC ENERGY REVENUES	46,502	53,734	(7,232)	[A] Pages 7, 12-14
INCOME FROM LEASED PROPERTY - NET	0	0	0	
OTHER OPERATING REVENUE AND INCOME	374	339	35	
TOTAL OPER REVENUES & PATRONAGE CAPITAL	46,876	54,073	(7,197)	
OPERATION EXPENSE-PRODUCTION-EXCL FUEL	3,973	4,889	916	[A] Pages 7, 12-14, 26
OPERATION EXPENSE-PRODUCTION-FUEL	16,904	23,893	6,989	[A] Pages 7, 12-14
OPERATION EXPENSE-OTHER POWER SUPPLY	10,234	7,335	(2,899)	[A] Pages 7, 12-14, 26
OPERATION EXPENSE-TRANSMISSION	818	929	111	
OPERATION EXPENSE-RTO/ISO	209	230	21	
CONSUMER SERVICE & INFORMATIONAL EXPENSE	15	78	63	
OPERATION EXPENSE-SALES	(4)	78	82	
OPERATION EXPENSE-ADMINISTRATIVE & GENERAL	2,026	2,141	115	
TOTAL OPERATION EXPENSE	34,175	39,573	5,398	
MAINTENANCE EXPENSE-PRODUCTION	3,159	2,705	(454)	[B] Page 27
MAINTENANCE EXPENSE-TRANSMISSION	315	304	(11)	
MAINTENANCE EXPENSE-GENERAL PLANT	17	9	(8)	
TOTAL MAINTENANCE EXPENSE	3,491	3,018	(473)	
DEPRECIATION & AMORTIZATION EXPENSE	3,397	3,439	42	
TAXES	0	0	0	
INTEREST ON LONG-TERM DEBT	3,824	3,769	(55)	
INTEREST CHARGED TO CONSTRUCTION-CREDIT	(70)	(1)	69	
OTHER INTEREST EXPENSE	0	0	0	
OTHER DEDUCTIONS	13	13	0	
TOTAL COST OF ELECTRIC SERVICE	44,830	49,811	4,981	
OPERATING MARGINS	2,046	4,262	(2,216)	
INTEREST INCOME	6	5	1	
ALLOWANCE FOR FUNDS USED DURING CONST	0	0	0	
OTHER NON-OPERATING INCOME - NET	0	0	0	
OTHER CAPITAL CREDITS & PAT DIVIDENDS	0	0	0	
EXTRAORDINARY ITEMS	0	0	0	
NET PATRONAGE CAPITAL OR MARGINS	2,052	4,267	(2,215)	

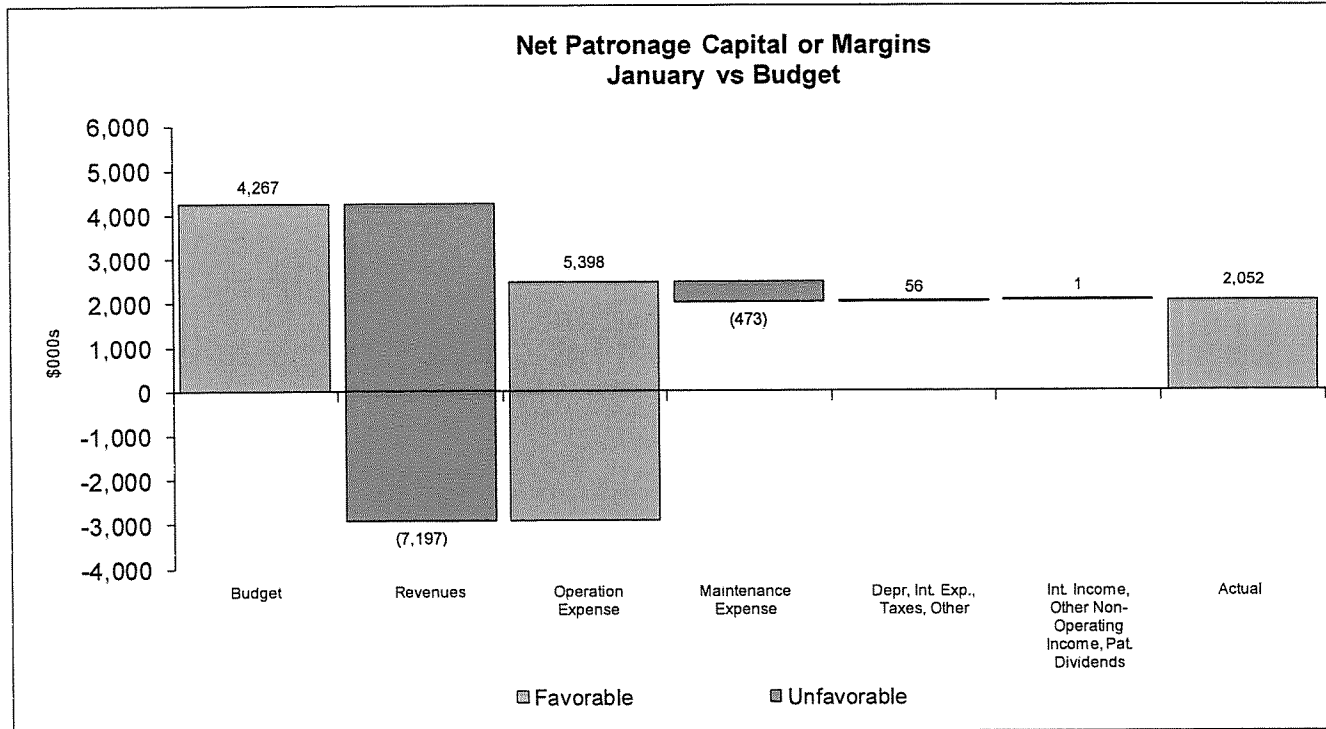
Explanations: [A] Net Sales Margin, [B] 10% of line item and \$250,000 or [C] 10% of margins and \$500,000.

Statement of Operations – January Variance to Prior-Year

	Actual	Prior Year	Variance Fav/(UnFav)	Explanation
ELECTRIC ENERGY REVENUES	46,502	45,224	1,278	[A] Pages 7, 12-14
INCOME FROM LEASED PROPERTY - NET	0	0	0	
OTHER OPERATING REVENUE AND INCOME	374	146	228	
TOTAL OPER REVENUES & PATRONAGE CAPITAL	46,876	45,370	1,506	
OPERATION EXPENSE-PRODUCTION-EXCL FUEL	3,973	4,221	248	[A] Pages 7, 12-14, 26
OPERATION EXPENSE-PRODUCTION-FUEL	16,904	19,915	3,011	[A] Pages 7, 12-14
OPERATION EXPENSE-OTHER POWER SUPPLY	10,234	8,468	(1,766)	[A] Pages 7, 12-14, [B] 26
OPERATION EXPENSE-TRANSMISSION	818	727	(91)	
OPERATION EXPENSE-RTO/ISO	209	170	(39)	
CONSUMER SERVICE & INFORMATIONAL EXPENSE	15	25	10	
OPERATION EXPENSE-SALES	(4)	6	10	
OPERATION EXPENSE-ADMINISTRATIVE & GENERAL	2,026	1,981	(45)	
TOTAL OPERATION EXPENSE	34,175	35,513	1,338	
MAINTENANCE EXPENSE-PRODUCTION	3,159	2,779	(380)	[B] Page 27
MAINTENANCE EXPENSE-TRANSMISSION	315	281	(34)	
MAINTENANCE EXPENSE-GENERAL PLANT	17	15	(2)	
TOTAL MAINTENANCE EXPENSE	3,491	3,075	(416)	
DEPRECIATION & AMORTIZATION EXPENSE	3,397	2,860	(537)	[B], [C] Page 28
TAXES	0	0	0	
INTEREST ON LONG-TERM DEBT	3,824	3,945	121	
INTEREST CHARGED TO CONSTRUCTION-CREDIT	(70)	(124)	(54)	
OTHER INTEREST EXPENSE	0	21	21	
OTHER DEDUCTIONS	13	14	1	
TOTAL COST OF ELECTRIC SERVICE	44,830	45,304	474	
OPERATING MARGINS	2,046	66	1,980	
INTEREST INCOME	6	30	(24)	
ALLOWANCE FOR FUNDS USED DURING CONST	0	0	0	
OTHER NON-OPERATING INCOME - NET	0	2	(2)	
OTHER CAPITAL CREDITS & PAT DIVIDENDS	0	0	0	
EXTRAORDINARY ITEMS	0	0	0	
NET PATRONAGE CAPITAL OR MARGINS	2,052	98	1,954	

Explanations: [A] Net Sales Margin, [B] 10% of line item and \$250,000 or [C] 10% of margins and \$500,000.

Variance Analysis Summary

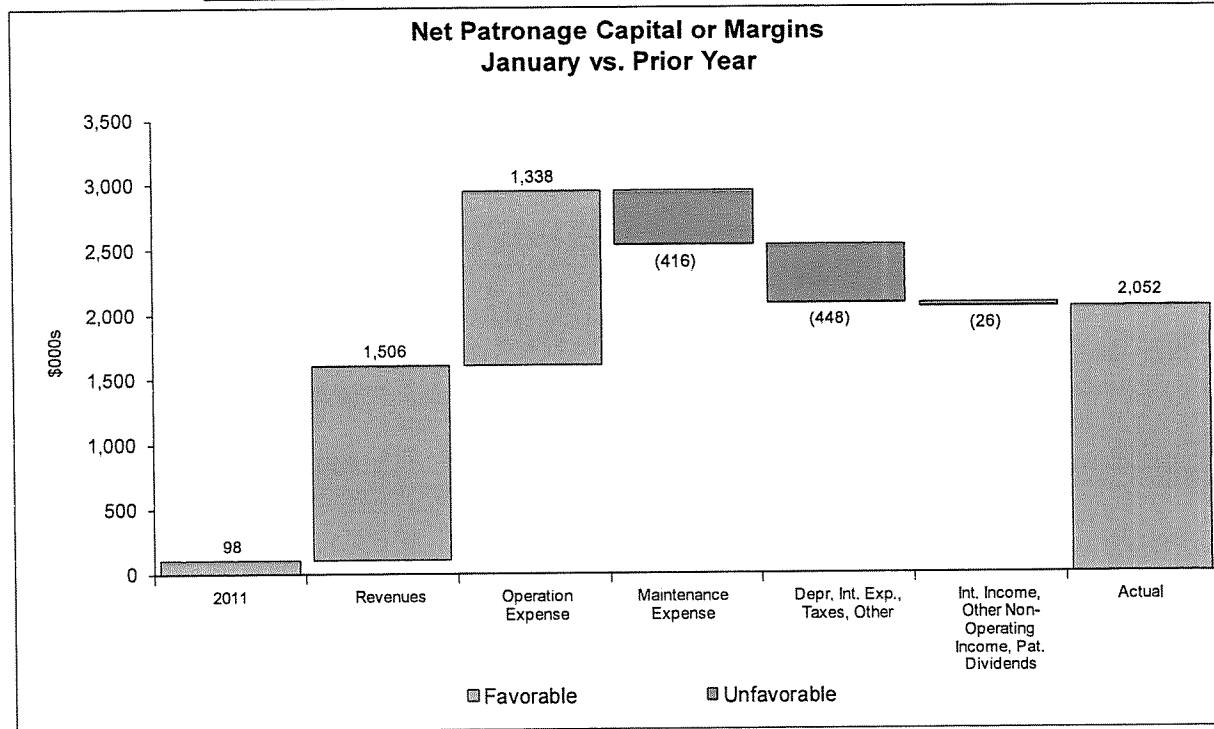


Financial Commentary

Year-to-Date

- January 2012 Margins were \$2,215 unfavorable to budget.
 - Electric Energy Revenues were unfavorable \$7,232 primarily due to lower member and off-system volume (see page 12).
 - Operation Expense was favorable \$5,398 – driven by lower variable costs \$5,294 primarily due to (a) lower sales volumes and (b) the MWh cost to purchase being less than the MWh cost to generate (see page 13).
 - Maintenance Expense was unfavorable \$473 primarily due to the timing of maintenance activities at the plants (see page 27).

Variance Analysis Summary



Financial Commentary

Year-to-Date

- January 2012 margins were \$1,954 favorable to January 2011.
 - Revenues were favorable \$1,506 primarily due to a higher smelter TIER Adjustment Charge (\$2.95/MWh vs \$1.95/MWh in 2011).
 - Operation Expense was favorable \$1,338 – driven by lower variable costs \$2,034, due to volume, partially offset by higher transmission reservation and higher MISO expense (see pages 13 & 26).
 - Maintenance Expense was unfavorable \$416 primarily due to higher labor and maintenance activities at the plants (see page 27).
 - Depreciation and Interest Expense combined was higher \$448 (see page 28).



Your Tennessee Energy Cooperative

Member Rate Stability Mechanism January

	<u>Actual</u> <u>2012</u>	<u>Budget</u> <u>2012</u>	<u>2012</u> <u>Variance</u>	<u>Actual</u> <u>2011</u>	<u>2011</u> <u>Variance</u>		<u>Actual</u> <u>2012</u>	<u>Budget</u> <u>2012</u>	<u>2012</u> <u>Variance</u>	<u>Actual</u> <u>2011</u>	<u>2011</u> <u>Variance</u>
<u>MRSM - \$/MWh</u>						<u>Net Revenue - \$/MWh</u>					
Rural	(5.99)	(10.39)	4.40	(4.94)	(1.05)	Rural	41.72	43.26	(1.54)	36.21	5.51
Large Industrial	(5.99)	(10.39)	4.40	(4.94)	(1.05)	Large Industrial	36.44	36.84	(0.40)	34.60	1.84
Total	(5.99)	(10.39)	4.40	(4.94)	(1.05)	Total	40.34	41.70	(1.36)	35.83	4.51
<u>MRSM - Thousands of \$</u>						<u>Net Revenue - Thousands of \$</u>					
Rural	(1,341)	(2,556)	1,215	(1,279)	(62)	Rural	9,362	10,639	(1,277)	9,393	(31)
Large Industrial	(479)	(821)	342	(395)	(84)	Large Industrial	2,906	2,924	(18)	2,762	144
Total	(1,820)	(3,377)	1,557	(1,674)	(146)	Total	12,268	13,563	(1,295)	12,155	113

<u>Economic Reserve Balance</u>			
<u>Cumulative-to-Date</u>	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
Original Deposit	\$ 157,000		
Interest Earnings	2,815		
Withdrawals	(60,903)		
Ending Balance 1/31/2012	\$ 98,912	\$ 97,224	\$ 1,688
<u>YTD January 2012</u>			
Beg. Balance 1/1/2012	\$ 100,601		
Interest Earnings	52		
Withdrawals	(1,741)		
Ending Balance 1/31/2012	\$ 98,912	\$ 97,224	\$ 1,688



Cash & Temporary Investments

	<u>Actual</u>	<u>Budget</u>	<u>Fav/(Unfav)</u>	2011	<u>Actual</u>	<u>Fav/(Unfav)</u>
January 31st	46,616	40,426	6,190		49,448	(2,832)

The January 31, 2012 cash balance compared to budget is favorable primarily due to the decision to “claw back” \$11,500 from RUS in January due to lower than forecast off-system sales market in the latter part of 2011.

Lines of Credit <u>As of January 31st</u>	
Original Amount	\$100,000
Letters of Credit Outstanding	(5,375)
Advances Outstanding	0
Available Lines of Credit	\$ 94,625

North Star - January

	2012			2011	
	Actual	Budget	Fav/(UnFav) Variance	Actual	Fav/(UnFav) Variance
Total Cost of Electric Service			4,980		474
Other Operating Revenues & Income	(374)	(338)	36	(146)	228
Smelter Avoidable Base Charge	(126)	0	126	0	126
Off-System Sales/Other					
Interest Income	(6)	(5)	1	(30)	(24)
Other Non-Operating Income	0	0	0	(2)	(2)
Other Capital Credits & Pat. Dividends	0	0	0	0	0
			2,525		(5,626)

Member MWh	929,847	944,980	(15,133)	885,532	44,315
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North Star - \$/kWh	[REDACTED]				
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TIER

	<u>Actual</u>	<u>Budget</u>	<u>Fav/(Unfav)</u>
Interest on Long-Term Debt	3,824	3,769	(55)
Net Margins	[REDACTED]		
TIER - January	[REDACTED]		
TIER (12 months ending 1/31)	[REDACTED]		

Notes:

TIER = (Net Margins + Interest on Long-Term Debt) divided by Interest on Long-Term Debt



Capital Expenditures*

	<u>Actual</u>	<u>Budget</u>	<u>Fav/(UnFav)</u>
IT	(2)	364	366
Generation	2,042	877	(1,165)
Transmission	265	406	141
Other	<u>9</u>	<u>406</u>	<u>397</u>
Total	2,314	2,053	(261)

Explanation:

Generation was unfavorable \$1,165 due to timing. Wilson Station was unfavorable \$916 due to the timing of costs associated with the planned outage, which was budgeted in February and March. Station Two was unfavorable \$224 largely due to the timing of a milestone payment associated with the H2 Burner project. Coleman was unfavorable \$177 due to the timing of the C3 'B' Circulating Water Pump Column project, as well as other miscellaneous timing issues. Partially offsetting these unfavorable variances, Green Station was favorable \$152 due to the timing of the Capital Valves and Conveyor Belt projects which were budgeted in January.

IT was favorable \$366 due to the timing of the OSI Hardware/Software projects, budgeted in January. Transmission was favorable \$141 primarily due to the favorability in the Wilson 69 kV Line to Centertown project.

Other favorable primarily due to the timing of expenditures for the Operator Training Simulator.

* Gross of the City's share of Station Two. Includes capitalized interest.

Revenue January

	Actual 2012	Budget 2012	Variance	Actual 2011	2011 Variance
MWh Sales					
Rural	224,313	245,930	(21,617)	259,369	(35,056)
Large Industrial	79,778	79,298	480	79,846	(68)
Smelter	625,756	619,752	6,004	546,317	79,439
Off-System/Other					
Total					
Revenue - \$/MWh					
Rural	47.71	53.65	(5.94)	41.15	6.56
Large Industrial	42.43	47.23	(4.80)	39.54	2.89
Smelter	47.79	51.10	(3.31)	41.11	6.68
Off-System/Other					
Total					
Revenue - Thousands of \$					
Rural	10,703	13,195	(2,492)	10,672	31
Large Industrial	3,385	3,745	(360)	3,157	228
Smelter	29,905	31,667	(1,762)	22,458	7,447
Off-System/Other					
Total					

Revenue Price / Volume Analysis January 2012

	Price / Volume		
	Price	Volume	Total
Rural	(1,332)	(1,160)	(2,492)
Large Industrial	(383)	23	(360)
Smelter	(2,069)	307	(1,762)
Off-System/Other			



Your Touchstone Energy Perspective

Variable Operations Cost YTD January

	Actual 2012	Budget 2012	Variance	Actual 2011	2011 Variance
Variable Operations (VO) Cost - \$/MWh					
Rural					
Large Industrial					
Smelter					
Off-System/Other					
Total					
VO Cost - Thousands of \$					
Rural					
Large Industrial					
Smelter					
Off-System/Other					
Total					

YTD January 2012 Variable Operations Expense

	Actual	Budget	Fav/(UnFav)	Price Variance Fav/(UnFav)	Volume Variance Fav/(UnFav)	Fav/(UnFav)
Reagent						
Fuel						
Purchased Power						
Non-FAC PPA (Non-Smelter)						



Your Touchless Energy Company

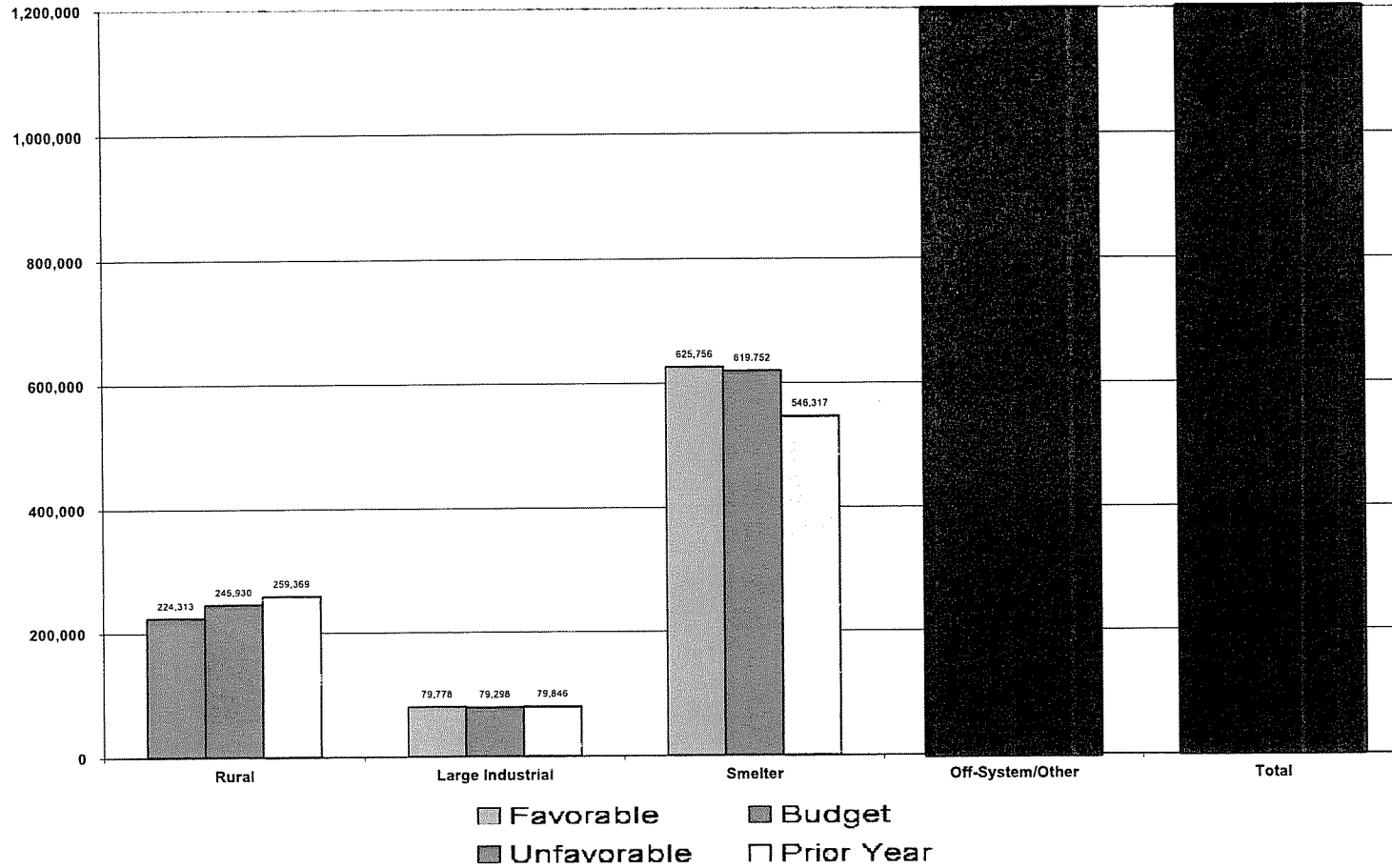
Net Sales Margin YTD January

	Actual 2012	Budget 2012	Variance	Actual 2011	2011 Variance
Net Sales Margin - \$/MWh					
Rural					
Large Industrial					
Smelter					
Off-System/Other					
Total					
Net Sales Margin - Thousands of \$					
Rural					
Large Industrial					
Smelter					
Off-System/Other					
Total					

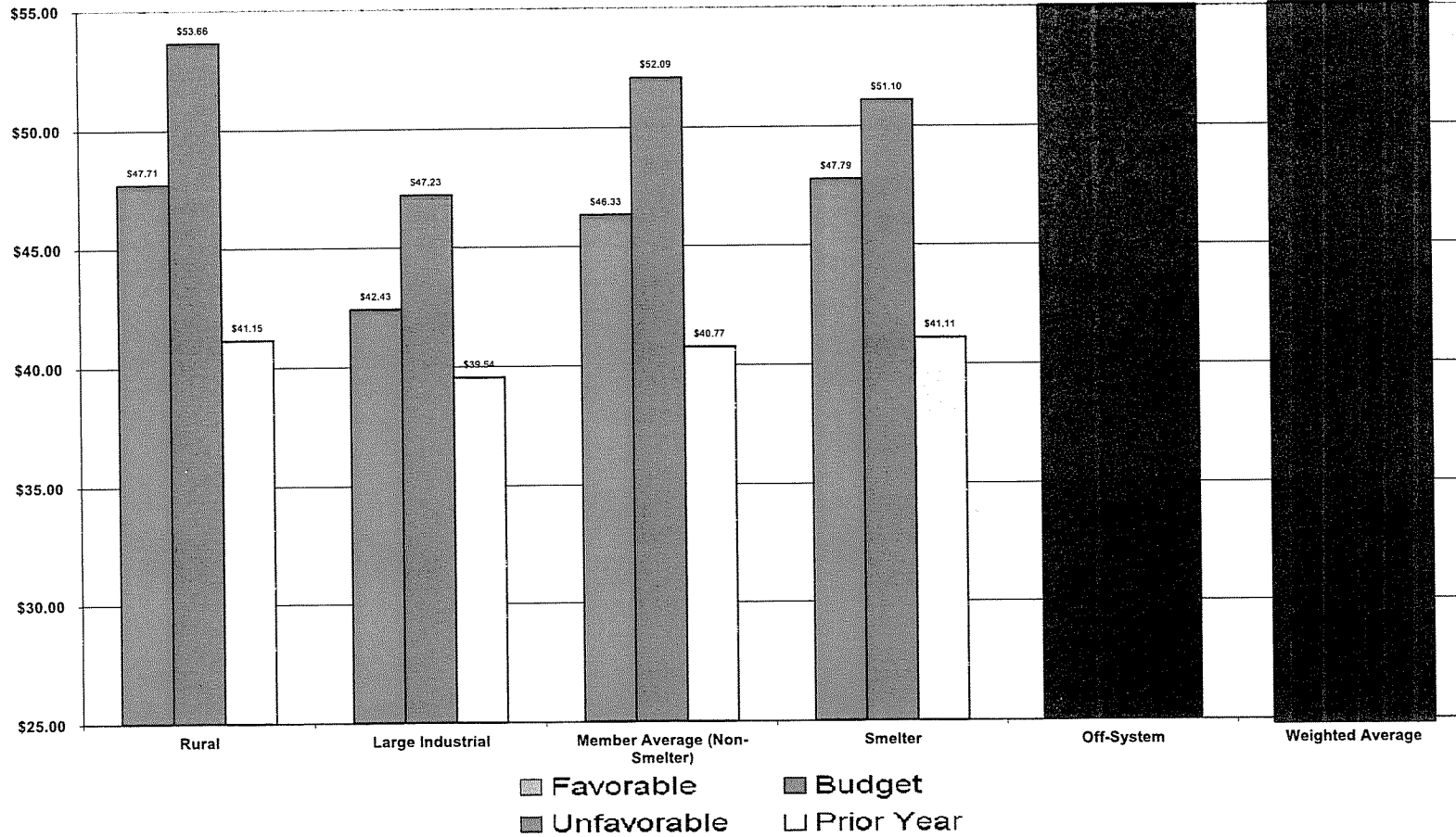
Net Sales Margin Price / Volume Analysis January 2012

	Price / Volume		Total
	Price	Volume	
Rural			
Large Industrial			
Smelter			
Off-System/Other			

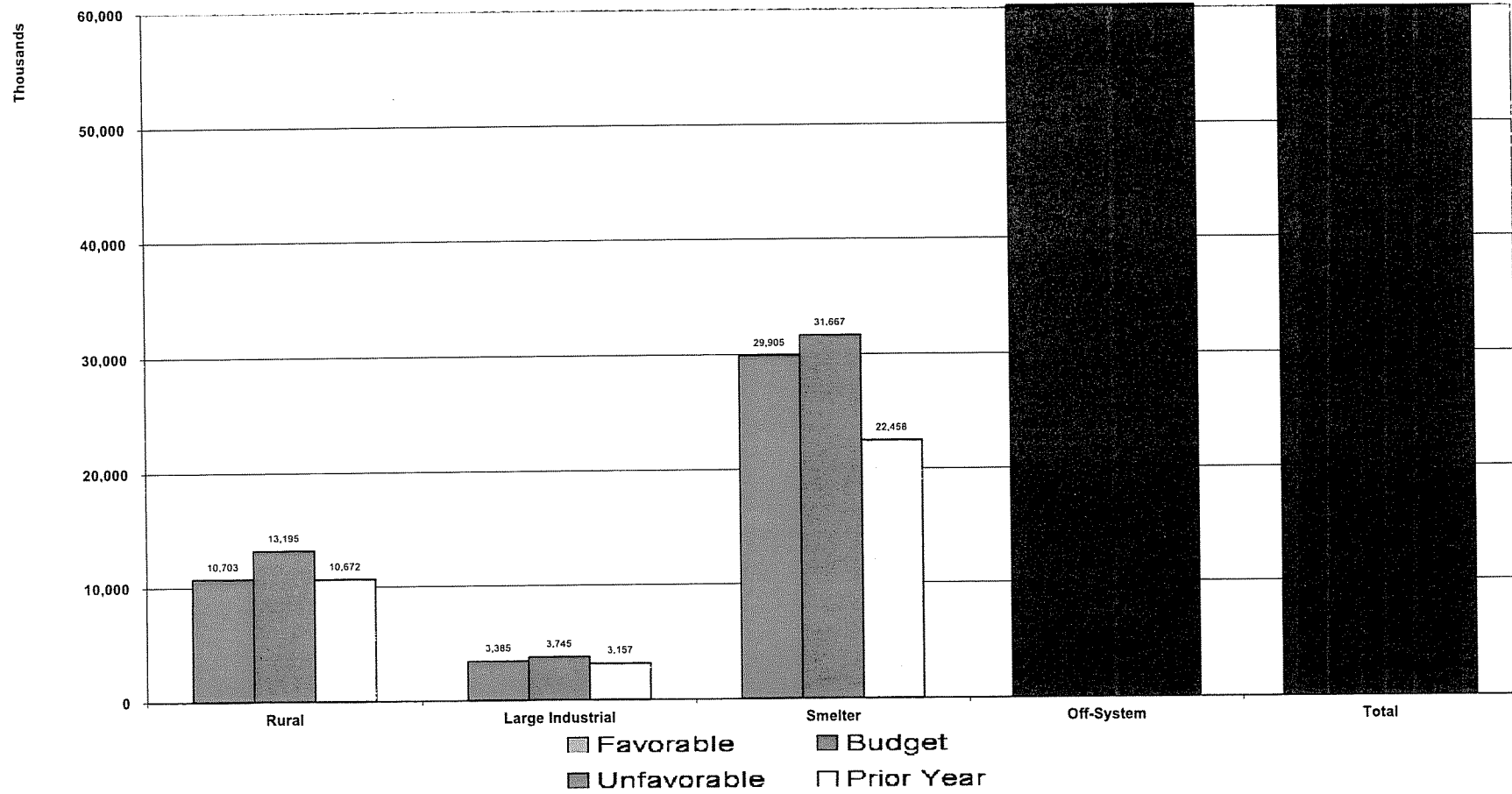
MWH Sales



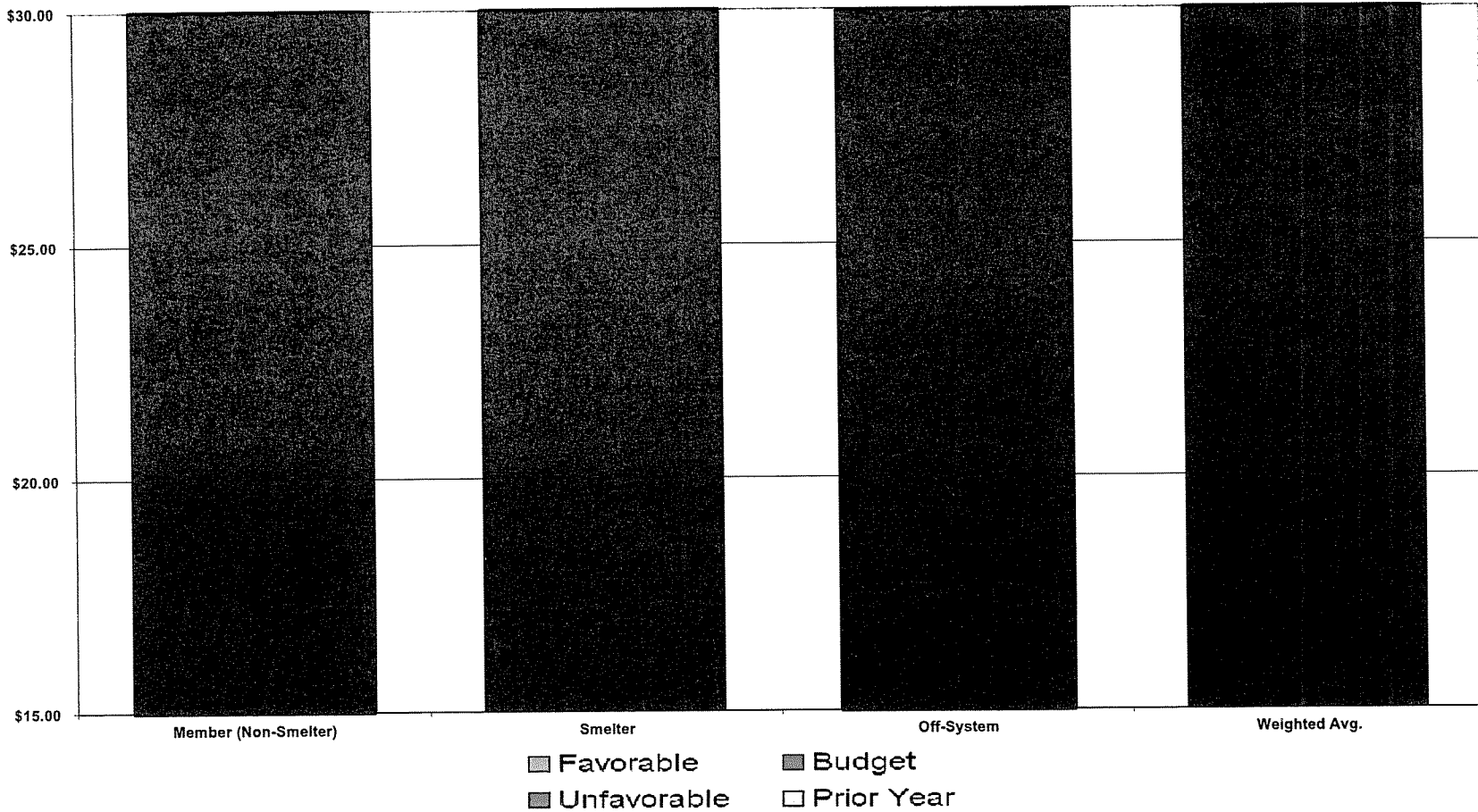
Revenue - \$/MWh Sold



Revenue

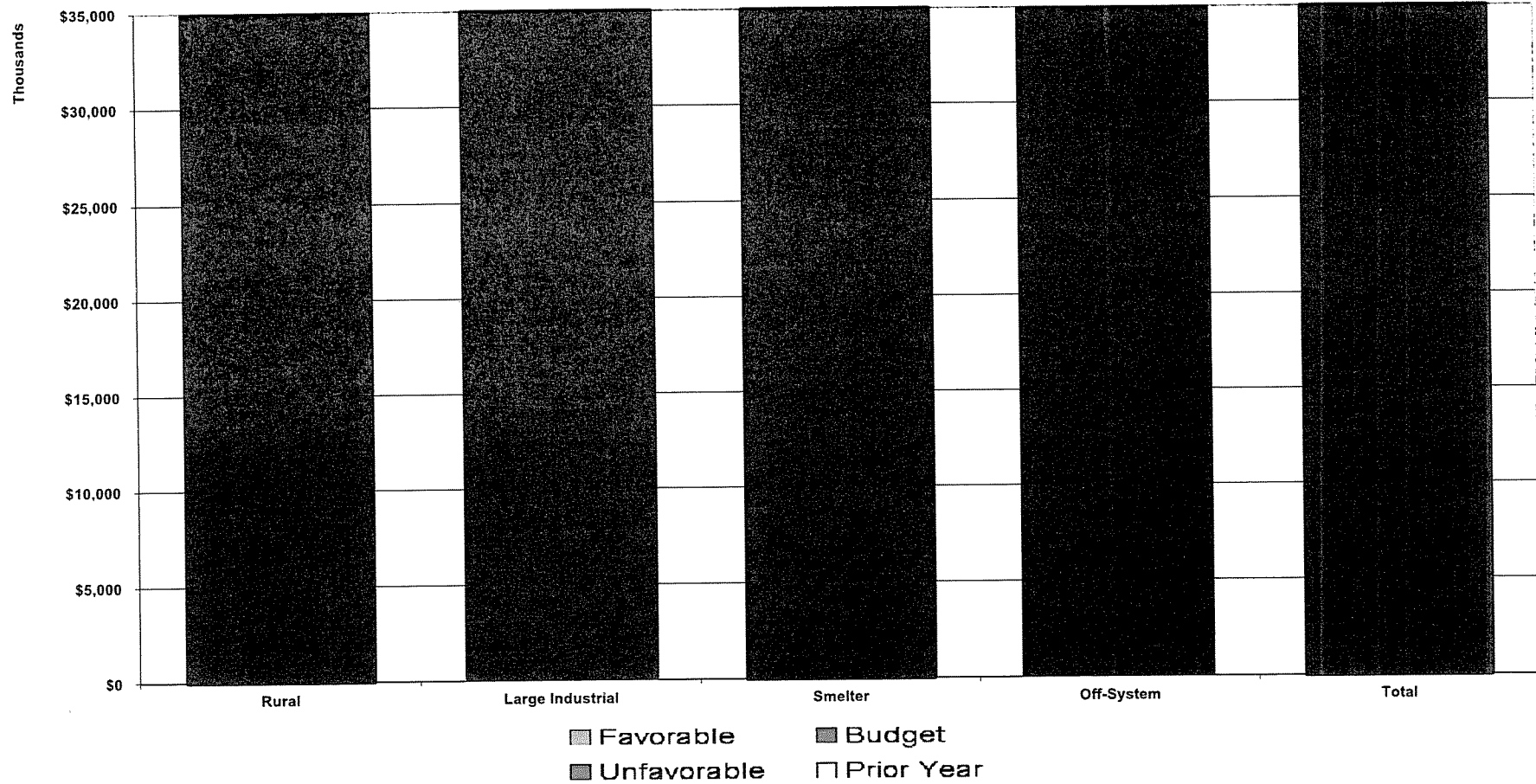


Variable Operations - \$/MWh Sold

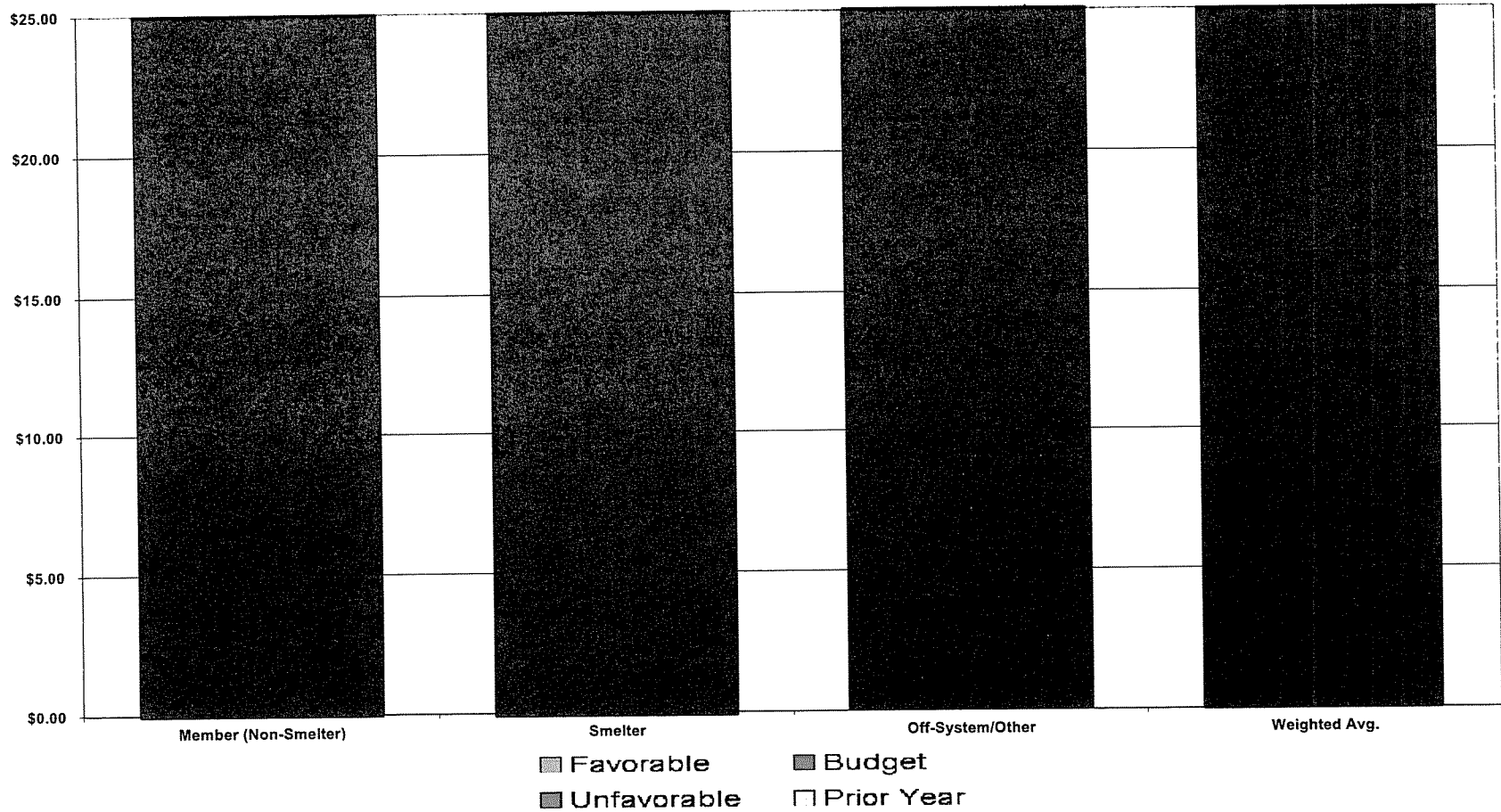


Variable Operations Cost

You: Task for the Evening: Cooperatives

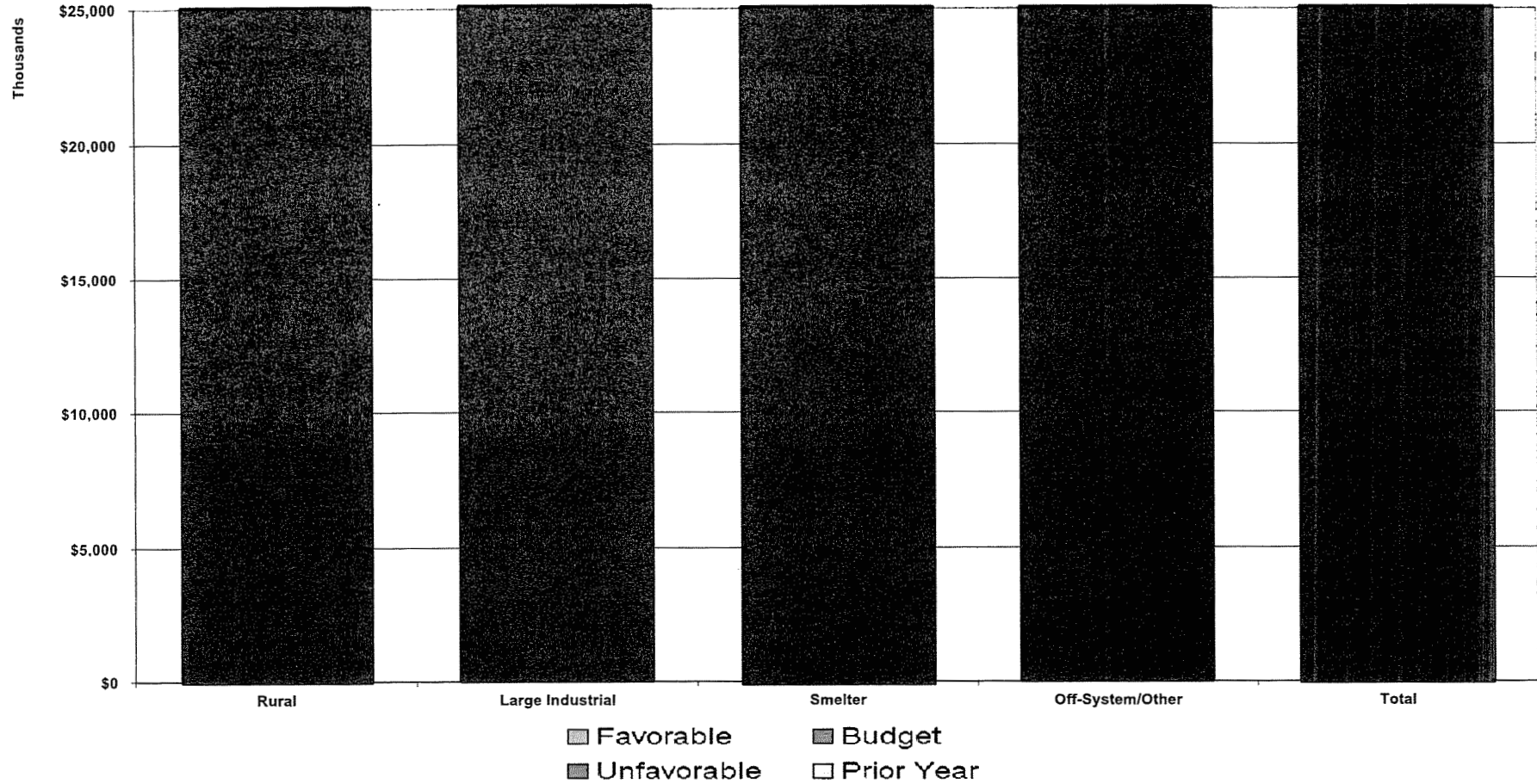


Net Sales Margin - \$/MWh

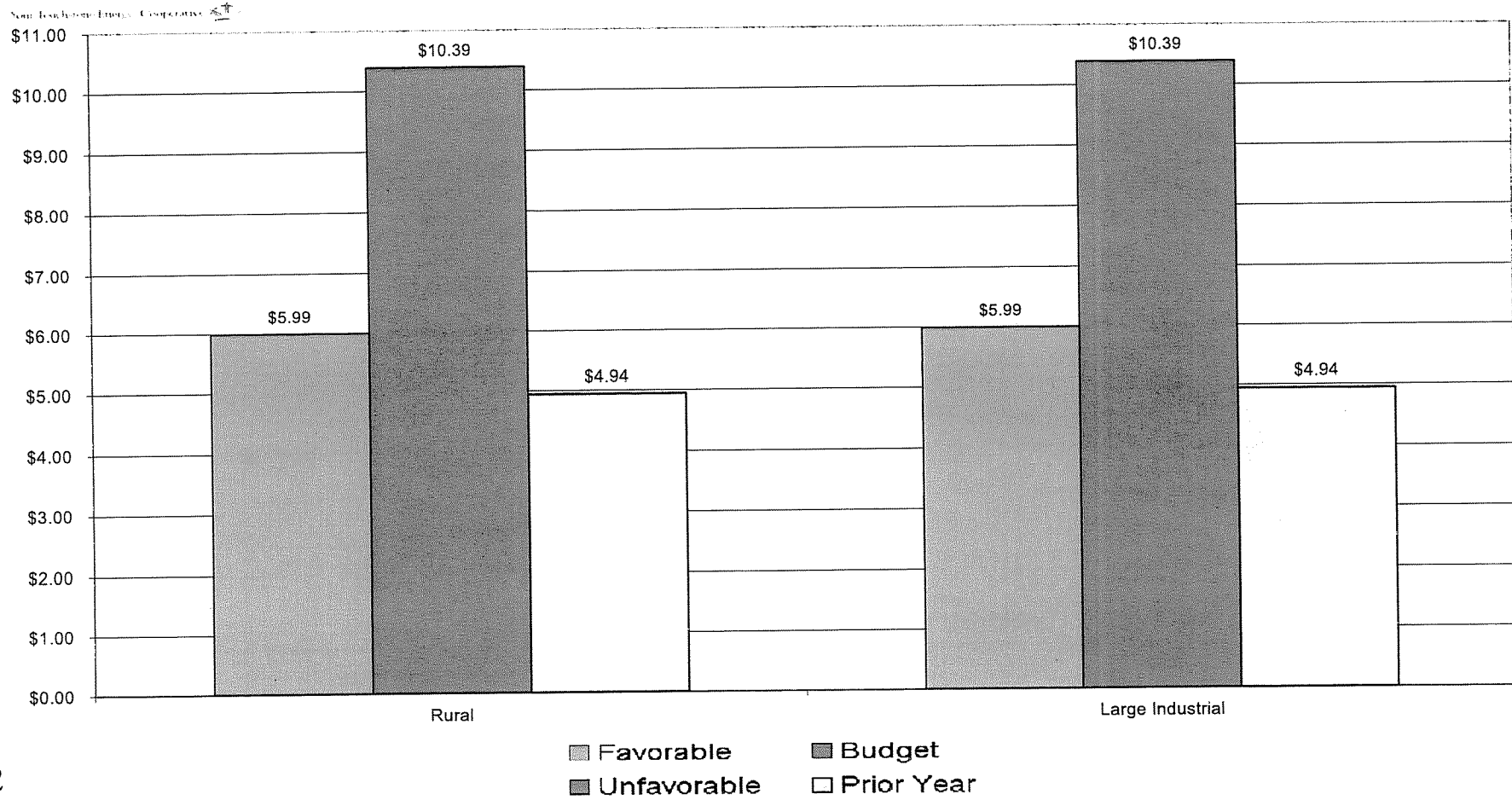


Net Sales Margin

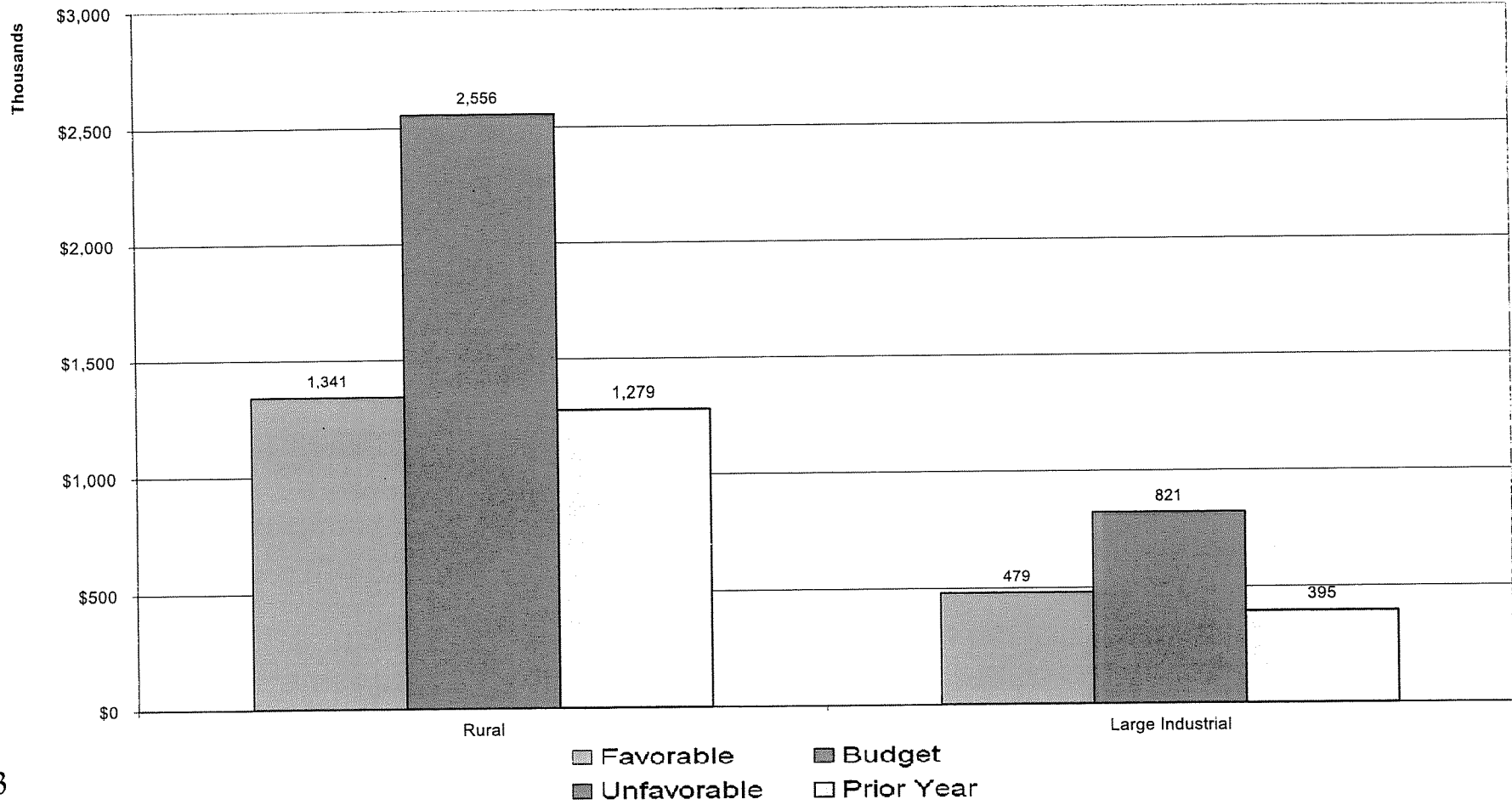
Your Electric Utility's Competitive Edge



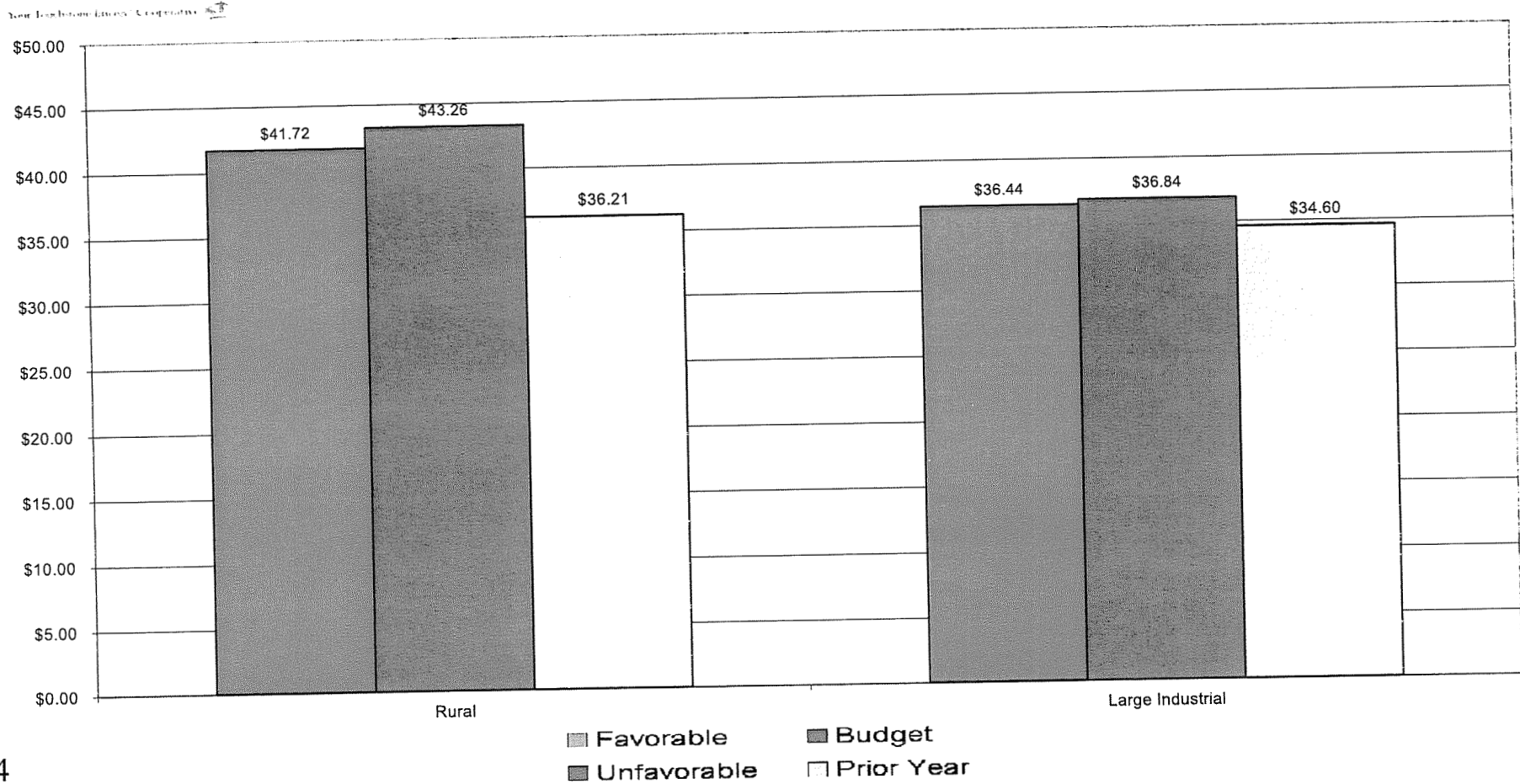
MRSM - \$/MWh



MRSM

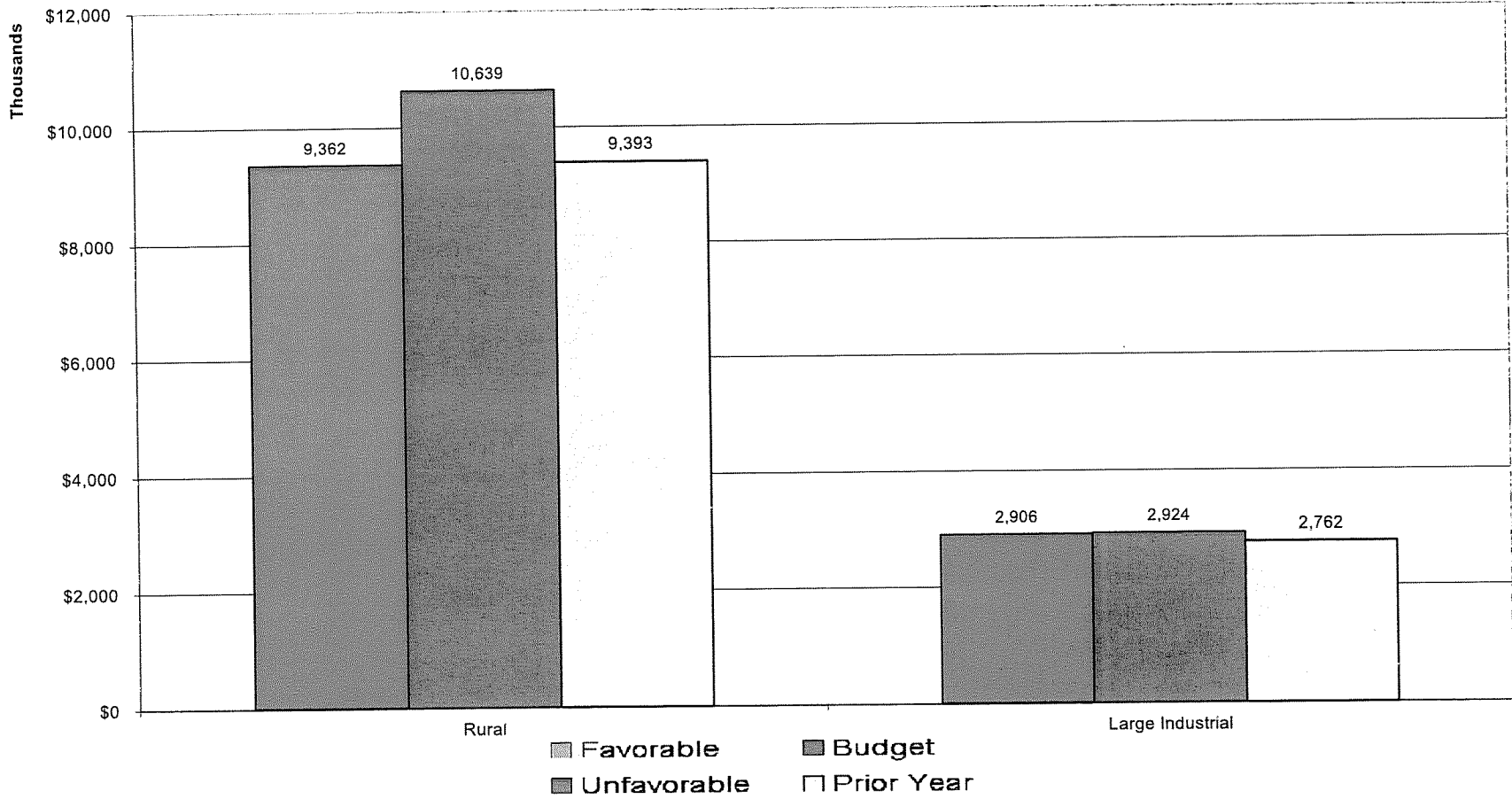


Net Revenue (Excl. MRSM) - \$/MWh



Net Revenue (Excl. MRSM)

Your Local Electric Cooperative



Non-Variable Production and Other Power Supply – Operations

2012			2011	
<u>Actual</u>	<u>Budget</u>	<u>Variance Fav/(Unfav)</u>	<u>2011 Actual</u>	<u>Variance Fav/(Unfav)</u>
		(288)		(541)

Current Year Variances

Power Supply transmission reservation
Other

Fav/(UnFav)
(175)
(113)

Non-Variable Production and Other Power Supply - Operations

(288)

Prior-Year Variances

Power Supply transmission reservation
Labor
Station-Two O&M
Other

Fav/(UnFav)
(132)
(151)
(231)
(42)

Non-Variable Production and Other Power Supply - Operations

(556)

Maintenance Expense – Production

2012			2011	
<u>Actual</u>	<u>Budget</u>	<u>Variance Fav/(Unfav)</u>	<u>2011 Actual</u>	<u>Variance Fav/(Unfav)</u>
		(454)		(380)

Unfavorable to budget due to higher maintenance expense at Green, Wilson and Coleman for the month of January. This variance will reverse in the upcoming months.

The unfavorable 2011 variance is primarily due to higher maintenance spending at the Wilson & Green stations along with year over year wage increases.


Depreciation & Amortization Expense

2012	2011	Variance
<u>Actual</u>	<u>Actual</u>	<u>Fav/(Unfav)</u>
3,397	2,860	(537)

Unfavorable to prior-year due to the higher depreciation rates that are in effect as a result of the depreciation study and a higher plant in service balance being depreciated.

Monthly Financial Report – December 2011



Your Touchstone Energy Cooperative 

2011 Financial Report **(\$ in Thousands)**

Board Meeting Date: February 21, 2012

Summary of 2011 Statement of Operations

	2011			2010	
	Actual	Budget *	Fav/(UnFav) Variance	Actual	Fav/(UnFav) Variance
Revenues	561,989	544,872	17,117	527,324	34,665
Cost of Electric Service	556,657	539,287	(17,370)	523,067	(33,590)
Operating Margins	5,332	5,585	(253)	4,257	1,075
Interest Income/Other	268	482	(214)	2,734	(2,466)
Margins	5,600	6,067	(467)	6,991	(1,391)

* Budget Revenues and Cost of Electric Service revised to remove the power supply transmission reservation (off-setting).



Your Electric Energy Cooperative

Statement of Operations – December Variance to Budget

	Current Month			Year-to-Date			
	Actual	Budget*	Variance Fav/(UnFav)	Actual	Budget*	Variance Fav/(UnFav)	Explanation
ELECTRIC ENERGY REVENUES	47,411	50,390	(2,979)	558,372	544,848	13,524	[A] Pages 7, 12-14
INCOME FROM LEASED PROPERTY - NET	0	0	0	0	0	0	
OTHER OPERATING REVENUE AND INCOME	380	2	378	3,617	24	3,593	[B], [C] Page 26
TOTAL OPER REVENUES & PATRONAGE CAPITAL	47,791	50,392	(2,601)	561,989	544,872	17,117	
OPERATION EXPENSE-PRODUCTION-EXCL FUEL	4,673	5,856	1,183	50,410	64,789	14,379	[A] Pages 7, 12-14, 27
OPERATION EXPENSE-PRODUCTION-FUEL	19,074	18,312	(762)	226,229	206,690	(19,539)	[A] Pages 7, 12-14
OPERATION EXPENSE-OTHER POWER SUPPLY	9,729	7,769	(1,960)	112,262	90,833	(21,429)	[A] Pages 7, 12-14, 27
OPERATION EXPENSE-TRANSMISSION	841	1,066	225	9,183	12,297	3,114	[B], [C] Page 28
OPERATION EXPENSE-RTO/ISO	212	239	27	2,530	2,783	253	
CONSUMER SERVICE & INFORMATIONAL EXPENSE	193	66	(127)	632	864	232	
OPERATION EXPENSE-SALES	44	56	12	185	919	734	[B], [C] Page 30
OPERATION EXPENSE-ADMINISTRATIVE & GENERAL	2,855	2,108	(747)	26,557	25,728	(829)	[C] Page 31
TOTAL OPERATION EXPENSE	37,621	35,472	(2,149)	427,988	404,903	(23,085)	
MAINTENANCE EXPENSE-PRODUCTION	3,895	2,708	(1,187)	42,896	47,234	4,338	[B], [C] Page 32
MAINTENANCE EXPENSE-TRANSMISSION	564	254	(310)	4,681	3,263	(1,418)	[B], [C] Page 33
MAINTENANCE EXPENSE-GENERAL PLANT	7	7	0	141	103	(38)	
TOTAL MAINTENANCE EXPENSE	4,466	2,969	(1,497)	47,718	50,600	2,882	
DEPRECIATION & AMORTIZATION EXPENSE	3,252	3,054	(198)	35,407	36,228	821	[C] Page 34
TAXES	(30)	21	51	98	249	151	
INTEREST ON LONG-TERM DEBT	3,789	4,023	234	45,715	47,367	1,652	[C] Page 35
INTEREST CHARGED TO CONSTRUCTION-CREDIT	(40)	(2)	.38	(548)	(426)	122	
OTHER INTEREST EXPENSE	0	30	30	59	229	170	
OTHER DEDUCTIONS	17	11	(6)	220	137	(83)	
TOTAL COST OF ELECTRIC SERVICE	49,075	45,578	(3,497)	556,657	539,287	(17,370)	
OPERATING MARGINS	(1,284)	4,814	(6,098)	5,332	5,585	(253)	
INTEREST INCOME	6	33	(27)	150	386	(236)	
ALLOWANCE FOR FUNDS USED DURING CONST	0	0	0	0	0	0	
OTHER NON-OPERATING INCOME - NET	0	0	0	9	0	9	
OTHER CAPITAL CREDITS & PAT DIVIDENDS	4	0	4	109	96	13	
EXTRAORDINARY ITEMS	0	0	0	0	0	0	
NET PATRONAGE CAPITAL OR MARGINS	(1,274)	4,847	(6,121)	5,600	6,067	(467)	

Explanations: [A] Net Sales Margin, [B] 10% of line item and \$250,000 or [C] 10% of margins and \$500,000.

* Budget Revenues and Cost of Electric Service revised to remove the power supply transmission reservation (off-setting).



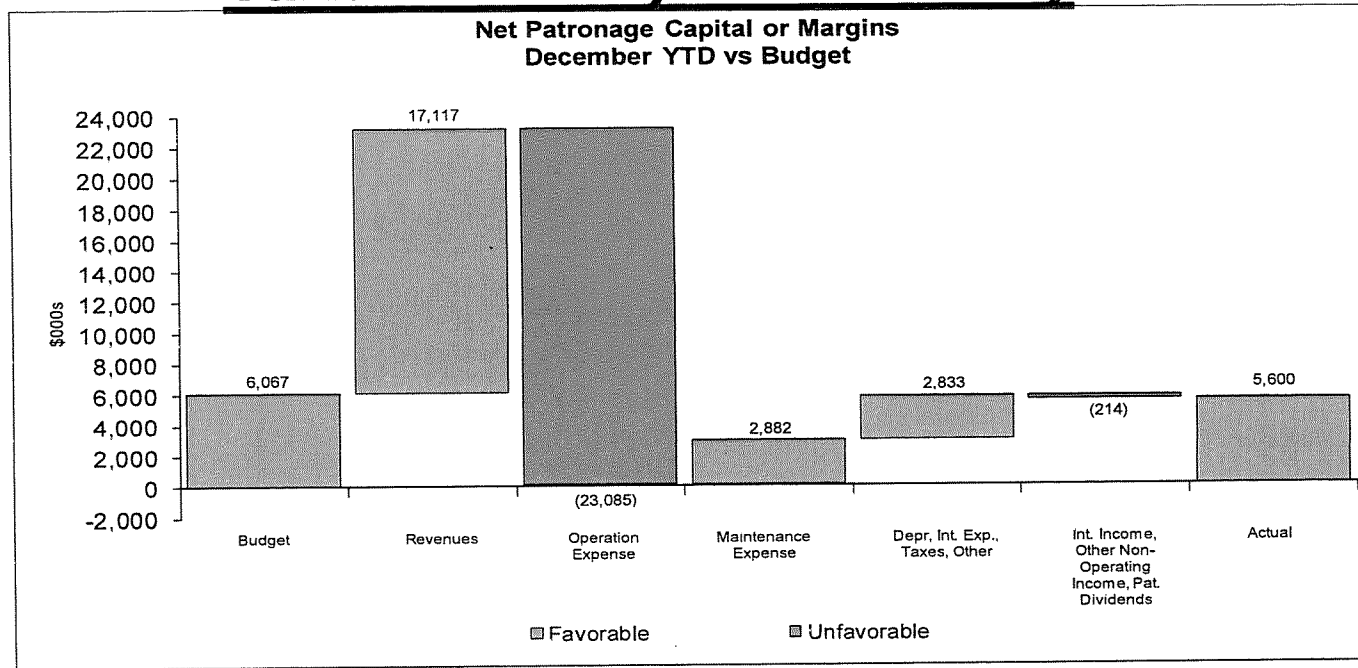
Your Sustainable Energy Cooperative

Statement of Operations – December Variance to Prior-Year

	Current Month			Year-to-Date			Explanation
	Actual	Prior Year	Variance Fav/(UnFav)	Actual	Prior Year	Variance Fav/(UnFav)	
ELECTRIC ENERGY REVENUES	47,411	47,175	236	558,372	514,490	43,882	[A] Pages 7, 12-14
INCOME FROM LEASED PROPERTY - NET	0	0	0	0	0	0	
OTHER OPERATING REVENUE AND INCOME	380	152	228	3,617	12,834	(9,217)	[B], [C] Page 26
TOTAL OPER REVENUES & PATRONAGE CAPITAL	47,791	47,327	464	561,989	527,324	34,665	
OPERATION EXPENSE-PRODUCTION-EXCL FUEL	4,673	3,921	(752)	50,410	52,507	2,097	[A] Pages 7, 12-14, 27
OPERATION EXPENSE-PRODUCTION-FUEL	19,074	19,007	(67)	226,229	207,748	(18,481)	[A] Pages 7, 12-14
OPERATION EXPENSE-OTHER POWER SUPPLY	9,729	8,561	(1,168)	112,262	99,421	(12,841)	[A] Pages 7, 12-14, [B] 27
OPERATION EXPENSE-TRANSMISSION	841	1,045	204	9,183	8,122	(1,061)	[B],[C] Page 28
OPERATION EXPENSE-RTO/ISO	212	0	(212)	2,530	0	(2,530)	[B],[C] Page 29
CONSUMER SERVICE & INFORMATIONAL EXPENSE	193	17	(176)	632	446	(186)	
OPERATION EXPENSE-SALES	44	50	6	185	240	55	
OPERATION EXPENSE-ADMINISTRATIVE & GENERAL	2,855	2,800	(55)	26,557	26,462	(95)	
TOTAL OPERATION EXPENSE	37,621	35,401	(2,220)	427,988	394,946	(33,042)	
MAINTENANCE EXPENSE-PRODUCTION	3,895	3,109	(786)	42,896	42,157	(739)	[C] Page 32
MAINTENANCE EXPENSE-TRANSMISSION	564	243	(321)	4,681	4,473	(208)	
MAINTENANCE EXPENSE-GENERAL PLANT	7	78	71	141	250	109	
TOTAL MAINTENANCE EXPENSE	4,466	3,430	(1,036)	47,718	46,880	(838)	
DEPRECIATION & AMORTIZATION EXPENSE	3,252	2,857	(395)	35,407	34,242	(1,165)	[C] Page 34
TAXES	(30)	65	95	98	263	165	
INTEREST ON LONG-TERM DEBT	3,789	4,104	315	45,715	47,064	1,349	[C] Page 35
INTEREST CHARGED TO CONSTRUCTION-CREDIT	(40)	(103)	(63)	(548)	(683)	(135)	
OTHER INTEREST EXPENSE	0	21	21	59	189	130	
OTHER DEDUCTIONS	17	68	51	220	166	(54)	
TOTAL COST OF ELECTRIC SERVICE	49,075	45,843	(3,232)	556,657	523,067	(33,590)	
OPERATING MARGINS	(1,284)	1,484	(2,768)	5,332	4,257	1,075	
INTEREST INCOME	6	58	(52)	150	391	(241)	
ALLOWANCE FOR FUNDS USED DURING CONST	0	0	0	0	0	0	
OTHER NON-OPERATING INCOME - NET	0	621	(621)	9	2,322	(2,313)	[B],[C] Page 36
OTHER CAPITAL CREDITS & PAT DIVIDENDS	4	0	4	109	21	88	
EXTRAORDINARY ITEMS	0	0	0	0	0	0	
NET PATRONAGE CAPITAL OR MARGINS	(1,274)	2,163	(3,437)	5,600	6,991	(1,391)	

Explanations: [A] Net Sales Margin, [B] 10% of line item and \$250,000 or [C] 10% of margins and \$500,000.

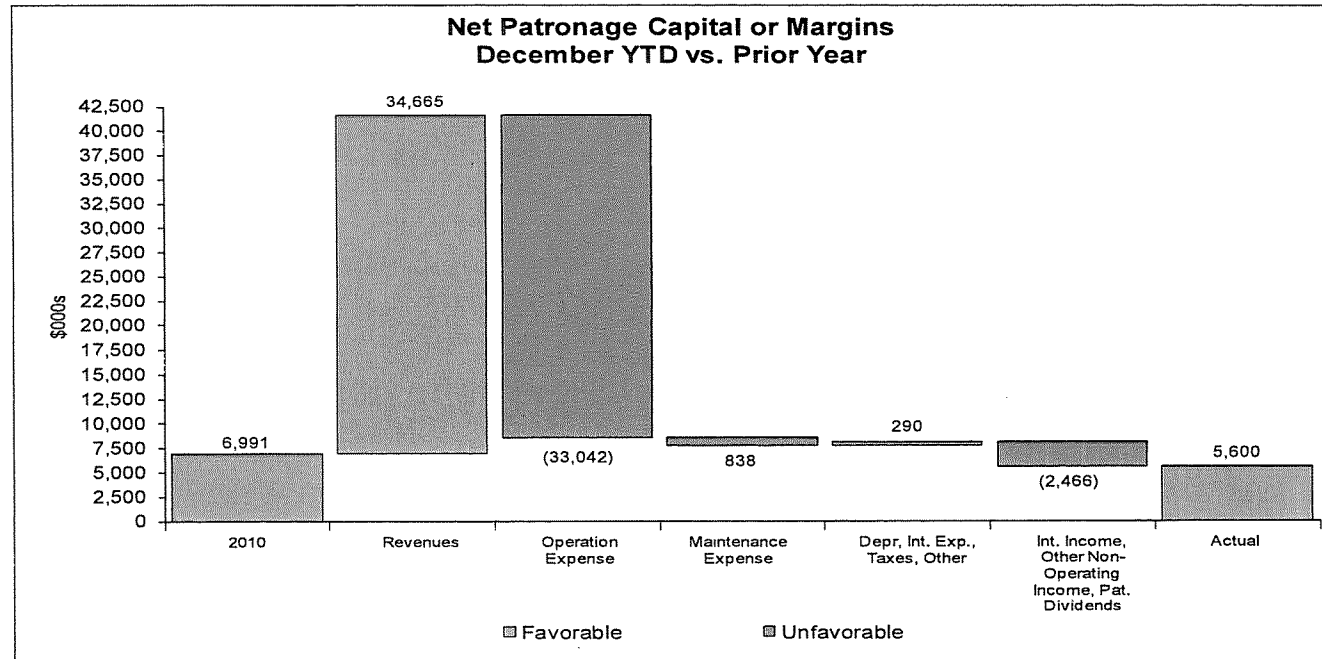
Variance Analysis Summary



Financial Commentary

- Margins were \$467 unfavorable to budget.
 - Electric Energy Revenues were favorable \$13,524 primarily due to higher off-system volume (see page 12).
 - Other Revenue was favorable \$3,593 due to the power supply transmission reservation (see page 26).
 - Operation Expense was unfavorable \$23,085 – driven by higher variable costs \$25,287 primarily due to the higher off-system sales volumes and power supply unfavorable transmission reservation, partially offset by the reduction in scope of the HMPL 1 planned outage and favorable operations expense at the plants and transmission (see pages 13, 27-31).
 - Maintenance Expense was favorable \$2,882 primarily due to the cancellation of the Green 2 outage and reduction in scope of the Wilson and Green 1 outages (see pages 32 & 33).
 - Depreciation, Taxes, Interest Expense & Other was favorable \$2,833 due to (a) lower capital expenditures and (b) lower interest expense due to payment of the Transition Reserve on the RUS Series A Note (see pages 11, 34-35).

Variance Analysis Summary



Financial Commentary

- Margins were \$1,391 unfavorable to 2010.
 - Electric Energy Revenues were favorable \$43,882 primarily due to higher off-system volumes (see page 12).
 - Other Revenue was unfavorable \$9,217 primarily due to a lower power supply transmission reservation, which is off-set in Operations Expense - Other Power Supply (see page 26).
 - Operation Expense was unfavorable \$33,042 – driven by higher variable costs \$38,853 and higher MISO expenses, partially offset by lower transmission reservation (see pages 13, 27-29).
 - Maintenance Expense was unfavorable \$838 primarily due to higher labor expense (see pages 32).
 - Depreciation and Interest Expense combined was lower \$290 (see pages 34-35).
 - Interest Income, Other Non-Operating Income and Pat. Dividends combined were unfavorable \$2,466 primarily due to the write-off of the M&S inventory obsolescence reserve and settlement with Alstom related to the Station-Two SCR in 2010 (see page 36).



Your Touchstone Energy Gaspraisne

Member Rate Stability Mechanism

	<u>Actual</u> <u>2011</u>	<u>Budget</u> <u>2011</u>	<u>2011</u> <u>Variance</u>	<u>Actual</u> <u>2010</u>	<u>2010</u> <u>Variance</u>		<u>Actual</u> <u>2011</u>	<u>Budget</u> <u>2011</u>	<u>2011</u> <u>Variance</u>	<u>Actual</u> <u>2010</u>	<u>2010</u> <u>Variance</u>
<u>MRSM - \$/MWh</u>						<u>Net Revenue - \$/MWh</u>					
Rural	(6.22)	(7.20)	0.98	(8.08)	1.86	Rural	40.56	40.05	0.51	37.07	3.49
Large Industrial	(6.22)	(7.20)	0.98	(8.08)	1.86	Large Industrial	35.46	36.13	(0.67)	33.81	1.65
Total	(6.22)	(7.20)	0.98	(8.08)	1.86	Total	39.07	39.00	0.07	36.18	2.89
<u>MRSM - Thousands of \$</u>						<u>Net Revenue - Thousands of \$</u>					
Rural	(14,751)	(18,076)	3,325	(20,044)	5,293	Rural	96,160	100,535	(4,375)	91,989	4,171
Large Industrial	(6,054)	(6,683)	629	(7,513)	1,459	Large Industrial	34,506	33,519	987	31,455	3,051
Total	(20,805)	(24,759)	3,954	(27,557)	6,752	Total	130,666	134,054	(3,388)	123,444	7,222

<u>Economic Reserve Balance</u>			
<u>Cumulative-to-Date</u>	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
Original Deposit	\$ 157,000		
Interest Earnings	2,763		
Withdrawals	(59,162)		
Ending Balance 12/31/2011	\$ 100,601	\$ 98,331	\$ 2,270
<u>YTD December 2011</u>			
Beg. Balance 1/1/2011	\$ 121,220		
Interest Earnings	899		
Withdrawals	(21,518)		
Ending Balance 12/31/2011	\$ 100,601	\$ 98,331	\$ 2,270

Cash & Temporary Investments

	<u>Actual</u>	<u>Budget</u>	<u>Fav/(Unfav)</u>	2010 <u>Actual</u>	<u>Fav/(Unfav)</u>
December 31st	44,850	31,916	12,934	44,755	95

The December 31, 2011 cash balance compared to budget is favorable primarily due to lower net capital expenditures of \$14,649 and a reduction in fuel inventory of \$13,231. As a result, the budgeted line of credit borrowing has not occurred.

Lines of Credit <u>As of December 31st</u>	
Original Amount	\$100,000
Letters of Credit Outstanding	(5,375)
Advances Outstanding	0
Available Lines of Credit	<u>\$ 94,625</u>



Your Touch on Energy. Cooperation.

North Star

	2011			2010	
	Actual	Budget*	Fav/(UnFav) Variance	Actual	Fav/(UnFav) Variance
Total Cost of Electric Service			1,690		(33,588)
Other Operating Revenues & Income	(3,617)	(19,084)	(15,467)	(12,834)	(9,217)
Smelter Avoidable Base Charge	(2,933)	0	2,933	(5,000)	(2,067)
Off-System Sales/Other					
Interest Income	(151)	(386)	(235)	(391)	(240)
Other Non-Operating Income	(9)	0	9	(2,322)	(2,313)
Other Capital Credits & Pat. Dividends	(109)	(96)	13	(21)	88
			32,463		(29,141)

Member MWh	10,199,019	10,729,981	(530,962)	9,759,988	439,031
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North Star - \$/kWh					
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*Reflects power supply transmission reservation in cost of electric service.



TIER

	<u>Actual</u>	<u>Budget</u>	<u>Fav/(Unfav)</u>
Interest on Long-Term Debt	45,715	47,367	1,652

Margins



TIER



Notes:

TIER = (Net Margins + Interest on Long-Term Debt) divided by Interest on Long-Term Debt



Capital Expenditures*

	<u>Actual</u>	<u>Budget</u>	<u>Fav/(UnFav)</u>
IT	951	994	43
Generation	29,116	36,911	7,795
Transmission	7,781	14,550	6,769
Other	<u>1,798</u>	<u>2,776</u>	<u>978</u>
Total	39,646	55,231	15,585

Explanation:

Generation favorable primarily due to cancellation of projects or scope reductions. Green Station was favorable \$3,514 due to the cancellation of the Weld Overlay, as well as favorability of the CT deck, Precipitator Refurbishment and Air Heater Basket projects. Station Two was favorable \$2,773 due to reducing the scope of the HMPL1 outage and items removed from the HMPL budget. The Wilson facility was favorable \$296 due to the cancellation of the FGD life extension phase 3 and overhead hoist projects. Coleman Station was favorable \$1,212 primarily due to the cancellation of the Control Room and ILS control projects.

Transmission was favorable \$6,769 primarily due to favorability in the Wilson Line 19F Terminal, Two-Way Radio Replacement and Paradise Terminal Upgrade.

Other favorability of \$978 was primarily due to the cancellation of the PCI Software and Fuels Software projects.

* Gross of the City's share of Station Two. Includes capitalized interest.

Revenue

	Actual 2011	Budget 2011	Variance	Actual 2010	2010 Variance
MWh Sales					
Rural	2,371,106	2,510,133	(139,027)	2,481,391	(110,285)
Large Industrial	973,092	927,740	45,352	930,168	42,924
Smelter	6,854,819	7,292,108	(437,289)	6,348,431	506,388
Off-System/Other					
Total					
Revenue - \$/MWh					
Rural	46.78	47.25	(0.47)	45.15	1.63
Large Industrial	41.68	43.33	(1.65)	41.89	(0.21)
Smelter	44.48	44.92	(0.44)	44.05	0.43
Off-System/Other					
Total					
Revenue - Thousands of \$					
Rural	110,911	118,611	(7,700)	112,033	(1,122)
Large Industrial	40,560	40,202	358	38,968	1,592
Smelter	304,880	327,534	(22,654)	279,665	25,215
Off-System/Other					
Total					

Revenue Price / Volume Analysis

	Price / Volume		
	Price	v	Volume
Rural	(1,130)		(6,570)
Large Industrial	(1,607)		1,965
Smelter	(3,013)		(19,641)
Off-System/Other			
			Total
			(7,700)
			358
			(22,654)

Variable Operations Cost

	<u>Actual</u> <u>2011</u>	<u>Budget</u> <u>2011</u>	<u>Variance</u>	<u>Actual</u> <u>2010</u>	<u>2010</u> <u>Variance</u>
Variable Operations (VO) Cost - \$/MWh					
Rural					
Large Industrial					
Smelter					
Off-System/Other					
Total					
VO Cost - Thousands of \$					
Rural					
Large Industrial					
Smelter					
Off-System/Other					
Total					

Variable Operations Expense

	<u>Actual</u>	<u>Budget</u>	<u>Fav/(UnFav)</u>	<u>Price Variance</u> <u>Fav/(UnFav)</u>	<u>Volume Variance</u> <u>Fav/(UnFav)</u>	<u>Fav/(UnFav)</u>
Reagent						
Fuel						
Purchased Power						
Non-FAC PPA (Non-Smelter)						

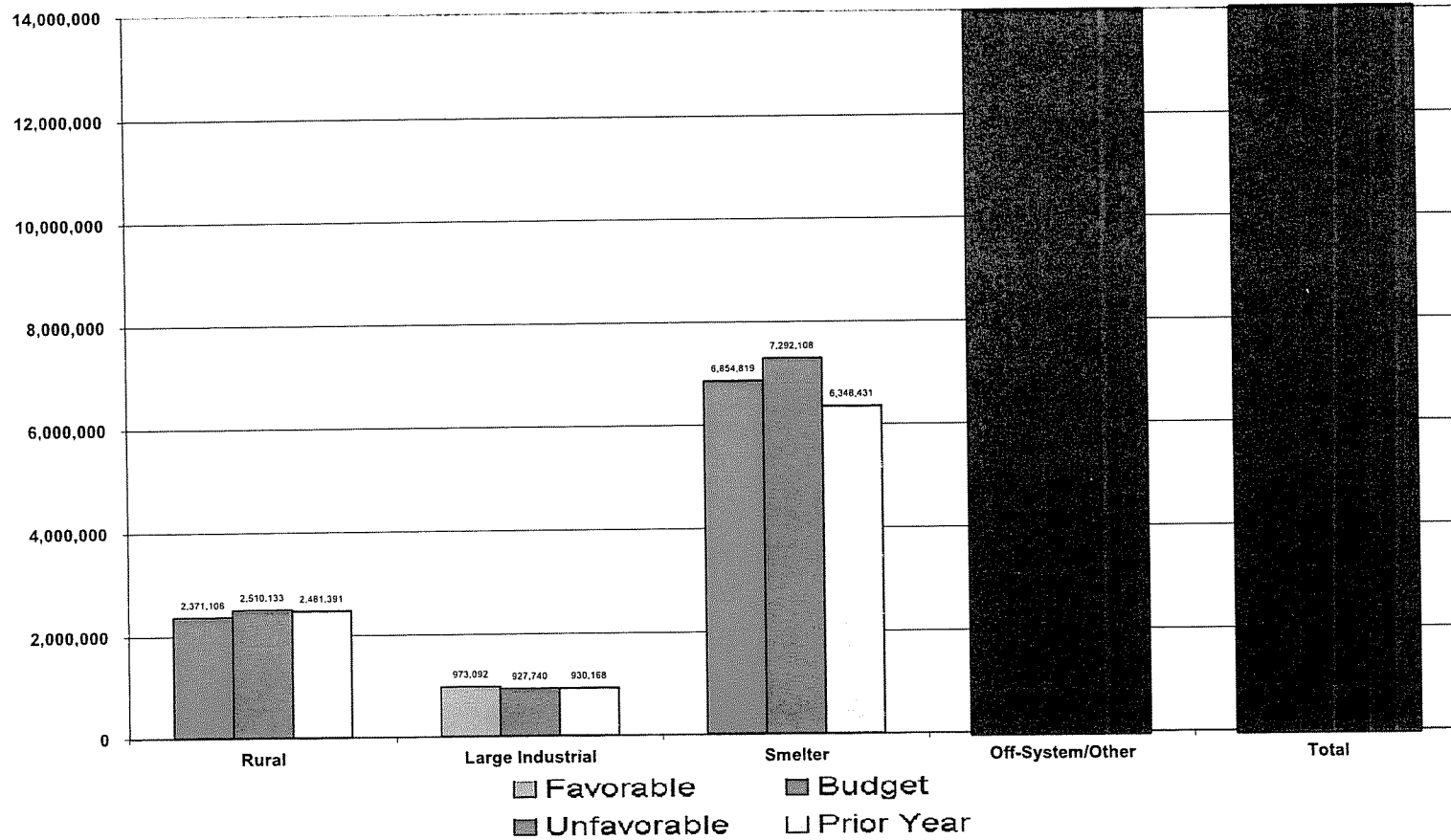
Net Sales Margin

	Actual 2011	Budget 2011	Variance	Actual 2010	2010 Variance
Net Sales Margin - \$/MWh					
Rural					
Large Industrial					
Smelter					
Off-System/Other					
Total					
Net Sales Margin - Thousands of \$					
Rural					
Large Industrial					
Smelter					
Off-System/Other					
Total					

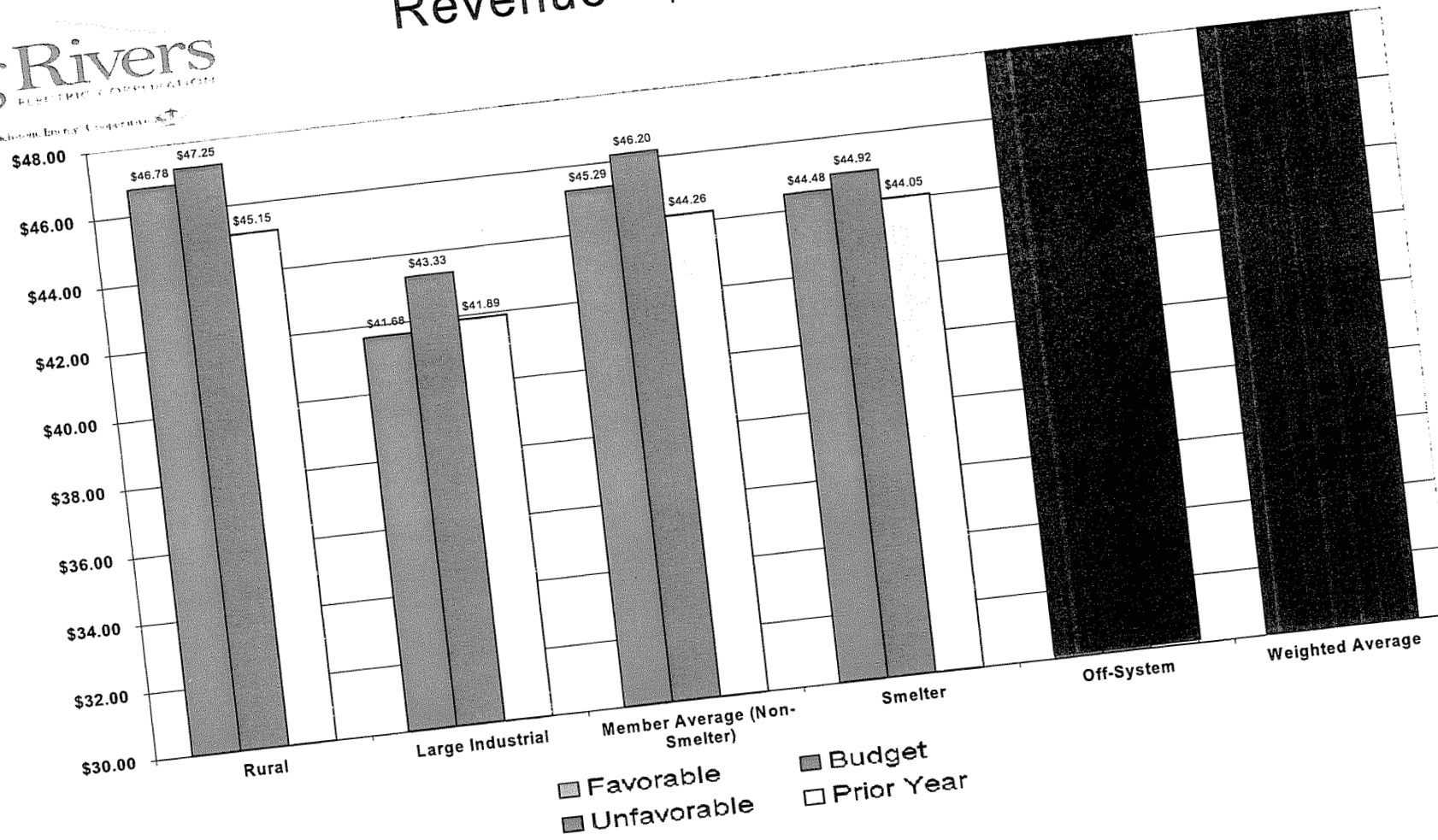
Net Sales Margin Price / Volume Analysis

	Price / Volume		
	Price	Volume	Total
Rural			
Large Industrial			
Smelter			
Off-System/Other			

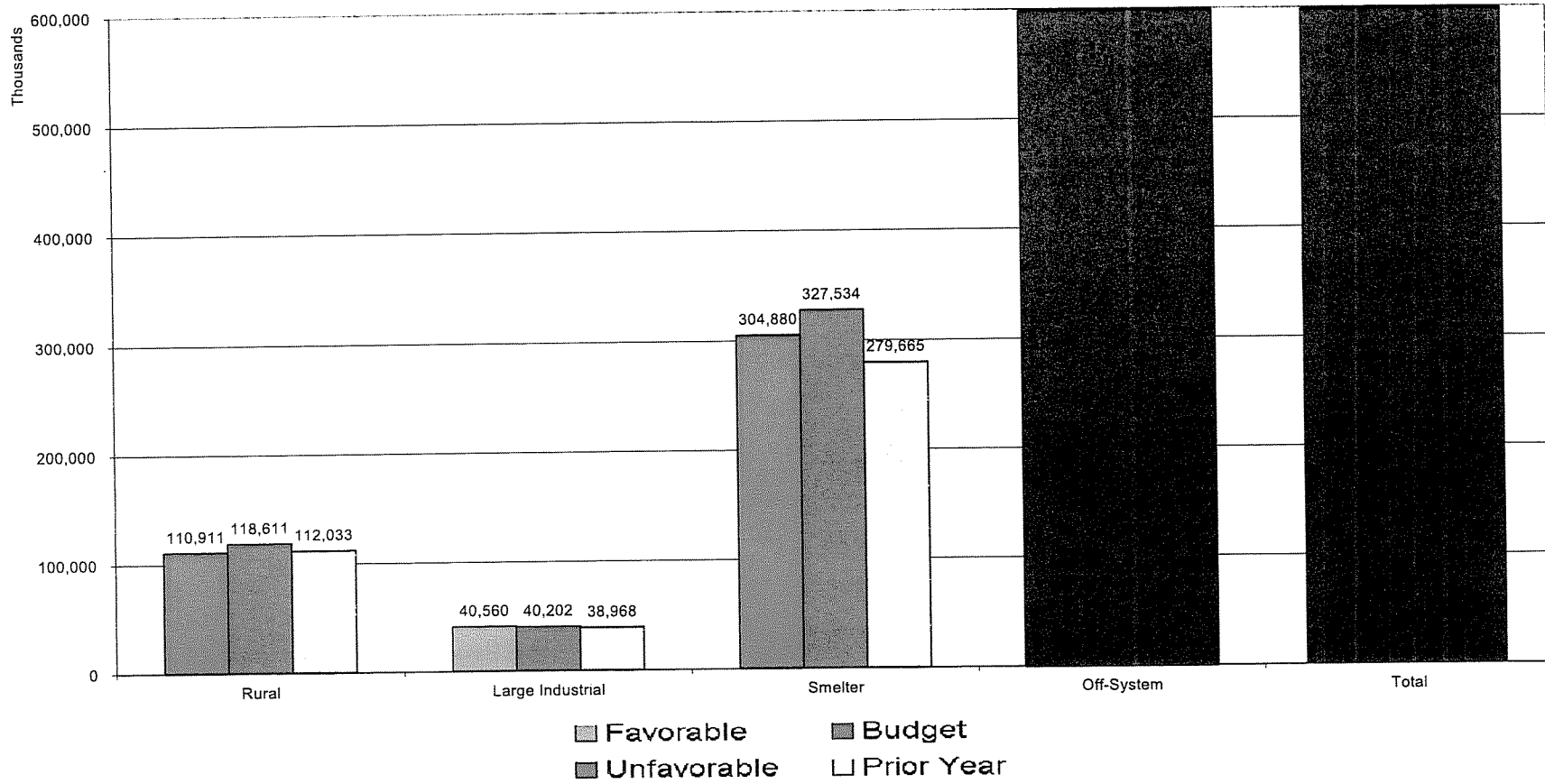
MWH Sales



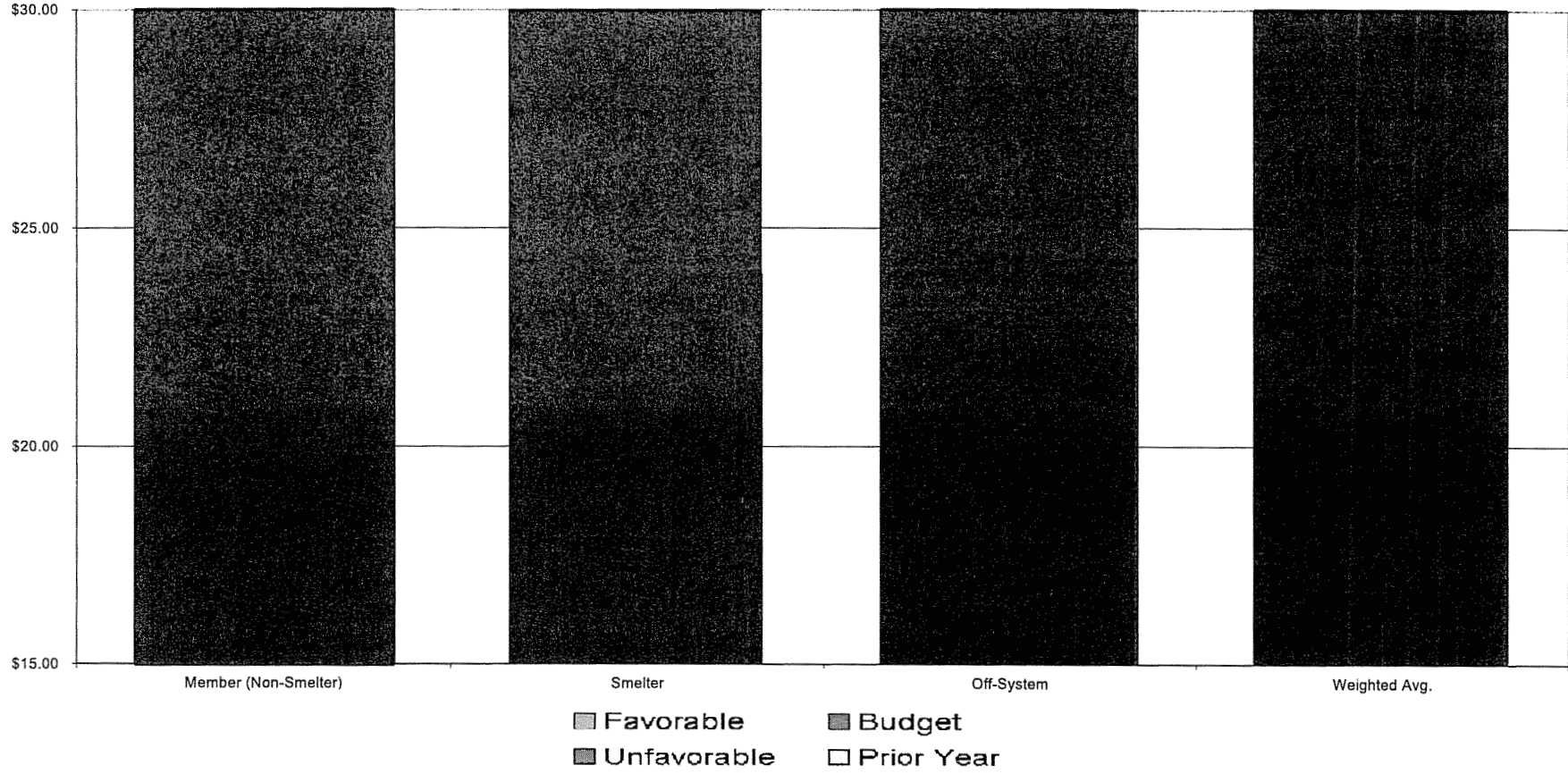
Revenue - \$/MWh Sold



Revenue

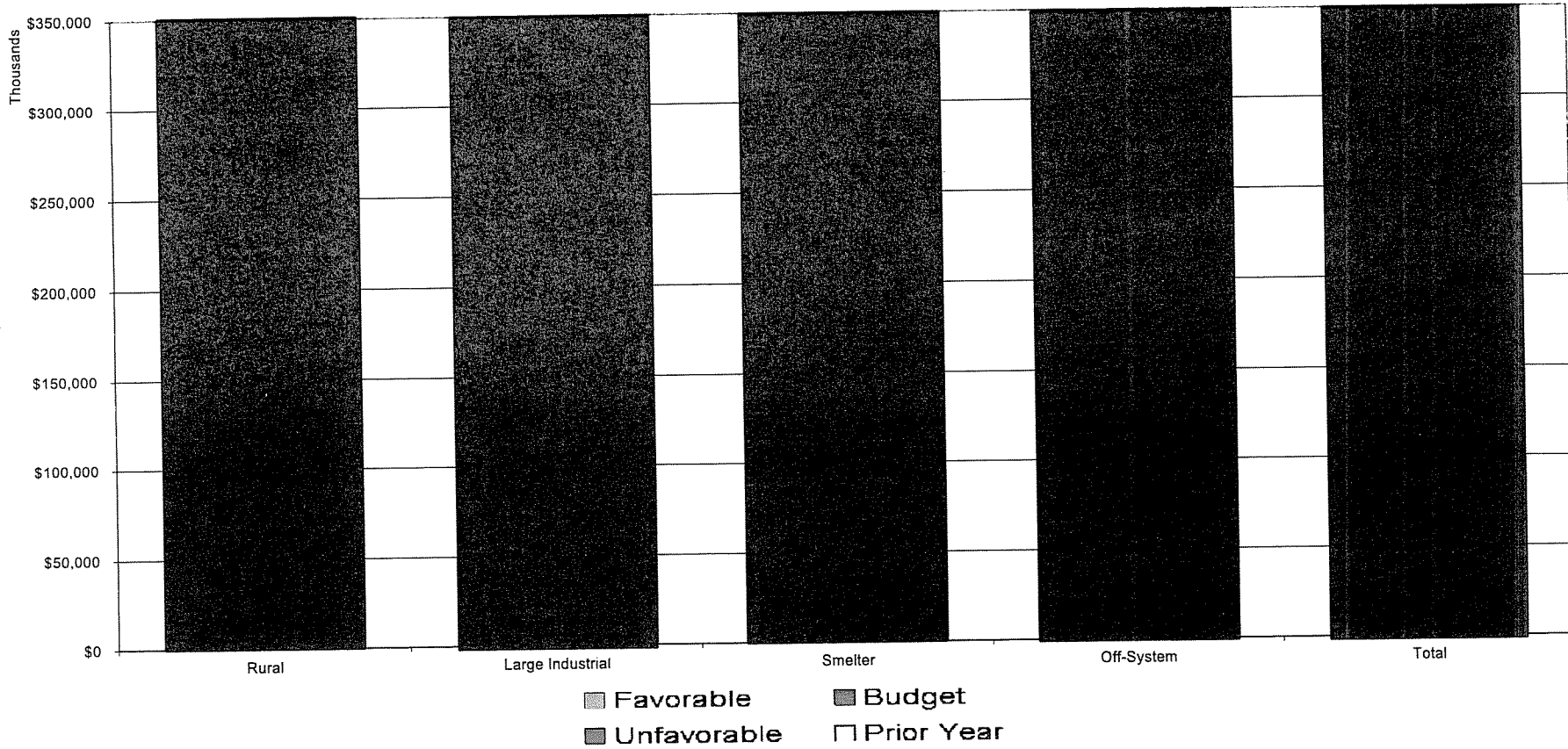


Variable Operations - \$/MWh Sold

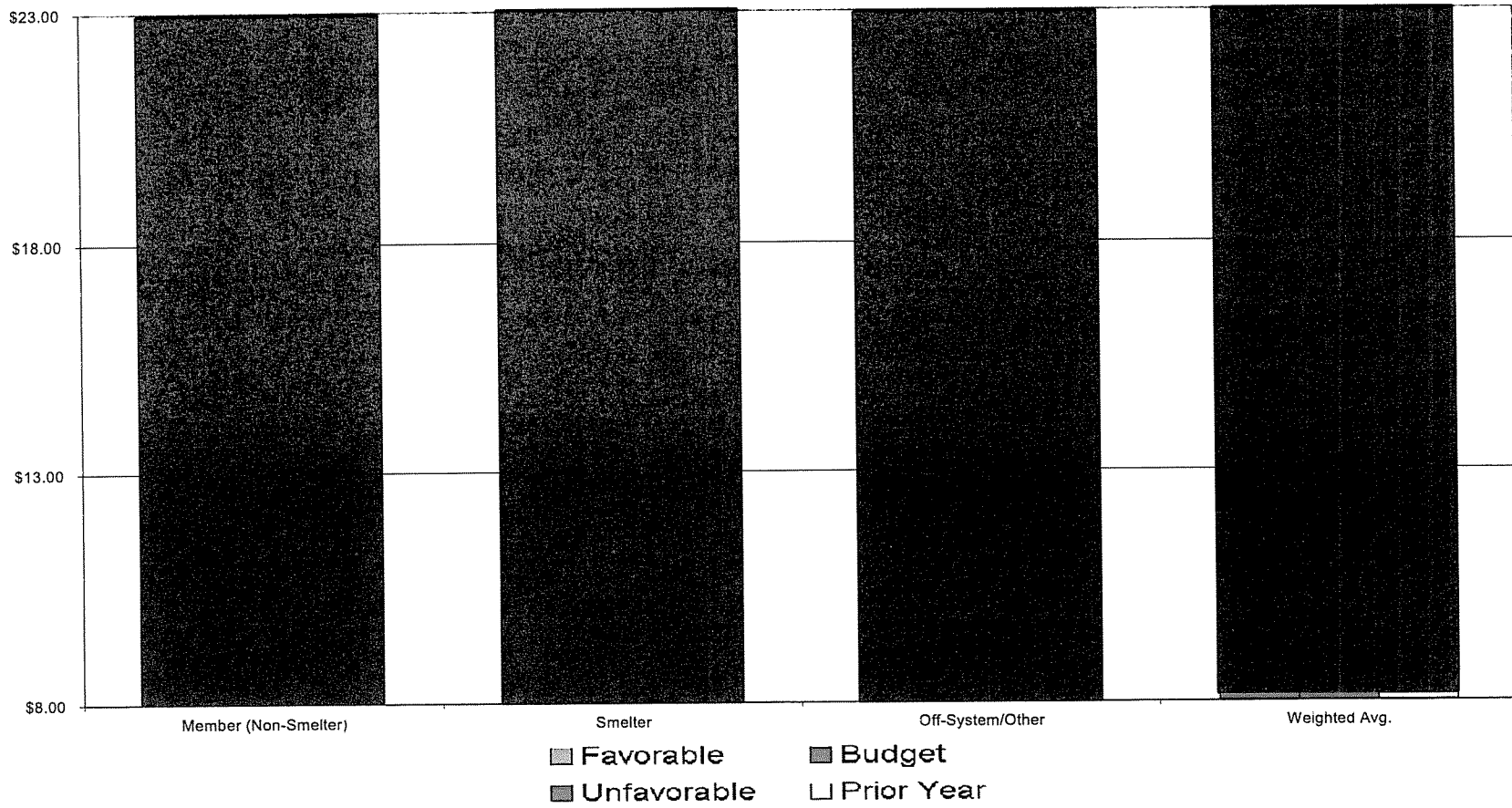


Variable Operations Cost

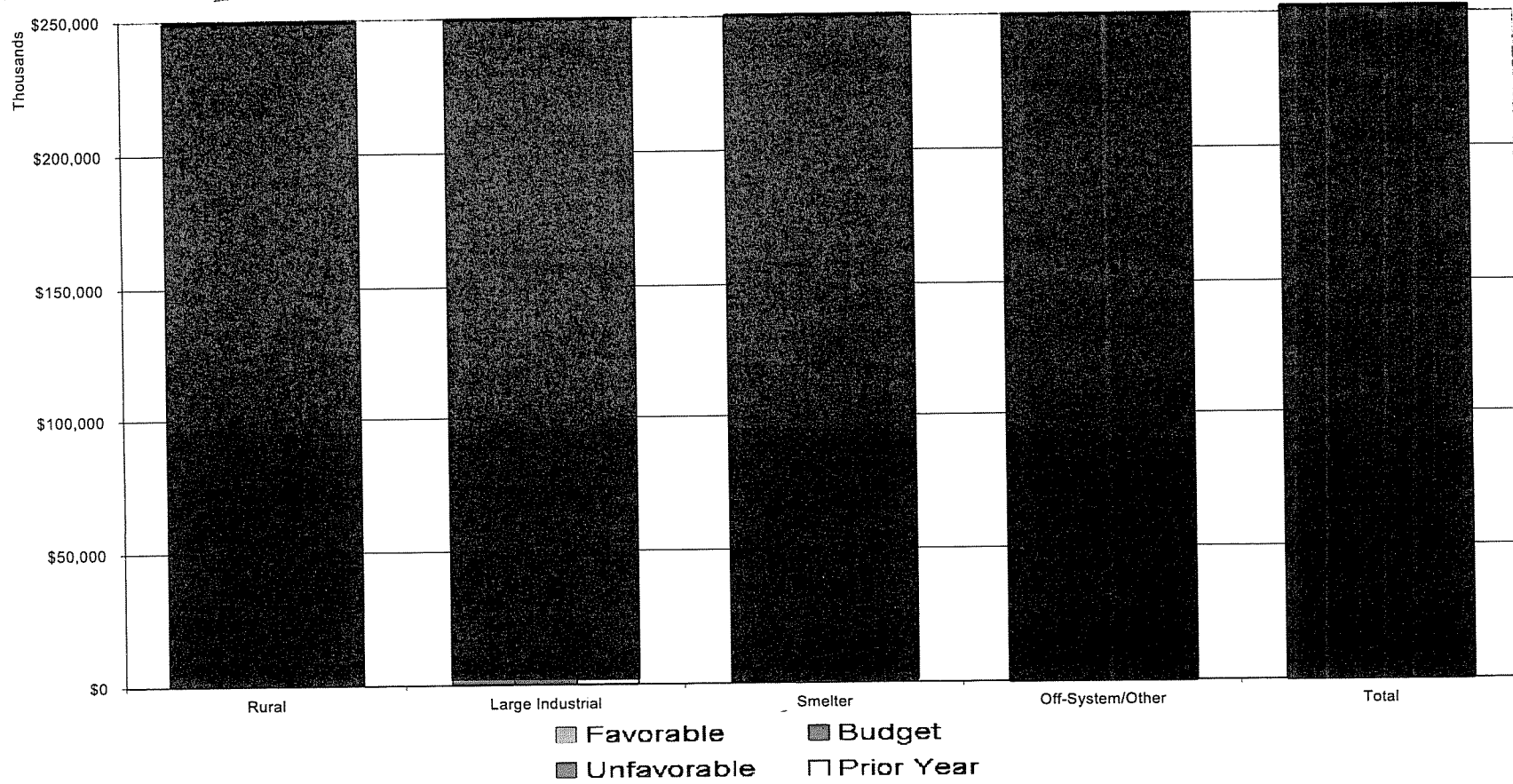
Year-to-Date Energy Expenditure



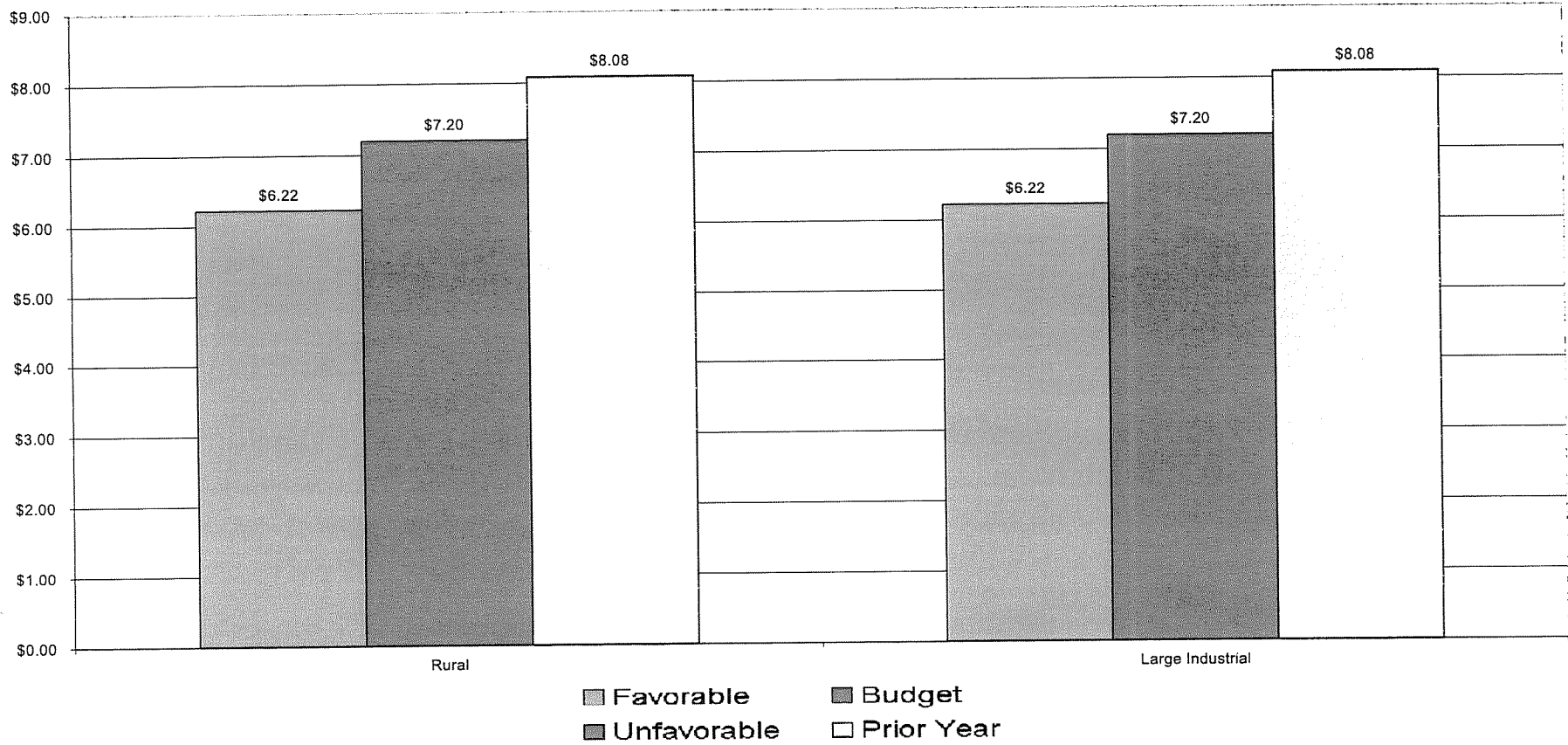
Net Sales Margin - \$/MWh



Net Sales Margin

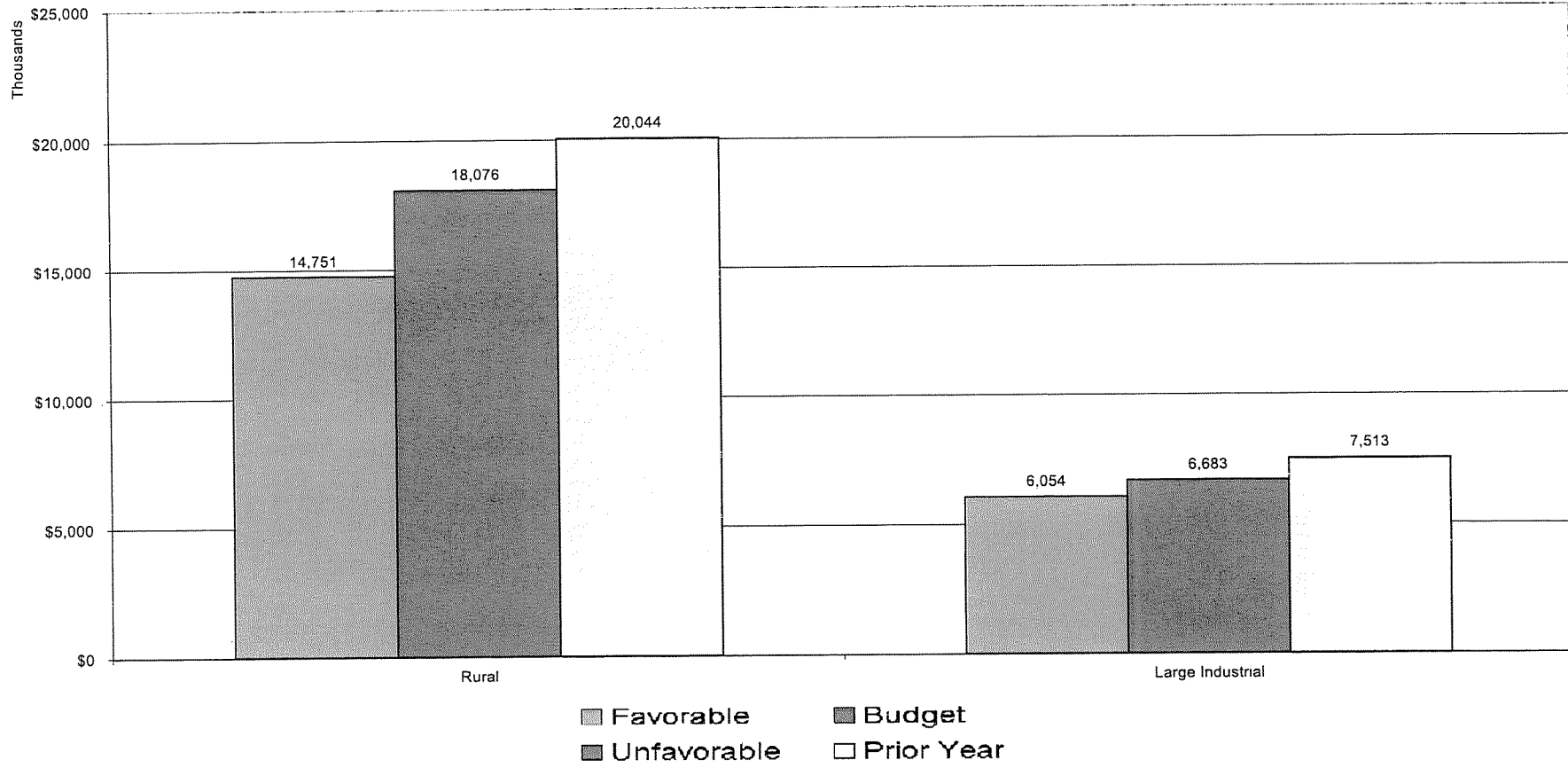


MRSM - \$/MWh

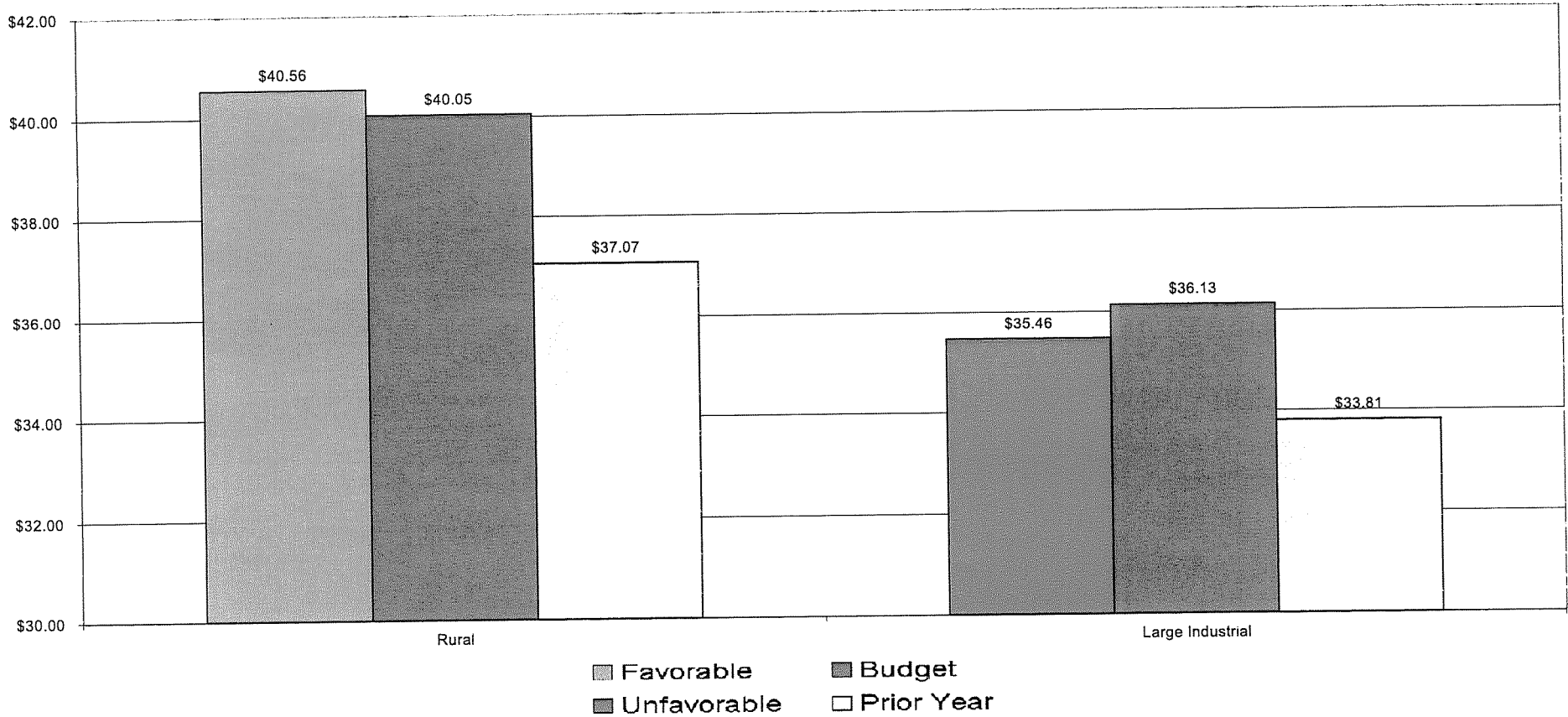


MRSM

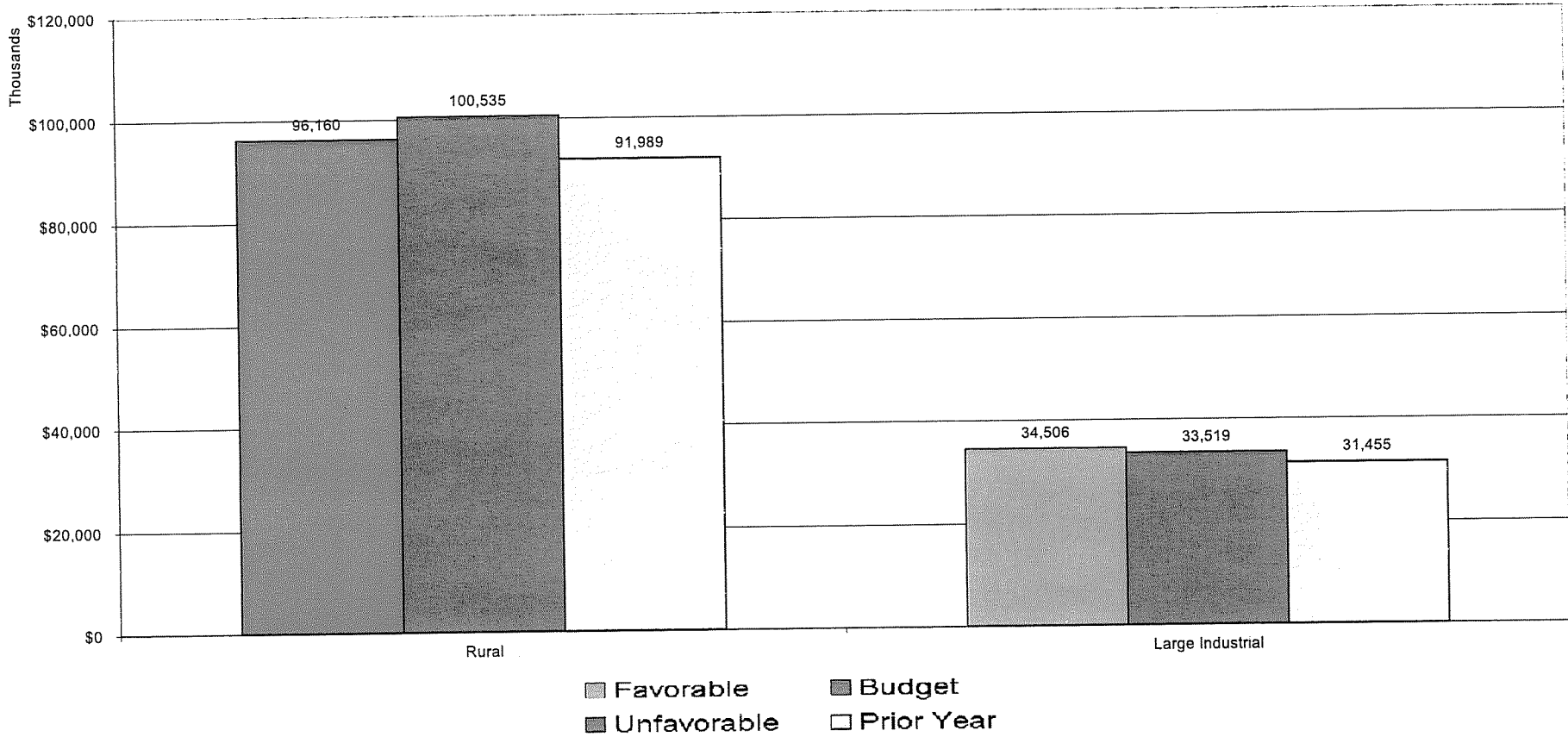
Year-to-date through 12/31/2011



Net Revenue (Excl. MRSM) - \$/MWh



Net Revenue (Excl. MRSM)



Other Operating Revenue and Income

2011			2010	
<u>Actual</u>	<u>Budget</u>	<u>Variance Fav/(Unfav)</u>	<u>2010 Actual</u>	<u>Variance Fav/(Unfav)</u>
3,617	24	3,593	12,834	(9,217)

Favorable to budget due to (intentional) omission of the power supply transmission reservation (from the budget). This is offset in Other Power Supply Expense.

Unfavorable to prior year due to a lower power supply transmission reservation.

Non-Variable Production and Other Power Supply – Operations

2011			2010	
<u>Actual</u>	<u>Budget</u>	Variance <u>Fav/(Unfav)</u>	<u>Actual</u>	Variance <u>Fav/(Unfav)</u>
		(1,302)		9,628

Current Year Variances

	<u>Fav/(UnFav)</u>
Power Supply transmission reservation	(5,577)
HMPL 1 Outage scope reduction	1,436
Plant operations expense reductions (Coleman \$756, Green \$1,059)	1,815
Station-Two O&M reductions	1,113
Other	(89)
Non-Variable Production and Other Power Supply - Operations	(1,302)

Prior-Year Variances

	<u>Fav/(UnFav)</u>
Power Supply transmission reservation	9,908
Station-Two O&M/other	(280)
Non-Variable Production and Other Power Supply - Operations	9,628

Operation Expense – Transmission

2011			2010	
<u>Actual</u>	<u>Budget</u>	<u>Variance Fav/(Unfav)</u>	<u>2010 Actual</u>	<u>Variance Fav/(Unfav)</u>
9,183	12,297	3,114	8,122	(1,061)

Favorable to budget primarily due to 1) lower than anticipated MISO administrative expenses \$380, and 2) favorable labor expense as more is being charged to maintenance accounts than operations \$1,723 (see slide 33), and 3) various stations and lines fixed departmental expenses \$1,011.

Unfavorable to prior year due to MISO administrative expenses.

Operation Expense – RTO/ISO

2011			2010	
<u>Actual</u>	<u>Budget</u>	Variance <u>Fav/(Unfav)</u>	<u>2010 Actual</u>	Variance <u>Fav/(Unfav)</u>
2,530	2,783	253	0	(2,530)

Favorable to budget primarily due to lower than anticipated MISO administrative expenses.

Unfavorable to prior year due to MISO administrative expenses.

Operation Expense – Sales

2011		
<u>Actual</u>	<u>Budget</u>	<u>Variance</u> <u>Fav/(Unfav)</u>
185	919	734

Favorable to budget due to delay in the start of the energy efficiency/demand side management programs.

Operation Expense – Administrative & General

2011		
<u>Actual</u>	<u>Budget</u>	<u>Variance</u> <u>Fav/(Unfav)</u>
26,557	25,728	(829)

Unfavorable to budget primarily due to expenses related to the rate case.

Maintenance Expense – Production

2011			2010	
<u>Actual</u>	<u>Budget</u>	Variance <u>Fav/(Unfav)</u>	<u>2010 Actual</u>	Variance <u>Fav/(Unfav)</u>
		4,338		(739)

Favorable to budget due to various maintenance projects that were reduced in scope or cancelled. These projects include mill overhauls, site maintenance, bar screen repairs and heavy equipment maintenance. The cancellation of the Green 2 outage and reduction in scope of the Green 1 and Wilson outages also contributed to the favorable variance.

The unfavorable 2010 variance is primarily due to higher labor dollars at the plants (wage increases, overtime).

Maintenance Expense – Transmission

2011		
<u>Actual</u>	<u>Budget</u>	<u>Variance</u> <u>Fav/(Unfav)</u>
4,681	3,263	(1,418)

Unfavorable to budget primarily due to more labor being charged to maintenance than operations (the favorable labor variance in Operation Expense – Transmission offsets this unfavorable labor variance in maintenance).

Depreciation & Amortization Expense

2011			2010	
<u>Actual</u>	<u>Budget</u>	<u>Variance Fav/(Unfav)</u>	<u>2010 Actual</u>	<u>Variance Fav/(Unfav)</u>
35,407	36,228	821	34,242	(1,165)

Favorable to budget due to lower capital spending.

Unfavorable to prior-year due to the higher capital balance being depreciated.

Interest on Long-Term Debt

2011			2010	
<u>Actual</u>	<u>Budget</u>	<u>Variance Fav/(Unfav)</u>	<u>2010 Actual</u>	<u>Variance Fav/(Unfav)</u>
45,715	47,367	1,652	47,064	1,349

Interest on long-term debt is lower than budget and prior-year due to the payment of the Transition Reserve on the RUS Series A Note.


Other Non-Operating Income - Net

2010		
<u>Actual</u>	<u>2010 Actual</u>	<u>Variance Fav/(Unfav)</u>
9	2,322	(2,313)

Other Non-Operating Income was unfavorable \$2,313 to prior-year due to the write-off of the M&S inventory obsolescence reserve and settlement with Alstom related to the Station-Two SCR in 2010.

Monthly Financial Report – November 2011



Your Touchstone Energy Cooperative 

Financial Report
November 2011
(\$ in Thousands)

Board Meeting Date: January 20, 2012



Summary of Operations YTD November

	2011			2010	
	Actual	Budget *	Fav/(UnFav) Variance	Actual	Fav/(UnFav) Variance
Revenues	514,198	494,480	19,718	479,998	34,200
Cost of Electric Service	507,582	493,709	(13,873)	477,225	(30,357)
Operating Margins	6,616	771	5,845	2,773	3,843
Interest Income/Other	258	450	(192)	2,055	(1,797)
Net Margins - YTD	6,874	1,221	5,653	4,828	2,046

* Budget Revenues and Cost of Electric Service revised to remove the power supply transmission reservation (off-setting).



Your Local Power Energy Company

Statement of Operations – November Variance to Budget

	Current Month			Year-to-Date			Explanation
	Actual	Budget*	Variance Fav/(UnFav)	Actual	Budget*	Variance Fav/(UnFav)	
ELECTRIC ENERGY REVENUES	43,974	44,535	(561)	510,961	494,458	16,503	[A] Pages 7, 12-14
INCOME FROM LEASED PROPERTY - NET	0	0	0	0	0	0	
OTHER OPERATING REVENUE AND INCOME	255	2	253	3,237	22	3,215	[B], [C] Page 26
TOTAL OPER REVENUES & PATRONAGE CAPITAL	44,229	44,537	(308)	514,198	494,480	19,718	
OPERATION EXPENSE-PRODUCTION-EXCL FUEL	4,203	5,611	1,408	45,737	58,933	13,196	[A] Pages 7, 12-14, 27
OPERATION EXPENSE-PRODUCTION-FUEL	16,393	15,859	(534)	207,155	188,378	(18,777)	[A] Pages 7, 12-14
OPERATION EXPENSE-OTHER POWER SUPPLY	10,390	7,647	(2,743)	102,533	83,065	(19,468)	[A] Pages 7, 12-14, 27
OPERATION EXPENSE-TRANSMISSION	704	974	270	8,342	11,231	2,889	[B], [C] Page 28
OPERATION EXPENSE-RTO/ISO	262	176	(86)	2,318	2,544	226	[B] Page 29
CONSUMER SERVICE & INFORMATIONAL EXPENSE	67	67	0	438	798	360	[B] Page 30
OPERATION EXPENSE-SALES	11	52	41	141	862	721	[B], [C] Page 31
OPERATION EXPENSE-ADMINISTRATIVE & GENERAL	1,832	1,954	122	23,703	23,621	(82)	
TOTAL OPERATION EXPENSE	33,862	32,340	(1,522)	390,367	369,432	(20,935)	
MAINTENANCE EXPENSE-PRODUCTION	5,780	7,558	1,778	39,002	44,526	5,524	[B], [C] Page 32
MAINTENANCE EXPENSE-TRANSMISSION	333	234	(99)	4,117	3,009	(1,108)	[B], [C] Page 33
MAINTENANCE EXPENSE-GENERAL PLANT	16	8	(8)	134	96	(38)	
TOTAL MAINTENANCE EXPENSE	6,129	7,800	1,671	43,253	47,631	4,378	
DEPRECIATION & AMORTIZATION EXPENSE	3,282	3,053	(229)	32,155	33,174	1,019	[C] Page 34
TAXES	0	21	21	128	228	100	
INTEREST ON LONG-TERM DEBT	3,680	3,893	213	41,926	43,344	1,418	[C] Page 35
INTEREST CHARGED TO CONSTRUCTION-CREDIT	(32)	(1)	31	(508)	(424)	84	
OTHER INTEREST EXPENSE	0	29	29	59	199	140	
OTHER DEDUCTIONS	30	11	(19)	202	125	(77)	
TOTAL COST OF ELECTRIC SERVICE	46,951	47,146	195	507,582	493,709	(13,873)	
OPERATING MARGINS	(2,722)	(2,609)	(113)	6,616	771	5,845	
INTEREST INCOME	6	32	(26)	144	353	(209)	
ALLOWANCE FOR FUNDS USED DURING CONST	0	0	0	0	0	0	
OTHER NON-OPERATING INCOME - NET	0	0	0	9	0	9	
OTHER CAPITAL CREDITS & PAT DIVIDENDS	0	0	0	105	97	8	
EXTRAORDINARY ITEMS	0	0	0	0	0	0	
NET PATRONAGE CAPITAL OR MARGINS	(2,716)	(2,577)	(139)	6,874	1,221	5,653	

Explanations: [A] Net Sales Margin, [B] 10% of line item and \$250,000 or [C] 10% of margins and \$500,000.

* Budget Revenues and Cost of Electric Service revised to remove the power supply transmission reservation (off-setting).



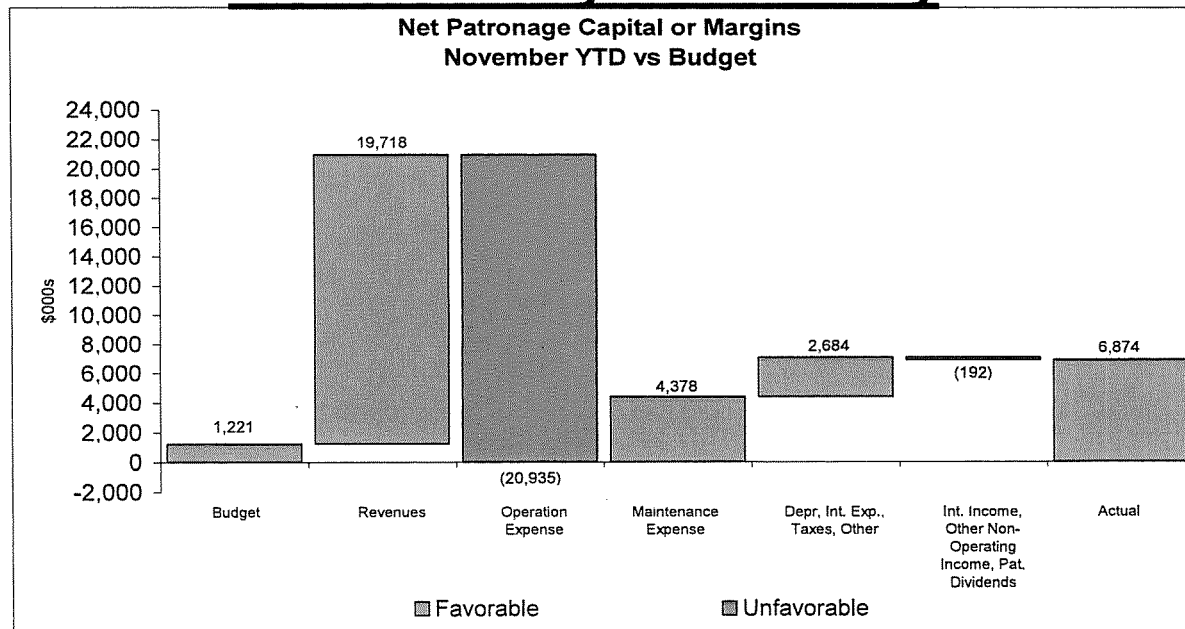
Your. Endless. Energy. Cooperative.

Statement of Operations – November Variance to Prior-Year

	Current Month			Year-to-Date			Explanation
	Actual	Prior Year	Variance Fav/(UnFav)	Actual	Prior Year	Variance Fav/(UnFav)	
ELECTRIC ENERGY REVENUES	43,974	40,705	3,269	510,961	467,316	43,645	[A] Pages 7, 12-14
INCOME FROM LEASED PROPERTY - NET	0	0	0	0	0	0	
OTHER OPERATING REVENUE AND INCOME	255	1,168	(913)	3,237	12,682	(9,445)	[B], [C] Page 26
TOTAL OPER REVENUES & PATRONAGE CAPITAL	44,229	41,873	2,356	514,198	479,998	34,200	
OPERATION EXPENSE-PRODUCTION-EXCL FUEL	4,203	4,168	(35)	45,737	48,586	2,849	[A] Pages 7, 12-14, 27
OPERATION EXPENSE-PRODUCTION-FUEL	16,393	15,953	(440)	207,155	188,741	(18,414)	[A] Pages 7, 12-14
OPERATION EXPENSE-OTHER POWER SUPPLY	10,390	9,104	(1,286)	102,533	90,860	(11,673)	[A] Pages 7, 12-14, [B] 27
OPERATION EXPENSE-TRANSMISSION	704	651	(53)	8,342	7,077	(1,265)	[B], [C] Page 28
OPERATION EXPENSE-RTO/ISO	262	0	(262)	2,318	0	(2,318)	[B],[C] Page 29
CONSUMER SERVICE & INFORMATIONAL EXPENSE	67	18	(49)	438	429	(9)	
OPERATION EXPENSE-SALES	11	25	14	141	189	48	
OPERATION EXPENSE-ADMINISTRATIVE & GENERAL	1,832	2,250	418	23,703	23,662	(41)	
TOTAL OPERATION EXPENSE	33,862	32,169	(1,693)	390,367	359,544	(30,823)	
MAINTENANCE EXPENSE-PRODUCTION	5,780	4,268	(1,512)	39,002	39,048	46	
MAINTENANCE EXPENSE-TRANSMISSION	333	276	(57)	4,117	4,231	114	
MAINTENANCE EXPENSE-GENERAL PLANT	16	12	(4)	134	172	38	
TOTAL MAINTENANCE EXPENSE	6,129	4,556	(1,573)	43,253	43,451	198	
DEPRECIATION & AMORTIZATION EXPENSE	3,282	2,900	(382)	32,155	31,385	(770)	[C] Page 34
TAXES	0	0	0	128	198	70	
INTEREST ON LONG-TERM DEBT	3,680	3,823	143	41,926	42,961	1,035	[C] Page 35
INTEREST CHARGED TO CONSTRUCTION-CREDIT	(32)	(89)	(57)	(508)	(581)	(73)	
OTHER INTEREST EXPENSE	0	21	21	59	168	109	
OTHER DEDUCTIONS	30	12	(18)	202	99	(103)	
TOTAL COST OF ELECTRIC SERVICE	46,951	43,392	(3,559)	507,582	477,225	(30,357)	
OPERATING MARGINS	(2,722)	(1,519)	(1,203)	6,616	2,773	3,843	
INTEREST INCOME	6	31	(25)	144	334	(190)	
ALLOWANCE FOR FUNDS USED DURING CONST	0	0	0	0	0	0	
OTHER NON-OPERATING INCOME - NET	0	2	(2)	9	1,701	(1,692)	[B],[C] Page 36
OTHER CAPITAL CREDITS & PAT DIVIDENDS	0	0	0	105	20	85	
EXTRAORDINARY ITEMS	0	0	0	0	0	0	
NET PATRONAGE CAPITAL OR MARGINS	(2,716)	(1,486)	(1,230)	6,874	4,828	2,046	

Explanations: [A] Net Sales Margin, [B] 10% of line item and \$250,000 or [C] 10% of margins and \$500,000.

Variance Analysis Summary

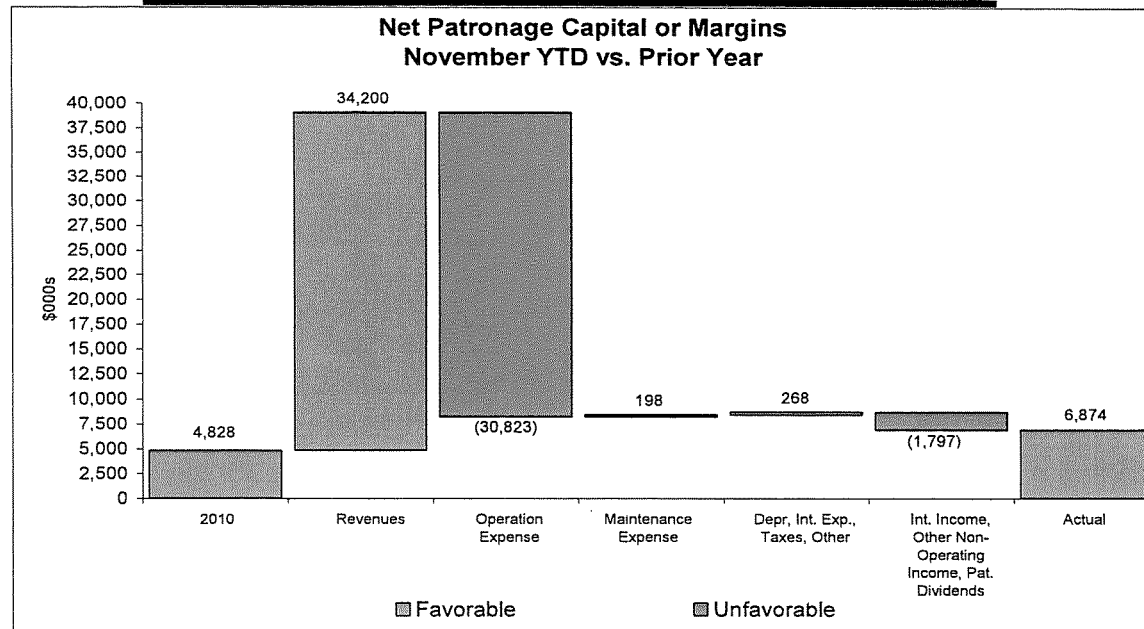


Financial Commentary

Year-to-Date

- YTD November 2011 Margins were \$5,653 favorable to budget.
 - Electric Energy Revenues were favorable \$16,503 primarily due to higher off-system volume (see page 12).
 - Other Revenue was favorable \$3,215 due to the power supply transmission reservation (see page 26).
 - Operation Expense was unfavorable \$20,935 – driven by higher variable costs \$25,332 primarily due to the higher off-system sales volumes, partially offset by the reduction in scope of the HMPL 1 planned outage and favorable operation expense at the plants and transmission (see pages 13, 27-31).
 - Maintenance Expense was favorable \$4,378 primarily due to the cancellation of the Green 2 outage and reduction in scope of the Wilson and Green 1 outages (see pages 32 & 33).
 - Depreciation, Taxes, Interest Expense & Other was favorable \$2,684 due to (a) lower capital expenditures and (b) lower interest expense due to payment of the Transition Reserve on the RUS Series A Note (see pages 11, 35).

Variance Analysis Summary



Financial Commentary

Year-to-Date

- YTD 2011 margins were \$2,046 favorable to YTD 2010.
 - Electric Energy Revenues were favorable \$43,645 primarily due to higher off-system volumes (see page 12).
 - Other Revenue was unfavorable \$9,445 primarily due to a lower power supply transmission reservation, which is off-set in Operations Expense - Other Power Supply (see page 26).
 - Operation Expense was unfavorable \$30,823 – driven by higher variable costs \$37,749 and higher MISO expenses, partially offset by lower transmission reservation (see pages 13, 27-29).
 - Maintenance Expense was favorable \$198.
 - Depreciation and Interest Expense combined was lower \$268.
 - Interest Income, Other Non-Operating Income and Pat. Dividends combined were unfavorable \$1,797 primarily due to the write-off of the M&S inventory obsolescence reserve in 2010 (see page 36).

Member Rate Stability Mechanism YTD November

	Actual 2011	Budget 2011	2011 Variance	Actual 2010	2010 Variance		Actual 2011	Budget 2011	2011 Variance	Actual 2010	2010 Variance
<u>MRSM - \$/MWh</u>						<u>Net Revenue - \$/MWh</u>					
Rural	(6.67)	(7.15)	0.48	(8.18)	1.51	Rural	40.17	39.79	0.38	37.02	3.15
Large Industrial	(6.67)	(7.15)	0.48	(8.18)	1.51	Large Industrial	34.90	35.81	(0.91)	33.70	1.20
Total	(6.67)	(7.15)	0.48	(8.18)	1.51	Total	38.63	38.70	(0.07)	36.10	2.53
<u>MRSM - Thousands of \$</u>						<u>Net Revenue - Thousands of \$</u>					
Rural	(14,383)	(16,147)	1,764	(18,146)	3,763	Rural	86,721	89,867	(3,146)	82,184	4,537
Large Industrial	(5,979)	(6,097)	118	(6,959)	980	Large Industrial	31,293	30,564	729	28,683	2,610
Total	(20,362)	(22,244)	1,882	(25,105)	4,743	Total	118,014	120,431	(2,417)	110,867	7,147

<u>Economic Reserve Balance</u>			
<u>Cumulative-to-Date</u>	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
Original Deposit	\$ 157,000		
Interest Earnings	2,706		
Withdrawals	(57,958)		
Ending Balance 11/30/2011	\$ 101,748	\$ 100,762	\$ 986
<u>YTD November 2011</u>			
Beg. Balance 1/1/2011	\$ 121,220		
Interest Earnings	840		
Withdrawals	(20,312)		
Ending Balance 11/30/2011	\$ 101,748	\$ 100,762	\$ 986

Cash & Temporary Investments

	<u>Actual</u>	<u>Budget</u>	<u>Fav/(Unfav)</u>	2010 <u>Actual</u>	<u>Fav/(Unfav)</u>
November 30 th	55,165	34,433	20,732	56,704	(1,539)

The November 30th, 2011 cash balance compared to budget is favorable primarily due to lower net capital expenditures of \$21,127 and a reduction in fuel inventory of \$13,231. As a result, the budgeted line of credit borrowing has not occurred.

Lines of Credit <u>As of November 30th</u>	
Original Amount	\$100,000
Letters of Credit Outstanding	(6,375)
Advances Outstanding	0
Available Lines of Credit	<u>\$ 93,625</u>

North Star – YTD November

	2011			2010	
	Actual	Budget*	Fav/(UnFav) Variance	Actual	Fav/(UnFav) Variance
Total Cost of Electric Service			3,599		(30,356)
Other Operating Revenues & Income	(3,237)	(17,494)	(14,257)	(12,682)	(9,445)
Smelter Avoidable Base Charge	(2,792)	0	2,792	(4,812)	(2,020)
Off-System Sales/Other					
Interest Income	(144)	(353)	(209)	(334)	(190)
Other Non-Operating Income	(9)	0	9	(1,701)	(1,692)
Other Capital Credits & Pat. Dividends	(105)	(96)	9	(20)	85
			34,519		(22,491)

Member MWh	9,286,068	9,784,930	(498,862)	8,874,408	411,660
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North Star - \$/kWh



*Reflects power supply transmission reservation in cost of electric service.

TIER

	<u>Actual</u>	<u>Budget</u>	<u>Fav/(Unfav)</u>
Interest on Long Term Debt	41,926	43,344	1,418
Net Margins	[REDACTED]		
TIER (11 months ending 11/30)	[REDACTED]		
TIER (12 months ending 11/30)	[REDACTED]		

Notes:

TIER = (Net Margins + Interest on Long-Term Debt) divided by Interest on Long-Term Debt



Your local electric utility

Capital Expenditures*

	<u>Actual</u>	<u>Budget</u>	<u>Fav/(UnFav)</u>
IT	702	956	254
Generation	25,000	36,911	11,911
Transmission	5,973	14,358	8,385
Other	1,070	2,772	1,702
Total	32,745	54,997	22,252

Explanation:

Generation favorable primarily due to the timing or cancellation of projects. Green Station was favorable \$5,026 due to the cancellation of the Weld Overlay, as well as favorability of the CT deck and Precipitator Refurbishment and due to the timing of other projects. Station Two was favorable \$3,364 due to reducing the scope of the HMPL1 outage and the timing of various projects. The Wilson facility was favorable \$1,867 due to the delay of the Secondary Air-Heater milestone payment, as well as timing of other projects. Coleman Station was favorable \$1,732 primarily due to the cancellation of the Control Room and ILS control projects.

Transmission favorable primarily due to the timing of the Wilson Line 19F Terminal, Two-Way Radio Replacement and Paradise Terminal Upgrade.

Other favorable primarily due to the delay in purchasing the PCI Software, Vehicles, as well as in the Training Facility Remodeling and Fuels Software projects.

* Gross of the City's share of Station Two. Includes capitalized interest.



Your Tennessee Energy. Always On Mind.

**Revenue
YTD November**

	<u>Actual 2011</u>	<u>Budget 2011</u>	<u>Variance</u>	<u>Actual 2010</u>	<u>2010 Variance</u>
MWh Sales					
Rural	2,158,327	2,258,552	(100,225)	2,219,477	(61,150)
Large Industrial	896,508	853,282	43,226	851,037	45,471
Smelter	6,231,233	6,673,096	(441,863)	5,803,894	427,339
Off-System/Other					
Total					
Revenue - \$/MWh					
Rural	46.84	46.94	(0.10)	45.20	1.64
Large Industrial	41.57	42.96	(1.39)	41.88	(0.31)
Smelter	44.29	44.62	(0.33)	44.08	0.21
Off-System/Other					
Total					
Revenue - Thousands of \$					
Rural	101,104	106,014	(4,910)	100,330	774
Large Industrial	37,272	36,661	611	35,642	1,630
Smelter	275,951	297,725	(21,774)	255,837	20,114
Off-System/Other					
Total					

**Revenue Price / Volume Analysis
YTD November 2011**

	<u>Price / Volume</u>		
	<u>Price</u>	<u>Volume</u>	<u>Total</u>
Rural	(205)	(4,705)	(4,910)
Large Industrial	(1,246)	1,857	611
Smelter	(2,060)	(19,714)	(21,774)
Off-System/Other			



Van Tackelton Lane, Vicksburg, MS

Variable Operations Cost YTD November

	<u>Actual 2011</u>	<u>Budget 2011</u>	<u>Variance</u>	<u>Actual 2010</u>	<u>2010 Variance</u>
Variable Operations (VO) Cost - \$/MWh					
Rural					
Large Industrial					
Smelter					
Off-System/Other					
Total					

<u>VO Cost - Thousands of \$</u>					
Rural					
Large Industrial					
Smelter					
Off-System/Other					
Total					

YTD November 2011
Variable Operations Expense

	<u>Actual</u>	<u>Budget</u>	<u>Fav/(UnFav)</u>	<u>Price Variance Fav/(UnFav)</u>	<u>Volume Variance Fav/(UnFav)</u>	<u>Fav/(UnFav)</u>
Reagent						
Fuel						
Purchased Power						
Non-FAC PPA (Non-Smelter)						



Your Electric Energy Cooperative

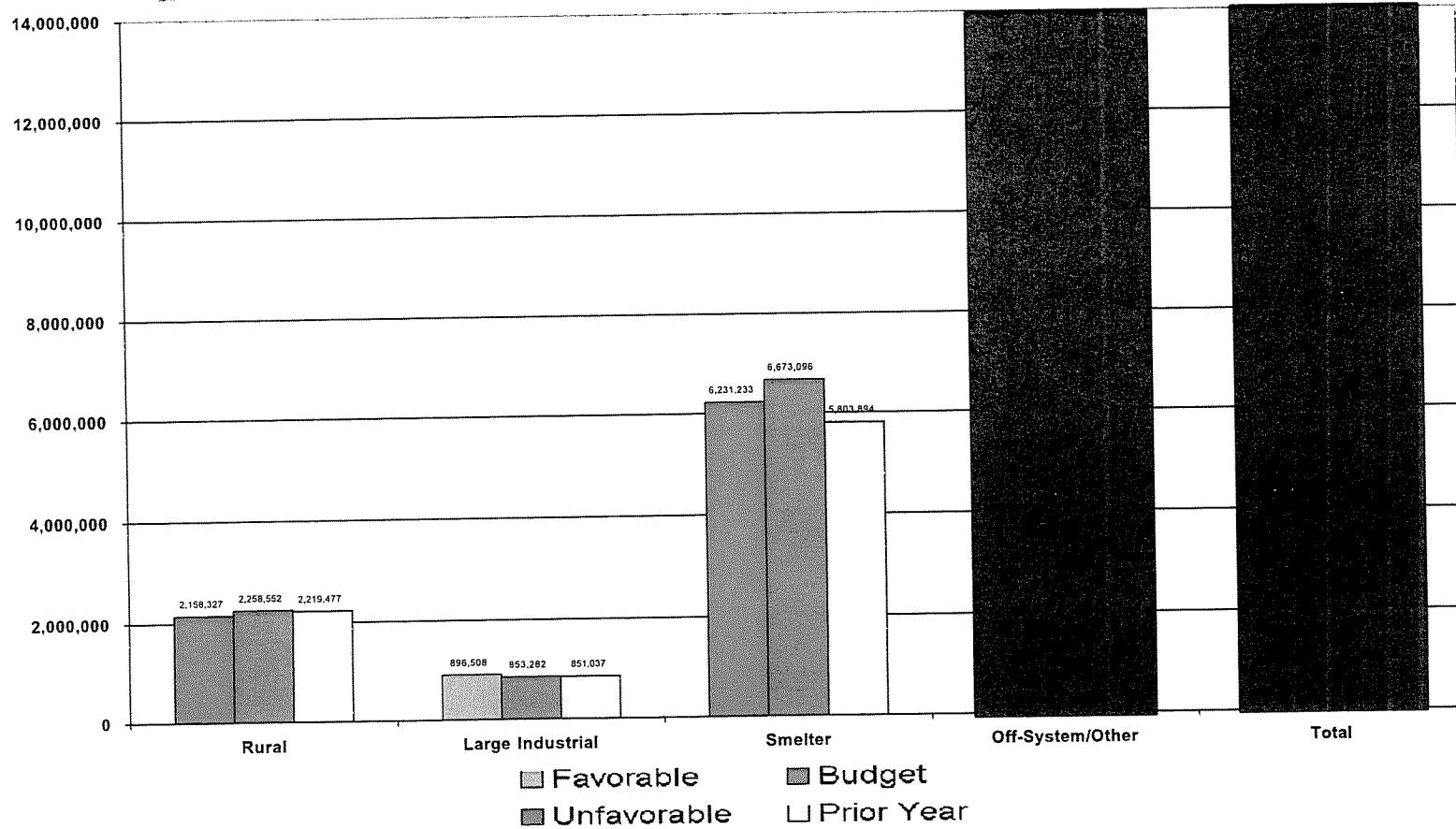
**Net Sales Margin
YTD November**

	<u>Actual 2011</u>	<u>Budget 2011</u>	<u>Variance</u>	<u>Actual 2010</u>	<u>2010 Variance</u>
Net Sales Margin - \$/MWh					
Rural					
Large Industrial					
Smelter					
Off-System/Other					
Total					
Net Sales Margin - Thousands of \$					
Rural					
Large Industrial					
Smelter					
Off-System/Other					
Total					

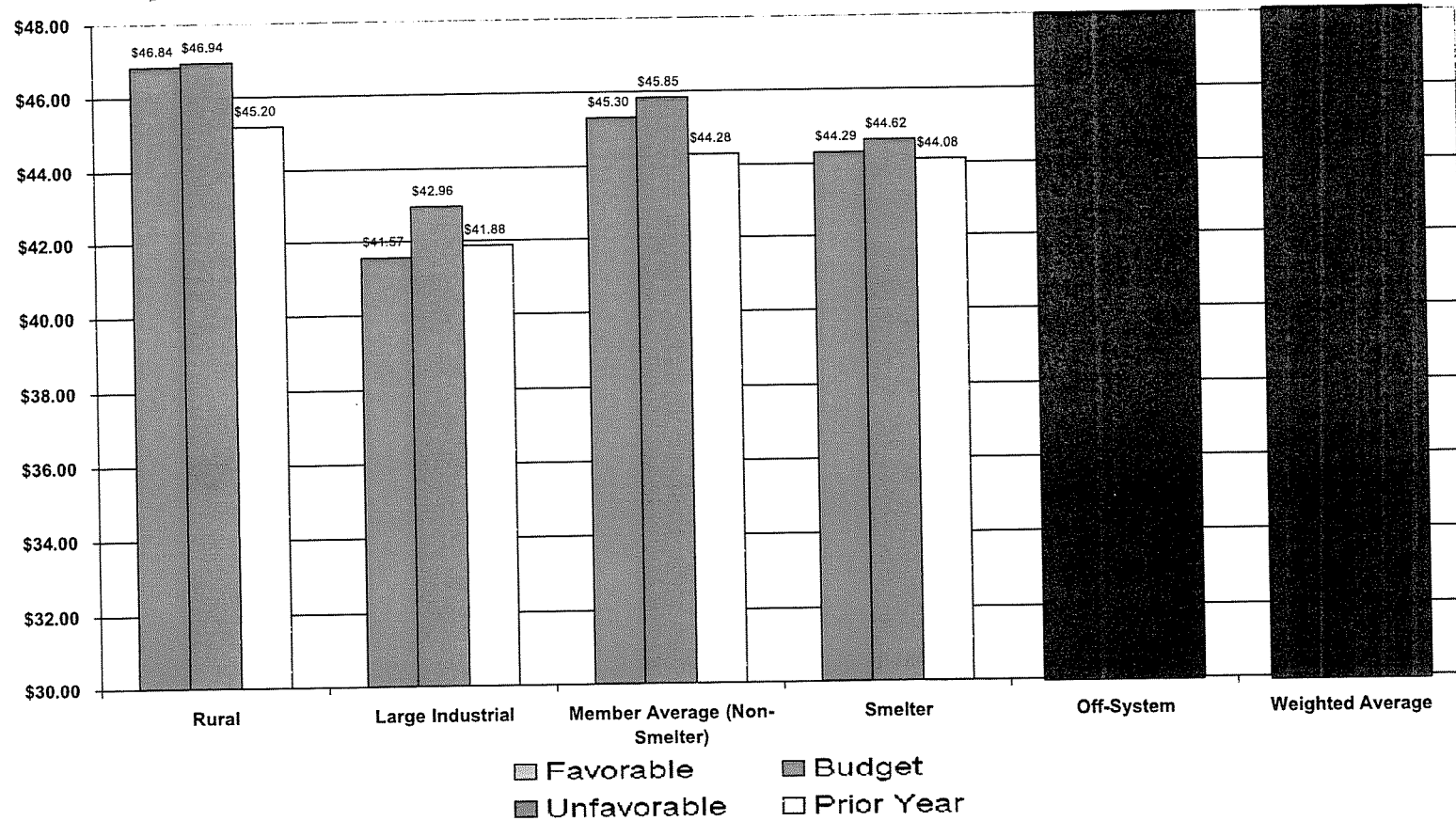
**Net Sales Margin
Price / Volume Analysis
YTD November 2011**

	<u>Price / Volume</u>		<u>Total</u>
	<u>Price</u>	<u>Volume</u>	
Rural			
Large Industrial			
Smelter			
Off-System/Other			

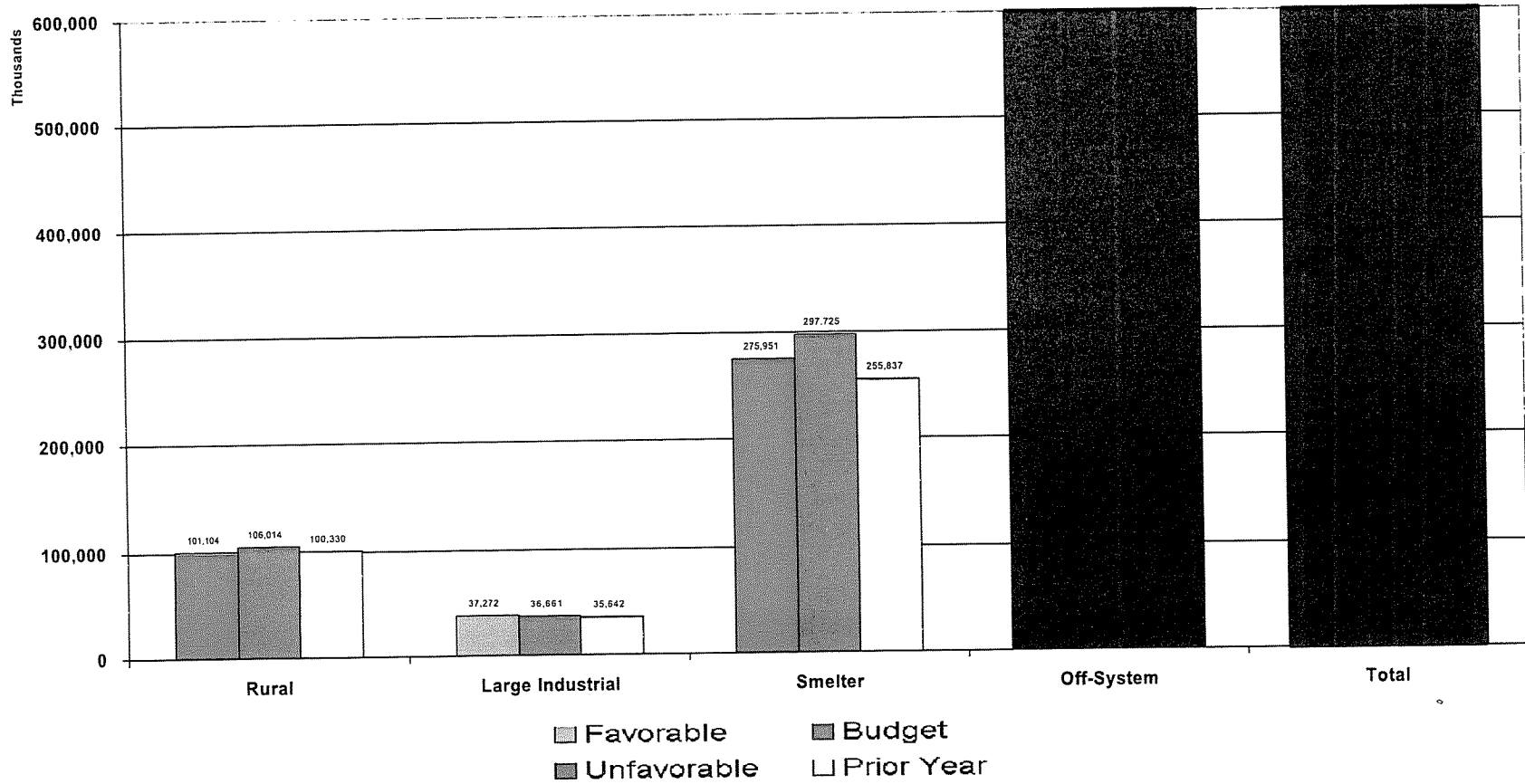
MWH Sales YTD - November



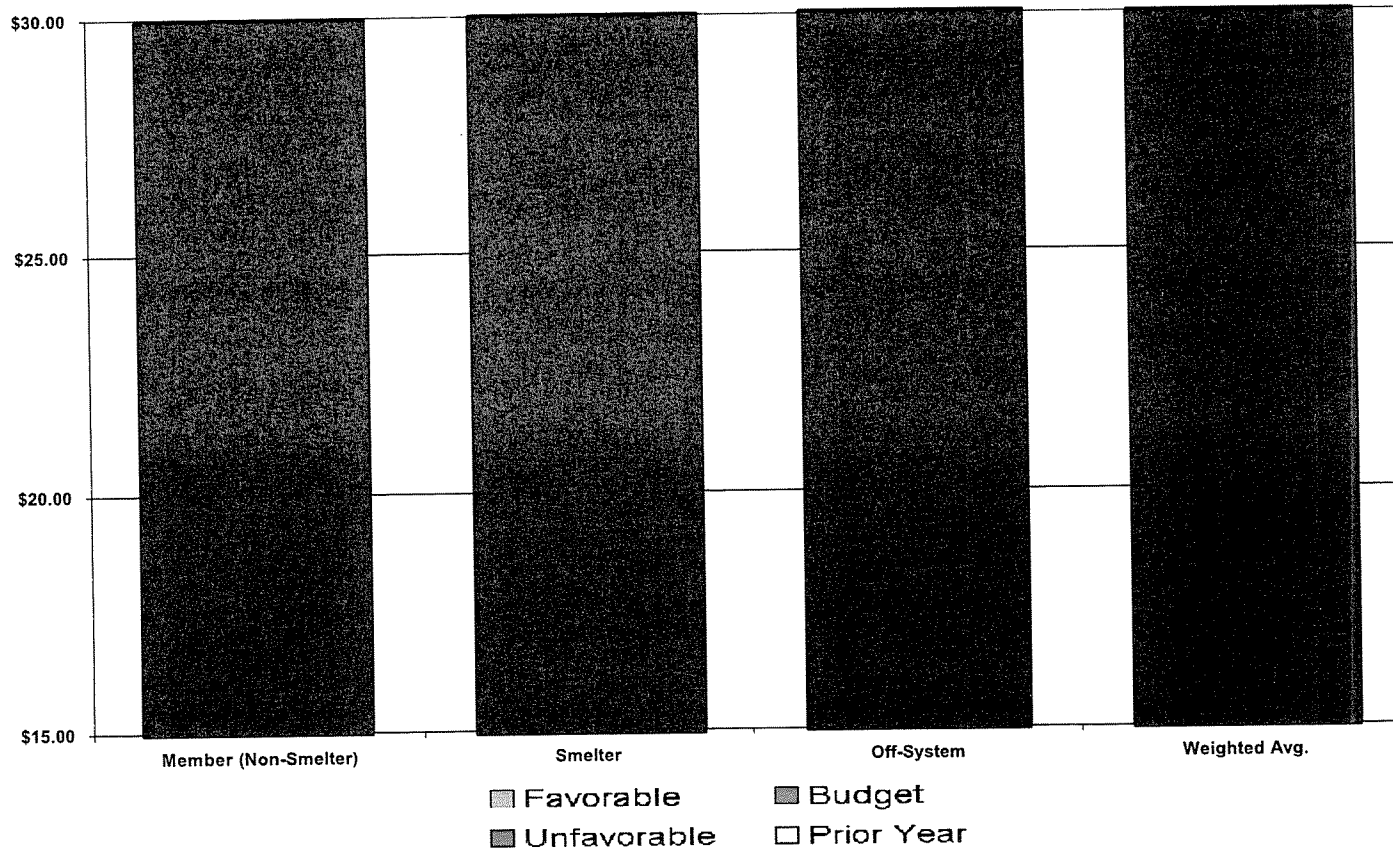
Revenue - \$/MWh Sold YTD - November



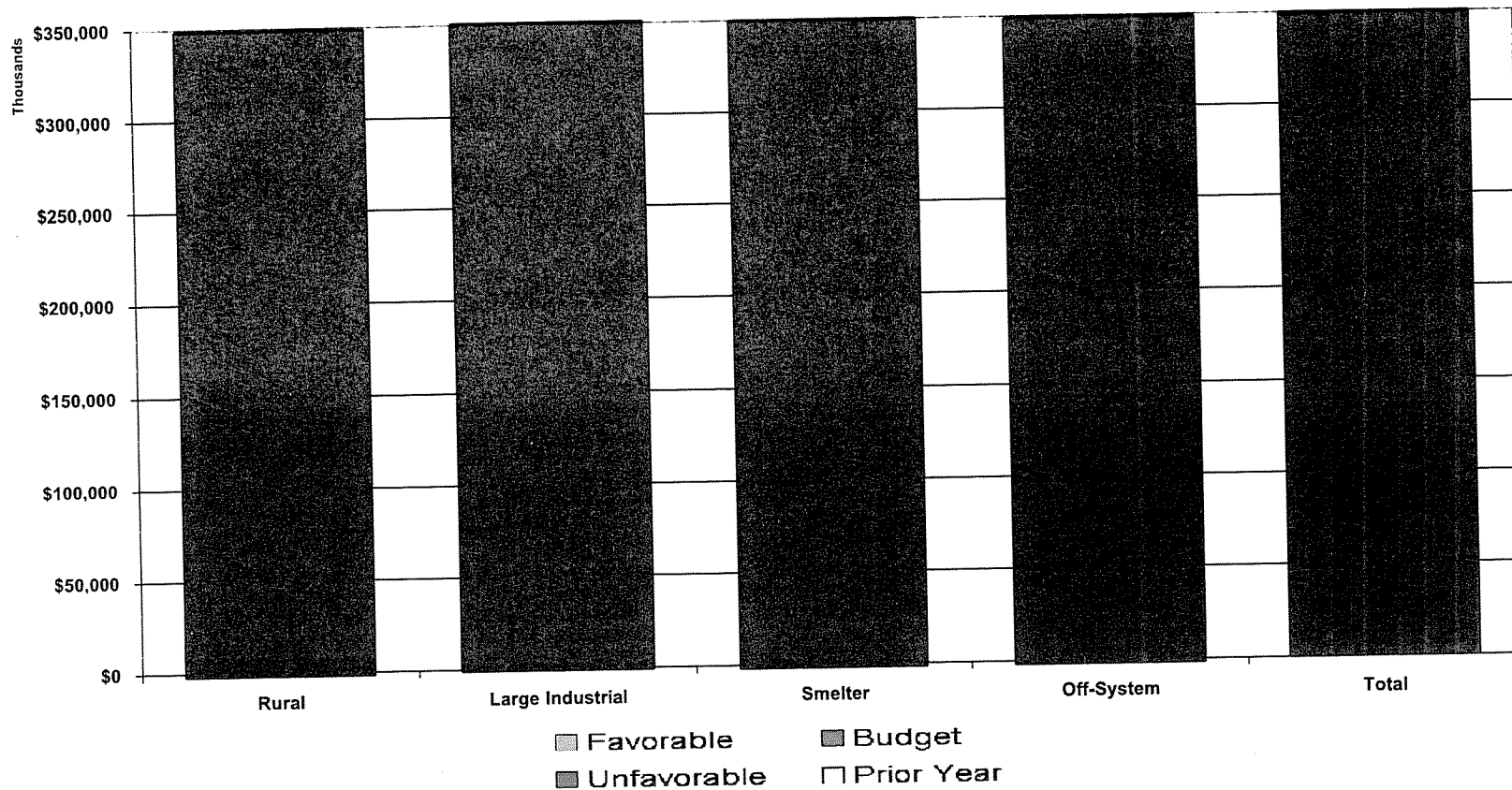
Revenue YTD – November



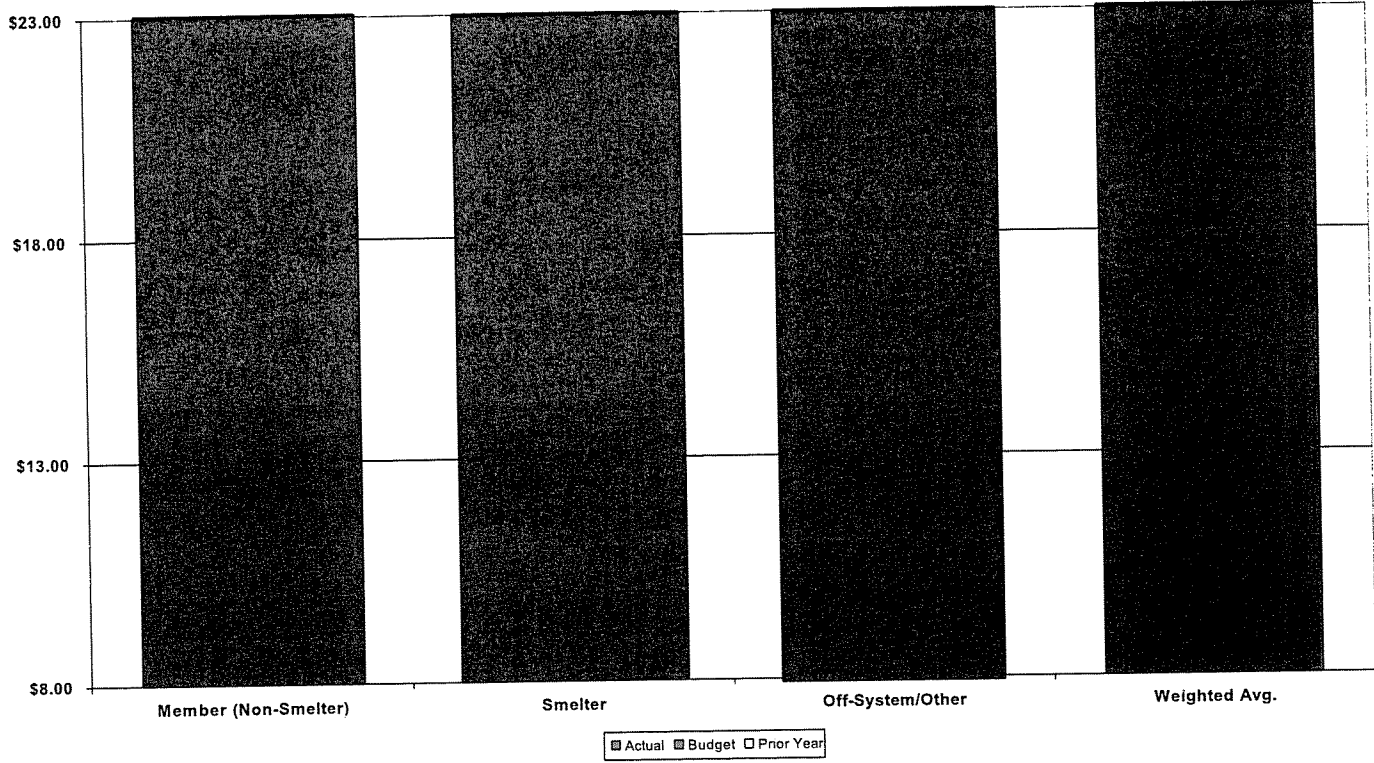
Variable Operations - \$/MWh Sold YTD - November



Variable Operations Cost YTD – November

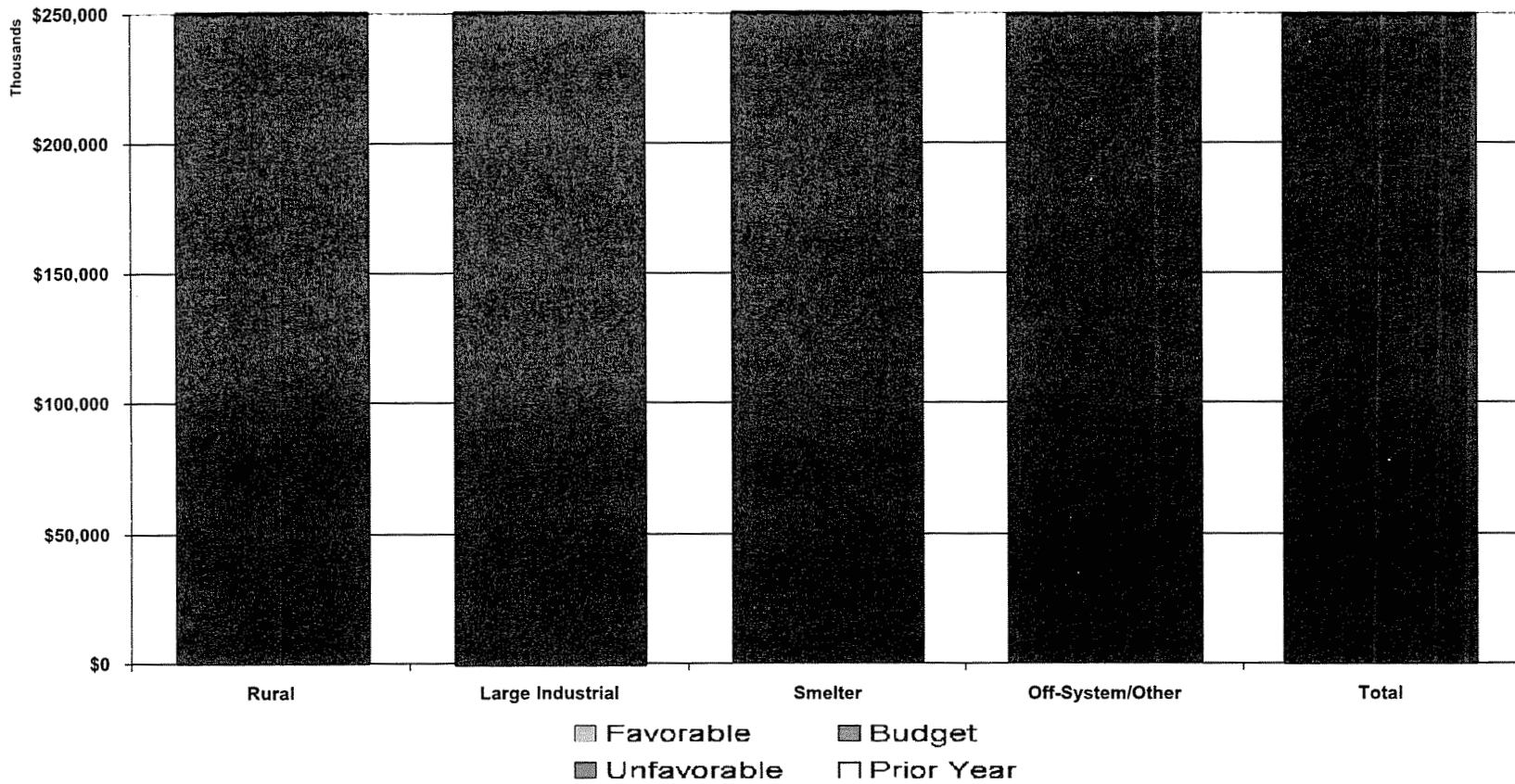


Net Sales Margin - \$/MWh YTD - November

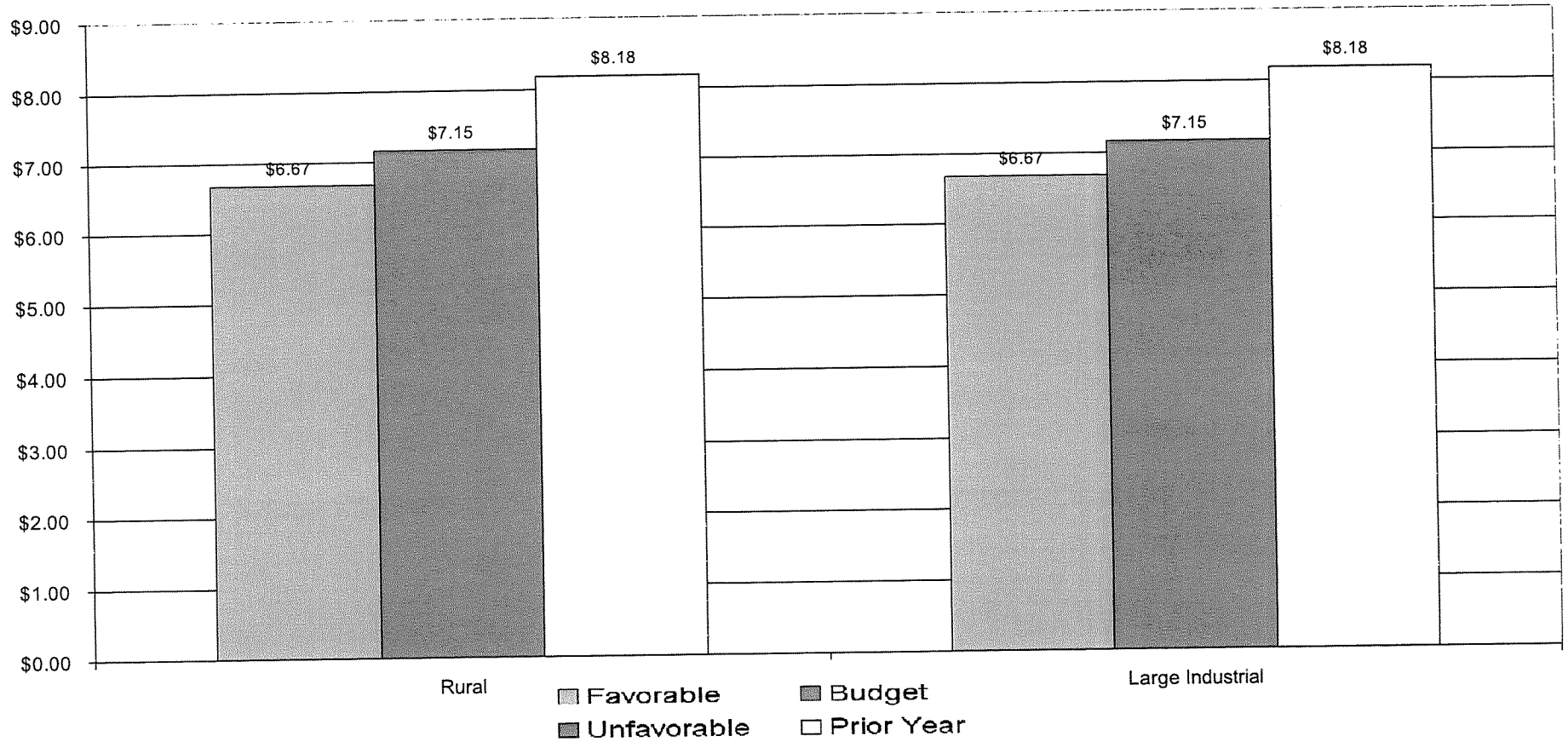


Favorable Budget
 Unfavorable Prior Year

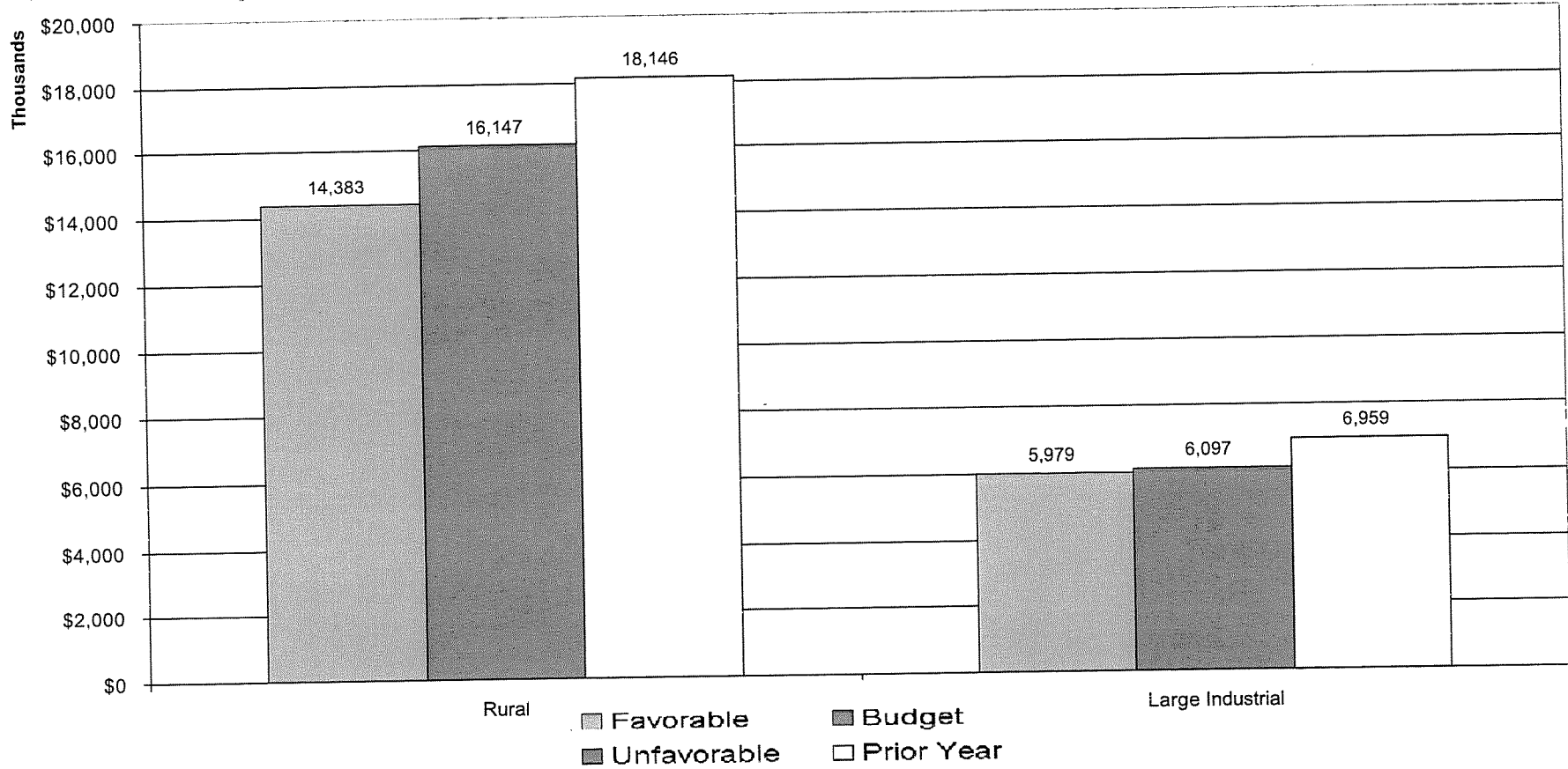
Net Sales Margin YTD - November



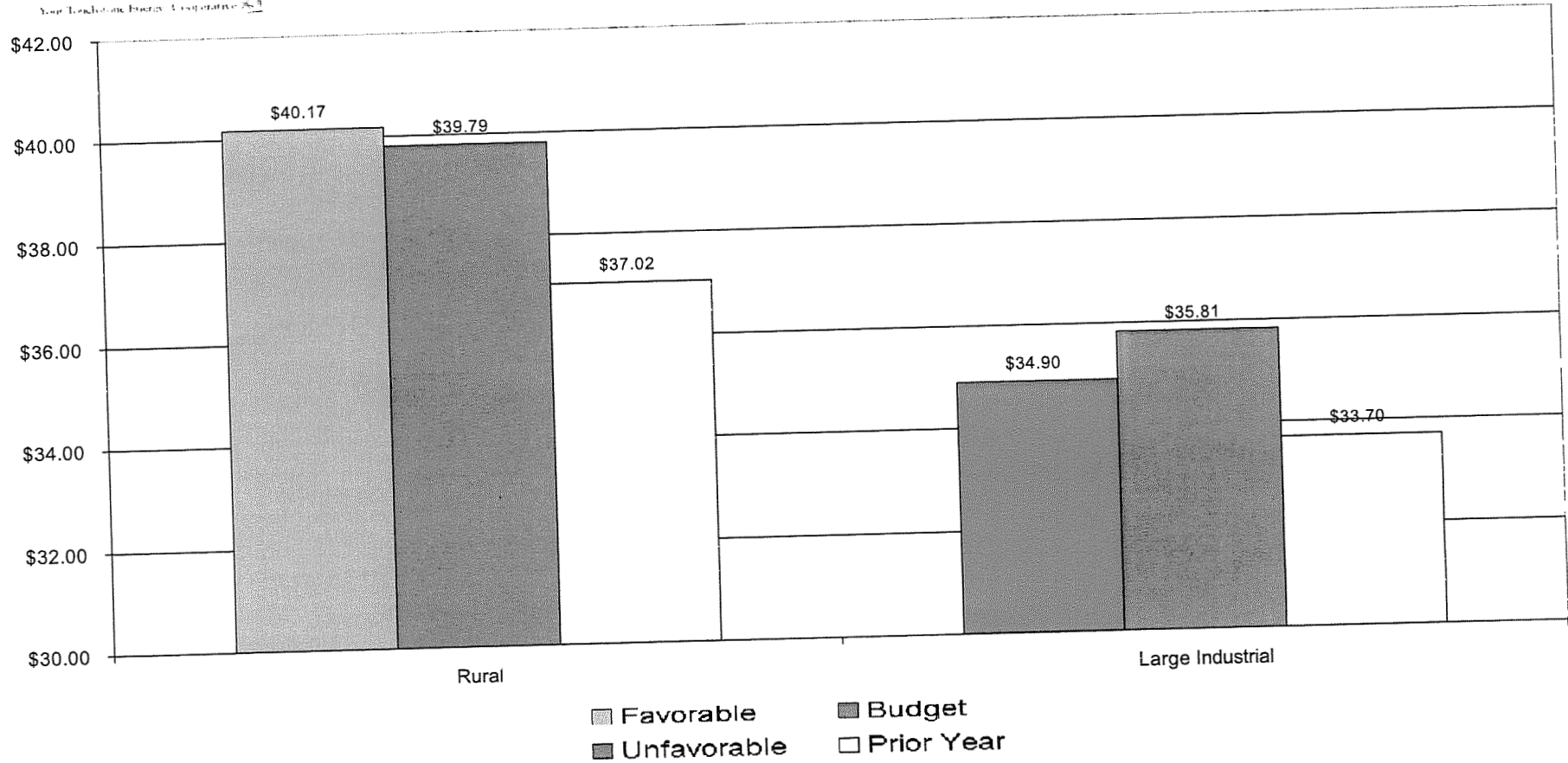
MRSM - \$/MWh YTD - November



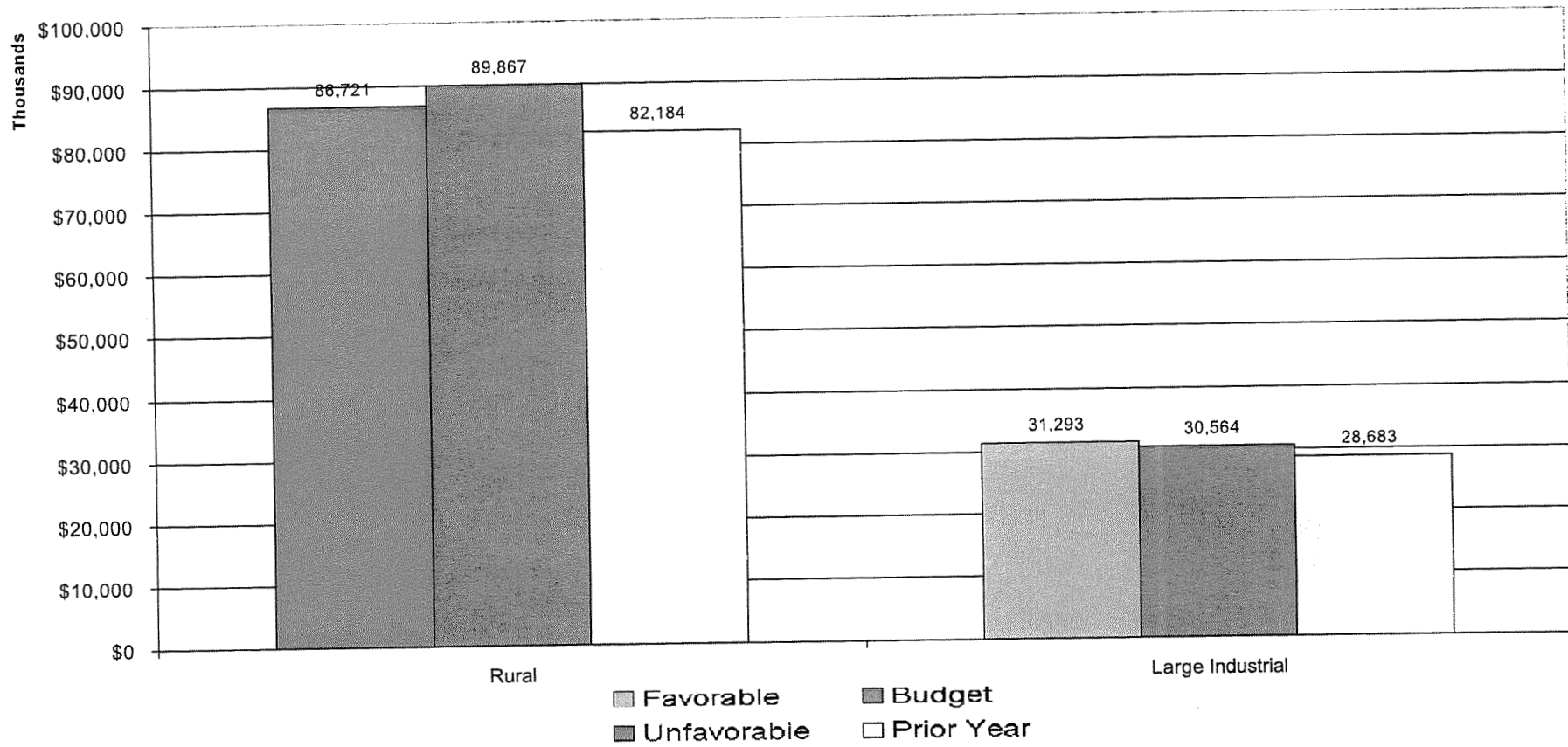
MRSM YTD - November



Net Revenue (Excl. MRSM) - \$/MWh YTD - November



Net Revenue (Excl. MRSM) YTD - November



Other Operating Revenue and Income

	2011			2010	
	<u>Actual</u>	<u>Budget</u>	<u>Variance Fav/(Unfav)</u>	<u>Actual</u>	<u>Variance Fav/(Unfav)</u>
November YTD	3,237	22	3,215	12,682	(9,445)

Favorable to budget due to (intentional) omission of the power supply transmission reservation (from the budget).

Unfavorable to prior year due to a lower power supply transmission reservation.

Non-Variable Production and Other Power Supply – Operations

	2011			2010	
	<u>Actual</u>	<u>Budget</u>	<u>Variance Fav/(Unfav)</u>	<u>2010 Actual</u>	<u>Variance Fav/(Unfav)</u>
November YTD			283		10,511

Current Year Variances

Power Supply transmission reservation	Fav/(UnFav) (5,104)
HMPL 1 Outage scope reduction	1,436
Plant operations expense reductions (Coleman \$771, Green \$1,157 & Wilson \$853)	2,781
Station-Two O&M reductions	1,256
Other	(86)
Non-Variable Production and Other Power Supply - Operations	283

Prior-Year Variances

Power Supply transmission reservation	Fav/(UnFav) 9,322
Station-Two O&M/other	1,189
Non-Variable Production and Other Power Supply - Operations	10,511

Operation Expense – Transmission

	2011			2010	
	<u>Actual</u>	<u>Budget</u>	<u>Variance Fav/(Unfav)</u>	<u>2010 Actual</u>	<u>Variance Fav/(Unfav)</u>
November YTD	8,342	11,231	2,889	7,077	(1,265)

Favorable to budget primarily due to 1) lower than anticipated MISO administrative expenses \$348, and 2) favorable labor expense as more is being charged to maintenance accounts than operations \$1,596 (see slide 33), and 3) various stations and lines fixed departmental expenses \$945.

Unfavorable to prior year due to MISO administrative expenses.

Operation Expense – RTO/ISO

	2011			2010	
	<u>Actual</u>	<u>Budget</u>	<u>Variance Fav/(Unfav)</u>	<u>2010 Actual</u>	<u>Variance Fav/(Unfav)</u>
November YTD	2,318	2,544	226	0	(2,318)

Favorable to budget primarily due to lower than anticipated MISO administrative expenses.

Unfavorable to prior year due to MISO administrative expenses.

Consumer Service & Informational Expense

	2011		
	<u>Actual</u>	<u>Budget</u>	<u>Variance Fav/(Unfav)</u>
November YTD	438	798	360

Favorable due to to FDE reductions in the Employment & Benefits, Safety, Community Relations and Marketing areas.

Operation Expense – Sales

	2011		
	<u>Actual</u>	<u>Budget</u>	<u>Variance Fav/(Unfav)</u>
November YTD	141	862	721

Favorable to budget due to delay in the start of the energy efficiency/demand side management programs.

Maintenance Expense – Production

		2011	
		<u>Actual</u>	<u>Budget</u>
		<u>Variance Fav/(Unfav)</u>	
November YTD			5,524

Favorable to budget due to various maintenance projects that have been reduced in scope or cancelled. These projects include mill overhauls, site maintenance, bar screen repairs and heavy equipment maintenance. The cancellation of the Green 2 outage and reduction in scope of the Green 1 and Wilson outages all contributed to the favorable variance.

Maintenance Expense – Transmission

	2011		
	<u>Actual</u>	<u>Budget</u>	<u>Variance</u> <u>Fav/(Unfav)</u>
November YTD	4,117	3,009	(1,108)

Unfavorable to budget primarily due to more labor being charged to maintenance than operations (The favorable labor variance in Operation Expense – Transmission offsets this unfavorable labor variance in maintenance).

Depreciation & Amortization Expense

	2011			2010	
	<u>Actual</u>	<u>Budget</u>	Variance <u>Fav/(Unfav)</u>	<u>Actual</u>	Variance <u>Fav/(Unfav)</u>
November YTD	32,155	33,174	1,019	31,385	(770)

Favorable to budget due to lower capital spending.

Unfavorable to prior-year due to the higher capital balance being depreciated.

Interest on Long-Term Debt

	2011			2010	
	<u>Actual</u>	<u>Budget</u>	<u>Variance Fav/(Unfav)</u>	<u>2010 Actual</u>	<u>Variance Fav/(Unfav)</u>
November YTD	41,926	43,344	1,418	42,961	1,035

Interest on long-term debt is lower than budget and prior-year due to the payment of the Transition Reserve on the RUS Series A Note.


Other Non-Operating Income - Net

	2010	
	2010	Variance
	<u>Actual</u>	<u>Fav/(Unfav)</u>
November YTD	9	(1,692)

Other Non-Operating Income was unfavorable \$1,692 due to the write-off of the M&S inventory obsolescence reserve in 2010.

Monthly Financial Report – October 2011



Your Touchstone Energy[®] Cooperative 

Financial Report

October 2011

(\$ in Thousands)

Board Meeting Date: December 16, 2011



Summary of Operations YTD October

	2011			2010	
	Actual	Budget *	Fav/(UnFav) Variance	Actual	Fav/(UnFav) Variance
Revenues	469,969	449,943	20,026	438,125	31,844
Cost of Electric Service	460,631	446,563	(14,068)	433,833	(26,798)
Operating Margins	9,338	3,380	5,958	4,292	5,046
Interest Income/Other	252	417	(165)	2,022	(1,770)
Net Margins - YTD	9,590	3,797	5,793	6,314	3,276

* Budget Revenues and Cost of Electric Service revised to remove the power supply transmission reservation (off-setting).

Statement of Operations – October Variance to Budget

	Current Month			Year-to-Date			Explanation
	Actual	Budget*	Variance Fav/(UnFav)	Actual	Budget*	Variance Fav/(UnFav)	
ELECTRIC ENERGY REVENUES	44,667	42,198	2,469	466,987	449,923	17,064	[A] Pages 7, 12-14
INCOME FROM LEASED PROPERTY - NET	0	0	0	0	0	0	
OTHER OPERATING REVENUE AND INCOME	813	3	810	2,982	20	2,962	[B], [C] Page 26
TOTAL OPER REVENUES & PATRONAGE CAPITAL	45,480	42,201	3,279	469,969	449,943	20,026	
OPERATION EXPENSE-PRODUCTION-EXCL FUEL	4,534	4,821	287	41,535	53,322	11,787	[A] Pages 7, 12-14, 27
OPERATION EXPENSE-PRODUCTION-FUEL	17,655	13,915	(3,740)	190,762	172,519	18,243	[A] Pages 7, 12-14
OPERATION EXPENSE-OTHER POWER SUPPLY	8,964	8,760	(204)	92,143	75,418	16,725	[A] Pages 7, 12-14, 27
OPERATION EXPENSE-TRANSMISSION	718	896	178	7,638	10,257	2,619	[B], [C] Page 28
OPERATION EXPENSE-RTO/ISO	223	76	(147)	2,056	2,368	312	[B] Page 29
CONSUMER SERVICE & INFORMATIONAL EXPENSE	27	74	47	372	731	359	[B] Page 30
OPERATION EXPENSE-SALES	2	68	66	131	810	679	[B], [C] Page 31
OPERATION EXPENSE-ADMINISTRATIVE & GENERAL	1,891	2,206	315	21,871	21,666	(205)	
TOTAL OPERATION EXPENSE	34,014	30,816	(3,198)	356,508	337,091	(19,417)	
MAINTENANCE EXPENSE-PRODUCTION	4,040	5,217	1,177	33,221	36,968	3,747	[B], [C] Page 32
MAINTENANCE EXPENSE-TRANSMISSION	436	242	(194)	3,783	2,776	(1,007)	[B], [C] Page 33
MAINTENANCE EXPENSE-GENERAL PLANT	24	8	(16)	118	88	(30)	
TOTAL MAINTENANCE EXPENSE	4,500	5,467	967	37,122	39,832	2,710	
DEPRECIATION & AMORTIZATION EXPENSE	2,499	3,052	553	28,873	30,120	1,247	[C] Page 34
TAXES	0	21	21	128	208	80	
INTEREST ON LONG-TERM DEBT	3,796	4,023	227	38,246	39,451	1,205	[C] Page 35
INTEREST CHARGED TO CONSTRUCTION-CREDIT	(26)	(33)	(7)	(476)	(423)	53	
OTHER INTEREST EXPENSE	0	30	30	59	170	111	
OTHER DEDUCTIONS	12	12	0	171	114	(57)	
TOTAL COST OF ELECTRIC SERVICE	44,795	43,388	(1,407)	460,631	446,563	(14,068)	
OPERATING MARGINS	685	(1,187)	1,872	9,338	3,380	5,958	
INTEREST INCOME	7	33	(26)	138	321	(183)	
ALLOWANCE FOR FUNDS USED DURING CONST	0	0	0	0	0	0	
OTHER NON-OPERATING INCOME - NET	0	0	0	9	0	9	
OTHER CAPITAL CREDITS & PAT DIVIDENDS	0	0	0	105	96	9	
EXTRAORDINARY ITEMS	0	0	0	0	0	0	
NET PATRONAGE CAPITAL OR MARGINS	692	(1,154)	1,846	9,590	3,797	5,793	

Explanations: [A] Net Sales Margin, [B] 10% of line item and \$250,000 or [C] 10% of margins and \$500,000.

* Budget Revenues and Cost of Electric Service revised to remove the power supply transmission reservation (off-setting).



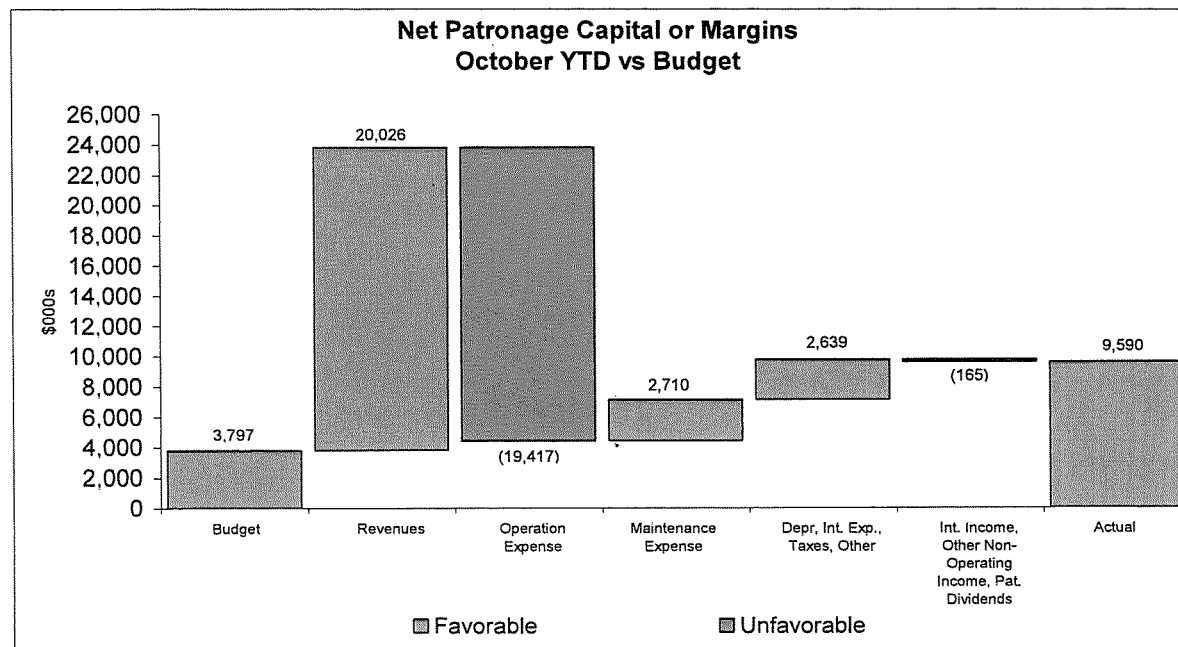
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Statement of Operations – October Variance to Prior-Year

	Current Month			Year-to-Date			Explanation
	Actual	Prior Year	Variance Fav/(UnFav)	Actual	Prior Year	Variance Fav/(UnFav)	
ELECTRIC ENERGY REVENUES	44,667	39,943	4,724	466,987	426,611	40,376	[A] Pages 7, 12-14
INCOME FROM LEASED PROPERTY - NET	0		0	0		0	
OTHER OPERATING REVENUE AND INCOME	813	1,148	(335)	2,982	11,514	(8,532)	[B], [C] Page 26
TOTAL OPER REVENUES & PATRONAGE CAPITAL	45,480	41,091	4,389	469,969	438,125	31,844	
OPERATION EXPENSE-PRODUCTION-EXCL FUEL	4,534	4,626	92	41,535	44,418	2,883	[A] Pages 7, 12-14, 27
OPERATION EXPENSE-PRODUCTION-FUEL	17,655	14,894	(2,761)	190,762	172,789	(17,973)	[A] Pages 7, 12-14
OPERATION EXPENSE-OTHER POWER SUPPLY	8,964	8,680	(284)	92,143	81,756	(10,387)	[A] Pages 7, 12-14, [B] 27
OPERATION EXPENSE-TRANSMISSION	718	685	(33)	7,638	6,426	(1,212)	[B], [C] Page 28
OPERATION EXPENSE-RTO/ISO	223	0	(223)	2,056	0	(2,056)	[B],[C] Page 29
CONSUMER SERVICE & INFORMATIONAL EXPENSE	27	36	9	372	411	39	
OPERATION EXPENSE-SALES	2	0	(2)	131	164	33	
OPERATION EXPENSE-ADMINISTRATIVE & GENERAL	1,891	1,928	37	21,871	21,411	(460)	
TOTAL OPERATION EXPENSE	34,014	30,849	(3,165)	356,508	327,375	(29,133)	
MAINTENANCE EXPENSE-PRODUCTION	4,040	7,377	3,337	33,221	34,780	1,559	[C] Page 32
MAINTENANCE EXPENSE-TRANSMISSION	436	347	(89)	3,783	3,955	172	
MAINTENANCE EXPENSE-GENERAL PLANT	24	16	(8)	118	160	42	
TOTAL MAINTENANCE EXPENSE	4,500	7,740	3,240	37,122	38,895	1,773	
DEPRECIATION & AMORTIZATION EXPENSE	2,499	2,840	341	28,873	28,486	(387)	
TAXES	0	0	0	128	198	70	
INTEREST ON LONG-TERM DEBT	3,796	3,952	156	38,246	39,138	892	[C] Page 35
INTEREST CHARGED TO CONSTRUCTION-CREDIT	(26)	(82)	(56)	(476)	(492)	(16)	
OTHER INTEREST EXPENSE	0	21	21	59	147	88	
OTHER DEDUCTIONS	12	13	1	171	86	(85)	
TOTAL COST OF ELECTRIC SERVICE	44,795	45,333	538	460,631	433,833	(26,798)	
OPERATING MARGINS	685	(4,242)	4,927	9,338	4,292	5,046	
INTEREST INCOME	7	33	(26)	138	303	(165)	
ALLOWANCE FOR FUNDS USED DURING CONST	0	0	0	0	0	0	
OTHER NON-OPERATING INCOME - NET	0	6	(6)	9	1,699	(1,690)	[B],[C] Page 36
OTHER CAPITAL CREDITS & PAT DIVIDENDS	0	0	0	105	20	85	
EXTRAORDINARY ITEMS	0	0	0	0	0	0	
NET PATRONAGE CAPITAL OR MARGINS	692	(4,203)	4,895	9,590	6,314	3,276	

Explanations: [A] Net Sales Margin, [B] 10% of line item and \$250,000 or [C] 10% of margins and \$500,000.

Variance Analysis Summary

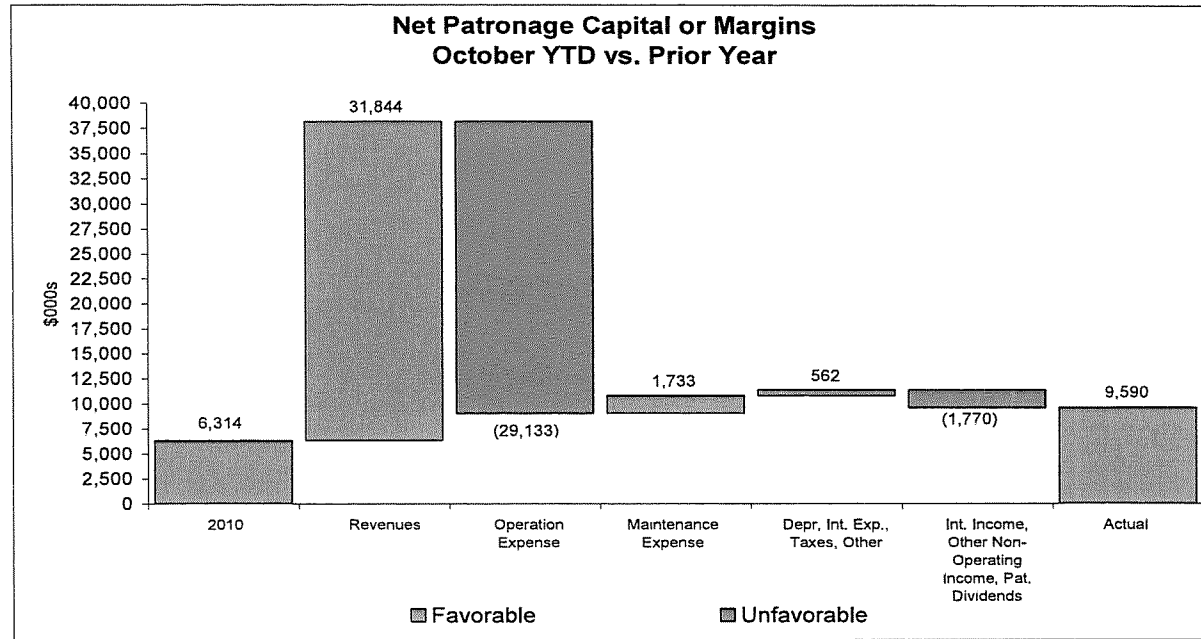


Financial Commentary

Year-to-Date

- YTD October 2011 Margins were \$5,793 favorable to budget.
 - Electric Energy Revenues were favorable \$17,064 primarily due to higher off-system volume (see page 12).
 - Other Revenue was favorable \$2,962 due to the power supply transmission reservation (see page 26).
 - Operation Expense was unfavorable \$19,417 – driven by higher variable costs \$23,400 primarily due to the higher off-system sales volumes, partially offset by the reduction in scope of the HMPL 1 planned outage and favorable operation expense at the plants and transmission (see pages 13, 27-31).
 - Maintenance Expense was favorable \$2,710 primarily due to timing of plant expenses and cancellation of the Wilson chemical clean (see pages 32 & 33).
 - Depreciation, Taxes, Interest Expense & Other was favorable \$2,639 due to (a) lower capital expenditures and (b) lower interest expense due to payment of the Transition Reserve on the RUS Series A Note (see pages 11, 35).

Variance Analysis Summary



Financial Commentary

Year-to-Date

- YTD 2011 margins were \$3,276 favorable to YTD 2010.
 - Electric Energy Revenues were favorable \$40,376 primarily due to higher off-system volumes (see page 12).
 - Other Revenue was unfavorable \$8,532 primarily due to a lower power supply transmission reservation, which is off-set in Operations Expense - Other Power Supply (see page 26).
 - Operation Expense was unfavorable \$29,133 – driven by higher variable costs \$34,027 and higher MISO expenses, partially offset by lower transmission reservation (see pages 13, 27-29).
 - Maintenance Expense was favorable \$1,733 primarily due to higher planned outage expense during 2010 (see pages 32-33).
 - Depreciation and Interest Expense combined was lower \$562.
 - Interest Income, Other Non-Operating Income and Pat. Dividends combined were unfavorable \$1,770 primarily due to the write-off of the M&S inventory obsolescence reserve in 2010 (see page 36).



Your Touchstone Energy Cooperative

**Member Rate Stability Mechanism
YTD October**

	<u>Actual</u> <u>2011</u>	<u>Budget</u> <u>2011</u>	<u>2011</u> <u>Variance</u>	<u>Actual</u> <u>2010</u>	<u>2010</u> <u>Variance</u>		<u>Actual</u> <u>2011</u>	<u>Budget</u> <u>2011</u>	<u>2011</u> <u>Variance</u>	<u>Actual</u> <u>2010</u>	<u>2010</u> <u>Variance</u>
<u>MRSM - \$/MWh</u>						<u>Net Revenue - \$/MWh</u>					
Rural	(6.36)	(7.21)	0.85	(8.22)	1.86	Rural	40.40	39.45	0.95	36.94	3.46
Large Industrial	(6.36)	(7.21)	0.85	(8.22)	1.86	Large Industrial	35.14	35.42	(0.28)	33.53	1.61
Total	(6.36)	(7.21)	0.85	(8.22)	1.86	Total	38.86	38.35	0.51	36.00	2.86
<u>MRSM - Thousands of \$</u>						<u>Net Revenue - Thousands of \$</u>					
Rural	(12,642)	(14,907)	2,265	(16,825)	4,183	Rural	80,359	81,581	(1,222)	75,560	4,799
Large Industrial	(5,218)	(5,622)	404	(6,381)	1,163	Large Industrial	28,866	27,634	1,232	26,028	2,838
Total	(17,860)	(20,529)	2,669	(23,206)	5,346	Total	109,225	109,215	10	101,588	7,637

<u>Economic Reserve Balance</u>			
<u>Cumulative-to-Date</u>	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
Original Deposit	\$ 157,000		
Interest Earnings	2,645		
Withdrawals	(56,499)		
Ending Balance 10/31/2011	\$ 103,146	\$ 102,395	\$ 751
<u>YTD September 2011</u>			
Beg. Balance 1/1/2011	\$ 121,220		
Interest Earnings	780		
Withdrawals	(18,854)		
Ending Balance 10/31/2011	\$ 103,146	\$ 102,395	\$ 751



Cash & Temporary Investments

	<u>Actual</u>	<u>Budget</u>	<u>Fav/(Unfav)</u>	2010	
				<u>Actual</u>	<u>Fav/(Unfav)</u>
October 31st	58,888	31,554	27,334	53,898	4,990

The October 31st, 2011 cash balance compared to budget is favorable primarily due to lower net capital expenditures of \$23,700 and a reduction in fuel inventory of \$18,895. As a result, the budgeted line of credit borrowing has not occurred.

The October 31st, 2011 cash balance compared to prior year is favorable primarily due to voluntarily prepaying the RUS Series A Note during 2010.

<u>Lines of Credit</u> <u>As of October 31st</u>	
Original Amount	\$100,000
Letters of Credit Outstanding	(6,875)
Advances Outstanding	0
Available Lines of Credit	\$ 93,125



North Star – YTD October

	2011			2010	
	Actual	Budget	Fav/(UnFav) Variance	Actual	Fav/(UnFav) Variance
Total Cost of Electric Service			1,816		(26,797)
Other Operating Revenues & Income	(2,982)	(15,903)	(12,921)	(11,514)	(8,532)
Smelter Avoidable Base Charge	(2,594)	0	2,594	(3,987)	(1,393)
Off-System Sales/Other					
Interest Income	(138)	(321)	(183)	(303)	(165)
Other Non-Operating Income	(9)	0	9	(1,699)	(1,690)
Other Capital Credits & Pat. Dividends	(105)	(96)	9	(20)	85
			31,147		(18,292)

Member MWh	8,446,810	8,920,921	(474,111)	8,100,780	346,030
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North Star - \$/kWh					
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TIER

	<u>Actual</u>	<u>Budget</u>	<u>Fav/(Unfav)</u>
Interest on Long Term Debt	38,246	39,451	1,205
Net Margins	[REDACTED]		
TIER (10 months ending 10/31)	[REDACTED]		
TIER (12 months ending 10/31)	[REDACTED]		

Notes:

TIER = (Net Margins + Interest on Long-Term Debt) divided by Interest on Long-Term Debt

Capital Expenditures*

	<u>Actual</u>	<u>Budget</u>	<u>Fav/(UnFav)</u>
IT	675	936	261
Generation	20,506	35,049	14,543
Transmission	5,719	14,111	8,392
Other	1,027	2,709	1,682
Total	27,927	52,805	24,878

Explanation:

Generation favorable primarily due to the timing or cancellation of projects. Coleman was favorable \$2,570 due to the cancellation of several projects including Interposing Logic System Controls and control room upgrade. The delay of several projects including the C2 Aux Transformer and start-up buss tie added to the favorability. Station Two was favorable \$3,411 due to reducing the scope of the HMPL 1 spring outage and timing of various projects. Green Station was favorable \$7,574 due to several projects being moved to later in the year. These include FGD rehab, boiler painting and outage related projects. The Wilson facility was favorable \$988 due to the delay of the secondary air-heater milestone payment.

Transmission favorable primarily due to the timing of the Wilson Line 19F Terminal, Two-Way Radio Replacement and Wilson 69 KV line to Centertown addition.

Other favorable primarily due to the delay in purchasing the PCI Software, Operator Training Simulator, training facility remodeling and analyzers and a chromatograph for the Environmental Department.

* Gross of the City's share of Station Two.

Revenue YTD October

	Actual 2011	Budget 2011	Variance	Actual 2010	2010 Variance
MWh Sales					
Rural	1,988,751	2,067,739	(78,988)	2,045,954	(57,203)
Large Industrial	821,345	780,089	41,256	776,335	45,010
Smelter	5,636,712	6,073,093	(436,381)	5,278,493	358,219
Off-System/Other					
Total					
Revenue - \$/MWh					
Rural	46.76	46.66	0.10	45.15	1.61
Large Industrial	41.50	42.63	(1.13)	41.75	(0.25)
Smelter	44.19	44.32	(0.13)	43.80	0.39
Off-System/Other					
Total					
Revenue - Thousands of \$					
Rural	93,001	96,488	(3,487)	92,385	616
Large Industrial	34,084	33,256	828	32,409	1,675
Smelter	249,071	269,171	(20,100)	231,186	17,885
Off-System/Other					
Total					

Revenue Price / Volume Analysis YTD October 2011

	Price / Volume		
	Price	Volume	Total
Rural			
Large Industrial			
Smelter			
Off-System/Other			

Variable Operations Cost
YTD October

	<u>Actual</u> <u>2011</u>	<u>Budget</u> <u>2011</u>	<u>Variance</u>	<u>Actual</u> <u>2010</u>	<u>2010</u> <u>Variance</u>
Variable Operations (VO) Cost - \$/MWh					
Rural					
Large Industrial					
Smelter					
Off-System/Other					
Total					
<u>VO Cost - Thousands of \$</u>					
Rural					
Large Industrial					
Smelter					
Off-System/Other					
Total					

YTD October 2011
Variable Operations Expense

	<u>Actual</u>	<u>Budget</u>	<u>Fav/(UnFav)</u>	<u>Price Variance</u> <u>Fav/(UnFav)</u>	<u>Volume Variance</u> <u>Fav/(UnFav)</u>	<u>Fav/(UnFav)</u>
Reagent						
Fuel						
Purchased Power						
Non-FAC PPA (Non-Smelter)						



Your Teaching Energy Cooperative

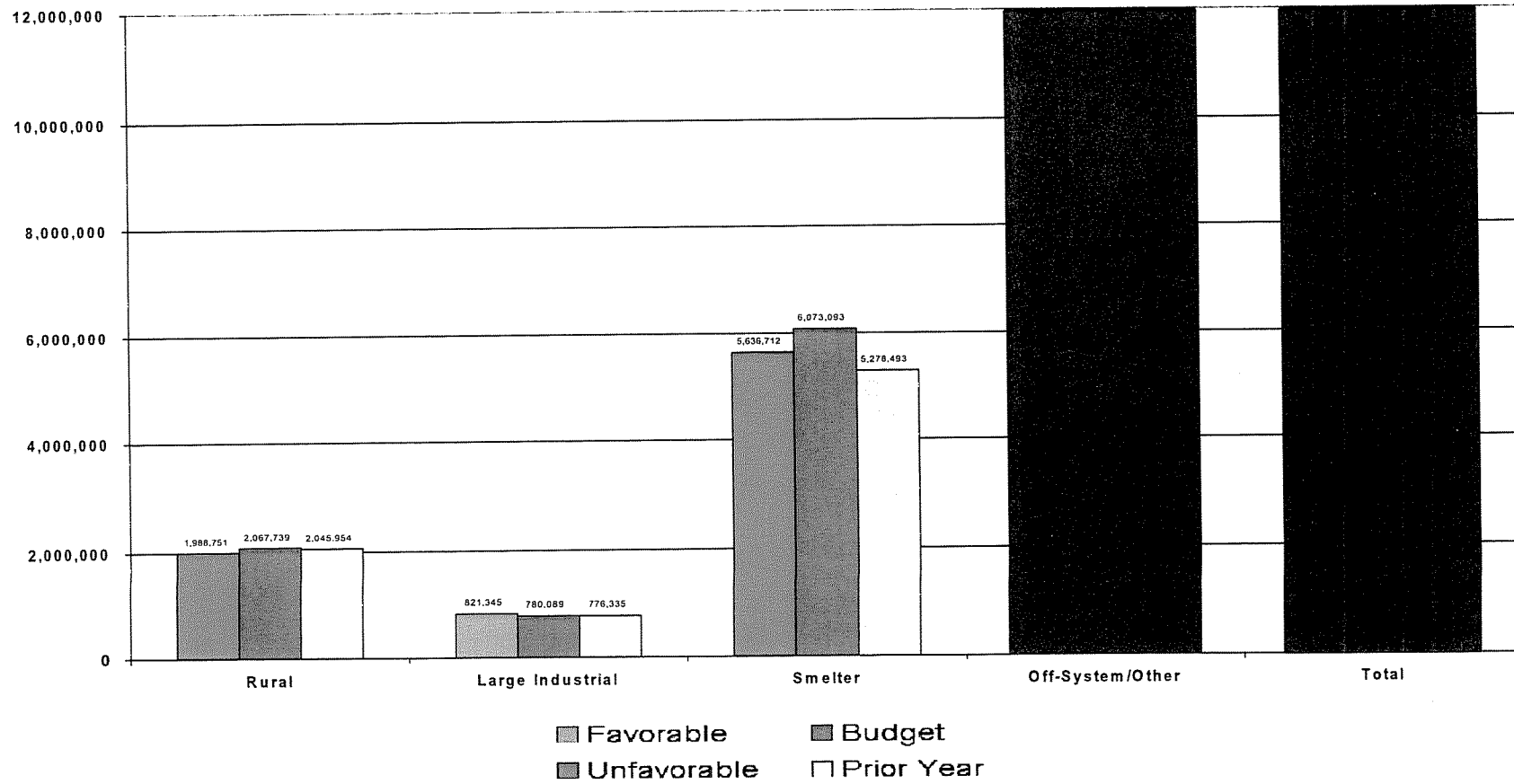
Net Sales Margin YTD October

	<u>Actual 2011</u>	<u>Budget 2011</u>	<u>Variance</u>	<u>Actual 2010</u>	<u>2010 Variance</u>
Net Sales Margin - \$/MWh					
Rural					
Large Industrial					
Smelter					
Off-System/Other					
Total					
Net Sales Margin - Thousands of \$					
Rural					
Large Industrial					
Smelter					
Off-System/Other					
Total					

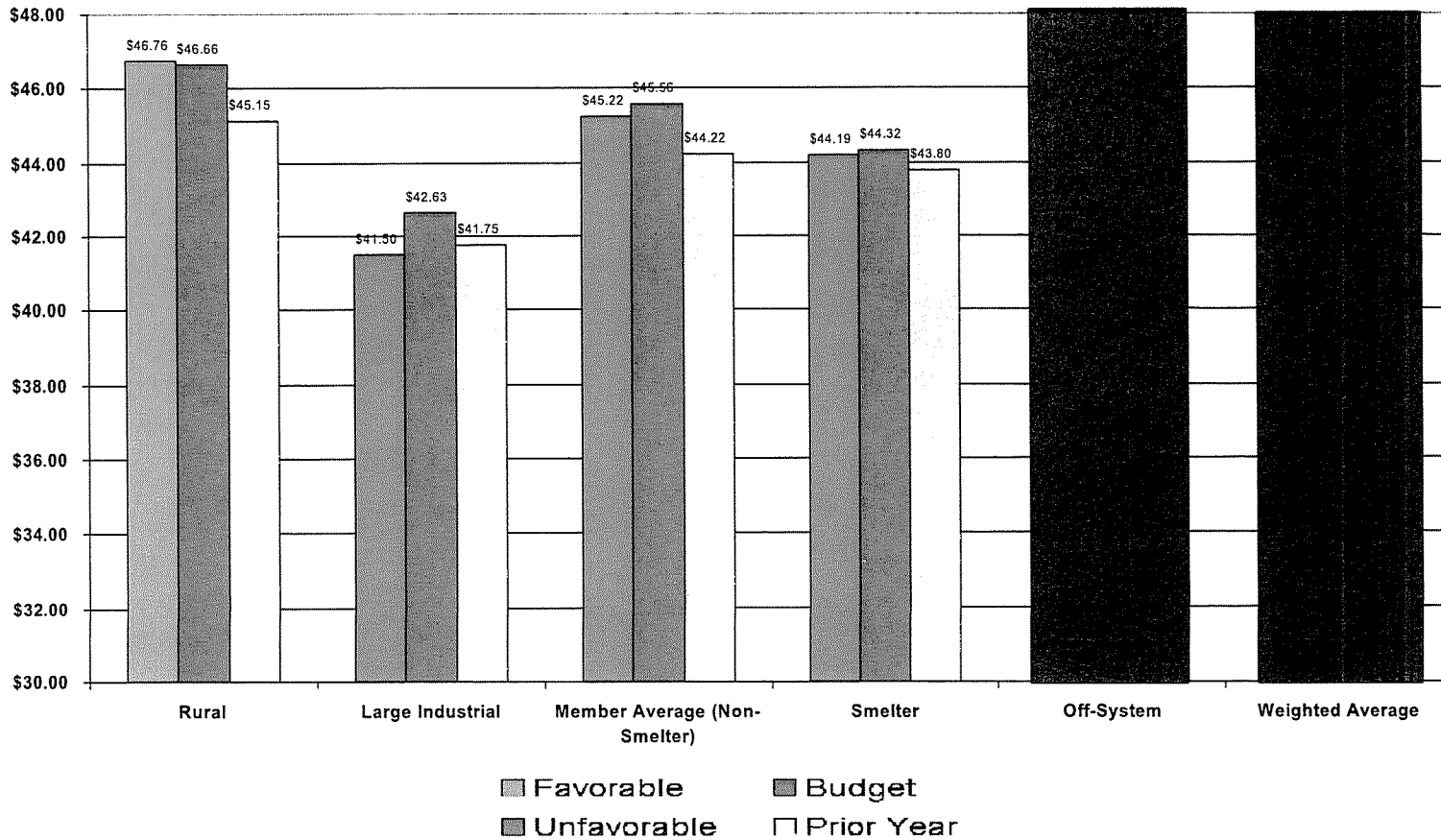
Net Sales Margin Price / Volume Analysis YTD October 2011

	<u>Price / Volume</u>		
	<u>Price</u>	<u>Volume</u>	<u>Total</u>
Rural			
Large Industrial			
Smelter			
Off-System/Other			

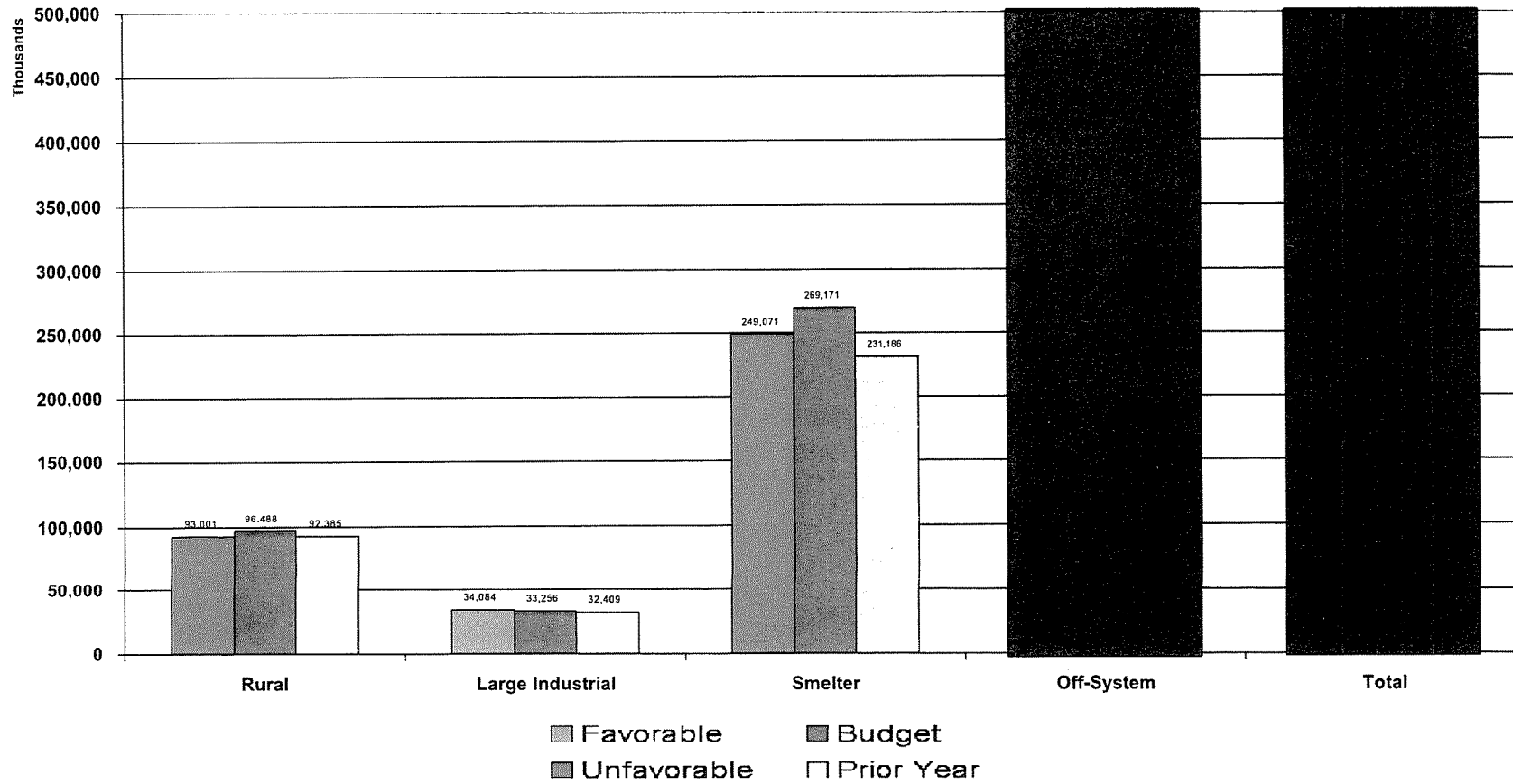
MWH Sales YTD - October



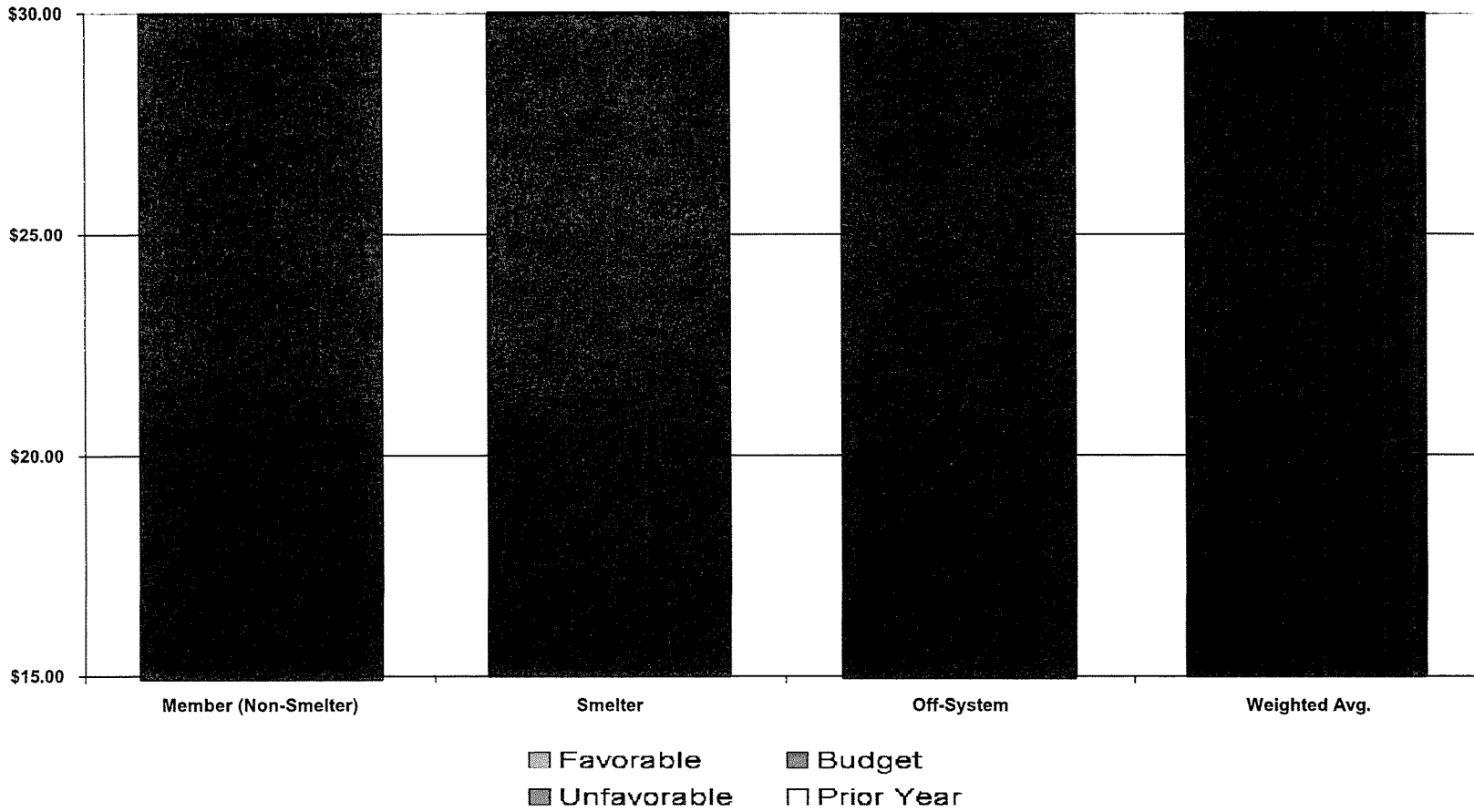
Revenue - \$/MWh Sold YTD - October



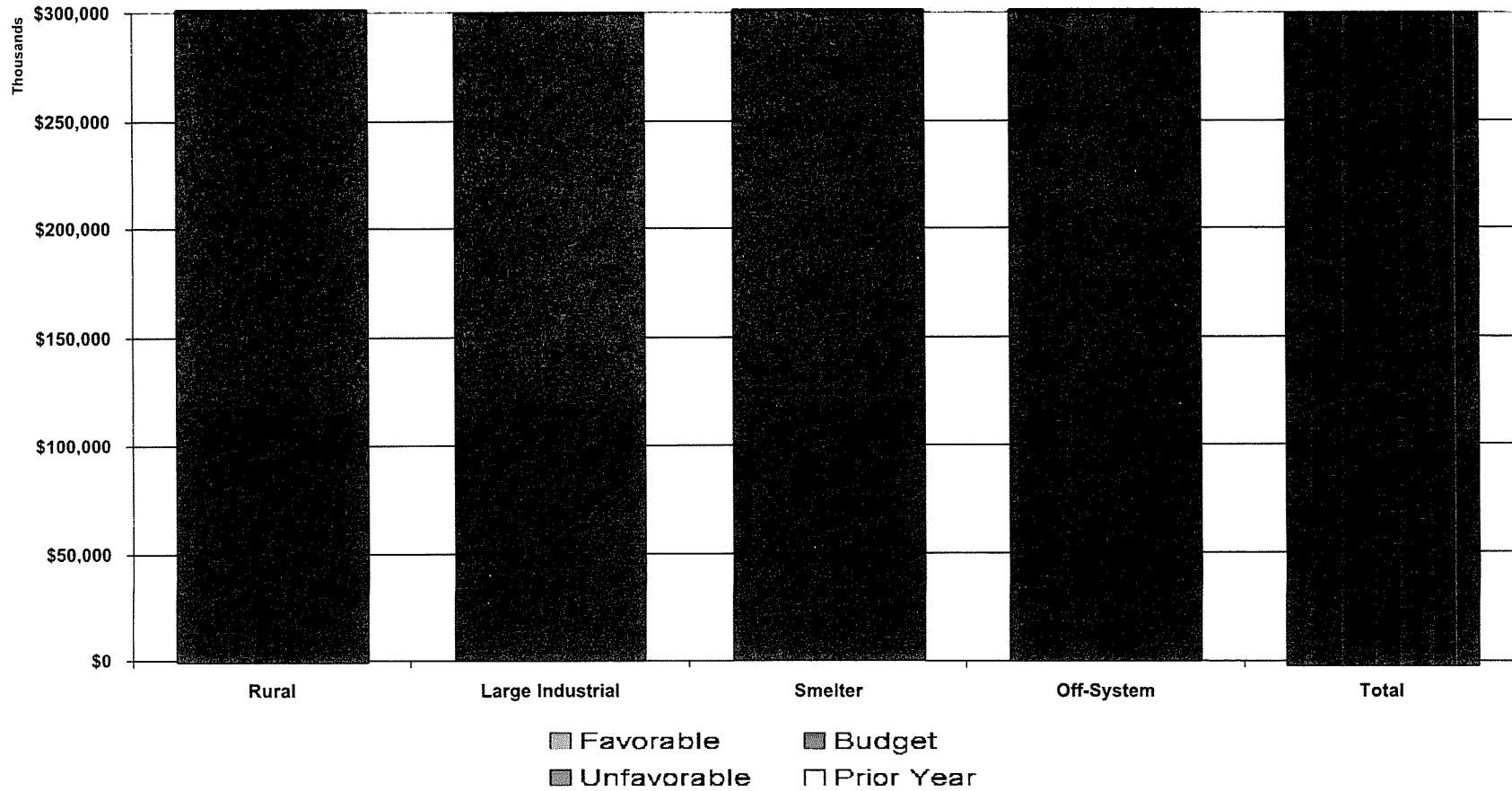
Revenue YTD - October



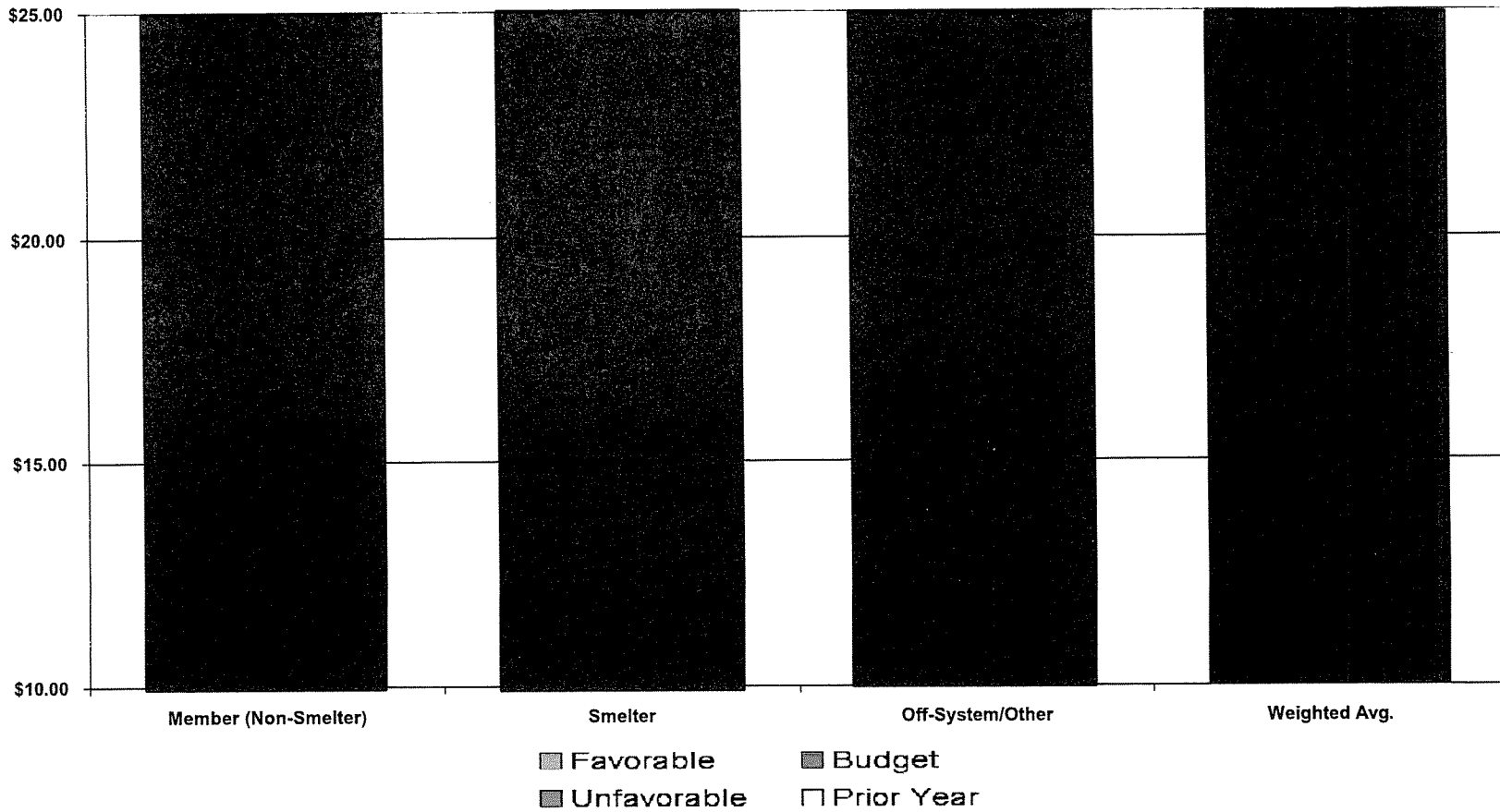
Variable Operations - \$/MWh Sold YTD - October



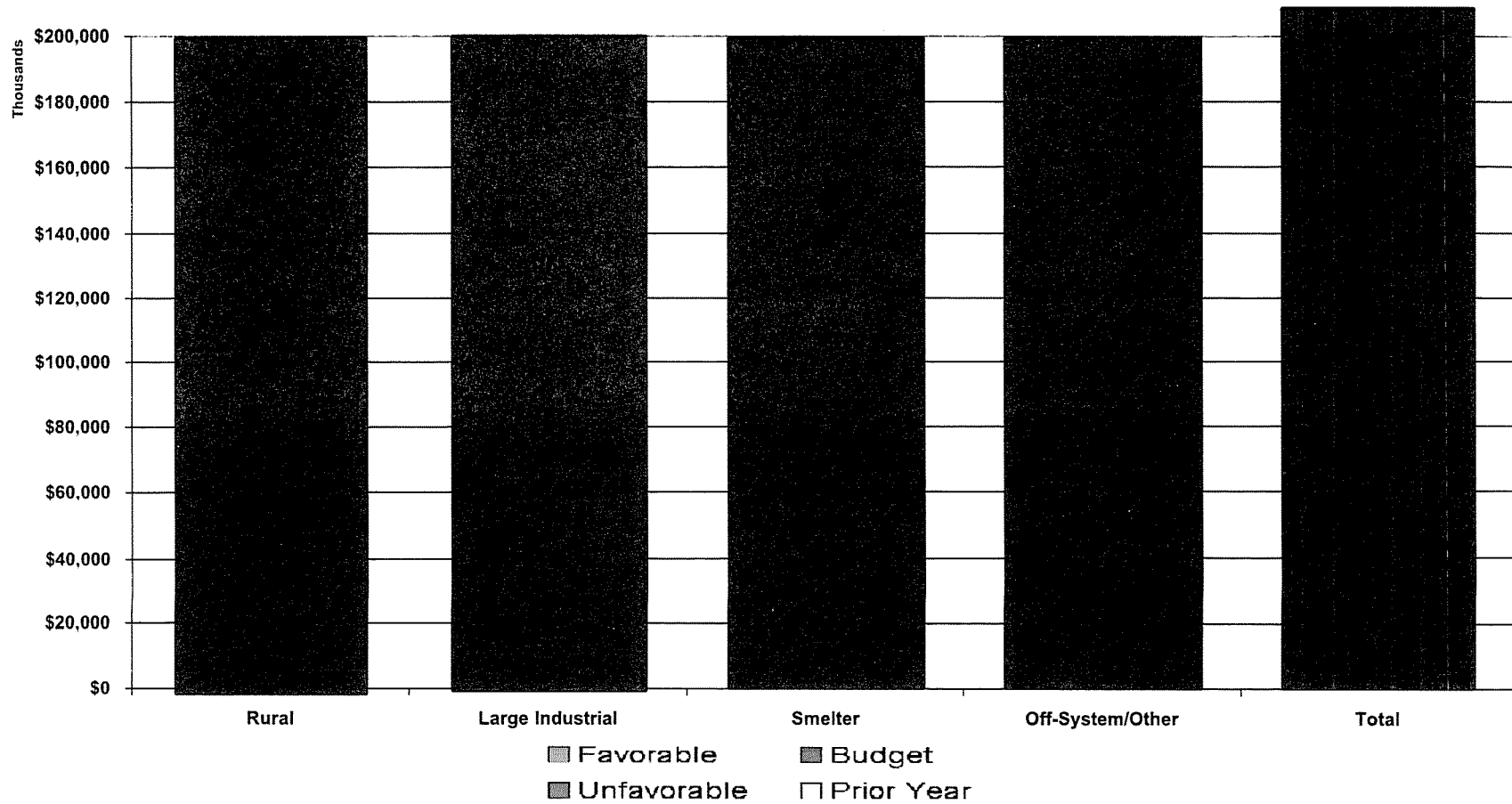
Variable Operations Cost YTD – October



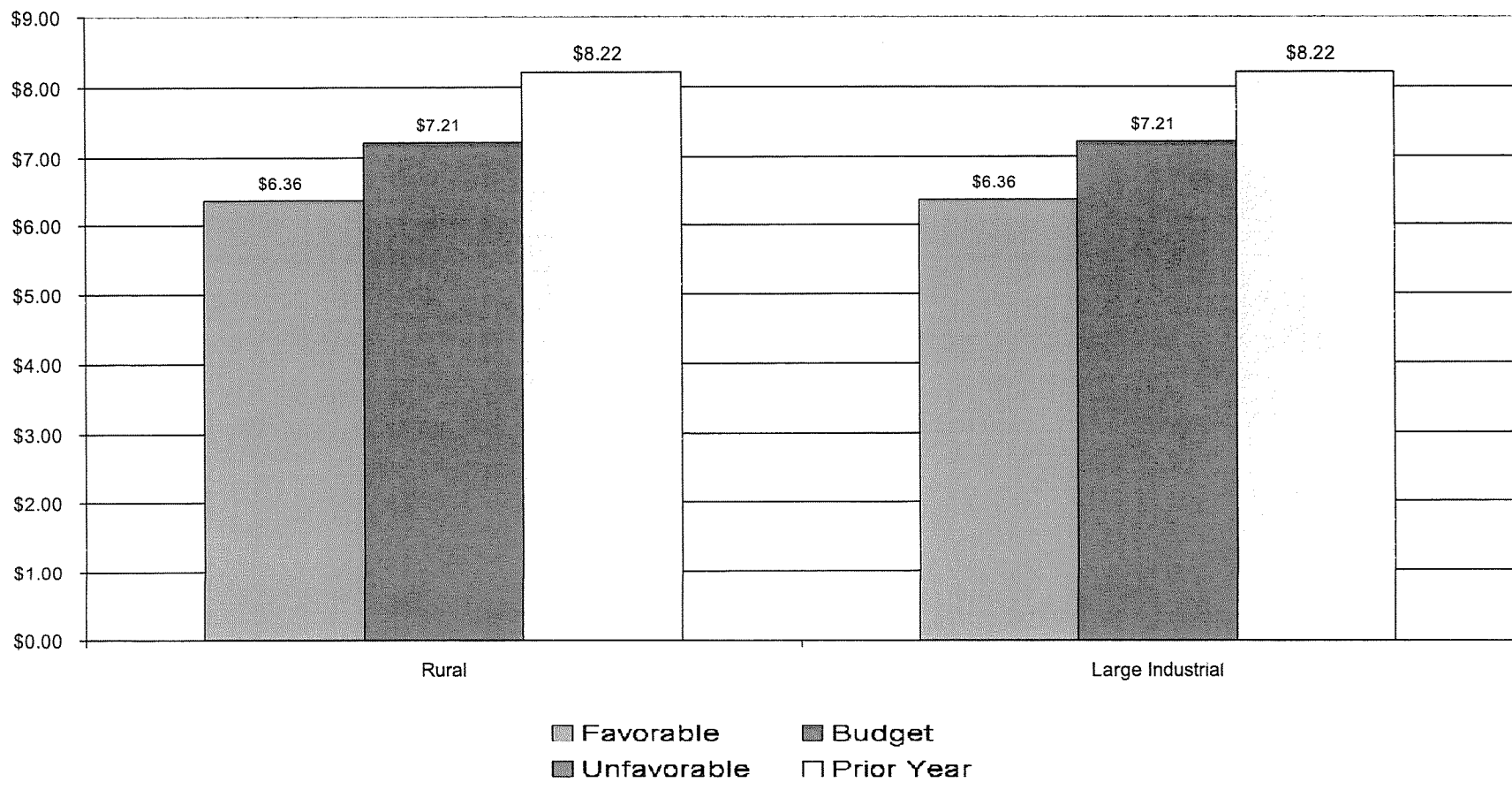
Net Sales Margin - \$/MWh YTD - October



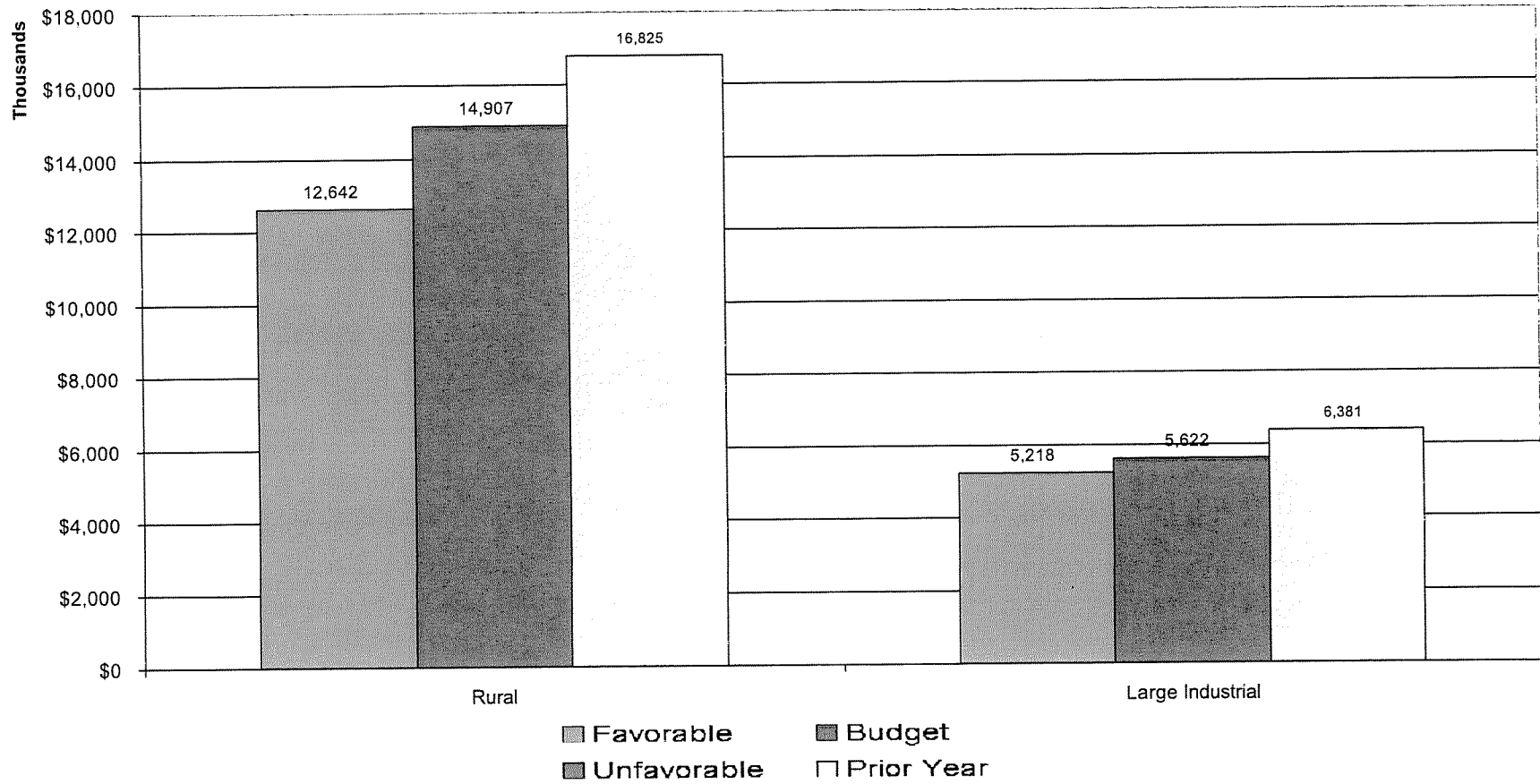
Net Sales Margin YTD - October



MRSM - \$/MWh YTD - October

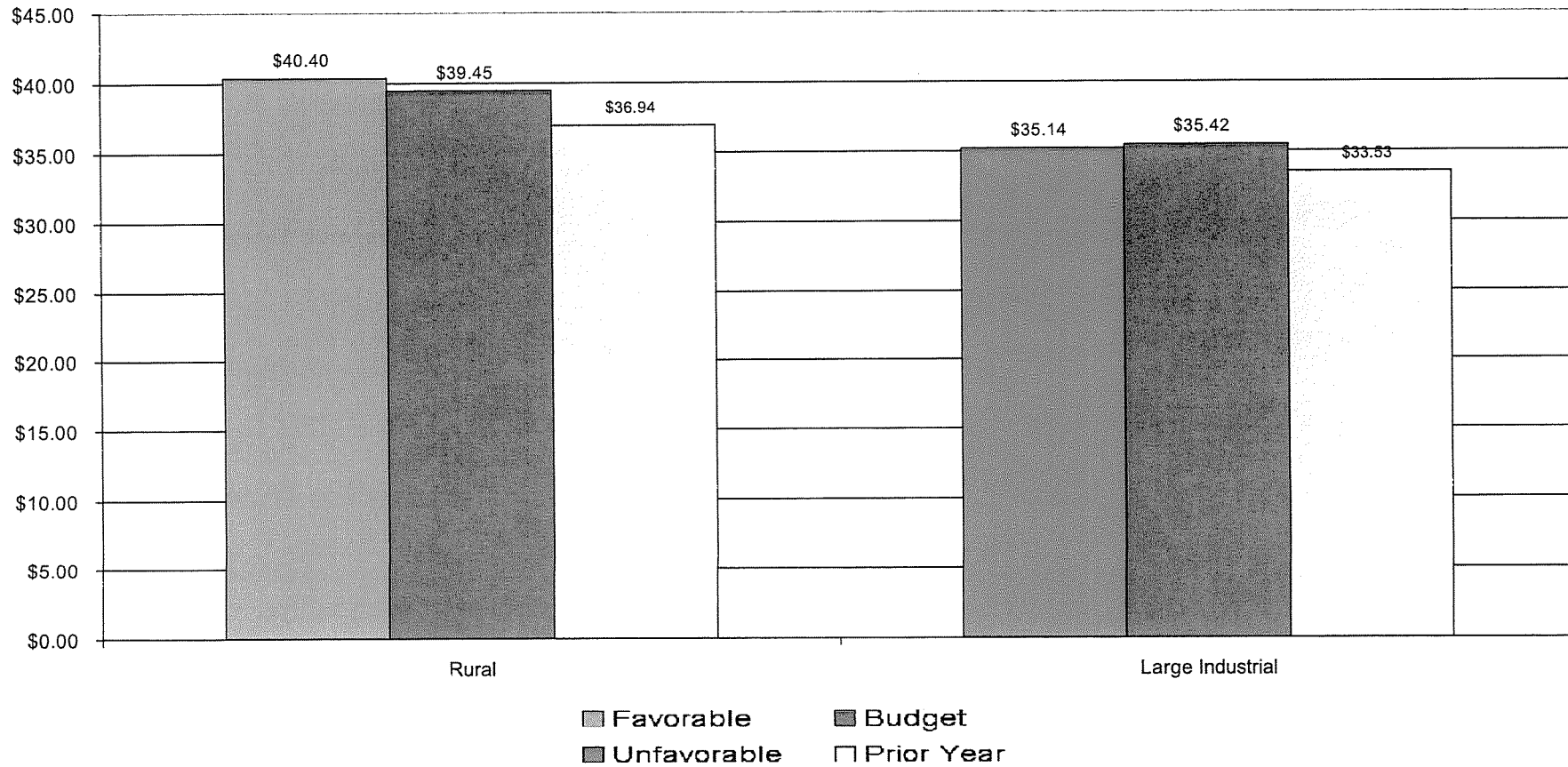


MRSM YTD - October

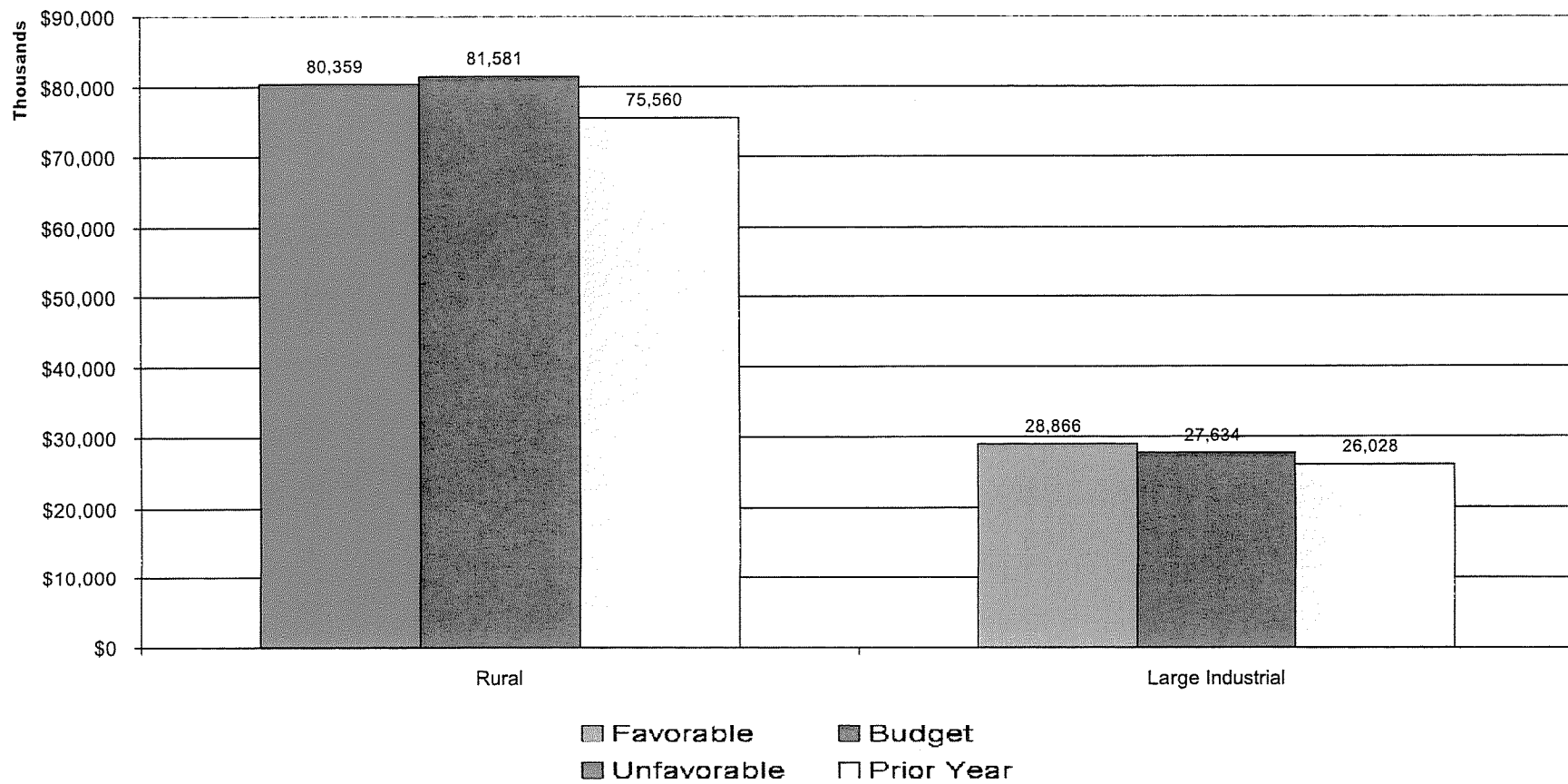




Net Revenue (Excl. MRSM) - \$/MWh YTD - October



Net Revenue (Excl. MRSM) YTD - October



Other Operating Revenue and Income

	2011			2010	
			Variance	2010	Variance
	<u>Actual</u>	<u>Budget</u>	<u>Fav/(Unfav)</u>	<u>Actual</u>	<u>Fav/(Unfav)</u>
October YTD	2,982	20	2,962	11,514	(8,532)

Favorable to budget due to (intentional) omission of the power supply transmission reservation (from the budget).

Unfavorable to prior year due to a lower power supply transmission reservation.

Non-Variable Production and Other Power Supply – Operations

	2011			2010	
	<u>Actual</u>	<u>Budget</u>	<u>Variance Fav/(Unfav)</u>	<u>2010 Actual</u>	<u>Variance Fav/(Unfav)</u>
October YTD			219		8,550

Current Year Variances

Power Supply transmission reservation	(4,638)
HMPL 1 Outage scope reduction	1,436
Plant operations expense timing/reductions (Coleman \$772, Green \$668 & Wilson \$863)	2,303
Station-Two O&M timing/reductions	1,275
Other	(157)
Non-Variable Production and Other Power Supply - Operations	219

Prior-Year Variances

Power Supply transmission reservation	8,659
Station-Two O&M/other	(109)
Non-Variable Production and Other Power Supply - Operations	8,550

Operation Expense – Transmission

	2011			2010	
	<u>Actual</u>	<u>Budget</u>	<u>Variance Fav/(Unfav)</u>	<u>2010 Actual</u>	<u>Variance Fav/(Unfav)</u>
October YTD	7,638	10,257	2,619	6,426	(1,212)

Favorable to budget primarily due to 1) lower than anticipated MISO administrative expenses \$169, and 2) favorable labor expense as more is being charged to maintenance accounts than operations \$1,399 (see slide 33), and 3) various stations and lines fixed departmental expenses \$1,051.

Unfavorable to prior year due to MISO administrative expenses.

Operation Expense – RTO/ISO

	2011			2010	
	<u>Actual</u>	<u>Budget</u>	<u>Variance Fav/(Unfav)</u>	<u>2010 Actual</u>	<u>Variance Fav/(Unfav)</u>
October YTD	2,056	2,368	312	0	(2,056)

Favorable to budget primarily due to lower than anticipated MISO administrative expenses.

Unfavorable to prior year due to MISO administrative expenses.

Consumer Service & Informational Expense

	2011		
	<u>Actual</u>	<u>Budget</u>	<u>Variance Fav/(Unfav)</u>
October YTD	372	731	359

Favorable to budget due to timing of fixed expenses in energy efficiency/demand side management area.

Operation Expense – Sales

	2011		
	<u>Actual</u>	<u>Budget</u>	<u>Variance Fav/(Unfav)</u>
October YTD	131	810	679

Favorable to budget primarily due to timing of fixed departmental expenses in the marketing area.

Maintenance Expense – Production

	2011			2010	
	<u>Actual</u>	<u>Budget</u>	<u>Variance Fav/(Unfav)</u>	<u>2010 Actual</u>	<u>Variance Fav/(Unfav)</u>
October YTD			3,747		1,559

Favorable to budget due to various maintenance projects that have been delayed, reduced in scope or cancelled. These projects include mill overhauls, site maintenance, bar screen repairs, the Wilson chemical clean and heavy equipment maintenance.

Favorable to prior year driven by higher planned outage expenses at Coleman last year.

Maintenance Expense – Transmission

	2011		
	<u>Actual</u>	<u>Budget</u>	<u>Variance Fav/(Unfav)</u>
October YTD	3,783	2,776	(1,007)

Unfavorable to budget primarily due to more labor being charged to maintenance than operations (The favorable labor variance in Operation Expense – Transmission offsets this unfavorable labor variance in maintenance).

Depreciation & Amortization Expense

	2011		Variance
	<u>Actual</u>	<u>Budget</u>	<u>Fav/(Unfav)</u>
October YTD	28,873	30,120	1,247

Favorable to budget due to lower capital spending.

Interest on Long-Term Debt

	2011			2010	
	<u>Actual</u>	<u>Budget</u>	<u>Variance Fav/(Unfav)</u>	<u>2010 Actual</u>	<u>Variance Fav/(Unfav)</u>
October YTD	38,246	39,451	1,205	39,138	892

Interest on long-term debt is lower than budget and prior-year due to the payment of the Transition Reserve on the RUS Series A Note.


Other Non-Operating Income - Net

	2010	
	2010	Variance
	<u>Actual</u>	<u>Fav/(Unfav)</u>
October YTD	8	(1,685)

Other Non-Operating Income was unfavorable \$1,685 due to the write-off of the M&S inventory obsolescence reserve in 2010.

Monthly Financial Report – September 2011



Your Touchstone Energy[®] Cooperative 

Financial Report
September 2011
(\$ in Thousands)

Board Meeting Date: November 18, 2011



Summary of Operations YTD September

	2011			2010	
	Actual	Budget *	Fav/(UnFav) Variance	Actual	Fav/(UnFav) Variance
Revenues	424,489	407,743	16,746	397,034	27,455
Cost of Electric Service	415,836	403,177	(12,659)	388,500	(27,336)
Operating Margins	8,653	4,566	4,087	8,534	119
Interest Income/Other	245	385	(140)	1,983	(1,738)
Net Margins - YTD	8,898	4,951	3,947	10,517	(1,619)

* Budget Revenues and Cost of Electric Service revised to remove the power supply transmission reservation (off-setting).



Your Sustainable Energy Corporation

Statement of Operations – September Variance to Budget

	Current Month			Year-to-Date			
	Actual	Budget*	Variance Fav/(UnFav)	Actual	Budget*	Variance Fav/(UnFav)	Explanation
ELECTRIC ENERGY REVENUES	49,057	46,841	2,216	422,321	407,725	14,596	[A] Pages 7, 12-14
INCOME FROM LEASED PROPERTY - NET	0	0	0	0	0	0	
OTHER OPERATING REVENUE AND INCOME	275	2	273	2,168	18	2,150	[B], [C] Page 26
TOTAL OPER REVENUES & PATRONAGE CAPITAL	49,332	46,843	2,489	424,489	407,743	16,746	
OPERATION EXPENSE-PRODUCTION-EXCL FUEL	4,285	5,485	1,200	37,001	48,501	11,500	[A] Pages 7, 12-14, 27
OPERATION EXPENSE-PRODUCTION-FUEL	18,126	17,643	(483)	173,107	158,604	(14,503)	[A] Pages 7, 12-14
OPERATION EXPENSE-OTHER POWER SUPPLY	9,189	6,971	(2,218)	83,179	66,659	(16,520)	[A] Pages 7, 12-14, 27
OPERATION EXPENSE-TRANSMISSION	746	1,072	326	6,920	9,360	2,440	[B], [C] Page 28
OPERATION EXPENSE-RTO/ISO	192	231	39	1,832	2,292	460	[B] Page 29
CONSUMER SERVICE & INFORMATIONAL EXPENSE	39	76	37	345	657	312	[B] Page 30
OPERATION EXPENSE-SALES	37	178	141	129	742	613	[B], [C] Page 31
OPERATION EXPENSE-ADMINISTRATIVE & GENERAL	2,438	2,182	(256)	19,980	19,460	(520)	[C] Page 32
TOTAL OPERATION EXPENSE	35,052	33,838	(1,214)	322,493	306,275	(16,218)	
MAINTENANCE EXPENSE-PRODUCTION	3,827	4,850	1,023	29,182	31,751	2,569	[C] Page 33
MAINTENANCE EXPENSE-TRANSMISSION	494	325	(169)	3,348	2,534	(814)	[B], [C] Page 34
MAINTENANCE EXPENSE-GENERAL PLANT	8	8	0	93	80	(13)	
TOTAL MAINTENANCE EXPENSE	4,329	5,183	854	32,623	34,365	1,742	
DEPRECIATION & AMORTIZATION EXPENSE	3,304	3,049	(255)	26,374	27,068	694	[C] Page 35
TAXES	0	21	21	128	187	59	
INTEREST ON LONG-TERM DEBT	3,744	3,902	158	34,450	35,428	978	[C] Page 36
INTEREST CHARGED TO CONSTRUCTION-CREDIT	(30)	(29)	1	(450)	(390)	60	
OTHER INTEREST EXPENSE	0	29	29	60	141	81	
OTHER DEDUCTIONS	14	11	(3)	158	103	(55)	
TOTAL COST OF ELECTRIC SERVICE	46,413	46,004	(409)	415,836	403,177	(12,659)	
OPERATING MARGINS	2,919	839	2,080	8,653	4,566	4,087	
INTEREST INCOME	8	32	(24)	132	288	(156)	
ALLOWANCE FOR FUNDS USED DURING CONST	0	0	0	0	0	0	
OTHER NON-OPERATING INCOME - NET	0	0	0	8	97	(89)	
OTHER CAPITAL CREDITS & PAT DIVIDENDS	8	0	8	105	0	105	
EXTRAORDINARY ITEMS	0	0	0	0	0	0	
NET PATRONAGE CAPITAL OR MARGINS	2,935	871	2,064	8,898	4,951	3,947	

Explanations: [A] Net Sales Margin, [B] 10% of line item and \$250,000 or [C] 10% of margins and \$500,000.

* Budget Revenues and Cost of Electric Service revised to remove the power supply transmission reservation (off-setting).



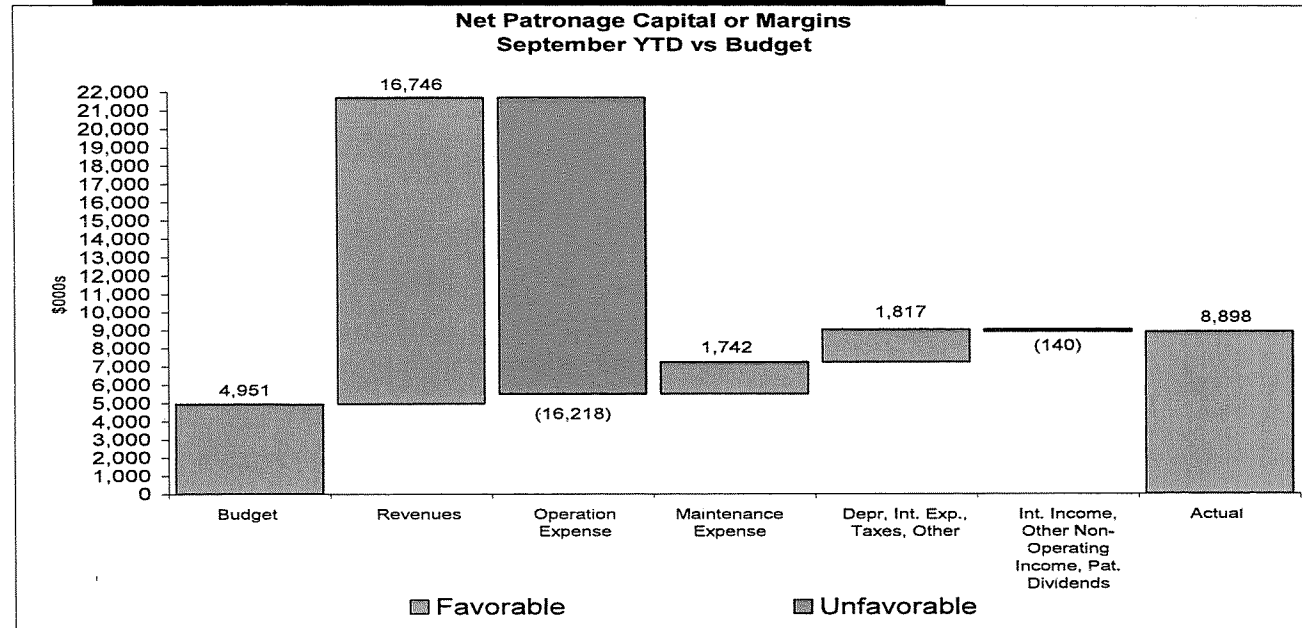
Big Rivers Electric Corporation

Statement of Operations – September Variance to Prior-Year

	Current Month			Year-to-Date			Explanation
	Actual	Prior Year	Variance Fav/(UnFav)	Actual	Prior Year	Variance Fav/(UnFav)	
ELECTRIC ENERGY REVENUES	49,057	39,319	9,738	422,321	386,668	35,653	[A] Pages 7, 12-14
INCOME FROM LEASED PROPERTY - NET	0		0	0		0	
OTHER OPERATING REVENUE AND INCOME	275	1,142	(867)	2,168	10,366	(8,198)	[B], [C] Page 26
TOTAL OPER REVENUES & PATRONAGE CAPITAL	49,332	40,461	8,871	424,489	397,034	27,455	
OPERATION EXPENSE-PRODUCTION-EXCL FUEL	4,285	4,700	415	37,001	39,792	2,791	[A] Pages 7, 12-14, 27
OPERATION EXPENSE-PRODUCTION-FUEL	18,126	17,046	(1,080)	173,107	157,895	(15,212)	[A] Pages 7, 12-14
OPERATION EXPENSE-OTHER POWER SUPPLY	9,189	8,312	(877)	83,179	73,076	(10,103)	[A] Pages 7, 12-14, [B] 27
OPERATION EXPENSE-TRANSMISSION	746	651	(95)	6,920	5,741	(1,179)	[B], [C] Page 28, 29
OPERATION EXPENSE-RTO/ISO	192	0	(192)	1,832	0	(1,832)	[B],[C] Page 30
CONSUMER SERVICE & INFORMATIONAL EXPENSE	39	24	(15)	345	375	30	
OPERATION EXPENSE-SALES	37	100	63	129	164	35	
OPERATION EXPENSE-ADMINISTRATIVE & GENERAL	2,438	1,979	(459)	19,980	19,483	(497)	
TOTAL OPERATION EXPENSE	35,052	32,812	(2,240)	322,493	296,526	(25,967)	
MAINTENANCE EXPENSE-PRODUCTION	3,827	4,334	507	29,182	27,403	(1,779)	[C] Page 33
MAINTENANCE EXPENSE-TRANSMISSION	494	786	292	3,348	3,608	260	
MAINTENANCE EXPENSE-GENERAL PLANT	8	9	1	93	144	51	
TOTAL MAINTENANCE EXPENSE	4,329	5,129	800	32,623	31,155	(1,468)	
DEPRECIATION & AMORTIZATION EXPENSE	3,304	2,967	(337)	26,374	25,646	(728)	
TAXES	0	65	65	128	198	70	
INTEREST ON LONG-TERM DEBT	3,744	3,831	87	34,450	35,186	736	
INTEREST CHARGED TO CONSTRUCTION-CREDIT	(30)	(77)	(47)	(450)	(410)	40	
OTHER INTEREST EXPENSE	0	20	20	60	126	66	
OTHER DEDUCTIONS	14	12	(2)	158	73	(85)	
TOTAL COST OF ELECTRIC SERVICE	46,413	44,759	(1,654)	415,836	388,500	(27,336)	
OPERATING MARGINS	2,919	(4,298)	7,217	8,653	8,534	119	
INTEREST INCOME	8	33	(25)	132	270	(138)	
ALLOWANCE FOR FUNDS USED DURING CONST	0	0	0	0	0	0	
OTHER NON-OPERATING INCOME - NET	0	1,674	(1,674)	8	1,693	(1,685)	[B],[C] Page 37
OTHER CAPITAL CREDITS & PAT DIVIDENDS	8	0	8	105	20	85	
EXTRAORDINARY ITEMS	0	0	0	0	0	0	
NET PATRONAGE CAPITAL OR MARGINS	2,935	(2,591)	5,526	8,898	10,517	(1,619)	

Explanations: [A] Net Sales Margin, [B] 10% of line item and \$250,000 or [C] 10% of margins and \$500,000.

Variance Analysis Summary

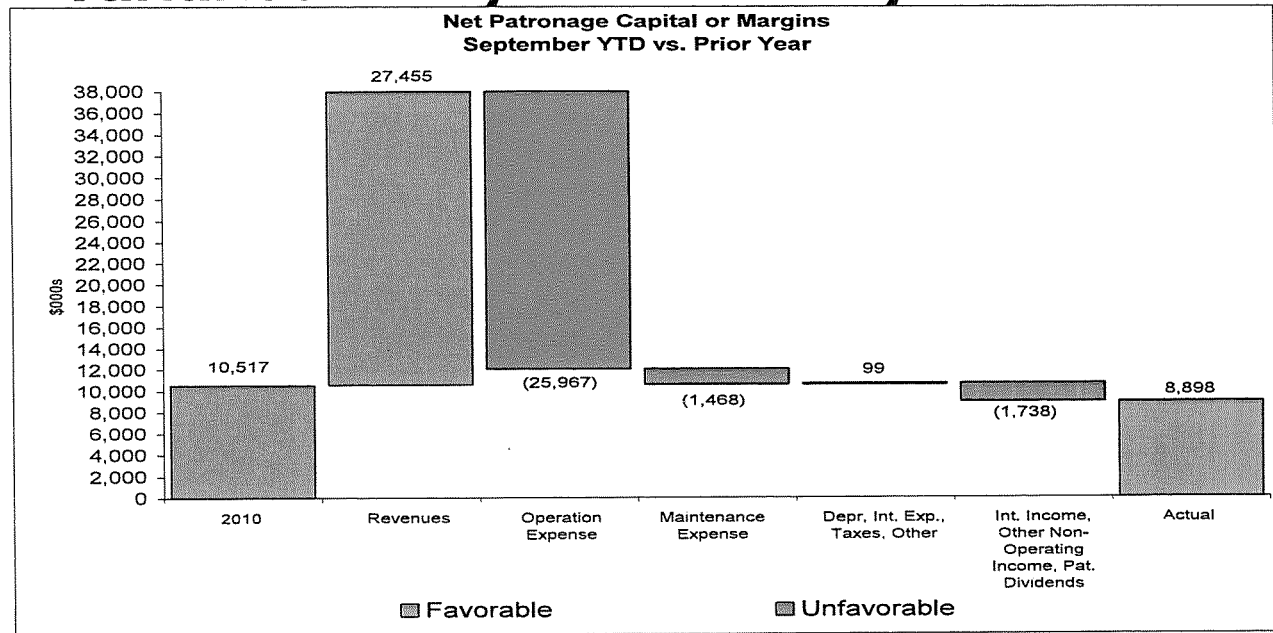


Financial Commentary

Year-to-Date

- YTD September 2011 Margins were \$3,947 favorable to budget.
 - Electric Energy Revenues were favorable \$14,596 primarily due to higher off-system volume (see page 12).
 - Other Revenue was favorable \$2,150 due to the power supply transmission reservation (see page 26).
 - Operation Expense was unfavorable \$16,218 – driven by higher variable costs \$20,428 primarily due to the higher off-system sales volumes, partially offset by the reduction in scope of the HMPL 1 planned outage and favorable operation expense at the plants and transmission (see pages 13, 27-31).
 - Maintenance Expense was favorable \$1,742 primarily due to timing of plant expenses and cancellation of the Wilson chemical clean (see pages 33 & 34).
 - Depreciation, Taxes, Interest Expense & Other was favorable \$1,817 due to (a) lower capital expenditures and (b) lower interest expense due to payment of the Transition Reserve on the RUS Series A Note (see pages 11, 35-36).

Variance Analysis Summary



Financial Commentary

Year-to-Date

- YTD 2011 margins were \$1,619 unfavorable to YTD 2010.
 - Electric Energy Revenues were favorable \$35,653 primarily due to higher off-system volumes (see page 12).
 - Other Revenue was unfavorable \$8,198 primarily due to a lower power supply transmission reservation, which is off-set in Operations Expense – Other Power Supply (see page 26).
 - Operation Expense was unfavorable \$25,967 – driven by higher variable costs \$30,741 and higher MISO expenses, partially offset by lower transmission reservation (see pages 13, 27-29).
 - Maintenance Expense was unfavorable \$1,468 primarily due to the planned outage at Wilson this year and higher planned maintenance activities at the plants (see pages 33-34).
 - Depreciation and Interest Expense combined was lower \$99.
 - Interest Income, Other Non-Operating Income and Pat. Dividends combined were unfavorable \$1,738 primarily due to the write-off of the M&S inventory obsolescence reserve in 2010 (see page 37).



Summary of Operations YTD September

	2011			2010	
	Actual	Budget *	Fav/(UnFav) Variance	Actual	Fav/(UnFav) Variance
Revenues	424,489	407,743	16,746	397,034	27,455
Cost of Electric Service					
Operating Margins					
Interest Income/Other	245	385	(140)	1,983	(1,738)
Net Margins - YTD					

* Budget Revenues and Cost of Electric Service revised to remove the power supply transmission reservation (off-setting).



Our Traditional Energy Cooperative

Statement of Operations – September Variance to Budget

	Current Month			Year-to-Date			Explanation
	Actual	Budget*	Variance Fav/(UnFav)	Actual	Budget*	Variance Fav/(UnFav)	
ELECTRIC ENERGY REVENUES	49,057	46,841	2,216	422,321	407,725	14,596	[A] Pages 7, 12-14
INCOME FROM LEASED PROPERTY - NET	0	0	0	0	0	0	
OTHER OPERATING REVENUE AND INCOME	275	2	273	2,168	18	2,150	[B], [C] Page 26
TOTAL OPER REVENUES & PATRONAGE CAPITAL	49,332	46,843	2,489	424,489	407,743	16,746	
OPERATION EXPENSE-PRODUCTION-EXCL FUEL							[A] Pages 7, 12-14, 27
OPERATION EXPENSE-PRODUCTION-FUEL							[A] Pages 7, 12-14
OPERATION EXPENSE-OTHER POWER SUPPLY							[A] Pages 7, 12-14, 27
OPERATION EXPENSE-TRANSMISSION							[B], [C] Page 28
OPERATION EXPENSE-RTO/ISO							[B] Page 29
CONSUMER SERVICE & INFORMATIONAL EXPENSE							[B] Page 30
OPERATION EXPENSE-SALES							[B], [C] Page 31
OPERATION EXPENSE-ADMINISTRATIVE & GENERAL							[C] Page 32
TOTAL OPERATION EXPENSE							
MAINTENANCE EXPENSE-PRODUCTION							[C] Page 33
MAINTENANCE EXPENSE-TRANSMISSION							[B], [C] Page 34
MAINTENANCE EXPENSE-GENERAL PLANT							
TOTAL MAINTENANCE EXPENSE							
DEPRECIATION & AMORTIZATION EXPENSE	3,304	3,049	(255)	26,374	27,068	694	[C] Page 35
TAXES	0	21	21	128	187	59	
INTEREST ON LONG-TERM DEBT	3,744	3,902	158	34,450	35,428	978	[C] Page 36
INTEREST CHARGED TO CONSTRUCTION-CREDIT	(30)	(29)	1	(450)	(390)	60	
OTHER INTEREST EXPENSE	0	29	29	60	141	81	
OTHER DEDUCTIONS	14	11	(3)	158	103	(55)	
TOTAL COST OF ELECTRIC SERVICE							
OPERATING MARGINS							
INTEREST INCOME	8	32	(24)	132	288	(156)	
ALLOWANCE FOR FUNDS USED DURING CONST	0	0	0	0	0	0	
OTHER NON-OPERATING INCOME - NET	0	0	0	8	97	(89)	
OTHER CAPITAL CREDITS & PAT DIVIDENDS	8	0	8	105	0	105	
EXTRAORDINARY ITEMS	0	0	0	0	0	0	
NET PATRONAGE CAPITAL OR MARGINS							

Explanations: [A] Net Sales Margin, [B] 10% of line item and \$250,000 or [C] 10% of margins and \$500,000.

* Budget Revenues and Cost of Electric Service revised to remove the power supply transmission reservation (off-setting).



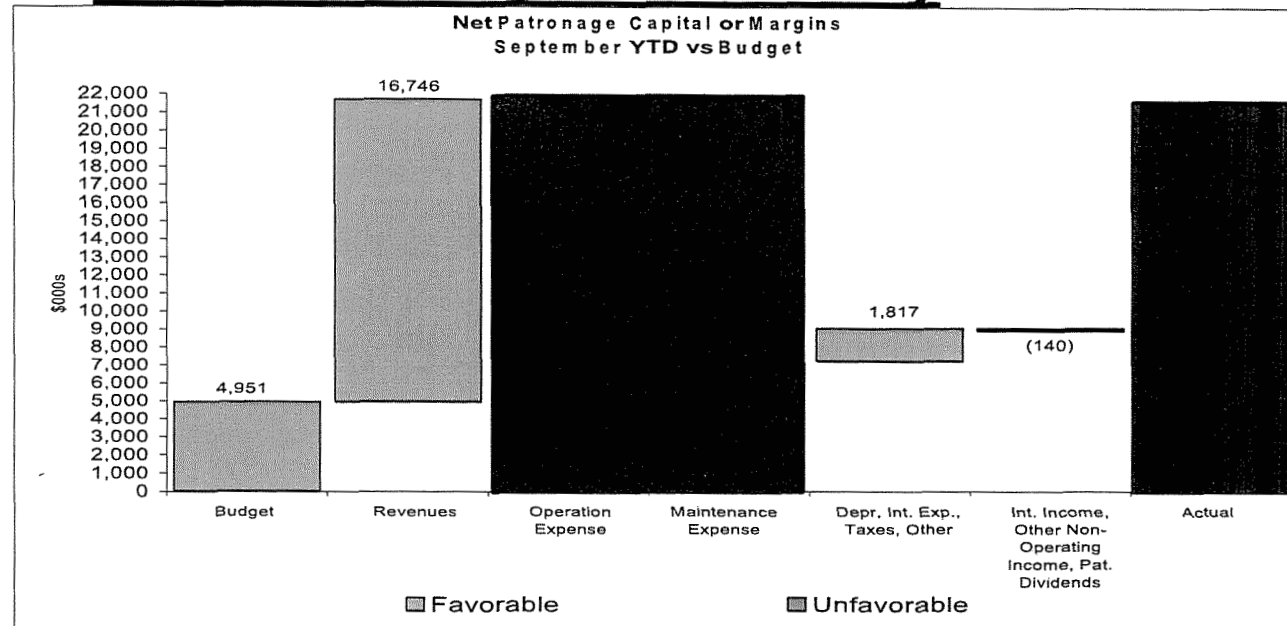
Your Local Power Energy Cooperative

Statement of Operations – September Variance to Prior-Year

	Current Month			Year-to-Date			Explanation
	Actual	Prior Year	Variance Fav/(UnFav)	Actual	Prior Year	Variance Fav/(UnFav)	
ELECTRIC ENERGY REVENUES	49,057	39,319	9,738	422,321	386,668	35,653	[A] Pages 7, 12-14
INCOME FROM LEASED PROPERTY - NET	0		0	0		0	
OTHER OPERATING REVENUE AND INCOME	275	1,142	(867)	2,168	10,366	(8,198)	[B], [C] Page 26
TOTAL OPER REVENUES & PATRONAGE CAPITAL	49,332	40,461	8,871	424,489	397,034	27,455	
OPERATION EXPENSE-PRODUCTION-EXCL FUEL							[A] Pages 7, 12-14, 27
OPERATION EXPENSE-PRODUCTION-FUEL							[A] Pages 7, 12-14
OPERATION EXPENSE-OTHER POWER SUPPLY							[A] Pages 7, 12-14, [B] 27
OPERATION EXPENSE-TRANSMISSION							[B], [C] Page 28, 29
OPERATION EXPENSE-RTO/ISO							[B],[C] Page 30
CONSUMER SERVICE & INFORMATIONAL EXPENSE							
OPERATION EXPENSE-SALES							
OPERATION EXPENSE-ADMINISTRATIVE & GENERAL							
TOTAL OPERATION EXPENSE							
MAINTENANCE EXPENSE-PRODUCTION							[C] Page 33
MAINTENANCE EXPENSE-TRANSMISSION							
MAINTENANCE EXPENSE-GENERAL PLANT							
TOTAL MAINTENANCE EXPENSE							
DEPRECIATION & AMORTIZATION EXPENSE	3,304	2,967	(337)	26,374	25,646	(728)	
TAXES	0	65	65	128	198	70	
INTEREST ON LONG-TERM DEBT	3,744	3,831	87	34,450	35,186	736	
INTEREST CHARGED TO CONSTRUCTION-CREDIT	(30)	(77)	(47)	(450)	(410)	40	
OTHER INTEREST EXPENSE	0	20	20	60	126	66	
OTHER DEDUCTIONS	14	12	(2)	158	73	(85)	
TOTAL COST OF ELECTRIC SERVICE							
OPERATING MARGINS							
INTEREST INCOME	8	33	(25)	132	270	(138)	
ALLOWANCE FOR FUNDS USED DURING CONST	0	0	0	0	0	0	
OTHER NON-OPERATING INCOME - NET	0	1,674	(1,674)	8	1,693	(1,685)	[B],[C] Page 37
OTHER CAPITAL CREDITS & PAT DIVIDENDS	8	0	8	105	20	85	
EXTRAORDINARY ITEMS	0	0	0	0	0	0	
NET PATRONAGE CAPITAL OR MARGINS							

Explanations: [A] Net Sales Margin, [B] 10% of line item and \$250,000 or [C] 10% of margins and \$500,000.

Variance Analysis Summary

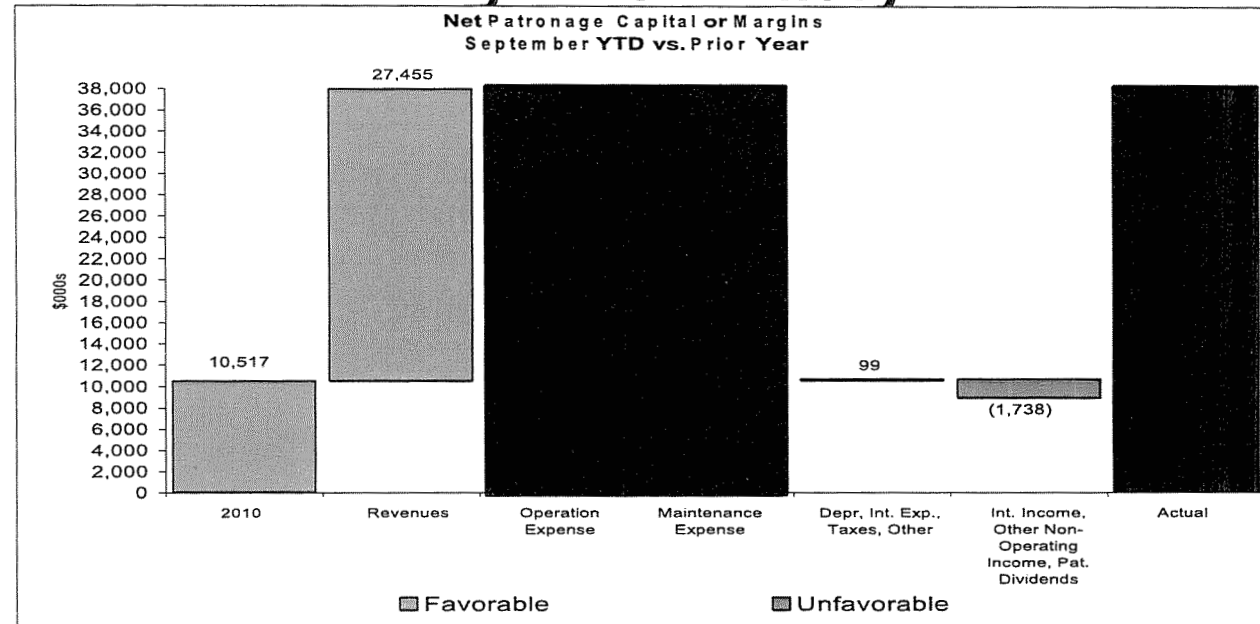


Financial Commentary

Year-to-Date

- YTD September 2011 Margins were \$3,947 favorable to budget.
 - Electric Energy Revenues were favorable \$14,596 primarily due to higher off-system volume (see page 12).
 - Other Revenue was favorable \$2,150 due to the power supply transmission reservation (see page 26).
 - [REDACTED] – driven by higher variable costs \$20,428 primarily due to the higher off-system sales volumes, partially offset by the reduction in scope of the HMPL 1 planned outage and favorable operation expense at the plants and transmission (see pages 13, 27-31).
 - [REDACTED] primarily due to timing of plant expenses and cancellation of the Wilson chemical clean (see pages 33 & 34).
 - Depreciation, Taxes, Interest Expense & Other was favorable \$1,817 due to (a) lower capital expenditures and (b) lower interest expense due to payment of the Transition Reserve on the RUS Series A Note (see pages 11, 35-36).

Variance Analysis Summary



Financial Commentary

Year-to-Date

- YTD 2011 margins were \$1,619 unfavorable to YTD 2010.
 - Electric Energy Revenues were favorable \$35,653 primarily due to higher off-system volumes (see page 12).
 - Other Revenue was unfavorable \$8,198 primarily due to a lower power supply transmission reservation, which is off-set in Operations Expense – Other Power Supply (see page 26).
 - [REDACTED] – driven by higher variable costs \$30,741 and higher MISO expenses, partially offset by lower transmission reservation (see pages 13, 27-29).
 - [REDACTED] primarily due to the planned outage at Wilson this year and higher planned maintenance activities at the plants (see pages 33-34).
 - Depreciation and Interest Expense combined was lower \$99.
 - Interest income, Other Non-Operating Income and Pat. Dividends combined were unfavorable \$1,738 primarily due to the write-off of the M&S inventory obsolescence reserve in 2010 (see page 37).



You. Together. We're. Cooperative.

**Member Rate Stability Mechanism
YTD September**

	<u>Actual</u> <u>2011</u>	<u>Budget</u> <u>2011</u>	<u>2011</u> <u>Variance</u>	<u>Actual</u> <u>2010</u>	<u>2010</u> <u>Variance</u>		<u>Actual</u> <u>2011</u>	<u>Budget</u> <u>2011</u>	<u>2011</u> <u>Variance</u>	<u>Actual</u> <u>2010</u>	<u>2010</u> <u>Variance</u>
<u>MRSM - \$/MWh</u>						<u>Net Revenue - \$/MWh</u>					
Rural	(6.39)	(7.33)	0.94	(8.14)	1.75	Rural	40.57	39.13	1.44	36.88	3.69
Large Industrial	(6.39)	(7.33)	0.94	(8.14)	1.75	Large Industrial	35.23	35.12	0.11	33.29	1.94
Total	(6.39)	(7.33)	0.94	(8.14)	1.75	Total	39.04	38.06	0.98	35.91	3.13
<u>MRSM - Thousands of \$</u>						<u>Net Revenue - Thousands of \$</u>					
Rural	(11,698)	(13,960)	2,262	(15,463)	3,765	Rural	74,257	74,491	(234)	70,019	4,238
Large Industrial	(4,705)	(5,132)	427	(5,708)	1,003	Large Industrial	25,911	24,575	1,336	23,345	2,566
Total	(16,403)	(19,092)	2,689	(21,171)	4,768	Total	100,168	99,066	1,102	93,364	6,804

<u>Economic Reserve Balance</u>			
<u>Cumulative-to-Date</u>	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
Original Deposit	\$ 157,000		
Interest Earnings	2,584		
Withdrawals	(54,954)		
Ending Balance 9/30/2011	\$ 104,630	\$ 103,748	\$ 882
<u>YTD September 2011</u>			
Beg. Balance 1/1/2011	\$ 121,220		
Interest Earnings	719		
Withdrawals	(17,309)		
Ending Balance 9/30/2011	\$ 104,630	\$ 103,748	\$ 882

Cash & Temporary Investments

	<u>Actual</u>	<u>Budget</u>	<u>Fav/(Unfav)</u>	2010	<u>Fav/(Unfav)</u>
				<u>Actual</u>	
September 30th	77,689	37,732	39,957	62,411	15,278

The September 30th, 2011 cash balance compared to budget is favorable primarily due to lower net capital expenditures of \$25,594 and a reduction in fuel inventory of \$18,895.

As a result, the budgeted line of credit borrowing has not occurred.

The September 30th, 2011 cash balance compared to prior year is favorable primarily due to voluntarily prepaying the RUS Series A Note during 2010.

Lines of Credit	
<u>As of September 30th</u>	
Original Amount	\$ 100,000
Letters of Credit Outstanding	(6,875)
Advances Outstanding	0
Available Lines of Credit	\$ 93,125

North Star – YTD September

	2011			2010	
	Actual	Budget	Fav/(UnFav) Variance	Actual	Fav/(UnFav) Variance
Total Cost of Electric Service			1,636		(27,336)
Other Operating Revenues & Income	(2,168)	(14,313)	(12,145)	(10,366)	(8,198)
Smelter Avoidable Base Charge	(2,136)	0	2,136	(2,893)	(757)
Off-System Sales/Other					
Interest Income	(132)	(288)	(156)	(270)	(138)
Other Non-Operating Income	(9)	0	9	(1,693)	(1,684)
Other Capital Credits & Pat. Dividends	(105)	(96)	9	(20)	85
			25,335		(20,922)
Member MWh	7,606,943	8,057,519	(450,576)	7,337,823	269,120
North Star - \$/kWh					



TIER

	<u>Actual</u>	<u>Budget</u>	<u>Fav/(Unfav)</u>
Interest on Long Term Debt	34,450	35,428	978
Net Margins	[REDACTED]		
TIER (9 months ending 9/30)	[REDACTED]		
TIER (12 months ending 9/30)	[REDACTED]		

Notes:

TIER = (Net Margins + Interest on Long-Term Debt) divided by Interest on Long-Term Debt



Capital Expenditures*

	<u>Actual</u>	<u>Budget</u>	<u>Fav/(UnFav)</u>
IT	691	896	205
Generation	15,581	31,268	15,687
Transmission	4,750	13,699	8,949
Other	678	2,621	1,943
Total	21,700	48,484	26,784

Explanation:

Generation favorable primarily due to the timing or cancellation of projects. Coleman was favorable \$3,524 due to the cancellation of several projects including Interposing Logic System Controls and control room upgrade. The delay of several projects including the C2 Aux Transformer, start-up buss tie and circulating water pump added to the favorability. Station Two was favorable \$3,582 due to reducing the scope of the HMPL 1 spring outage and timing of various projects. Green Station was favorable \$5,898 due to several projects being moved to later in the year. These include FGD rehab, boiler painting, generator rectifier and generator voltage regulator. The Wilson facility was favorable \$2,413 due to the delay of the lime transfer tower dust collectors and the secondary air-heater milestone payment.

Transmission favorable primarily due to the timing of the Wilson Line 19F Terminal, Two-Way Radio Replacement and Wilson 69 KV line to Centertown addition.

Other favorable primarily due to the delay in purchasing the PCI Software, Operator Training Simulator, training facility remodeling and analyzers and a chromatograph for the Environmental Department.

* Gross of the City's share of Station Two.



Your Sustainable Energy Corporation

**Revenue
YTD September**

	<u>Actual 2011</u>	<u>Budget 2011</u>	<u>Variance</u>	<u>Actual 2010</u>	<u>2010 Variance</u>
MWh Sales					
Rural	1,830,408	1,903,608	(73,200)	1,898,568	(68,160)
Large Industrial	735,533	699,830	35,703	701,265	34,268
Smelter	5,041,000	5,454,081	(413,081)	4,737,991	303,009
Off-System / Other					
Total					
Revenue - \$/MWh					
Rural	46.96	46.46	0.50	45.02	1.94
Large Industrial	41.62	42.45	(0.83)	41.43	0.19
Smelter	44.08	43.98	0.10	43.41	0.67
Off-System / Other					
Total					
Revenue - Thousands of \$					
Rural	85,955	88,451	(2,496)	85,482	473
Large Industrial	30,616	29,707	909	29,053	1,563
Smelter	222,194	239,858	(17,664)	205,684	16,510
Off-System / Other					
Total					

**Revenue Price / Volume Analysis
YTD September 2011**

	<u>Price / Volume</u>		
	<u>Price</u>	<u>Volume</u>	<u>Total</u>
Rural	905	(3,401)	(2,496)
Large Industrial	(607)	1,516	909
Smelter	502	(18,166)	(17,664)
Off-System / Other			



Your Touchstone Energy Cooperative

Variable Operations Cost YTD September

	<u>Actual 2011</u>	<u>Budget 2011</u>	<u>Variance</u>	<u>Actual 2010</u>	<u>2010 Variance</u>
Variable Operations (VO) Cost - \$/MWh					
Rural					
Large Industrial					
Smelter					
Off-System/Other					
Total					
VO Cost - Thousands of \$					
Rural					
Large Industrial					
Smelter					
Off-System/Other					
Total					

YTD September 2011
Variable Operations Expense

	<u>Actual</u>	<u>Budget</u>	<u>Fav/(UnFav)</u>	<u>Price Variance Fav/(UnFav)</u>	<u>Volume Variance Fav/(UnFav)</u>	<u>Fav/(UnFav)</u>
Reagent						
Fuel						
Purchased Power						
Non-FAC PPA (Non-Smelter)						



Your Sustainable Energy Cooperative

**Net Sales Margin
YTD September**

	<u>Actual 2011</u>	<u>Budget 2011</u>	<u>Variance</u>	<u>Actual 2010</u>	<u>2010 Variance</u>
Net Sales Margin - \$/MWh					
Rural					
Large Industrial					
Smelter					
Off-System / Other					
Total					
Net Sales Margin - Thousands of \$					
Rural					
Large Industrial					
Smelter					
Off-System / Other					
Total					

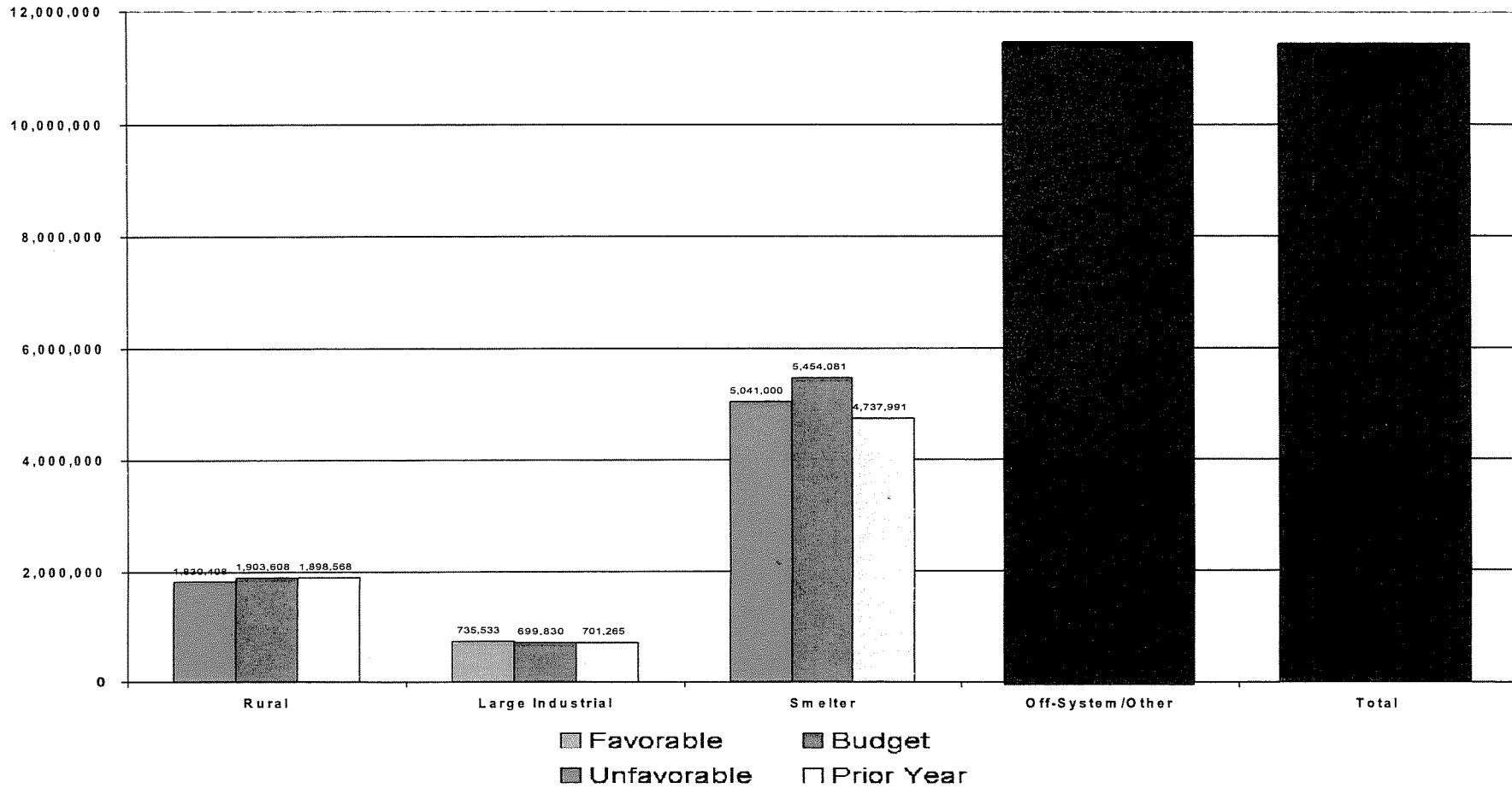
**Net Sales Margin
Price / Volume Analysis
YTD September 2011**

Price / Volume

	<u>Price</u>	<u>Volume</u>	<u>Total</u>
Rural			
Large Industrial			
Smelter			
Off-System / Other			

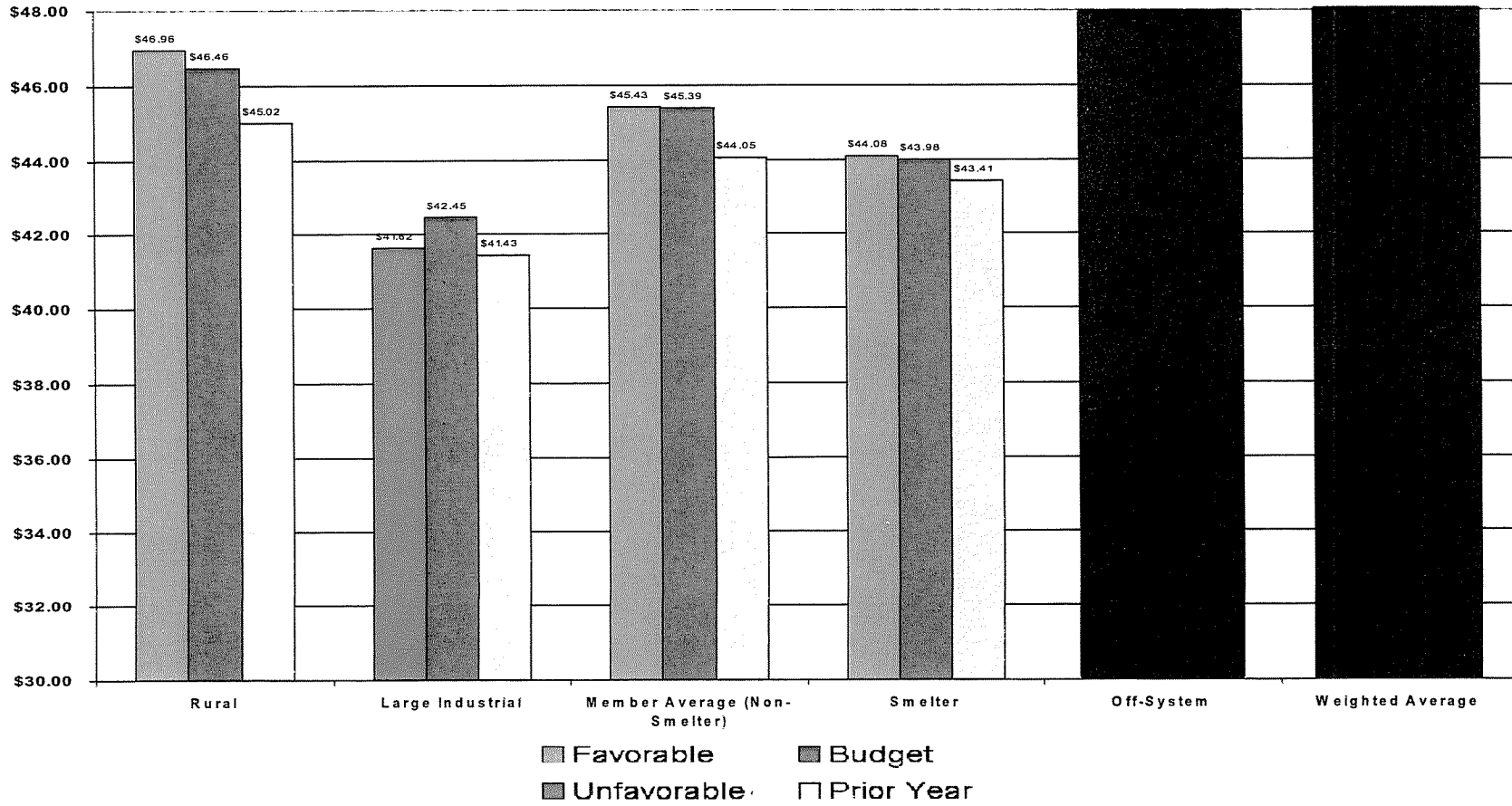
MWH Sales

YTD - September



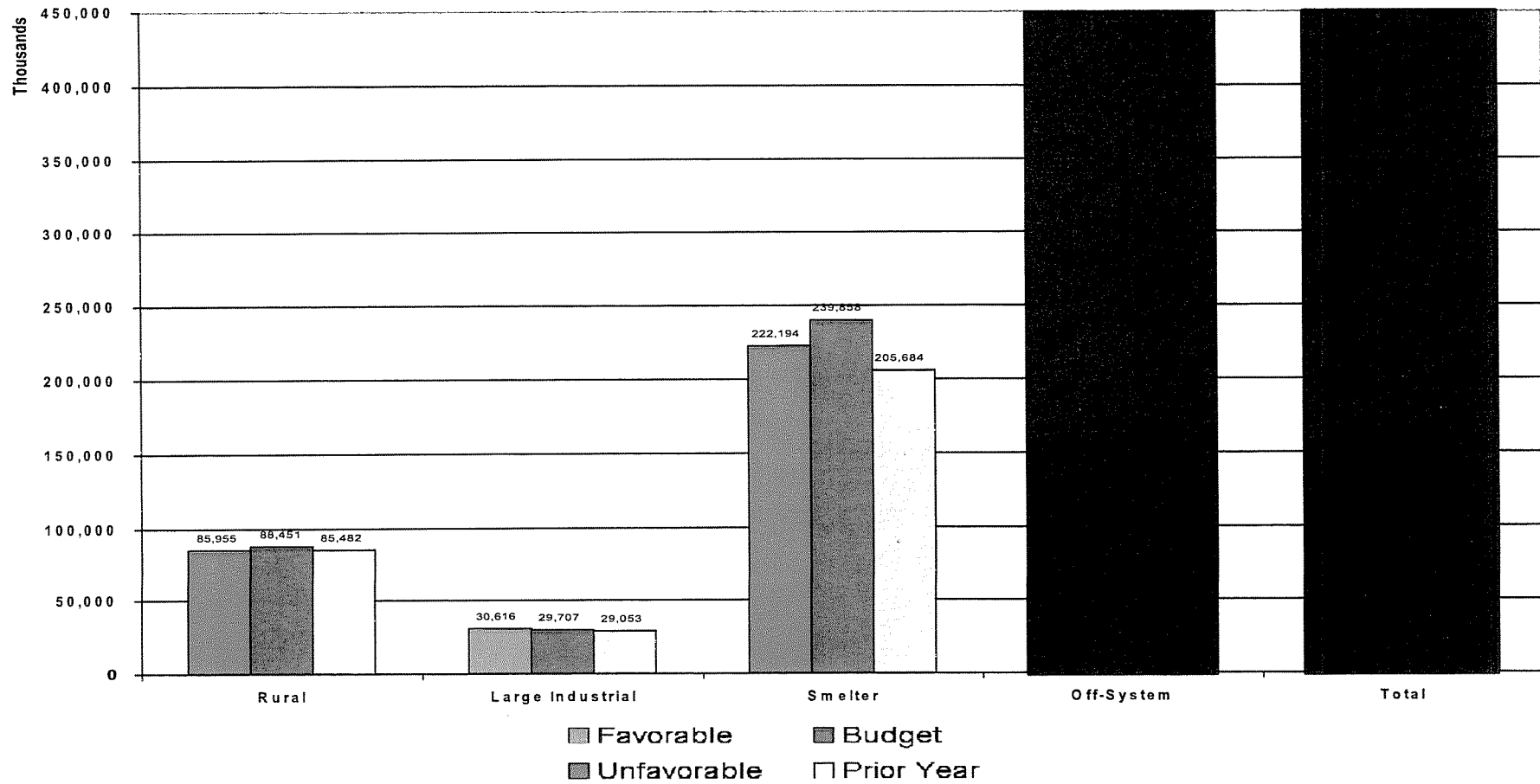
Revenue - \$/MWh Sold

VTD - September



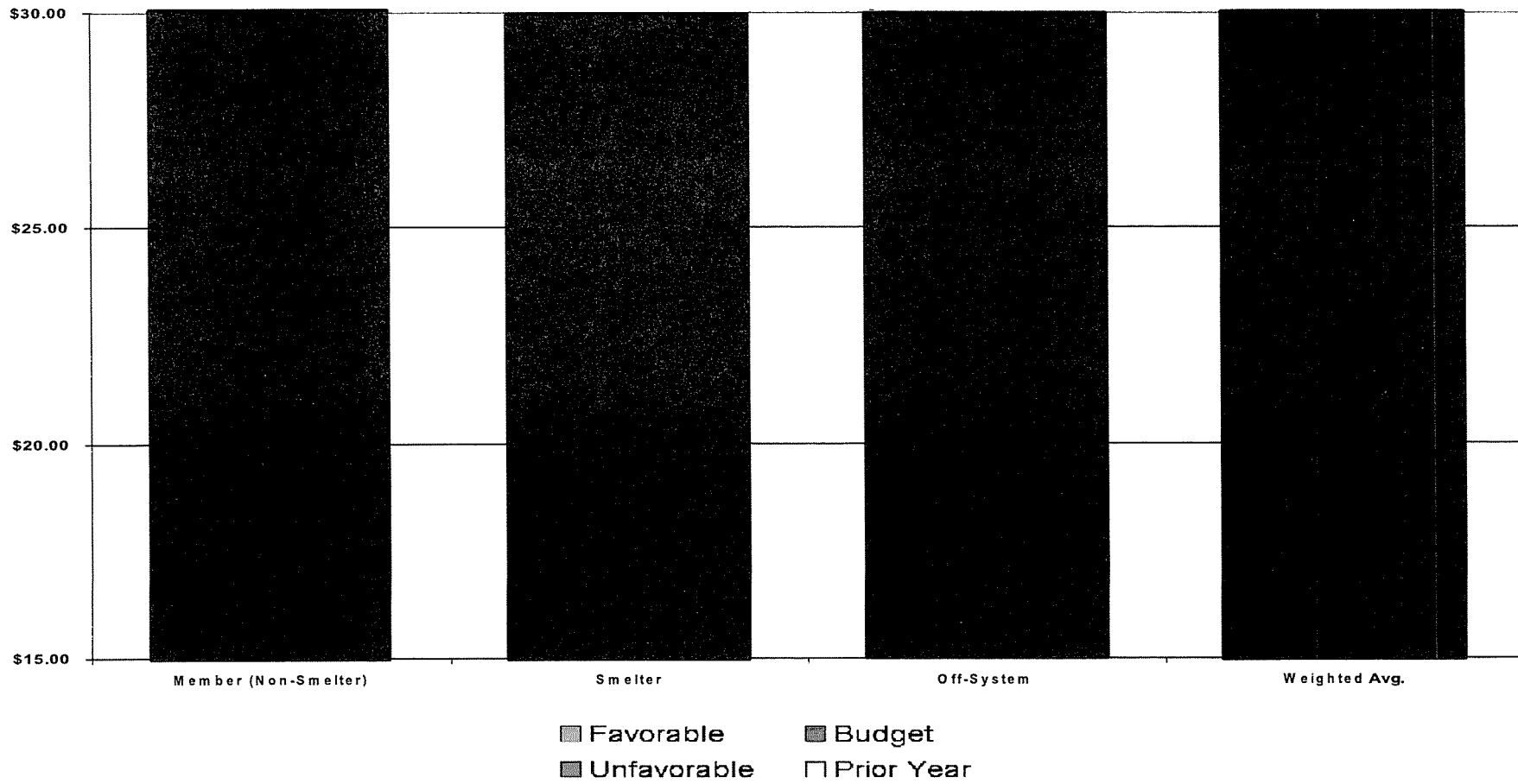
Revenue

VTD September



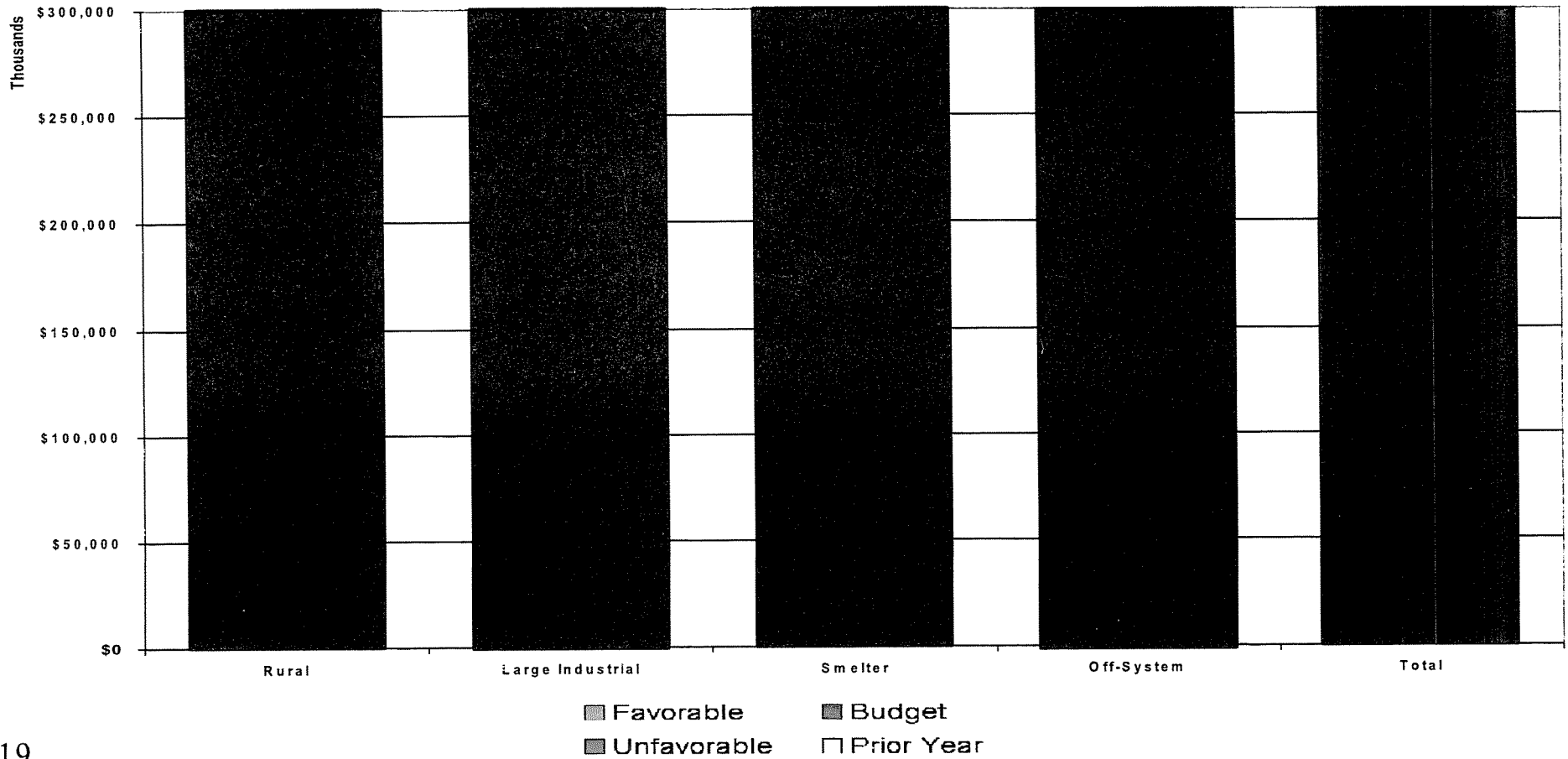
Variable Operations - \$/MWh Sold

VTD - September



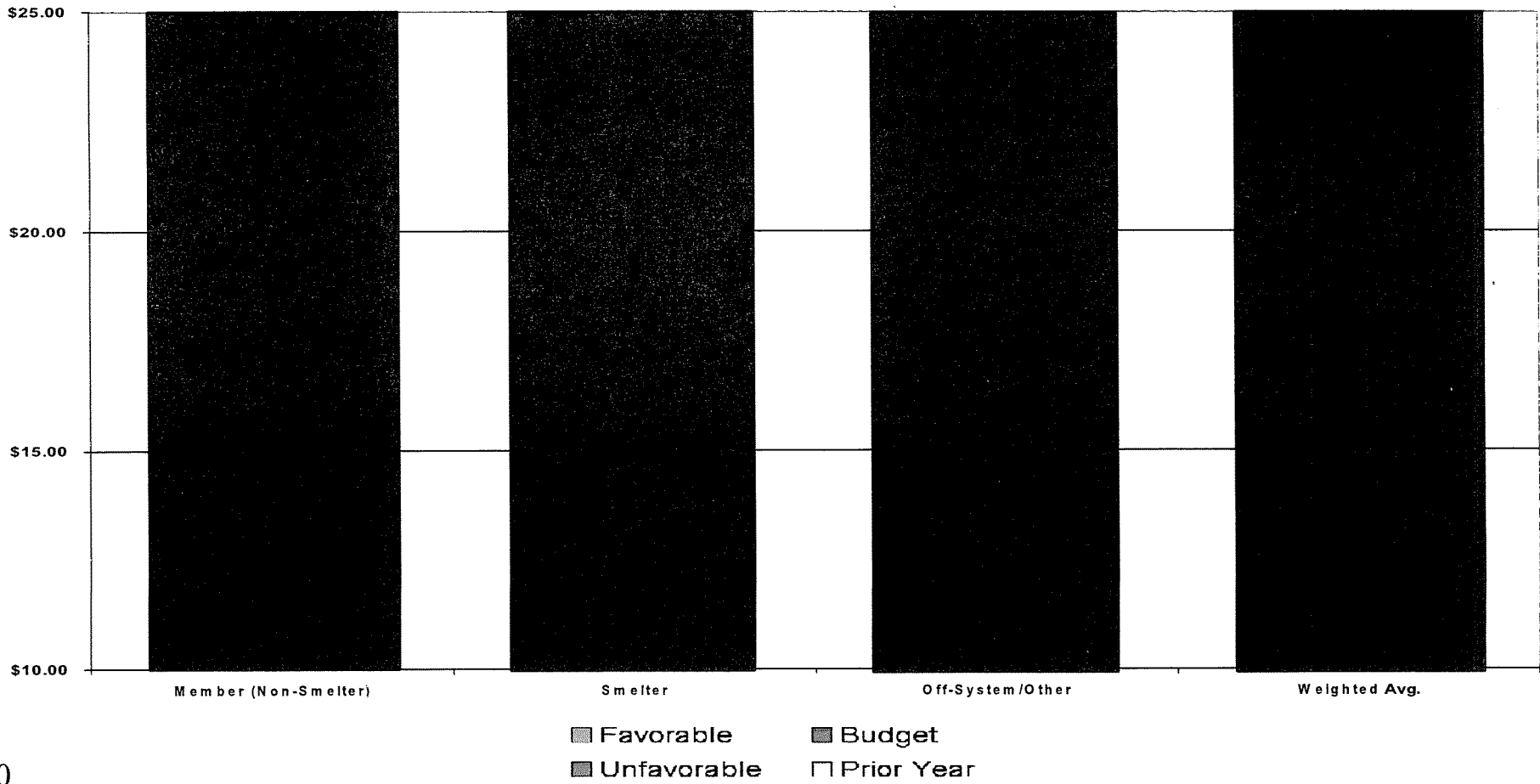
Variable Operations Cost

VTD - September

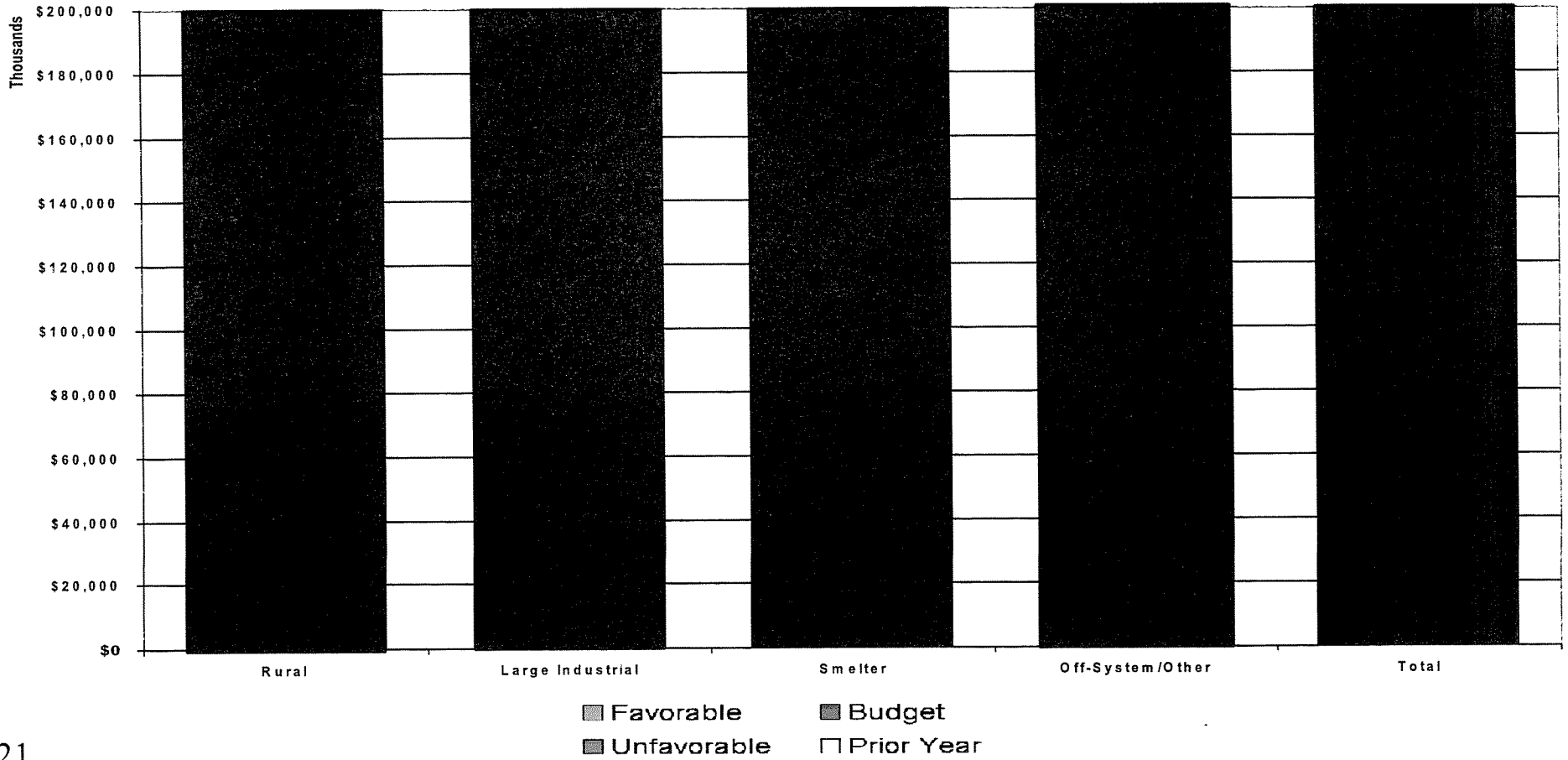


Net Sales Margin - \$/MWh

VTD September

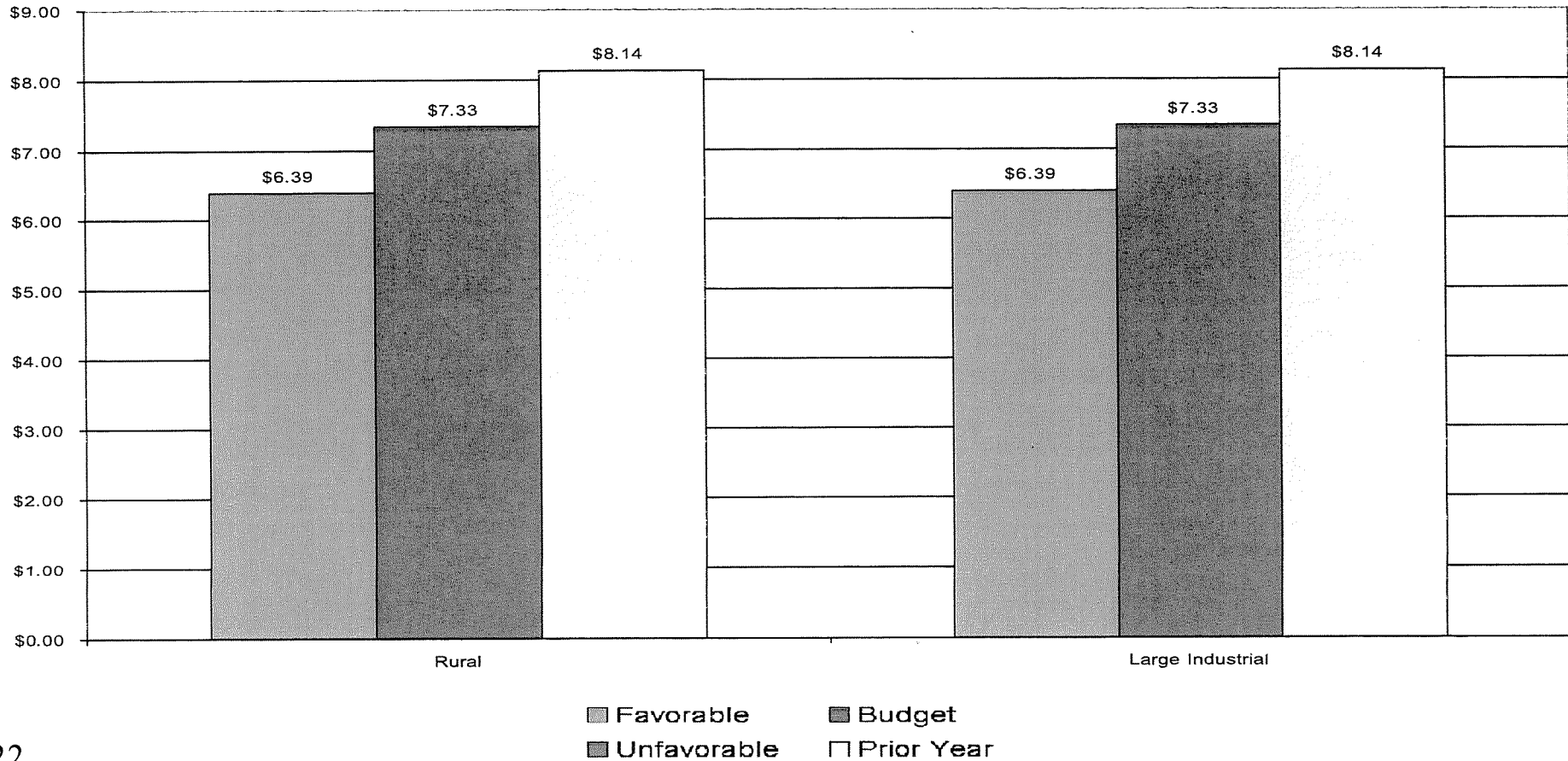


Net Sales Margin VTD - September



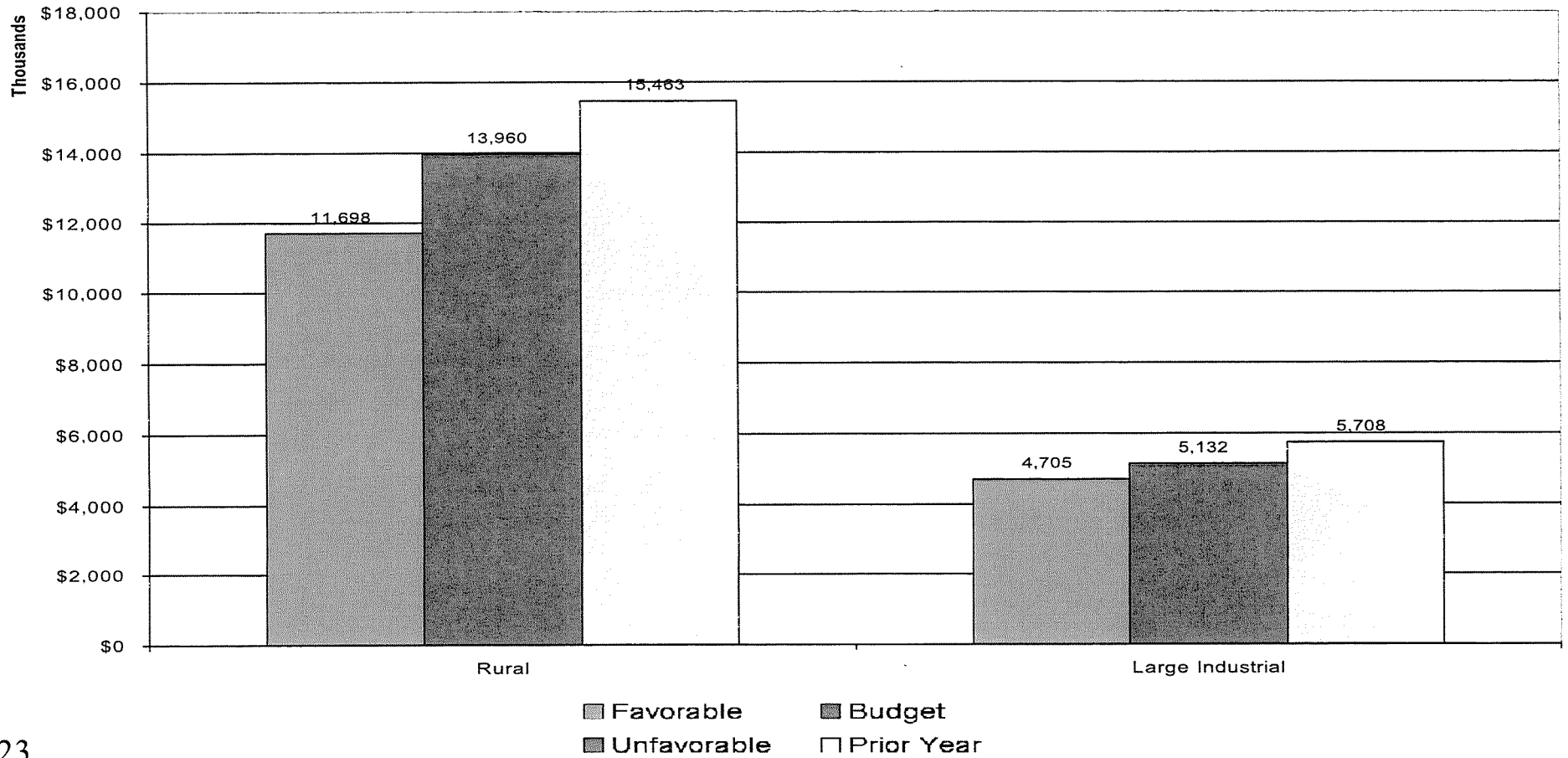
MRSM - \$/MWh

YTD - September

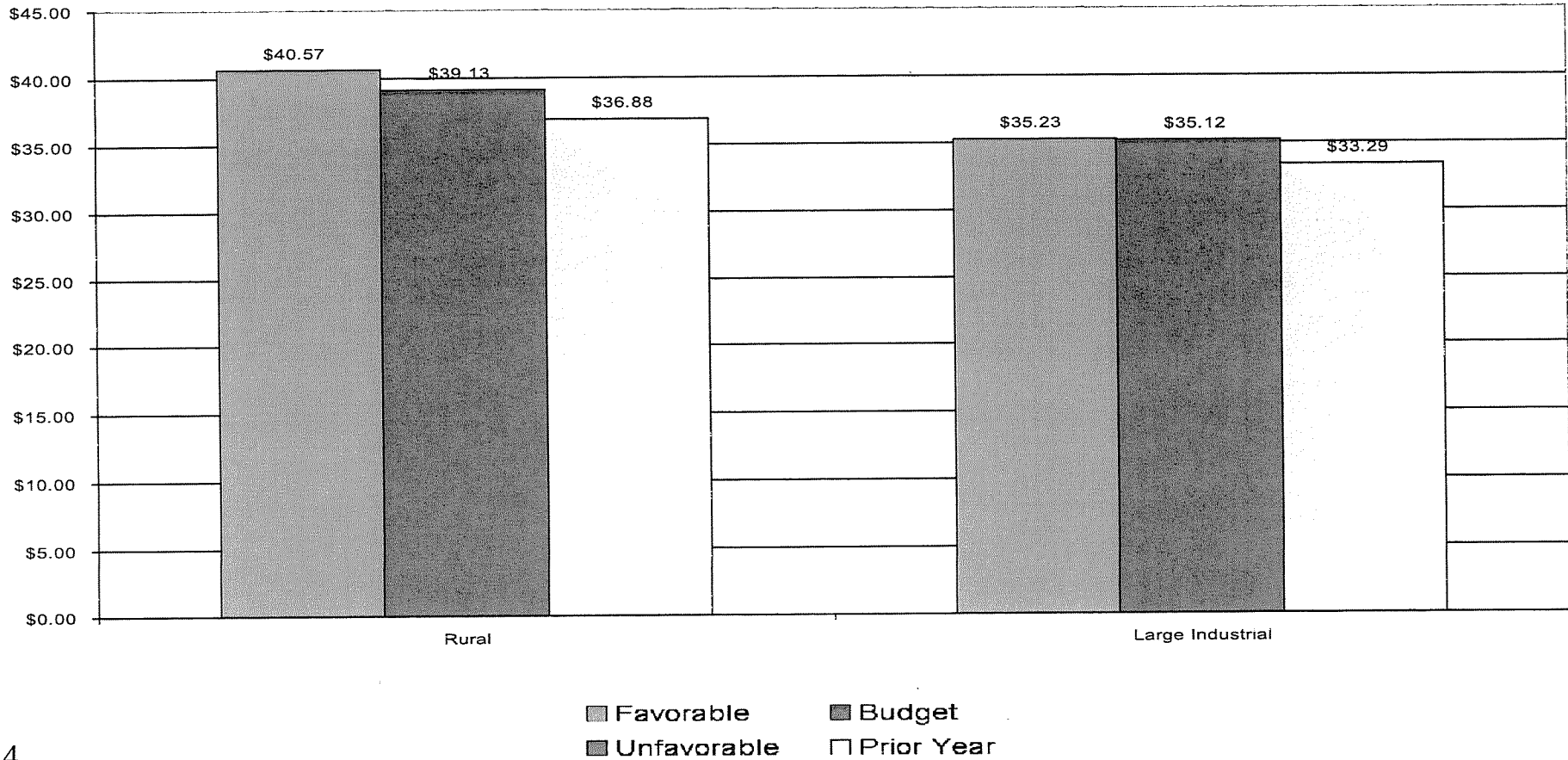


MRSM

VTD - September

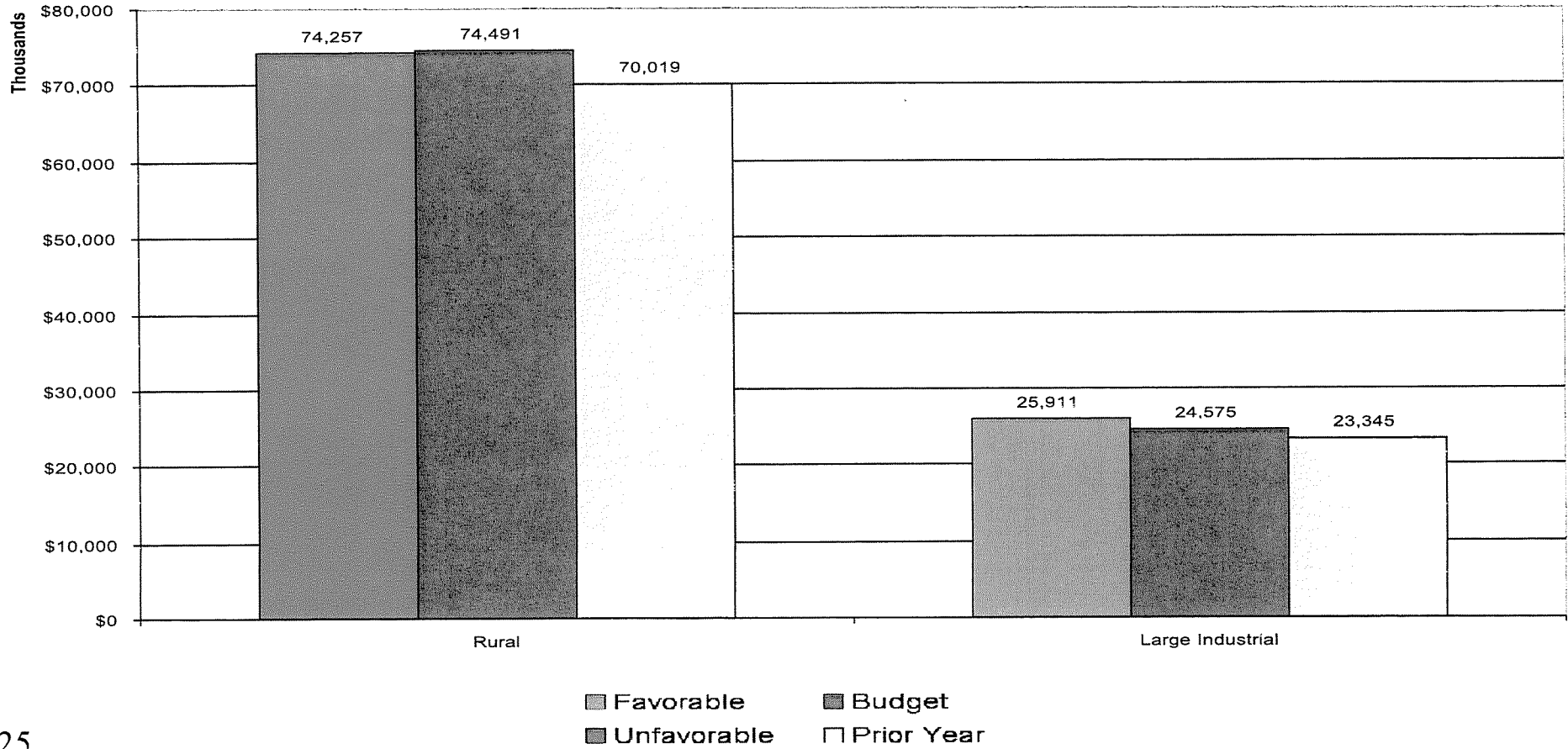


Net Revenue (Excl. MRSM) - \$/MWh YTD - September





Net Revenue (Excl. MRSM) YTD - September



Other Operating Revenue and Income

	2011			2010	
	<u>Actual</u>	<u>Budget</u>	Variance <u>Fav/(Unfav)</u>	<u>2010 Actual</u>	Variance <u>Fav/(Unfav)</u>
September YTD	2,168	18	2,150	10,366	(8,198)

Favorable to budget due to (intentional) omission of the power supply transmission reservation (from the budget).

Unfavorable to prior year due to a lower power supply transmission reservation.

Non-Variable Production and Other Power Supply – Operations

	2011			2010	
	<u>Actual</u>	<u>Budget</u>	Variance <u>Fav/(Unfav)</u>	<u>2010 Actual</u>	Variance <u>Fav/(Unfav)</u>
September YTD			905		8,217

Current Year Variances

Power Supply transmission reservation	<u>Fav/(UnFav)</u> (4,165)
HMPL 1 Outage scope reduction	1,436
Plant operations expense timing/reductions (Coleman \$811, Green \$698 & Wilson \$928)	2,437
Station-Two O&M timing/reductions	1,095
Other	<u>102</u>
Non-Variable Production and Other Power Supply - Operations	905

Prior-Year Variances

Power Supply transmission reservation	<u>Fav/(UnFav)</u> 8,368
Station-Two O&M/other	<u>(151)</u>
Non-Variable Production and Other Power Supply - Operations	8,217

Operation Expense – Transmission

	2011			2010	
	<u>Actual</u>	<u>Budget</u>	<u>Variance Fav/(Unfav)</u>	<u>2010 Actual</u>	<u>Variance Fav/(Unfav)</u>
September YTD	6,920	9,360	2,440	5,741	(1,179)

Favorable to budget primarily due to 1) lower than anticipated MISO administrative expenses \$293, and 2) favorable labor expense as more is being charged to maintenance accounts than operations \$1,183 (see slide 33), and 3) various stations and lines fixed departmental expenses \$964.

Unfavorable to prior year due to MISO administrative expenses.



Operation Expense – RTO/ISO

	2011			2010	
	<u>Actual</u>	<u>Budget</u>	<u>Variance Fav/(Unfav)</u>	<u>2010 Actual</u>	<u>Variance Fav/(Unfav)</u>
September YTD	1,832	2,292	460	0	(1,832)

Favorable to budget primarily due to lower than anticipated MISO administrative expenses.

Unfavorable to prior year due to MISO administrative expenses.

Consumer Service & Informational Expense

		2011		
		<u>Actual</u>	<u>Budget</u>	<u>Variance</u> <u>Fav/(Unfav)</u>
September YTD		345	657	312

Favorable to budget due to timing of fixed expenses in energy efficiency/demand side management area.

Operation Expense – Sales

		2011	
		<u>Actual</u>	<u>Budget</u>
		<u>Variance</u>	
		<u>Fav/(Unfav)</u>	
September YTD		129	742
			613

Favorable to budget primarily due to timing of fixed departmental expenses in the marketing area.

Operation Expense – Administrative & General

	2011		
	<u>Actual</u>	<u>Budget</u>	<u>Variance</u> <u>Fav/(Unfav)</u>
September YTD	19,980	19,460	(520)

Unfavorable to budget primarily due to expenses related to the rate case.

Maintenance Expense – Production

	2011			2010	
	<u>Actual</u>	<u>Budget</u>	<u>Variance Fav/(Unfav)</u>	<u>2010 Actual</u>	<u>Variance Fav/(Unfav)</u>
September YTD			2,569		(1,779)

Favorable to budget due to various maintenance projects that have been delayed, reduced in scope or cancelled. These projects include mill overhauls, site maintenance, bar screen repairs, the Wilson chemical clean and heavy equipment maintenance. Labor expense is favorable primarily due to open positions.

Unfavorable to prior year due to higher planned maintenance activities this year, the planned outage at Wilson and higher labor expenses.

Maintenance Expense – Transmission

		2011		
		<u>Actual</u>	<u>Budget</u>	<u>Variance</u> <u>Fav/(Unfav)</u>
September YTD		3,348	2,534	(814)

Unfavorable to budget primarily due to more labor being charged to maintenance than operations (The favorable labor variance in Operation Expense – Transmission offsets this unfavorable labor variance in maintenance).



Depreciation & Amortization Expense

	2011		
	<u>Actual</u>	<u>Budget</u>	<u>Variance Fav/(Unfav)</u>
September YTD	26,374	27,068	694

Favorable to budget due to lower capital spending and timing of projects being moved from work in progress to completed status.

Interest on Long-Term Debt

	2011		
	<u>Actual</u>	<u>Budget</u>	<u>Variance Fav/(Unfav)</u>
September YTD	34,450	35,428	978

Interest on long-term debt is lower to budget due to the payment of the Transition Reserve on the RUS Series A Note.


Other Non-Operating Income - Net

	2010	
	2010	Variance
	<u>Actual</u>	<u>Fav/(Unfav)</u>
September YTD	8	1,693 (1,685)

Other Non-Operating Income was unfavorable \$1,685 due to the write-off of the M&S inventory obsolescence reserve in 2010.

Monthly Financial Report – August 2011

Big Rivers
ELECTRIC CORPORATION

Your Touchstone Energy® Cooperative 

Financial Report
August 2011
(\$ in Thousands)

Board Meeting Date: October 21, 2011



Summary of Operations YTD August

	2011			2010	
	Actual	Budget *	Fav/(UnFav) Variance	Actual	Fav/(UnFav) Variance
Revenues	375,157	360,903	14,254	356,572	18,585
Cost of Electric Service	369,424	357,175	(12,249)	343,740	(25,684)
Operating Margins	5,733	3,728	2,005	12,832	(7,099)
Interest Income/Other	230	352	(122)	276	(46)
Net Margins - YTD	5,963	4,080	1,883	13,108	(7,145)
<i>September</i>	2,935	871	2,064	(2,591)	5,526
<i>YTD September</i>	8,898	4,951	3,947	10,517	(1,619)

* Budget Revenues and Cost of Electric Service revised to remove the power supply transmission reservation (off-setting).



Your Tealstone Energy Cooperative

Statement of Operations – August Variance to Budget

	Current Month			Year-to-Date			Explanation
	Actual	Budget	Variance Fav/(UnFav)	Actual	Budget	Variance Fav/(UnFav)	
ELECTRIC ENERGY REVENUES	48,972	49,550	(578)	373,264	360,884	12,380	[A] Pages 7, 12-14
INCOME FROM LEASED PROPERTY - NET	0	0	0	0	0	0	
OTHER OPERATING REVENUE AND INCOME	185	2	183	1,893	19	1,874	[B], [C] Page 26
TOTAL OPER REVENUES & PATRONAGE CAPITAL	49,157	49,552	(395)	375,157	360,903	14,254	
OPERATION EXPENSE-PRODUCTION-EXCL FUEL	4,271	5,641	1,370	32,716	43,016	10,300	[A] Pages 7, 12-14, 27
OPERATION EXPENSE-PRODUCTION-FUEL	20,078	19,305	(773)	154,981	140,961	(14,020)	[A] Pages 7, 12-14
OPERATION EXPENSE-OTHER POWER SUPPLY	9,894	7,664	(2,230)	73,990	59,690	(14,300)	[A] Pages 7, 12-14, 27
OPERATION EXPENSE-TRANSMISSION	1,006	1,028	22	6,174	8,289	2,115	[B], [C] Page 28
OPERATION EXPENSE-RTO/ISO	192	244	52	1,640	2,061	421	[B] Page 29
CONSUMER SERVICE & INFORMATIONAL EXPENSE	70	68	(2)	306	582	276	[B] Page 30
OPERATION EXPENSE-SALES	86	53	(33)	92	563	471	[B], [C] Page 31
OPERATION EXPENSE-ADMINISTRATIVE & GENERAL	1,351	1,948	597	17,542	17,278	(264)	
TOTAL OPERATION EXPENSE	36,948	35,951	(997)	287,441	272,440	(15,001)	
MAINTENANCE EXPENSE-PRODUCTION	3,082	3,178	96	25,355	26,901	1,546	[B], [C] Page 32
MAINTENANCE EXPENSE-TRANSMISSION	372	311	(61)	2,854	2,208	(646)	[B], [C] Page 33
MAINTENANCE EXPENSE-GENERAL PLANT	9	8	(1)	85	72	(13)	
TOTAL MAINTENANCE EXPENSE	3,463	3,497	34	28,294	29,181	887	
DEPRECIATION & AMORTIZATION EXPENSE	2,878	3,043	165	23,070	24,019	949	[C] Page 34
TAXES	0	21	21	128	166	38	
INTEREST ON LONG-TERM DEBT	3,855	4,032	177	30,706	31,526	820	[C] Page 35
INTEREST CHARGED TO CONSTRUCTION-CREDIT	(25)	(20)	5	(419)	(360)	59	
OTHER INTEREST EXPENSE	0	30	30	59	112	53	
OTHER DEDUCTIONS	16	12	(4)	145	91	(54)	
TOTAL COST OF ELECTRIC SERVICE	47,135	46,566	(569)	369,424	357,175	(12,249)	
OPERATING MARGINS	2,022	2,986	(964)	5,733	3,728	2,005	
INTEREST INCOME	8	33	(25)	124	256	(132)	
ALLOWANCE FOR FUNDS USED DURING CONST	0	0	0	0	0	0	
OTHER NON-OPERATING INCOME - NET	0	0	0	9	0	9	
OTHER CAPITAL CREDITS & PAT DIVIDENDS	0	0	0	97	96	1	
EXTRAORDINARY ITEMS	0	0	0	0	0	0	
NET PATRONAGE CAPITAL OR MARGINS	2,030	3,019	(989)	5,963	4,080	1,883	

Explanations: [A] Net Sales Margin, [B] 10% of line item and \$250,000 or [C] 10% of margins and \$500,000.



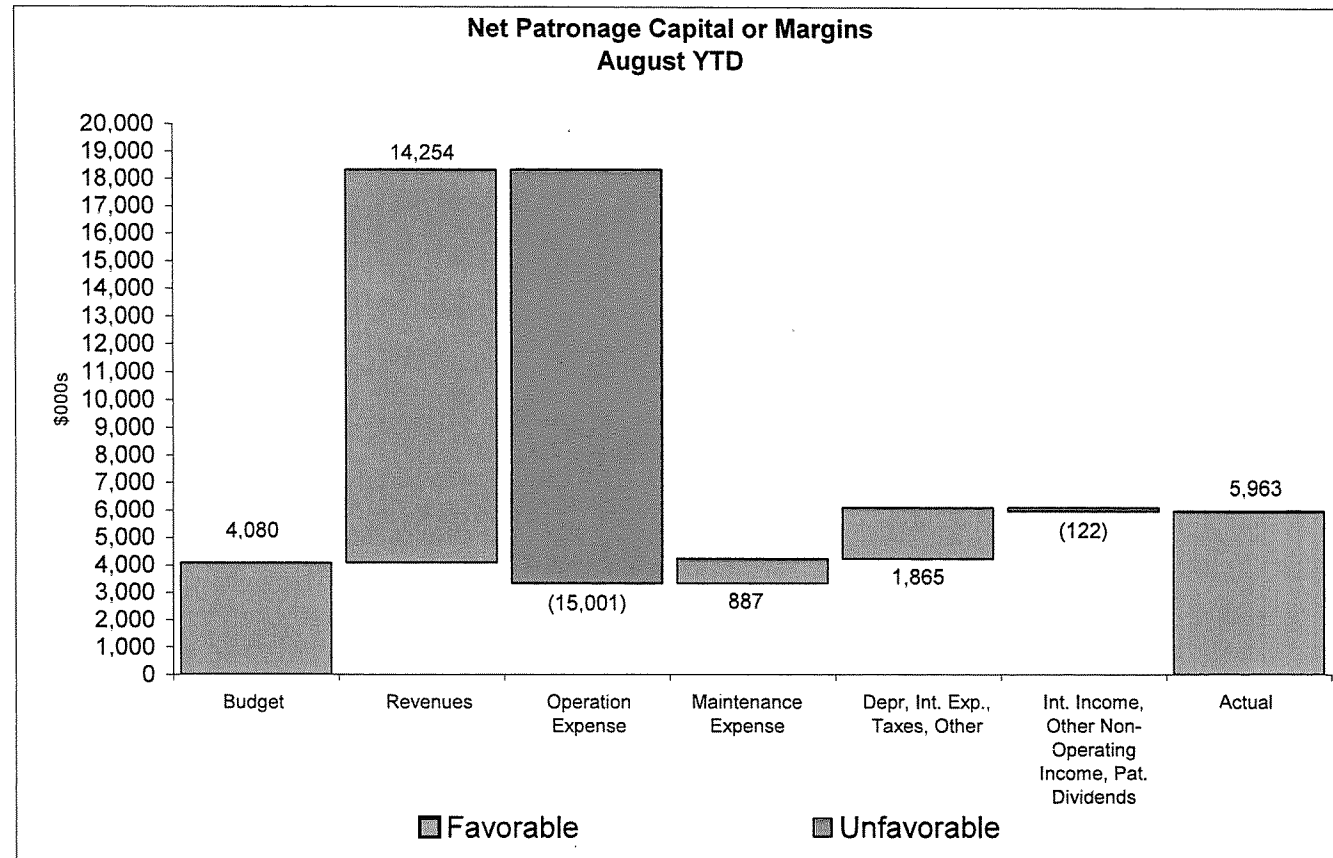
Your Exclusive Energy Cooperative

Statement of Operations – August Variance to Prior-Year

	Current Month			Year-to-Date			Explanation
	Actual	Prior Year	Variance Fav/(UnFav)	Actual	Prior Year	Variance Fav/(UnFav)	
ELECTRIC ENERGY REVENUES	48,972	46,633	2,339	373,264	347,349	25,915	[A] Pages 7, 12-14
INCOME FROM LEASED PROPERTY - NET	0		0	0		0	
OTHER OPERATING REVENUE AND INCOME	185	1,145	(960)	1,893	9,223	(7,330)	[B], [C] Page 26
TOTAL OPER REVENUES & PATRONAGE CAPITAL	49,157	47,778	1,379	375,157	356,572	18,585	
OPERATION EXPENSE-PRODUCTION-EXCL FUEL	4,271	4,804	533	32,716	35,093	2,377	[A] Pages 7, 12-14, 27
OPERATION EXPENSE-PRODUCTION-FUEL	20,078	19,753	(325)	154,981	140,849	(14,132)	[A] Pages 7, 12-14
OPERATION EXPENSE-OTHER POWER SUPPLY	9,894	7,539	(2,355)	73,990	64,764	(9,226)	[A] Pages 7, 12-14, [B] 27
OPERATION EXPENSE-TRANSMISSION	1,006	640	(366)	6,174	5,090	(1,084)	[B] Page 28
OPERATION EXPENSE-RTO/ISO	192	0	(192)	1,640	0	(1,640)	[B],[C] Page 29
CONSUMER SERVICE & INFORMATIONAL EXPENSE	70	36	(34)	306	351	45	
OPERATION EXPENSE-SALES	86	24	(62)	92	64	(28)	
OPERATION EXPENSE-ADMINISTRATIVE & GENERAL	1,351	1,959	608	17,542	17,504	(38)	
TOTAL OPERATION EXPENSE	36,948	34,755	(2,193)	287,441	263,715	(23,726)	
MAINTENANCE EXPENSE-PRODUCTION	3,082	3,293	211	25,355	23,069	(2,286)	[B],[C] Page 32
MAINTENANCE EXPENSE-TRANSMISSION	372	466	94	2,854	2,823	(31)	
MAINTENANCE EXPENSE-GENERAL PLANT	9	22	13	85	134	49	
TOTAL MAINTENANCE EXPENSE	3,463	3,781	318	28,294	26,026	(2,268)	
DEPRECIATION & AMORTIZATION EXPENSE	2,878	2,828	(50)	23,070	22,679	(391)	
TAXES	0	0	0	128	133	5	
INTEREST ON LONG-TERM DEBT	3,855	3,958	103	30,706	31,354	648	[C] Page 35
INTEREST CHARGED TO CONSTRUCTION-CREDIT	(25)	(70)	(45)	(419)	(334)	85	
OTHER INTEREST EXPENSE	0	21	21	59	106	47	
OTHER DEDUCTIONS	16	16	0	145	61	(84)	
TOTAL COST OF ELECTRIC SERVICE	47,135	45,289	(1,846)	369,424	343,740	(25,684)	
OPERATING MARGINS	2,022	2,489	(467)	5,733	12,832	(7,099)	
INTEREST INCOME	8	33	(25)	124	237	(113)	
ALLOWANCE FOR FUNDS USED DURING CONST	0	0	0	0	0	0	
OTHER NON-OPERATING INCOME - NET	0	2	(2)	9	19	(10)	
OTHER CAPITAL CREDITS & PAT DIVIDENDS	0	7	(7)	97	20	77	
EXTRAORDINARY ITEMS	0	0	0	0	0	0	
NET PATRONAGE CAPITAL OR MARGINS	2,030	2,531	(501)	5,963	13,108	(7,145)	

Explanations: [A] Net Sales Margin, [B] 10% of line item and \$250,000 or [C] 10% of margins and \$500,000.

Variance Analysis Summary

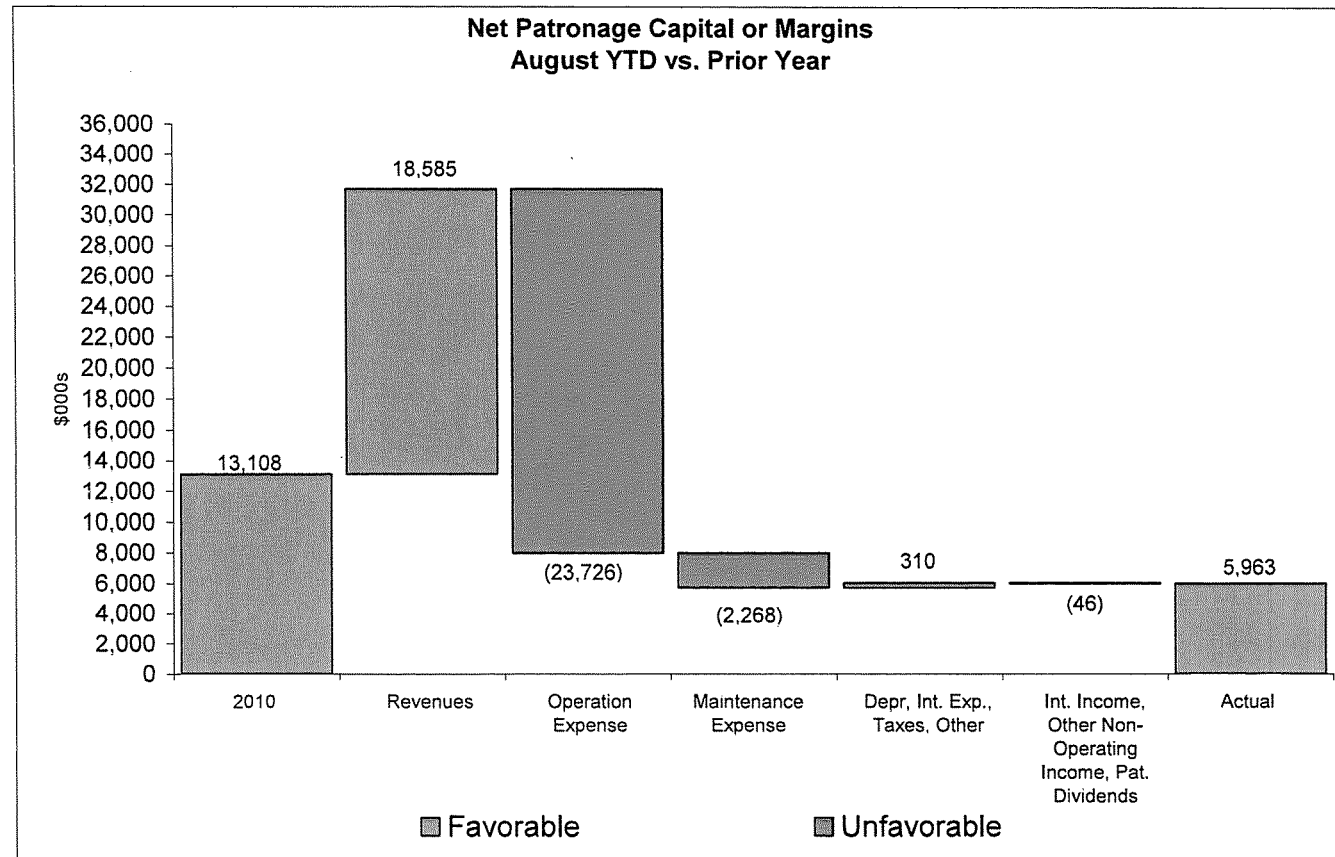


Financial Commentary

Year-to-Date

- YTD August 2011 Margins were \$1,883 favorable to budget.
 - Electric Energy Revenues were favorable \$12,380 primarily due to higher off-system volume (see pg. 12).
 - Other Revenue was favorable \$1,874 due to the power supply transmission reservation (see pg. 26).
 - Operation Expense was unfavorable \$15,001 – driven by higher variable costs \$19,228 primarily due to the higher off-system sales volumes, partially offset by the reduction in scope of the HMPL 1 planned outage and favorable operation expense at the plants and transmission (see pgs. 13, 27-31).
 - Maintenance Expense was favorable \$887 primarily due to timing of plant expenses (see pgs. 32 & 33).
 - Depreciation and Interest Expense was favorable \$1,865 due to (a) lower capital expenditures and (b) lower interest expense due to payment of the Transition Reserve on the RUS Series A Note.

Variance Analysis Summary



Financial Commentary

Year-to-Date

- YTD 2011 margins were \$7,145 unfavorable to YTD 2010.
 - Electric Energy Revenues were favorable \$25,915 primarily due to higher off-system volumes (see pg. 12).
 - Other Revenue was unfavorable \$7,330 primarily due to a lower power supply transmission reservation, which is off-set in Operations Expense – Other Power Supply (see pg. 26).
 - Operation Expense was unfavorable \$23,726 – driven by higher variable costs \$28,147 and higher MISO expenses, partially offset by lower transmission reservation (see pgs. 13, 27 & 28).
 - Maintenance Expense was unfavorable \$2,268 primarily due to the planned outage at Wilson this year and higher planned maintenance activities at the plants (pg. 32).
 - Depreciation and Interest Expense combined was lower \$310.



Your Touchstone Energy Cooperative

**Member Rate Stability Mechanism
YTD August**

	<u>Actual</u> <u>2011</u>	<u>Budget</u> <u>2011</u>	<u>2011</u> <u>Variance</u>	<u>Actual</u> <u>2010</u>	<u>2010</u> <u>Variance</u>		<u>Actual</u> <u>2011</u>	<u>Budget</u> <u>2011</u>	<u>2011</u> <u>Variance</u>	<u>Actual</u> <u>2010</u>	<u>2010</u> <u>Variance</u>
<u>MRSM - \$/MWh</u>						<u>Net Revenue - \$/MWh</u>					
Rural	(6.41)	(7.37)	0.96	(8.23)	1.82	Rural	39.25	38.48	0.77	36.49	2.76
Large Industrial	(6.41)	(7.37)	0.96	(8.23)	1.82	Large Industrial	34.97	34.61	0.36	33.10	1.87
Total	(6.41)	(7.37)	0.96	(8.23)	1.82	Total	38.05	37.45	0.60	35.59	2.46
<u>MRSM - Thousands of \$</u>						<u>Net Revenue - Thousands of \$</u>					
Rural	(10,687)	(12,597)	1,910	(14,105)	3,418	Rural	65,410	65,786	(376)	62,549	2,861
Large Industrial	(4,174)	(4,585)	411	(5,119)	945	Large Industrial	22,753	21,528	1,225	20,589	2,164
Total	(14,861)	(17,182)	2,321	(19,224)	4,363	Total	88,163	87,314	849	83,138	5,025

<u>Economic Reserve Balance</u>			
<u>Cumulative-to-Date</u>	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
Original Deposit	\$ 157,000		
Interest Earnings	2,516		
Withdrawals	(52,999)		
Ending Balance 8/31/2011	\$ 106,517	\$ 105,566	\$ 951
<u>YTD August 2011</u>			
Beg. Balance 1/1/2011	\$ 121,220		
Interest Earnings	652		
Withdrawals	(15,355)		
Ending Balance 8/31/2011	\$ 106,517	\$ 105,566	\$ 951

Cash & Temporary Investments

	<u>Actual</u>	<u>Budget</u>	<u>Fav/(Unfav)</u>	2010	<u>Actual</u>	<u>Fav/(Unfav)</u>
August 31st	76,642	31,771	44,871		53,497	23,145

The August 31st, 2011 cash balance compared to budget is favorable primarily due to lower net capital expenditures \$23,950 and a reduction in fuel inventory \$23,996.

The August 31st, 2011 cash balance compared to prior year is favorable primarily due to voluntarily prepaying the RUS Series A Note during 2010.

Lines of Credit <u>As of August 31st</u>	
Original Amount	\$ 100,000
Letters of Credit Outstanding	(5,875)
Advances Outstanding	0
Available Lines of Credit	\$ 94,125

North Star – YTD August

	2011			2010	
	Actual	Budget	Fav/(UnFav) Variance	Actual	Fav/(UnFav) Variance
Total Cost of Electric Service			455		(25,683)
Other Operating Revenues & Income	(1,893)	(12,723)	(10,830)	(9,223)	(7,330)
Smelter Avoidable Base Charge	(1,595)	0	1,595	(2,110)	(515)
Off-System Sales/Other					
Interest Income	(124)	(256)	(132)	(237)	(113)
Other Non-Operating Income	(9)	0	9	(19)	(10)
Other Capital Credits & Pat. Dividends	(97)	(96)	1	(20)	77
			21,068		(19,531)

Member MWh	6,789,571	7,185,486	(395,915)	6,553,475	236,096
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North Star - \$/kWh

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TIER

	<u>Actual</u>	<u>Budget</u>	<u>Fav/(Unfav)</u>
Interest on Long Term Debt	30,706	31,526	820
Net Margins	[REDACTED]		
TIER (8 months ending 8/31)	[REDACTED]		
TIER (12 months ending 8/31)	[REDACTED]		

Notes:

TIER = (Net Margins + Interest on Long-Term Debt) divided by Interest on Long-Term Debt

Capital Expenditures*

	<u>Actual</u>	<u>Budget</u>	<u>Fav/(UnFav)</u>
IT	612	726	114
Generation	12,868	26,609	13,741
Transmission	3,695	12,960	9,265
Other	528	2,581	2,053
Total	17,703	42,876	25,173

Explanation:

Generation favorable primarily due to the timing or cancellation of projects. Coleman was favorable \$3,704 due to the cancellation of several projects including Interposing Logic System Controls and control room upgrade. The delay of several projects including the C2 Aux Transformer, start-up buss tie and circulating water pump added to the favorability. Station Two was favorable \$3,693 due to reducing the scope of the HMPL 1 spring outage and timing of various projects. Green Station was favorable \$4,305 due to several projects being moved to later in the year. These include FGD rehab, boiler painting, generator rectifier and generator voltage regulator. The Wilson facility was favorable \$2,039 due to the delay of the lime transfer tower dust collectors and the secondary air-heater milestone payment.

Transmission favorable primarily due to the timing of the Wilson Line 19F Terminal, Two-Way Radio Replacement and Wilson 69 KV line to Centertown addition.

Other favorable primarily due to the delay in purchasing the PCI Software, Operator Training Simulator, training facility remodeling and analyzers and a chromatograph for the Environmental Department.

* Gross of the City's share of Station Two.



Your Taste for Energy. Cooperative.

Revenue YTD August

	<u>Actual</u> <u>2011</u>	<u>Budget</u> <u>2011</u>	<u>Variance</u>	<u>Actual</u> <u>2010</u>	<u>2010</u> <u>Variance</u>
<u>MWh Sales</u>					
Rural	1,666,505	1,709,433	(42,928)	1,713,980	(47,475)
Large Industrial	650,738	621,975	28,763	622,083	28,655
Smelter	4,472,326	4,854,078	(381,752)	4,217,412	254,914
Off-System/Other					
Total					
<u>Revenue - \$/MWh</u>					
Rural	45.66	45.85	(0.19)	44.72	0.94
Large Industrial	41.38	41.98	(0.60)	41.33	0.05
Smelter	43.58	43.48	0.10	43.56	0.02
Off-System/Other					
Total					
<u>Revenue - Thousands of \$</u>					
Rural	76,097	78,383	(2,286)	76,654	(557)
Large Industrial	26,927	26,113	814	25,708	1,219
Smelter	194,914	211,032	(16,118)	183,704	11,210
Off-System/Other					
Total					

Revenue Price / Volume Analysis YTD August 2011

	<u>Price / Volume</u>		
	<u>Price</u>	<u>Volume</u>	<u>Total</u>
Rural	(318)	(1,968)	(2,286)
Large Industrial	(393)	1,207	814
Smelter	479	(16,597)	(16,118)
Off-System/Other			

Variable Operations Cost
YTD August

	<u>Actual</u> <u>2011</u>	<u>Budget</u> <u>2011</u>	<u>Variance</u>	<u>Actual</u> <u>2010</u>	<u>2010</u> <u>Variance</u>
Variable Operations (VO) Cost - \$/MWh					
Rural					
Large Industrial					
Smelter					
Off-System/Other					
Total					

<u>VO Cost - Thousands of \$</u>					
Rural					
Large Industrial					
Smelter					
Off-System/Other					
Total					

YTD August 2011
Variable Operations Expense

	<u>Actual</u>	<u>Budget</u>	<u>Fav/(UnFav)</u>	<u>Price Variance</u> <u>Fav/(UnFav)</u>	<u>Volume Variance</u> <u>Fav/(UnFav)</u>	<u>Fav/(UnFav)</u>
Reagent						
Fuel						
Purchased Power						
Non-FAC PPA (Non-Smelter)						

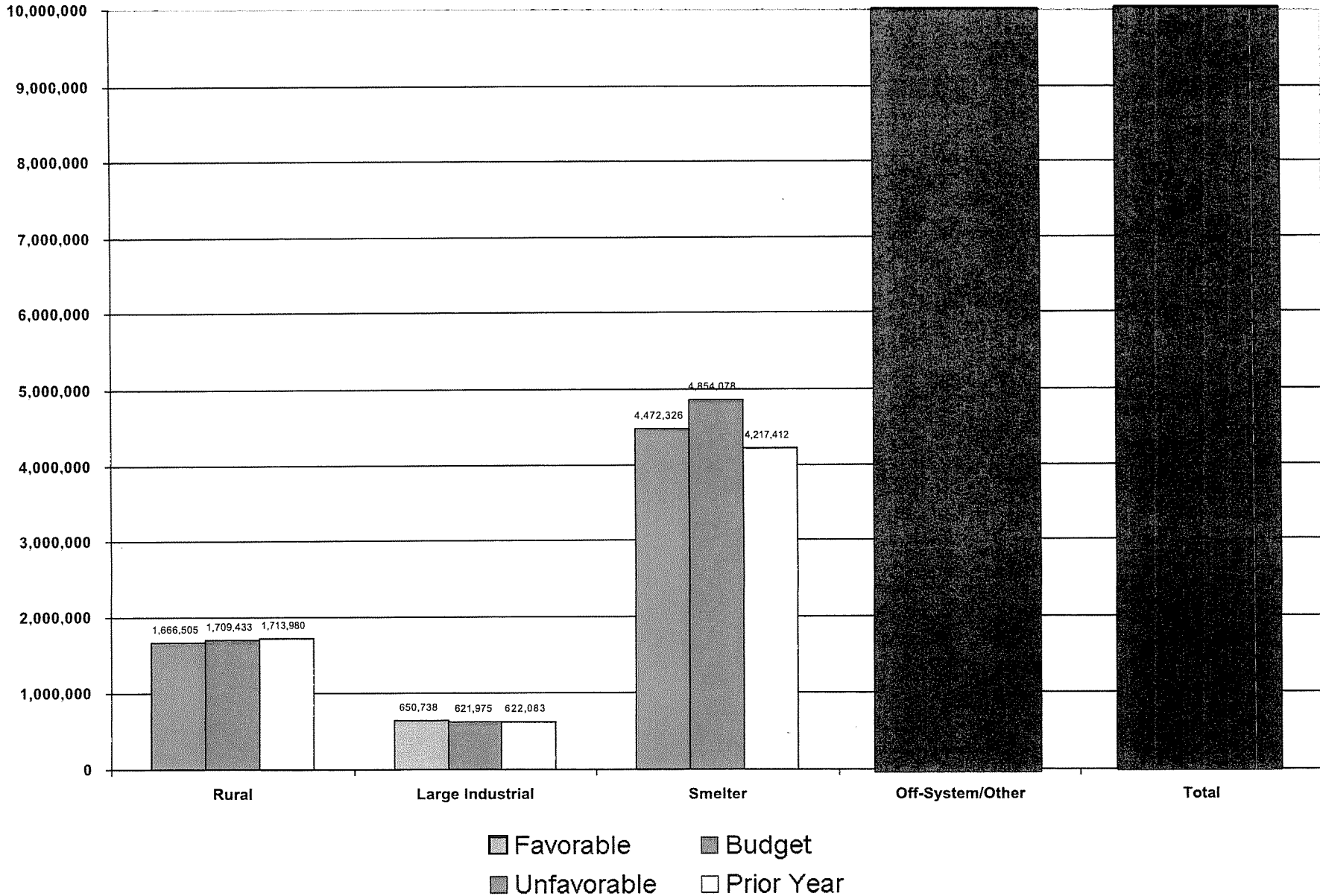
Net Sales Margin
YTD August

	<u>Actual</u> <u>2011</u>	<u>Budget</u> <u>2011</u>	<u>Variance</u>	<u>Actual</u> <u>2010</u>	<u>2010</u> <u>Variance</u>
<u>Net Sales Margin - \$/MWh</u>					
Rural					
Large Industrial					
Smelter					
Off-System/Other					
Total					
<u>Net Sales Margin - Thousands of \$</u>					
Rural					
Large Industrial					
Smelter					
Off-System/Other					
Total					

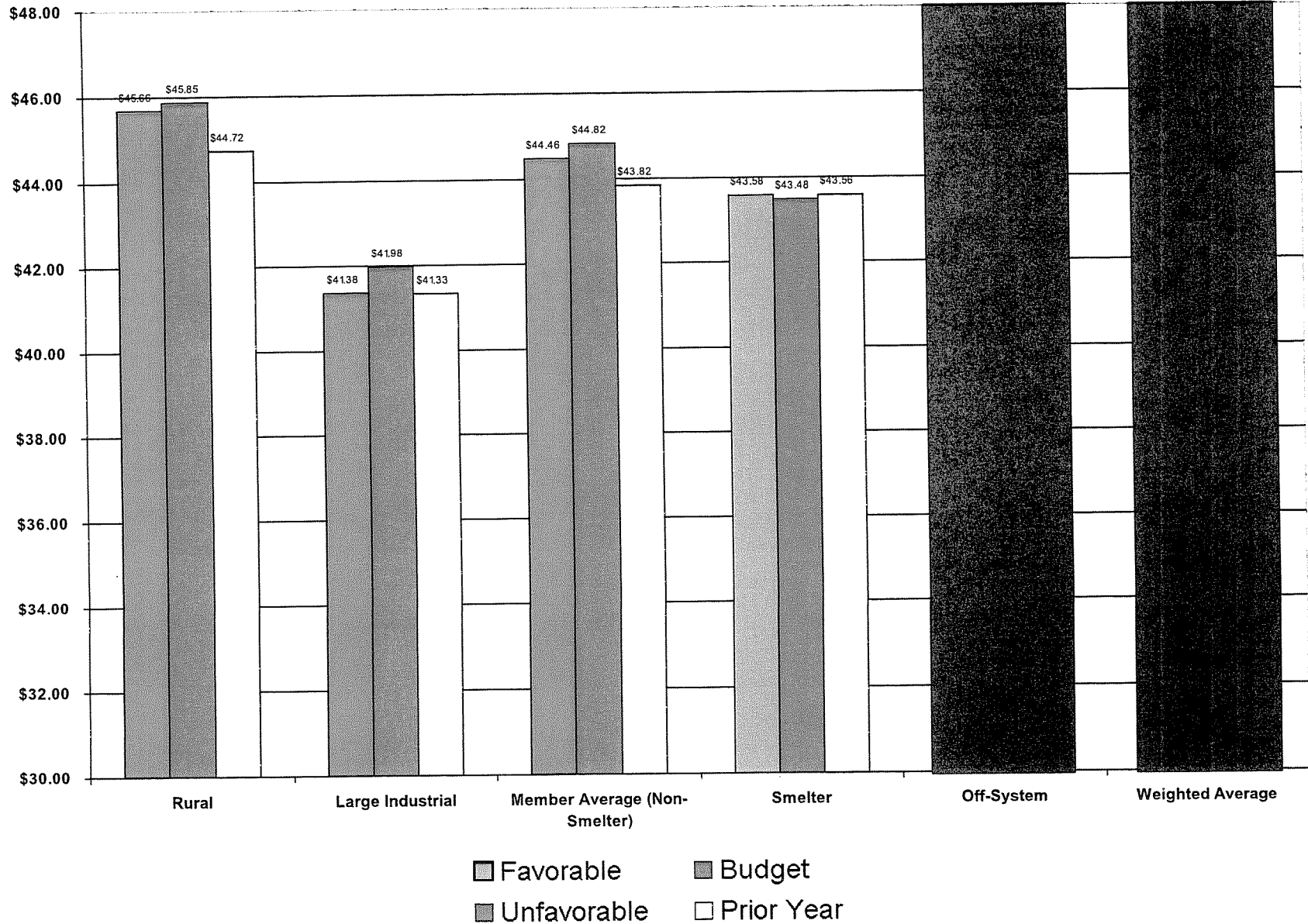
Net Sales Margin
Price / Volume Analysis
YTD August 2011

	<u>Price / Volume</u>		
	<u>Price</u>	<u>Volume</u>	<u>Total</u>
Rural			
Large Industrial			
Smelter			
Off-System/Other			

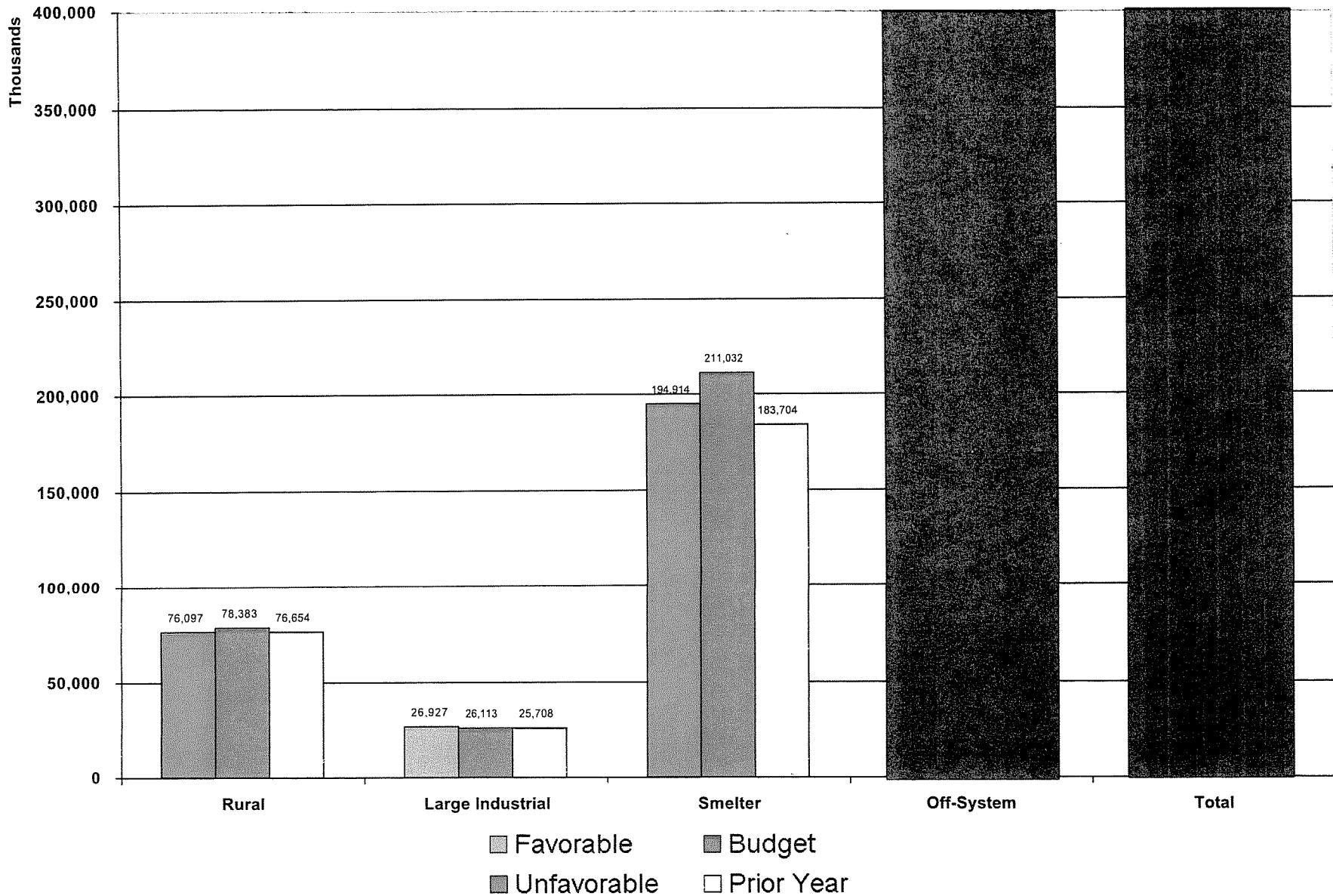
MWH Sales YTD - August



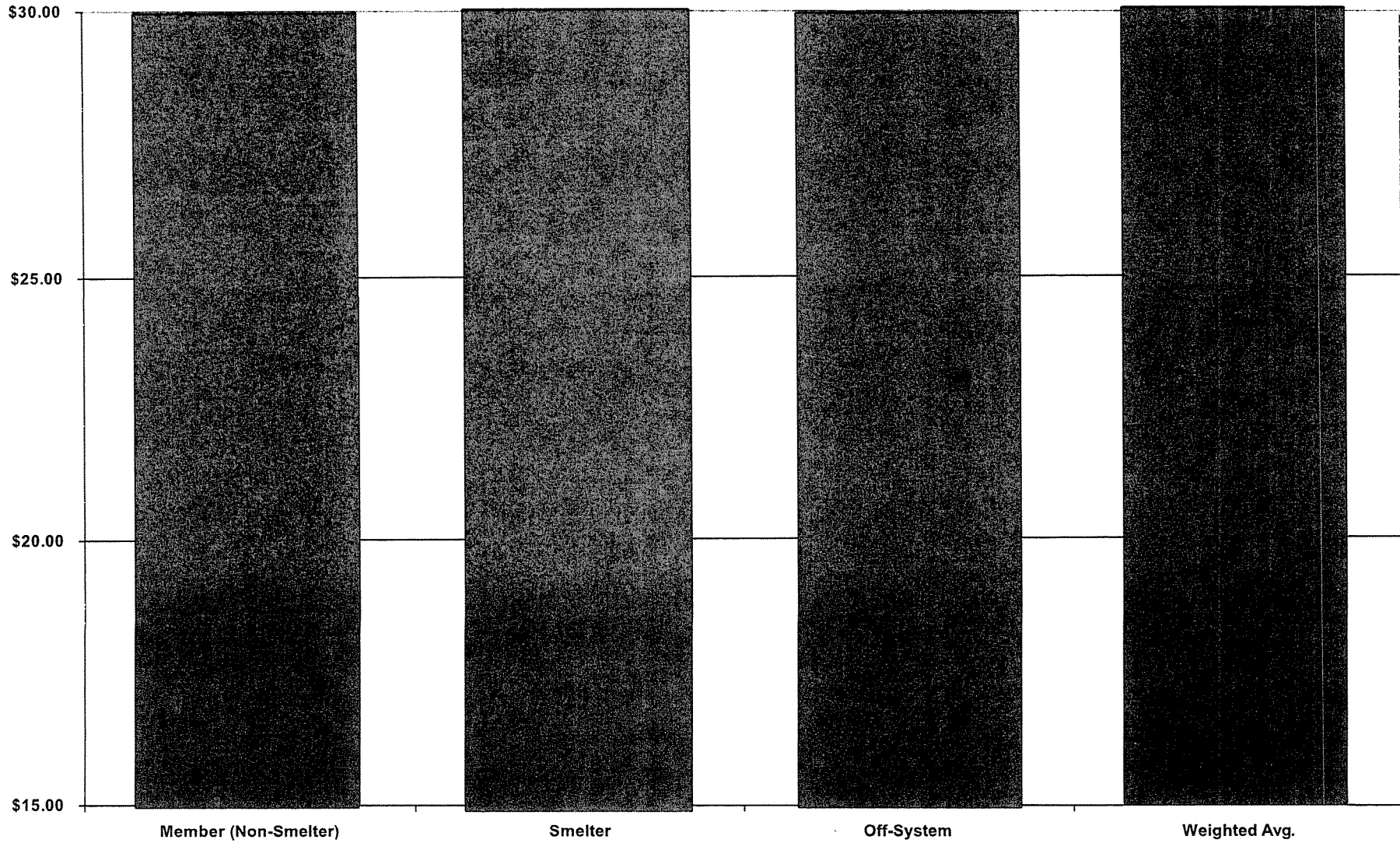
Revenue - \$/MWh Sold YTD - August



Revenue YTD - August

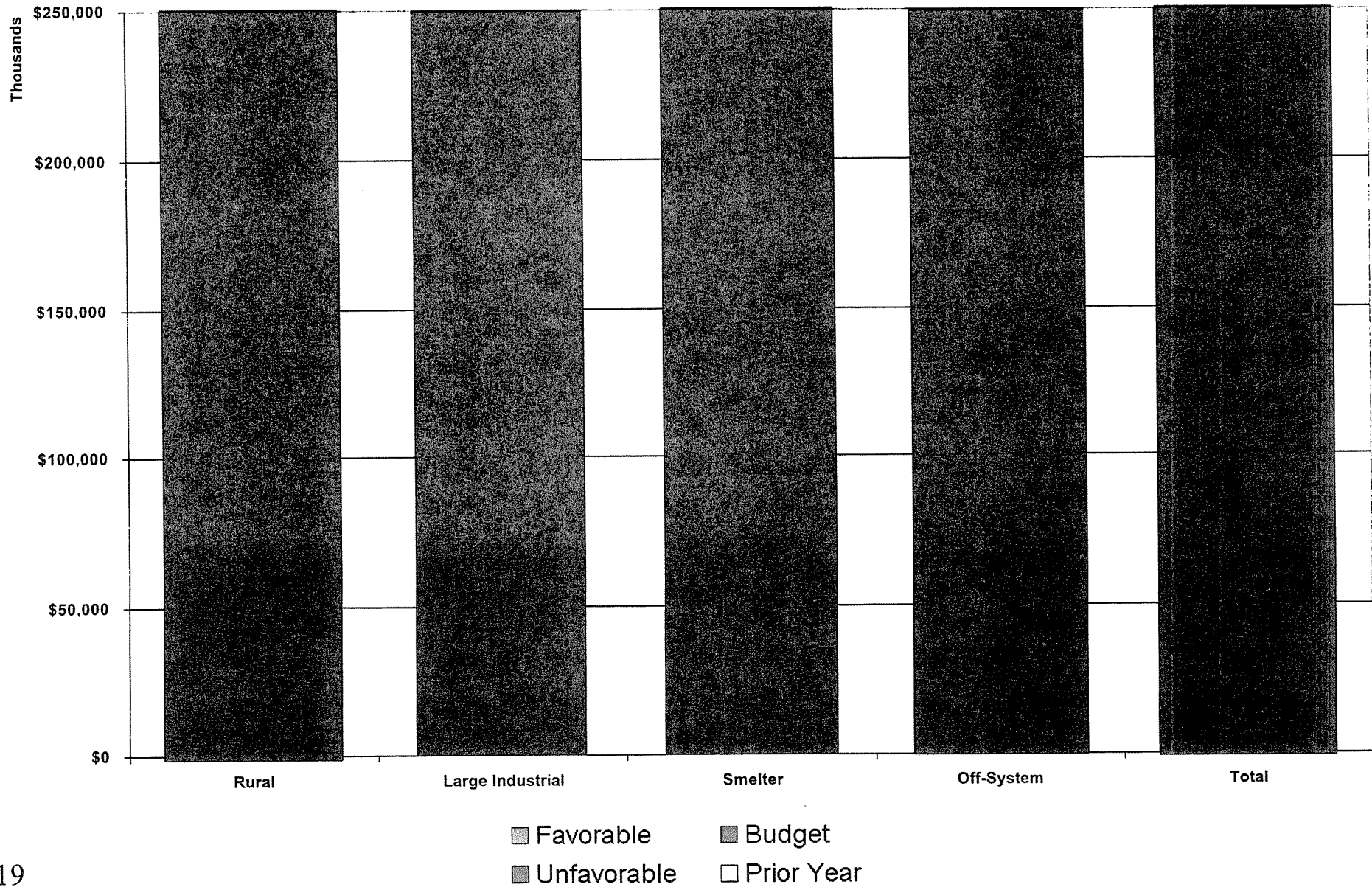


Power Cost - \$/MWh Sold YTD - August



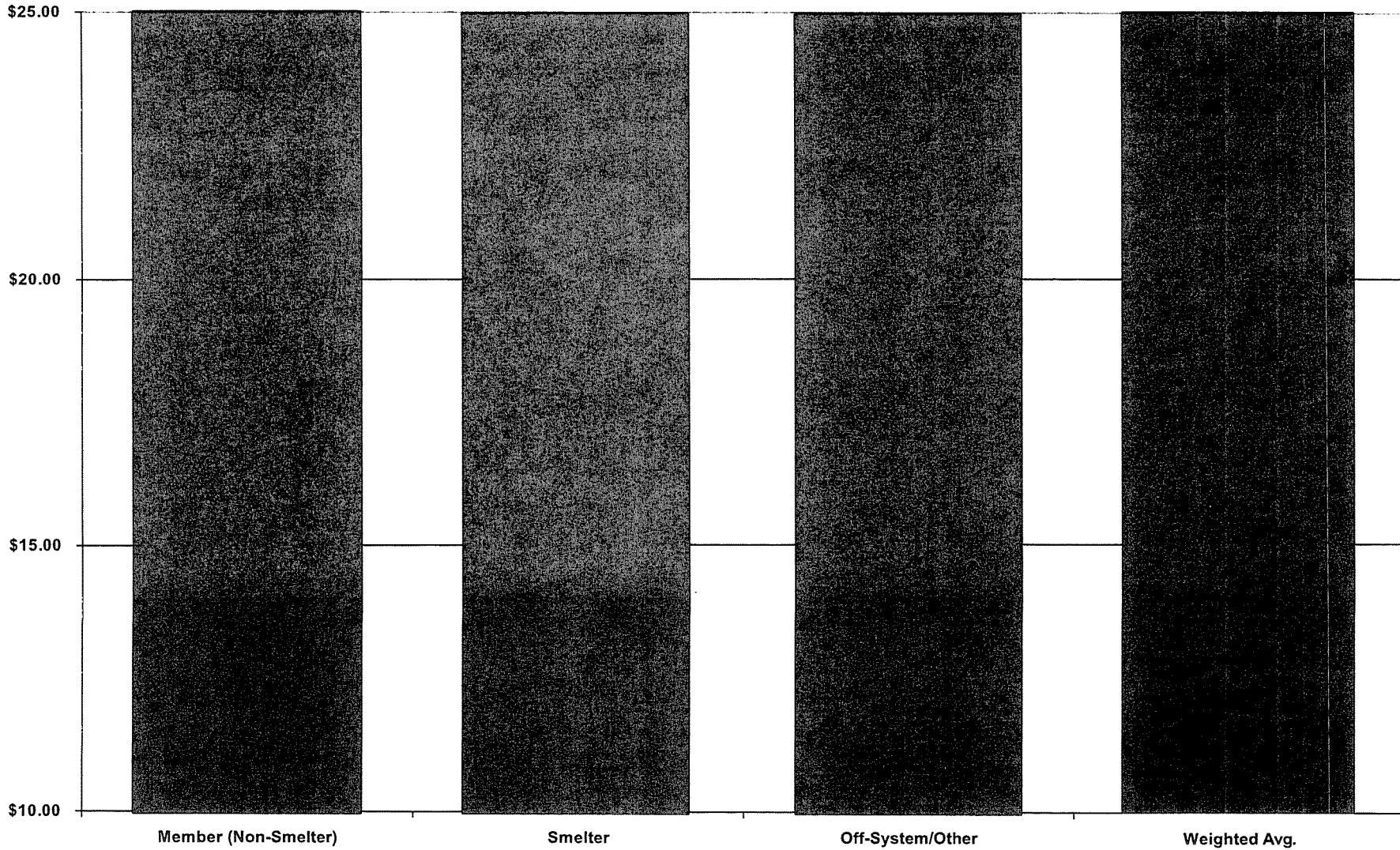
Favorable
 Budget
 Unfavorable
 Prior Year

Power Cost YTD – August



Sales Margin - \$/MWh

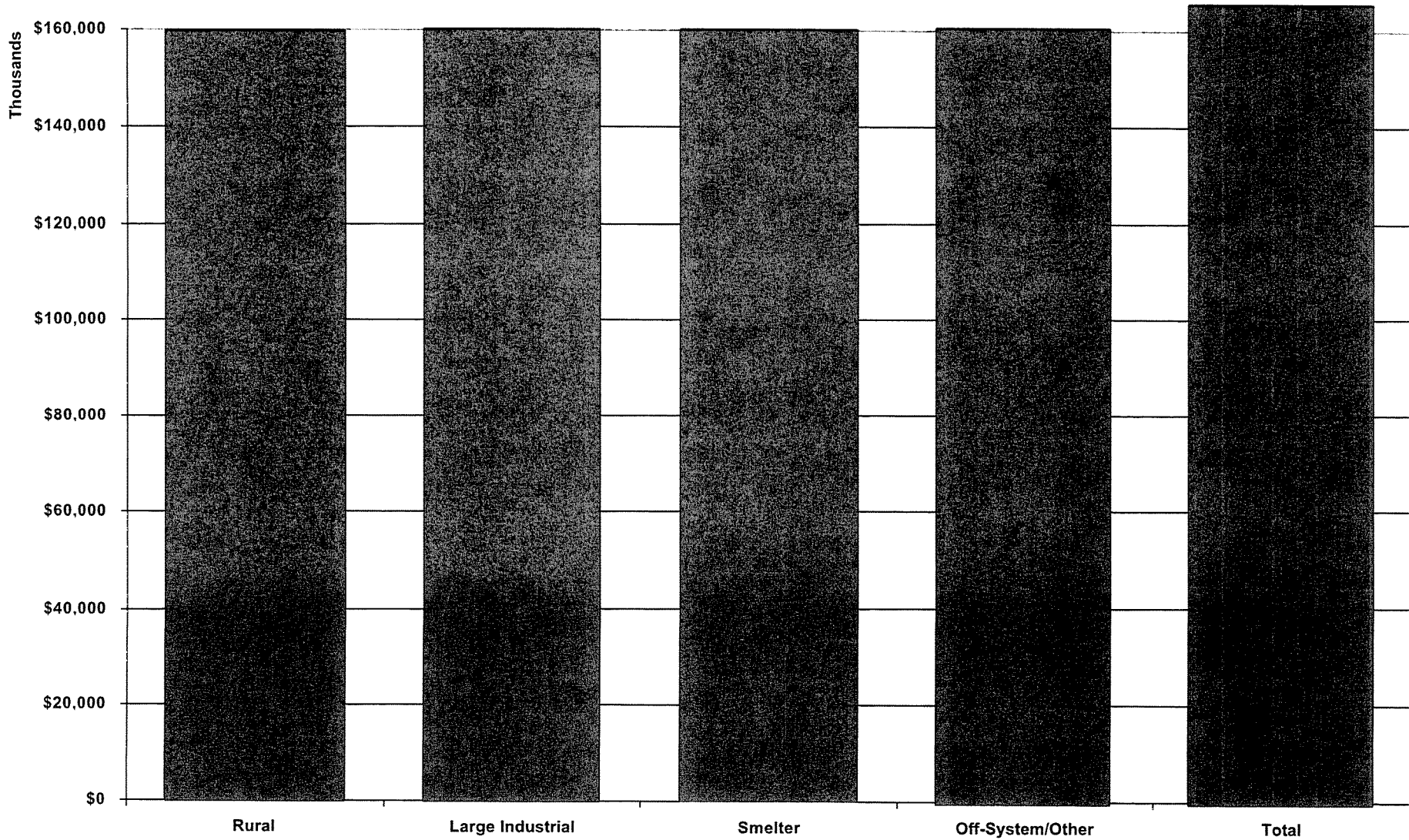
YTD - August



Favorable
 Budget

 Unfavorable
 Prior Year

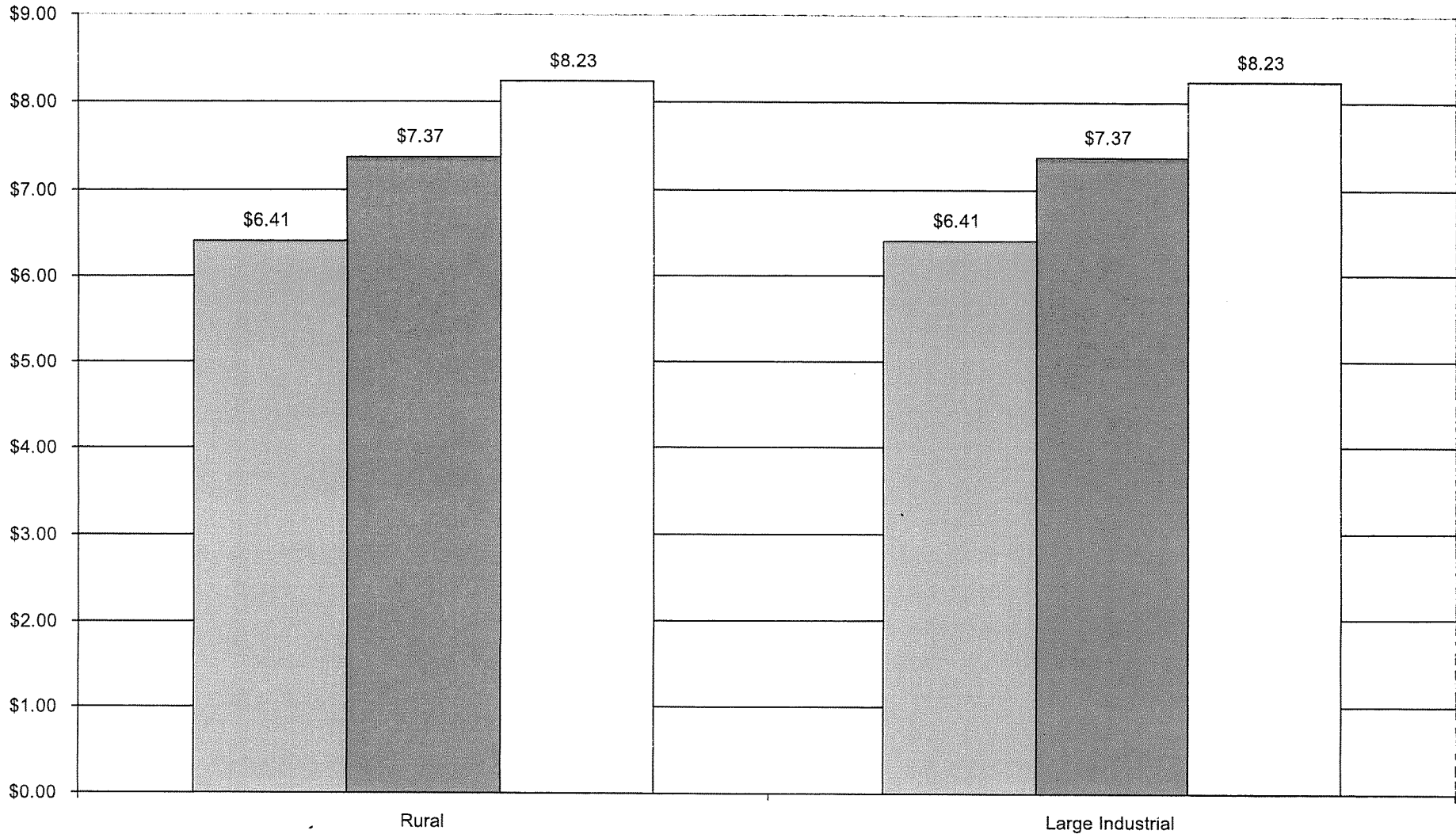
Sales Margin YTD - August



Favorable Budget
 Unfavorable Prior Year

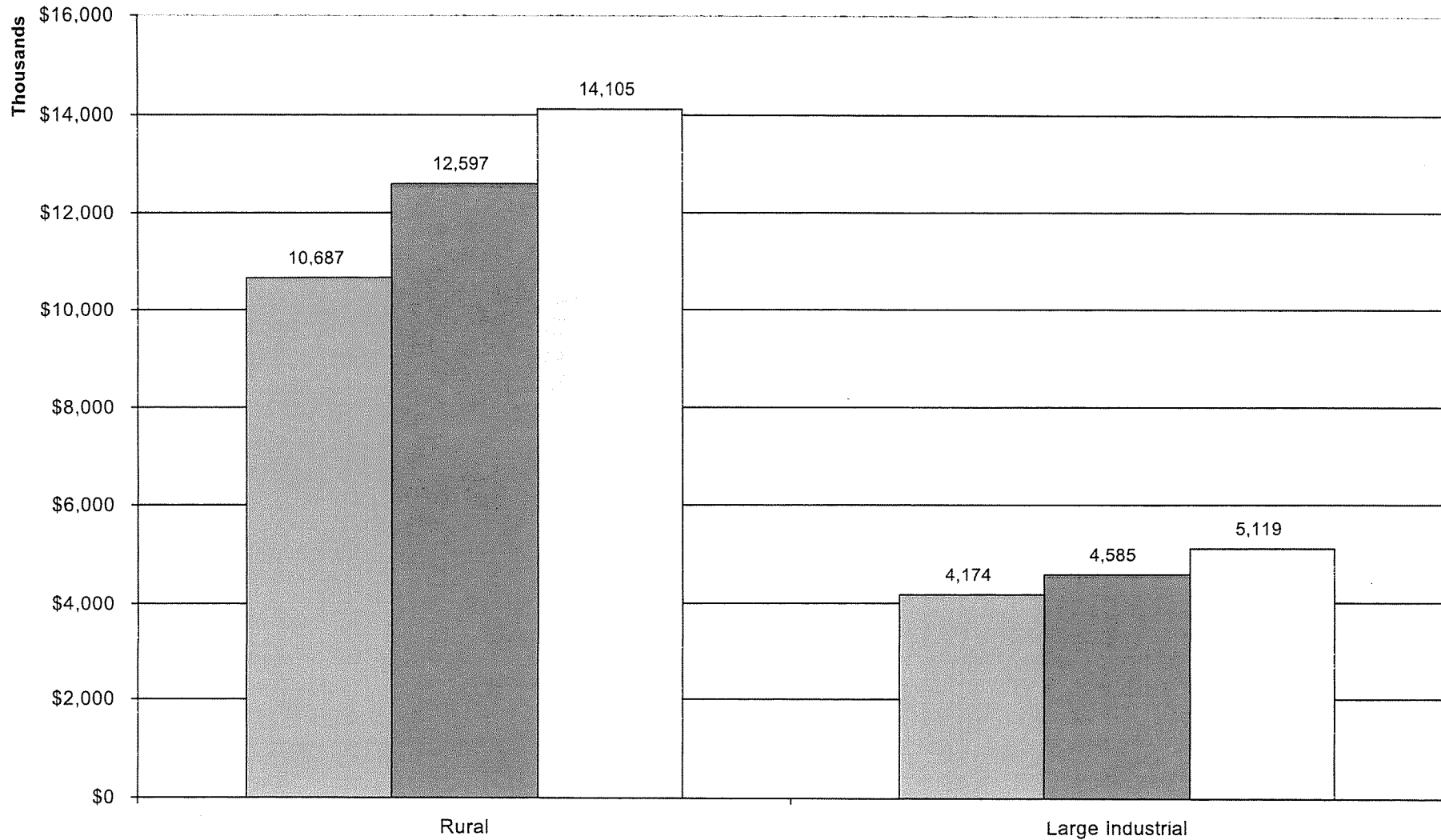
MRSM - \$/MWh

YTD - August



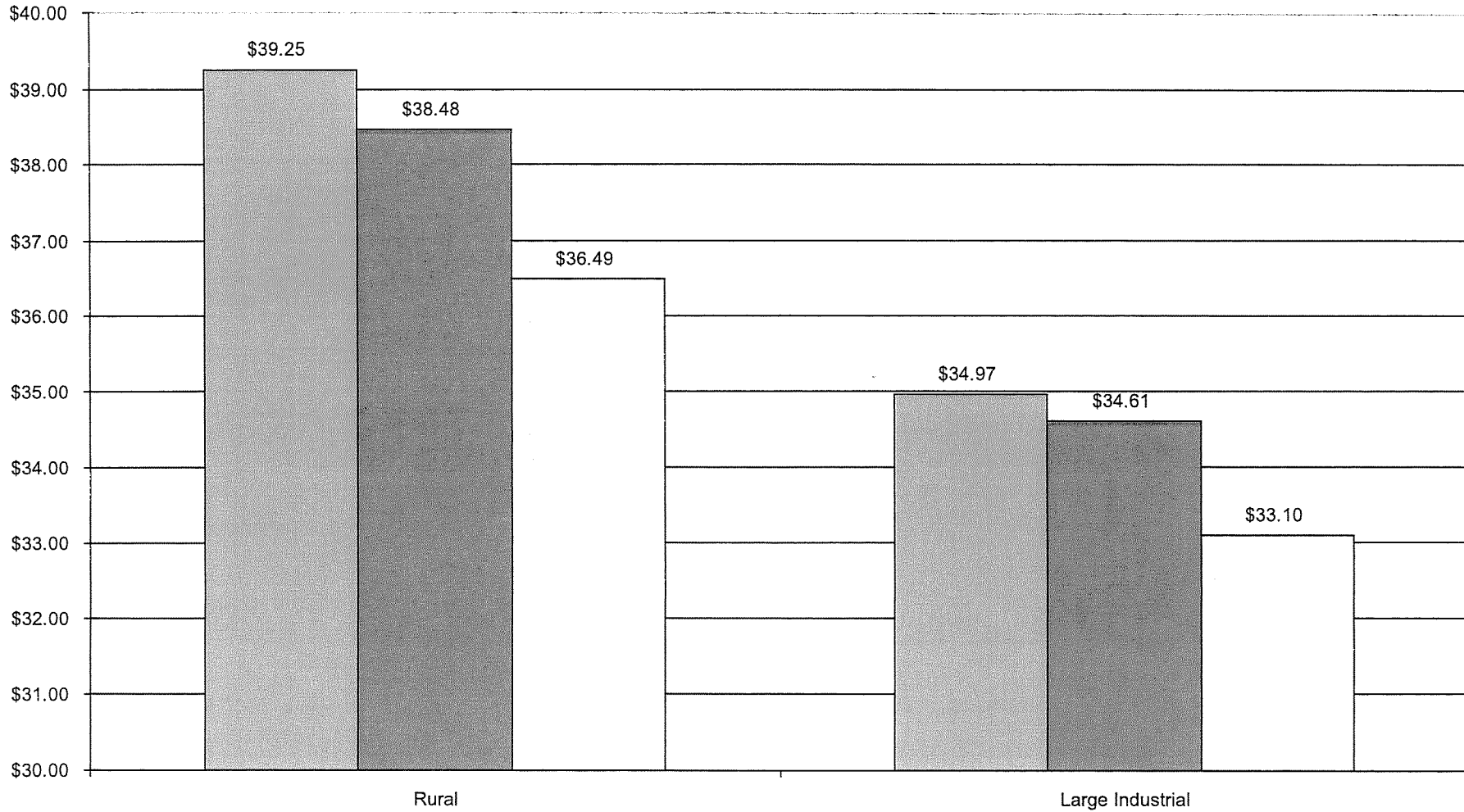
Favorable
 Budget
 Unfavorable
 Prior Year

MRSM YTD - August



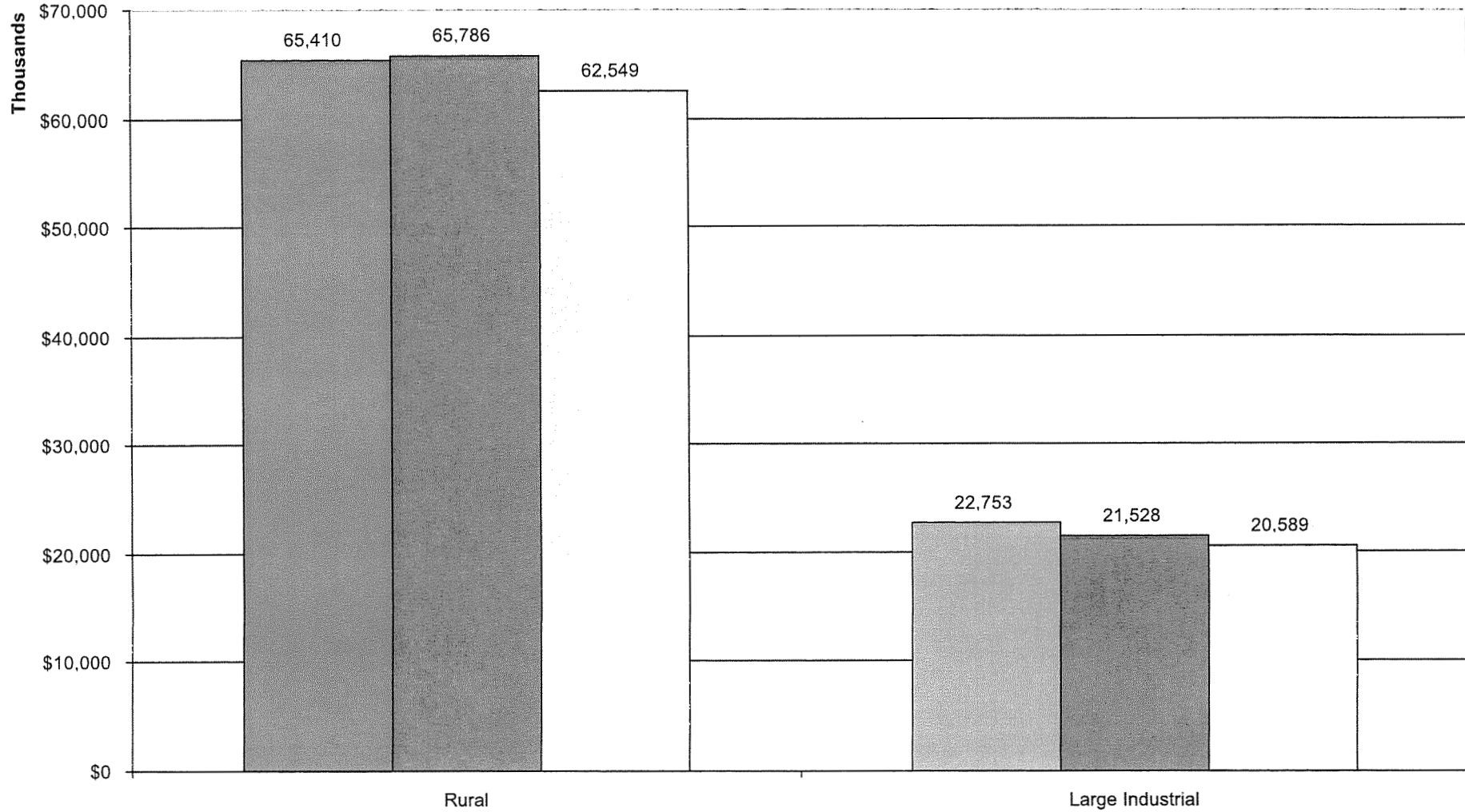
Favorable
 Budget
 Unfavorable
 Prior Year

Net Revenue (Excl. MRSM) - \$/MWh YTD - August



Favorable
 Budget
 Unfavorable
 Prior Year

Net Revenue (Excl. MRSM) YTD - August



Favorable
 Budget
 Unfavorable
 Prior Year

Other Operating Revenue and Income

	2011			2010	
	<u>Actual</u>	<u>Budget</u>	<u>Variance Fav/(Unfav)</u>	<u>2010 Actual</u>	<u>Variance Fav/(Unfav)</u>
August YTD	1,893	19	1,874	9,223	(7,330)

Favorable to budget due to (intentional) omission of the power supply transmission reservation (from the budget).

Unfavorable to prior year due to a lower power supply transmission reservation.

Non-Variable Production and Other Power Supply – Operations

	2011			2010	
	<u>Actual</u>	<u>Budget</u>	Variance <u>Fav/(Unfav)</u>	<u>Actual</u>	Variance <u>Fav/(Unfav)</u>
August YTD			1,208		7,166

Current Year Variances

Power Supply transmission reservation	(3,703)
HMPL 1 Outage scope reduction	1,436
Plant operations expense timing/reductions (Coleman \$812, Green \$683 & Wilson \$729)	2,224
Station-Two O&M timing/reductions	978
Other	273
Non-Variable Production and Other Power Supply - Operations	1,208

Prior-Year Variances

Power Supply transmission reservation	6,359
Station-Two O&M/other	807
Non-Variable Production and Other Power Supply - Operations	7,166

Operation Expense – Transmission

	2011			2010	
	<u>Actual</u>	<u>Budget</u>	<u>Variance Fav/(Unfav)</u>	<u>2010 Actual</u>	<u>Variance Fav/(Unfav)</u>
August YTD	6,174	8,289	2,115	5,090	(1,084)

Favorable to budget primarily due to 1) lower than anticipated MISO administrative expenses \$302, and 2) favorable labor expense as more is being charged to maintenance accounts than operations \$1,008 (see slide 33), and 3) various stations and lines fixed departmental expenses \$805.

Unfavorable to prior year due to MISO administrative expenses.

Operation Expense – RTO/ISO

	2011			2010	
	<u>Actual</u>	<u>Budget</u>	<u>Variance Fav/(Unfav)</u>	<u>2010 Actual</u>	<u>Variance Fav/(Unfav)</u>
August YTD	1,640	2,061	421	0	(1,640)

Favorable to budget primarily due to lower than anticipated MISO administrative expenses.

Unfavorable to prior year due to MISO administrative expenses.

Consumer Service & Informational Expense

	2011		
	<u>Actual</u>	<u>Budget</u>	<u>Variance Fav/(Unfav)</u>
August YTD	306	582	276

Favorable to budget due to timing of fixed expenses in various departments.

Operation Expense – Sales

	2011		
	<u>Actual</u>	<u>Budget</u>	<u>Variance</u> <u>Fav/(Unfav)</u>
August YTD	92	563	471

Favorable to budget primarily due to timing of fixed departmental expenses in the marketing area.

Maintenance Expense – Production

	2011			2010	
	<u>Actual</u>	<u>Budget</u>	<u>Variance Fav/(Unfav)</u>	<u>2010 Actual</u>	<u>Variance Fav/(Unfav)</u>
August YTD			1,546		(2,286)

Various maintenance projects have been delayed or cancelled. These projects include mill overhauls, site maintenance, bar screen repairs and heavy equipment maintenance. Labor expense is favorable primarily due to open positions.

Unfavorable to prior year due to higher planned maintenance activities this year and the planned outage at Wilson.

Maintenance Expense – Transmission

		2011	
		<u>Actual</u>	<u>Budget</u>
		<u>Variance</u>	
		<u>Fav/(Unfav)</u>	
August YTD		2,854	2,208
			(646)

Unfavorable to budget primarily due to more labor being charged to maintenance than operations (The favorable labor variance in Operation Expense – Transmission offsets this unfavorable labor variance in maintenance).

Depreciation & Amortization Expense

	2011		
			Variance
	<u>Actual</u>	<u>Budget</u>	<u>Fav/(Unfav)</u>
August YTD	23,070	24,019	949

Favorable to budget due to lower capital spending and timing of projects being moved from work in progress to completed status.


Interest on Long-Term Debt

	2011			2010	
	<u>Actual</u>	<u>Budget</u>	<u>Variance Fav/(Unfav)</u>	<u>2010 Actual</u>	<u>Variance Fav/(Unfav)</u>
August YTD	30,706	31,526	820	31,354	648

Interest on long-term debt is lower to budget and to prior year due to the payment of the Transition Reserve on the RUS Series A Note.

Monthly Financial Report – July 2011



Your Touchstone Energy[®] Cooperative 

Financial Report
July 2011
(\$ in Thousands)

Board Meeting Date: September 16, 2011



Summary of Operations YTD July

	2011			2010	
	Actual	Budget *	Fav/(UnFav) Variance	Actual	Fav/(UnFav) Variance
Revenues	326,000	312,937	13,063	308,794	17,206
Cost of Electric Service	322,288	312,195	(10,093)	298,452	(23,836)
Operating Margins	3,712	742	2,970	10,342	(6,630)
Interest Income/Other	223	320	(97)	234	(11)
Net Margins - YTD	3,935	1,062	2,873	10,576	(6,641)

* Budget Revenues and Cost of Electric Service revised to remove the power supply transmission reservation (off-setting).



Your local energy cooperative

Statement of Operations – July Variance to Budget

	Current Month			Year-to-Date			
	Actual	Budget	Variance Fav/(UnFav)	Actual	Budget	Variance Fav/(UnFav)	Explanation
ELECTRIC ENERGY REVENUES	50,741	47,803	2,938	324,292	311,335	12,957	[A] Pages 7, 12-14
INCOME FROM LEASED PROPERTY - NET	0	0	0	0	0	0	
OTHER OPERATING REVENUE AND INCOME	188	2	186	1,708	14	1,694	[B], [C] Page 26
TOTAL OPER REVENUES & PATRONAGE CAPITAL	50,929	47,805	3,124	326,000	311,349	14,651	
OPERATION EXPENSE-PRODUCTION-EXCL FUEL	4,223	5,692	1,469	28,445	37,375	8,930	[A] Pages 7, 12-14, 27
OPERATION EXPENSE-PRODUCTION-FUEL	20,721	18,609	(2,112)	134,903	121,656	(13,247)	[A] Pages 7, 12-14
OPERATION EXPENSE-OTHER POWER SUPPLY	9,077	7,669	(1,408)	64,096	52,024	(12,072)	[A] Pages 7, 12-14, 27
OPERATION EXPENSE-TRANSMISSION	702	1,240	538	6,616	9,078	2,462	[B], [C] Page 28
CONSUMER SERVICE & INFORMATIONAL EXPENSE	45	67	22	235	514	279	[B] Page 29
OPERATION EXPENSE-SALES	(16)	53	69	6	511	505	[B], [C] Page 30
OPERATION EXPENSE-ADMINISTRATIVE & GENERAL	2,514	2,029	(485)	16,191	15,330	(861)	
TOTAL OPERATION EXPENSE	37,266	35,359	(1,907)	250,492	236,488	(14,004)	
MAINTENANCE EXPENSE-PRODUCTION	3,344	3,159	(185)	22,273	23,723	1,450	[B], [C] Page 31
MAINTENANCE EXPENSE-TRANSMISSION	342	305	(37)	2,482	1,897	(585)	[B], [C] Page 32
MAINTENANCE EXPENSE-GENERAL PLANT	17	8	(9)	75	64	(11)	
TOTAL MAINTENANCE EXPENSE	3,703	3,472	(231)	24,830	25,684	854	
DEPRECIATION & AMORTIZATION EXPENSE	2,878	3,037	159	20,192	20,977	785	
TAXES	0	21	21	129	145	16	
INTEREST ON LONG-TERM DEBT	3,855	4,032	177	26,851	27,493	642	
INTEREST CHARGED TO CONSTRUCTION-CREDIT	(18)	(101)	(83)	(394)	(342)	52	
OTHER INTEREST EXPENSE	0	0	0	59	82	23	
OTHER DEDUCTIONS	12	12	0	129	80	(49)	
TOTAL COST OF ELECTRIC SERVICE	47,696	45,832	(1,864)	322,288	310,607	(11,681)	
OPERATING MARGINS	3,233	1,973	1,260	3,712	742	2,970	
INTEREST INCOME	6	33	(27)	117	224	(107)	
ALLOWANCE FOR FUNDS USED DURING CONST	0	0	0	0	0	0	
OTHER NON-OPERATING INCOME - NET	0	0	0	9	0	9	
OTHER CAPITAL CREDITS & PAT DIVIDENDS	0	0	0	97	96	1	
EXTRAORDINARY ITEMS	0	0	0	0	0	0	
NET PATRONAGE CAPITAL OR MARGINS	3,239	2,006	1,233	3,935	1,062	2,873	

Explanations: [A] Net Sales Margin, [B] 10% and \$250,000 line item or [C] 10% and \$500,000 margins.



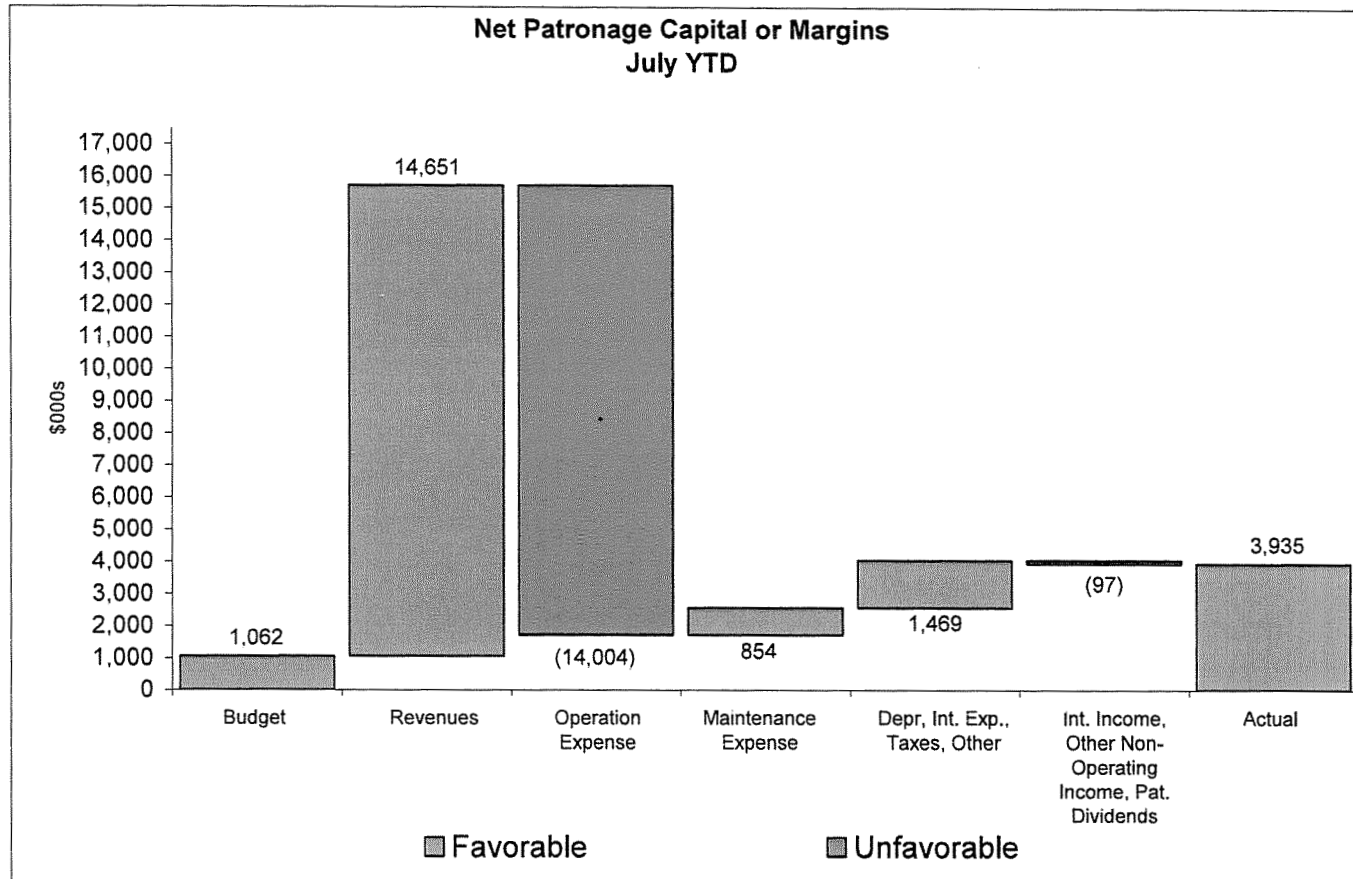
Your Touchstone Energy Cooperative

Statement of Operations – July Variance to Prior-Year

	Current Month			Year-to-Date			
	Actual	Prior Year	Variance Fav/(UnFav)	Actual	Prior Year	Variance Fav/(UnFav)	Explanation
ELECTRIC ENERGY REVENUES	50,741	45,063	5,678	324,292	300,716	23,576	[A] Pages 7, 12-14
INCOME FROM LEASED PROPERTY - NET	0		0	0		0	
OTHER OPERATING REVENUE AND INCOME	188	1,142	(954)	1,708	8,078	(6,370)	[B], [C] Page 26
TOTAL OPER REVENUES & PATRONAGE CAPITAL	50,929	46,205	4,724	326,000	308,794	17,206	
OPERATION EXPENSE-PRODUCTION-EXCL FUEL	4,223	4,488	265	28,445	30,289	1,844	[A] Pages 7, 12-14, 27
OPERATION EXPENSE-PRODUCTION-FUEL	20,721	18,909	(1,812)	134,903	121,096	(13,807)	[A] Pages 7, 12-14
OPERATION EXPENSE-OTHER POWER SUPPLY	9,077	8,570	(507)	64,096	57,225	(6,871)	[A] Pages 7, 12-14, [B] 27
OPERATION EXPENSE-TRANSMISSION	702	602	(100)	6,616	4,450	(2,166)	[B] Page 28
CONSUMER SERVICE & INFORMATIONAL EXPENSE	45	42	(3)	235	314	79	
OPERATION EXPENSE-SALES	(16)	14	30	6	40	34	
OPERATION EXPENSE-ADMINISTRATIVE & GENERAL	2,514	1,381	(1,133)	16,191	15,546	(645)	
TOTAL OPERATION EXPENSE	37,266	34,006	(3,260)	250,492	228,960	(21,532)	
MAINTENANCE EXPENSE-PRODUCTION	3,344	3,324	(20)	22,273	19,776	(2,497)	[B],[C] Page 31
MAINTENANCE EXPENSE-TRANSMISSION	342	324	(18)	2,482	2,357	(125)	
MAINTENANCE EXPENSE-GENERAL PLANT	17	8	(9)	75	112	37	
TOTAL MAINTENANCE EXPENSE	3,703	3,656	(47)	24,830	22,245	(2,585)	
DEPRECIATION & AMORTIZATION EXPENSE	2,878	2,817	(61)	20,192	19,851	(341)	
TAXES	0	0	0	129	133	4	
INTEREST ON LONG-TERM DEBT	3,855	3,943	88	26,851	27,397	546	
INTEREST CHARGED TO CONSTRUCTION-CREDIT	(18)	(64)	(46)	(394)	(263)	131	
OTHER INTEREST EXPENSE	0	21	21	59	84	25	
OTHER DEDUCTIONS	12	11	(1)	129	45	(84)	
TOTAL COST OF ELECTRIC SERVICE	47,696	44,390	(3,306)	322,288	298,452	(23,836)	
OPERATING MARGINS	3,233	1,815	1,418	3,712	10,342	(6,630)	
INTEREST INCOME	6	32	(26)	117	204	(87)	
ALLOWANCE FOR FUNDS USED DURING CONST	0	0	0	0	0	0	
OTHER NON-OPERATING INCOME - NET	0	2	(2)	9	17	(8)	
OTHER CAPITAL CREDITS & PAT DIVIDENDS	0	0	0	97	13	84	
EXTRAORDINARY ITEMS	0	0	0	0	0	0	
NET PATRONAGE CAPITAL OR MARGINS	3,239	1,849	1,390	3,935	10,576	(6,641)	

Explanations: [A] Net Sales Margin, [B] 10% and \$250,000 line item or [C] 10% and \$500,000 margins.

Variance Analysis Summary

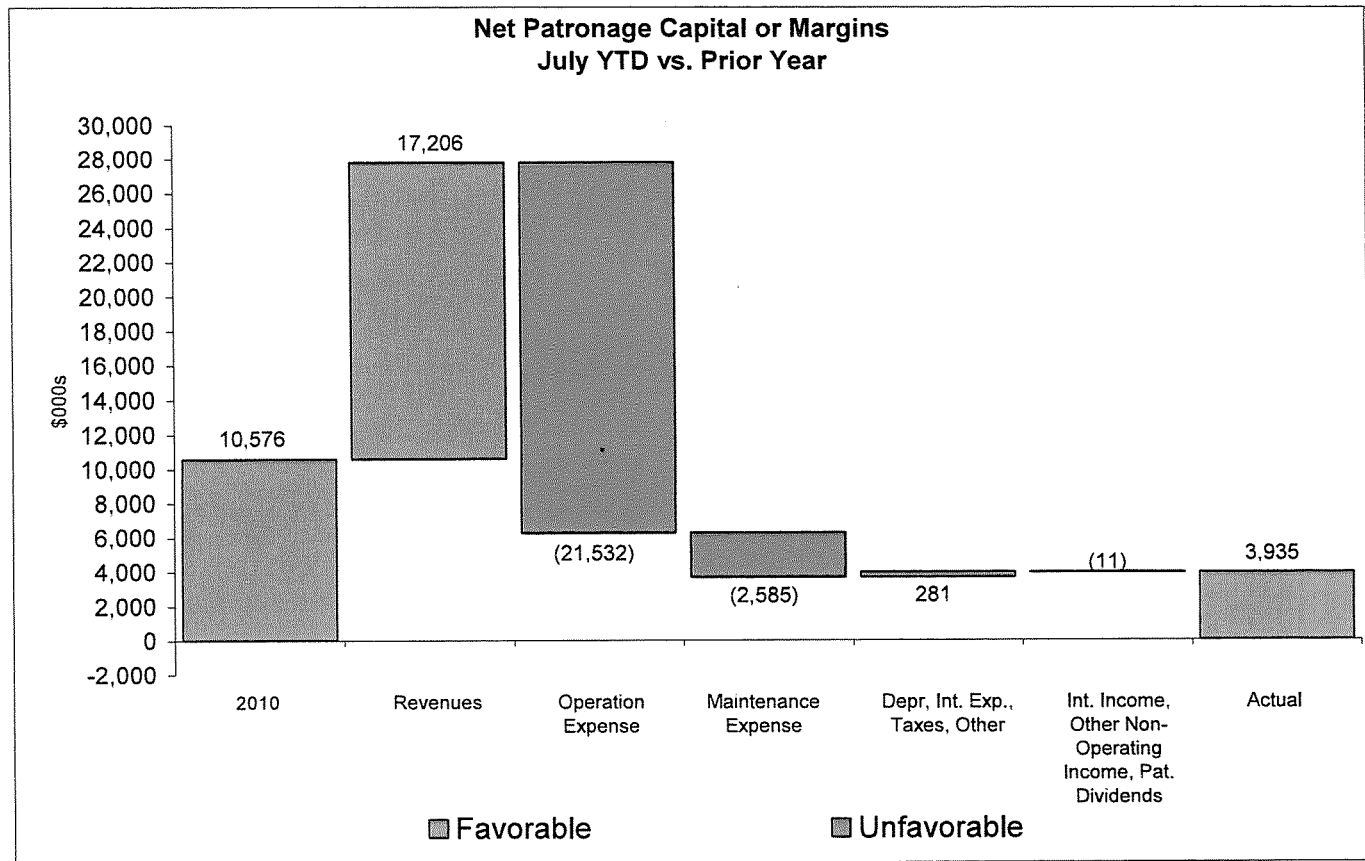


Financial Commentary

Year-to-Date

- YTD July 2011 Margins were \$2,873 favorable to budget.
 - Electric Energy Revenues were favorable \$12,957 primarily due to higher off-system volume (see pg. 12).
 - Other Revenue was favorable \$1,694 due to the power supply transmission reservation (see pg. 26).
 - Operation Expense was unfavorable \$14,004 – driven by higher variable costs \$17,729, partially offset by the reduction in scope of the HMPL 1 planned outage and favorable operation expense at the plants and transmission (see pgs. 13, 27, 28, 29 and 30).
 - Maintenance Expense was favorable \$854 primarily due timing of plant expenses (see pgs. 31 & 32).
 - Depreciation and Interest Expense was favorable \$1,469 due to lower capital expenditures and lower interest expense due to payment of the Transition Reserve on the RUS Series A Note.

Variance Analysis Summary



Financial Commentary

Year-to-Date

- YTD 2011 margins were \$6,641 unfavorable to YTD 2010.
 - Electric Energy Revenues were favorable \$23,576 primarily due to higher off-system volumes (see pg. 12).
 - Other Revenue was unfavorable \$6,370 primarily due to a lower power supply transmission reservation, which is off-set in Operations Expense – Other Power Supply (see pg. 26).
 - Operation Expense was unfavorable \$21,532 – driven by higher variable costs \$24,722 and higher MISO expenses, partially offset by lower transmission reservation (see pgs. 13, 27 & 28).
 - Maintenance Expense was unfavorable \$2,585 primarily due to the planned outage at Wilson this year and higher planned maintenance activities at the plants (pg. 31).
 - Depreciation and Interest Expense combined was lower \$281.

Member Rate Stability Mechanism YTD July

	<u>Actual</u> <u>2011</u>	<u>Budget</u> <u>2011</u>	<u>2011</u> <u>Variance</u>	<u>Actual</u> <u>2010</u>	<u>2010</u> <u>Variance</u>		<u>Actual</u> <u>2011</u>	<u>Budget</u> <u>2011</u>	<u>2011</u> <u>Variance</u>	<u>Actual</u> <u>2010</u>	<u>2010</u> <u>Variance</u>
<u>MRSM - \$/MWh</u>						<u>Net Revenue - \$/MWh</u>					
Rural	(6.73)	(7.32)	0.59	(8.43)	1.70	Rural	38.67	38.24	0.43	36.17	2.50
Large Industrial	(6.73)	(7.32)	0.59	(8.43)	1.70	Large Industrial	34.61	34.48	0.13	32.93	1.68
Total	(6.73)	(7.32)	0.59	(8.43)	1.70	Total	37.52	37.23	0.29	35.29	2.23
<u>MRSM - Thousands of \$</u>						<u>Net Revenue - Thousands of \$</u>					
Rural	(9,654)	(10,737)	1,083	(12,331)	2,677	Rural	55,439	56,095	(656)	52,900	2,539
Large Industrial	(3,804)	(3,952)	148	(4,551)	747	Large Industrial	19,542	18,638	904	17,784	1,758
Total	(13,458)	(14,689)	1,231	(16,882)	3,424	Total	74,981	74,733	248	70,684	4,297

<u>Economic Reserve Balance</u>			
<u>Cumulative-to-Date</u>	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
Original Deposit	\$ 157,000		
Interest Earnings	2,451		
Withdrawals	<u>(51,177)</u>		
Cumulative through July 31st	\$ 108,274	\$ 110,173	\$ (1,899)
<u>YTD July 2011</u>			
Beg. Balance 1/1/2011	\$ 121,220		
Interest Earnings	587		
Withdrawals	<u>(13,533)</u>		
Ending Balance 7/31/2011	\$ 108,274	\$ 110,173	\$ (1,899)

Cash & Temporary Investments

	<u>Actual</u>	<u>Budget</u>	<u>Fav/(Unfav)</u>	2010	<u>Actual</u>	<u>Fav/(Unfav)</u>
July 31st	71,262	30,489	40,773		45,721	25,541

The July 31st, 2011 cash balance compared to budget is favorable primarily due to lower net capital expenditures \$20,769 and a reduction in fuel inventory \$25,682.

The July 31st, 2011 cash balance compared to prior year is favorable primarily due to voluntarily prepaying the RUS Series A Note during 2010.

Lines of Credit <u>As of July 31st</u>	
Original Amount	\$ 100,000
Letters of Credit Outstanding	(5,875)
Advances Outstanding	0
Available Lines of Credit	\$ 94,125

North Star – YTD July

	2011			2010	
	Actual	Budget	Fav/(UnFav) Variance	Actual	Fav/(UnFav) Variance
Total Cost of Electric Service			(563)		(23,837)
Other Operating Revenues & Income	(1,708)	(11,132)	(9,424)	(8,078)	(6,370)
Smelter Avoidable Base Charge	(1,351)	0	1,351	(2,054)	(703)
Off-System Sales/Other					
Interest Income	(116)	(224)	(108)	(204)	(88)
Other Non-Operating Income	(9)	0	9	(17)	(8)
Other Capital Credits & Pat. Dividends	(97)	(96)	1	(13)	84
			16,166		(19,804)

Member MWh

5,896,968	6,242,454	(345,486)	5,687,208	209,760
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North Star - \$/kWh

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TIER

Actual

Budget

Fav/(Unfav)

Interest on Long Term Debt

26,851

27,493

642

Net Margins

[REDACTED]

TIER (7 months ending 7/31)

[REDACTED]

TIER (12 months ending 7/31)

[REDACTED]

Notes:

TIER = (Net Margins + Interest on Long-Term Debt) divided by Interest on Long-Term Debt

Capital Expenditures*

	Actual	Budget	Fav/(UnFav)
IT	542	661	119
Generation	9,978	21,502	11,524
Transmission	3,226	11,786	8,560
Other	523	2,559	2,036
Total	14,269	36,508	22,239

Explanation:

Generation favorable primarily due to the timing or cancellation of projects. Coleman was favorable \$3,421 due to the cancellation of several projects including Interposing Logic System Controls and control room upgrade. The delay of several projects including the C2 Aux Transformer, start-up buss tie and circulating water pump added to the favorability. Station Two was favorable \$3,366 due to reducing the scope of the HMPL 1 spring outage and timing of various projects. Green Station was favorable \$3,266 due to several projects being moved to later in the year. These include FGD rehab, boiler painting, generator rectifier and generator voltage regulator. The Wilson facility was favorable \$1,471 due to the delay of the dust collectors and the secondary air-heater milestone payment.

Transmission favorable primarily due to the timing of the Wilson Line 19F Terminal, Two-Way Radio Replacement and Paradise Terminal Upgrade.

Other favorable primarily due to the delay in purchasing the PCI Software, Operator Training Simulator, training facility remodeling and analyzers and a chromatograph for the Environmental Department.

* Gross of the City's share of Station Two.



Your Touchstone Energy Cooperative

**Revenue
YTD July**

	<u>Actual 2011</u>	<u>Budget 2011</u>	<u>Variance</u>	<u>Actual 2010</u>	<u>2010 Variance</u>
MWh Sales					
Rural	1,433,707	1,466,965	(33,258)	1,462,709	(29,002)
Large Industrial	564,745	540,423	24,322	540,078	24,667
Smelter	3,898,513	4,235,066	(336,553)	3,684,421	214,092
Off-System/Other					
Total					

<u>Revenue - \$/MWh</u>					
Rural	45.40	45.56	(0.16)	44.60	0.80
Large Industrial	41.34	41.80	(0.46)	41.36	(0.02)
Smelter	43.45	43.22	0.23	43.56	(0.11)
Off-System/Other					
Total					

<u>Revenue - Thousands of \$</u>					
Rural	65,093	66,832	(1,739)	65,231	(138)
Large Industrial	23,346	22,590	756	22,335	1,011
Smelter	169,387	183,043	(13,656)	160,497	8,890
Off-System/Other					
Total					

**Revenue Price / Volume Analysis
YTD July 2011**

	<u>Price / Volume</u>		
	<u>Price</u>	<u>Volume</u>	<u>Total</u>
Rural	(224)	(1,515)	(1,739)
Large Industrial	(261)	1,017	756
Smelter	890	(14,546)	(13,656)
Off-System/Other			



Your Techeeone Energy Cooperative

Variable Operations Cost YTD July

	<u>Actual 2011</u>	<u>Budget 2011</u>	<u>Variance</u>	<u>Actual 2010</u>	<u>2010 Variance</u>
Variable Operations (VO) Cost - \$/MWh					
Rural					
Large Industrial					
Smelter					
Off-System/Other					
Total					
<u>VO Cost - Thousands of \$</u>					
Rural					
Large Industrial					
Smelter					
Off-System/Other					
Total					

YTD July 2011 Variable Operations Expense

	<u>Actual</u>	<u>Budget</u>	<u>Fav/(UnFav)</u>	<u>Price Variance Fav/(UnFav)</u>	<u>Volume Variance Fav/(UnFav)</u>	<u>Fav/(UnFav)</u>
Reagent						
Fuel						
Purchased Power						
Non-FAC PPA (Non-Smelter)						



Your Touchstone Energy Cooperative

**Net Sales Margin
YTD July**

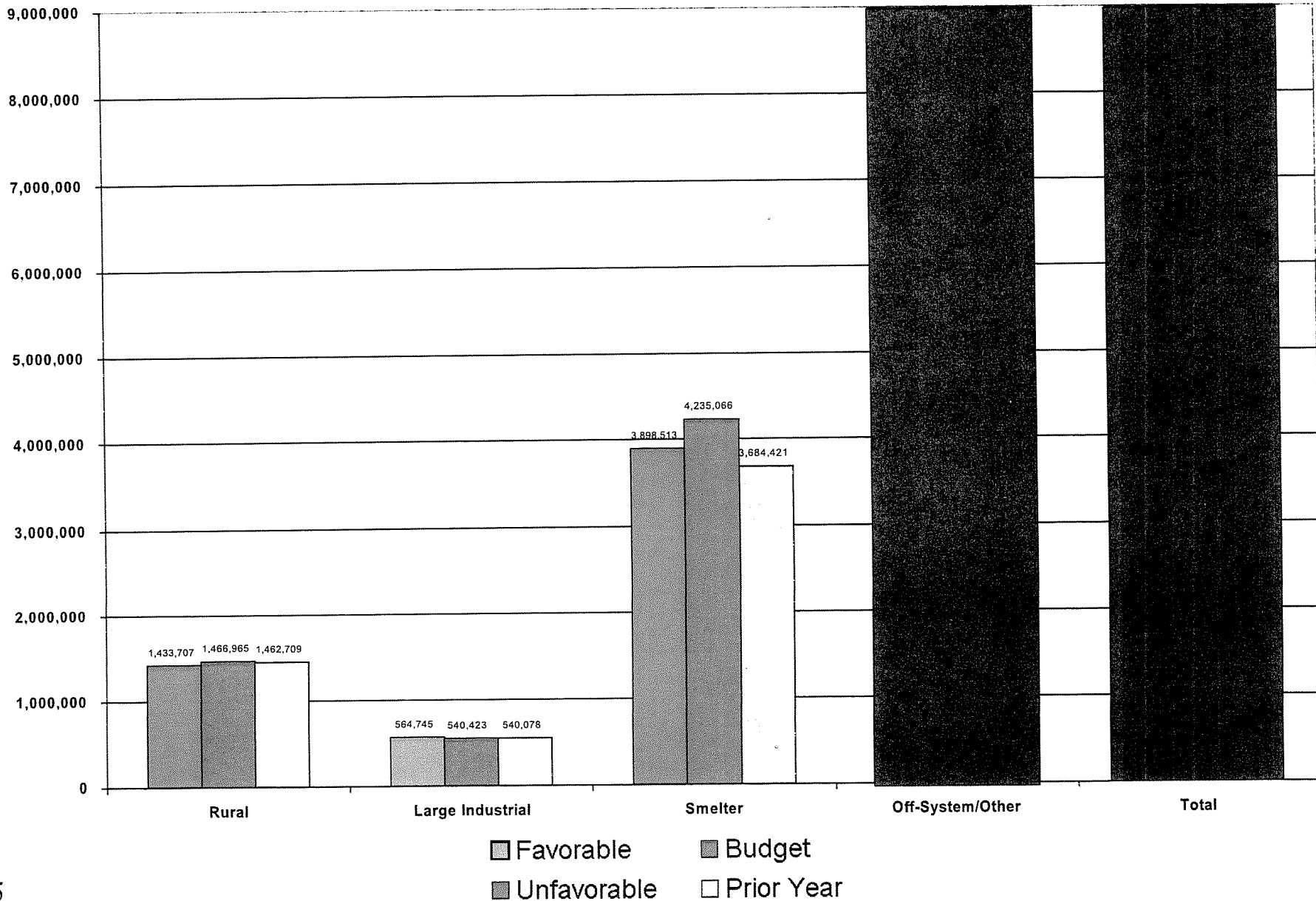
	<u>Actual 2011</u>	<u>Budget 2011</u>	<u>Variance</u>	<u>Actual 2010</u>	<u>2010 Variance</u>
Net Sales Margin - \$/MWh					
Rural					
Large Industrial					
Smelter					
Off-System/Other					
Total					

	<u>Actual 2011</u>	<u>Budget 2011</u>	<u>Variance</u>	<u>Actual 2010</u>	<u>2010 Variance</u>
Net Sales Margin - Thousands of \$					
Rural					
Large Industrial					
Smelter					
Off-System/Other					
Total					

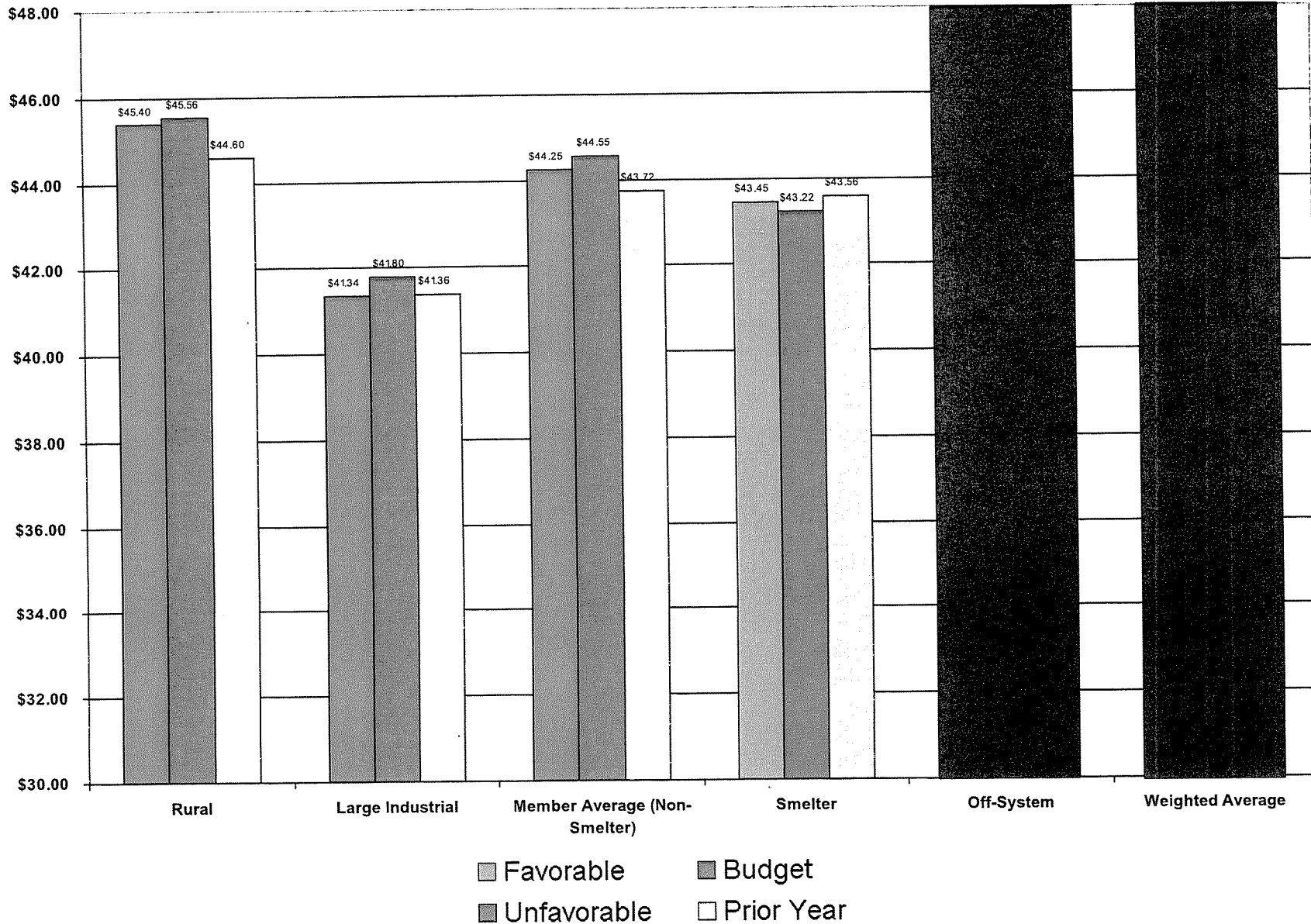
**Net Sales Margin
Price / Volume Analysis
YTD July 2011**

	<u>Price / Volume</u>		
	<u>Price</u>	<u>Volume</u>	<u>Total</u>
Rural			
Large Industrial			
Smelter			
Off-System/Other			

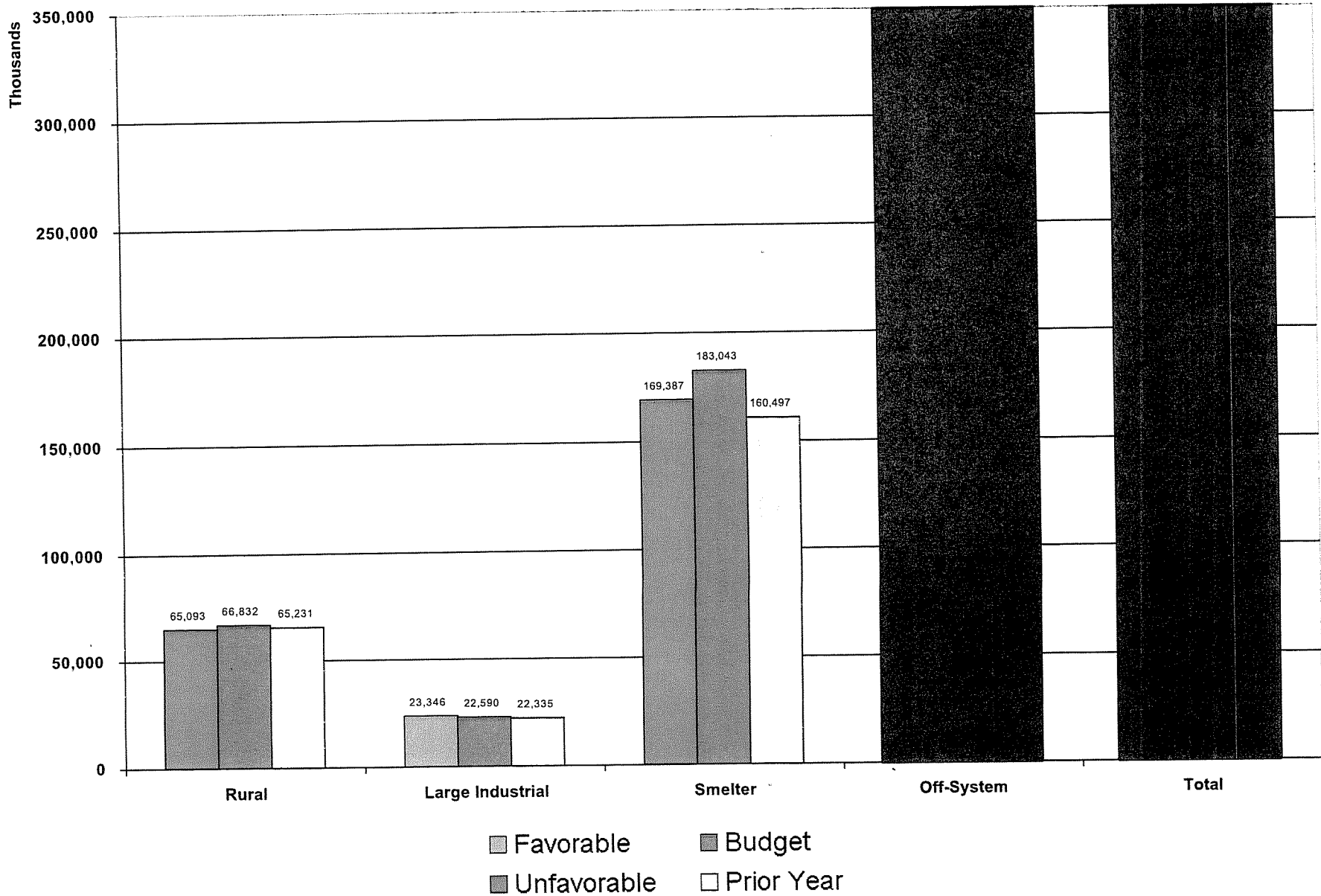
MWH Sales YTD - July



Revenue - \$/MWh Sold YTD - July

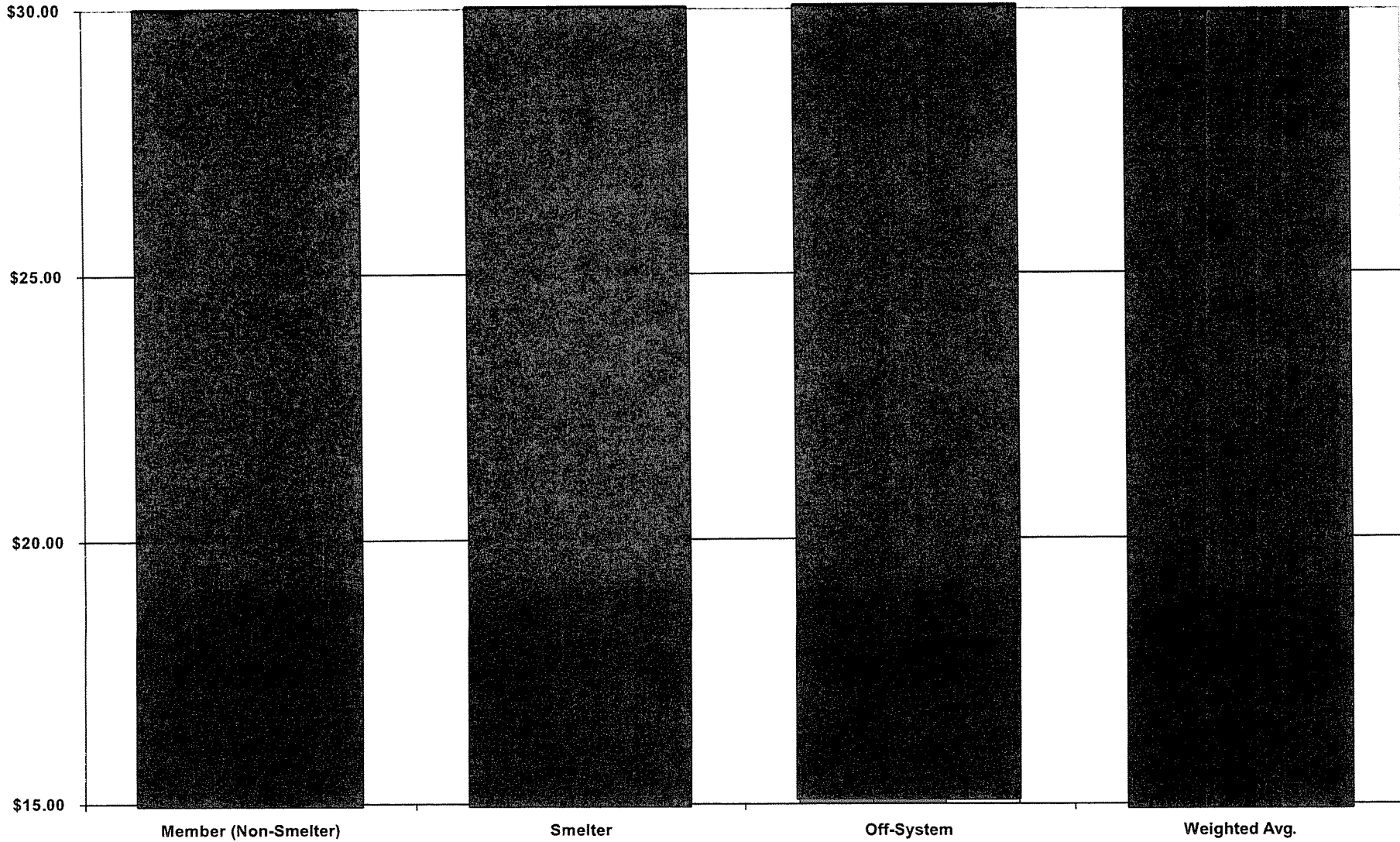


Revenue YTD - July



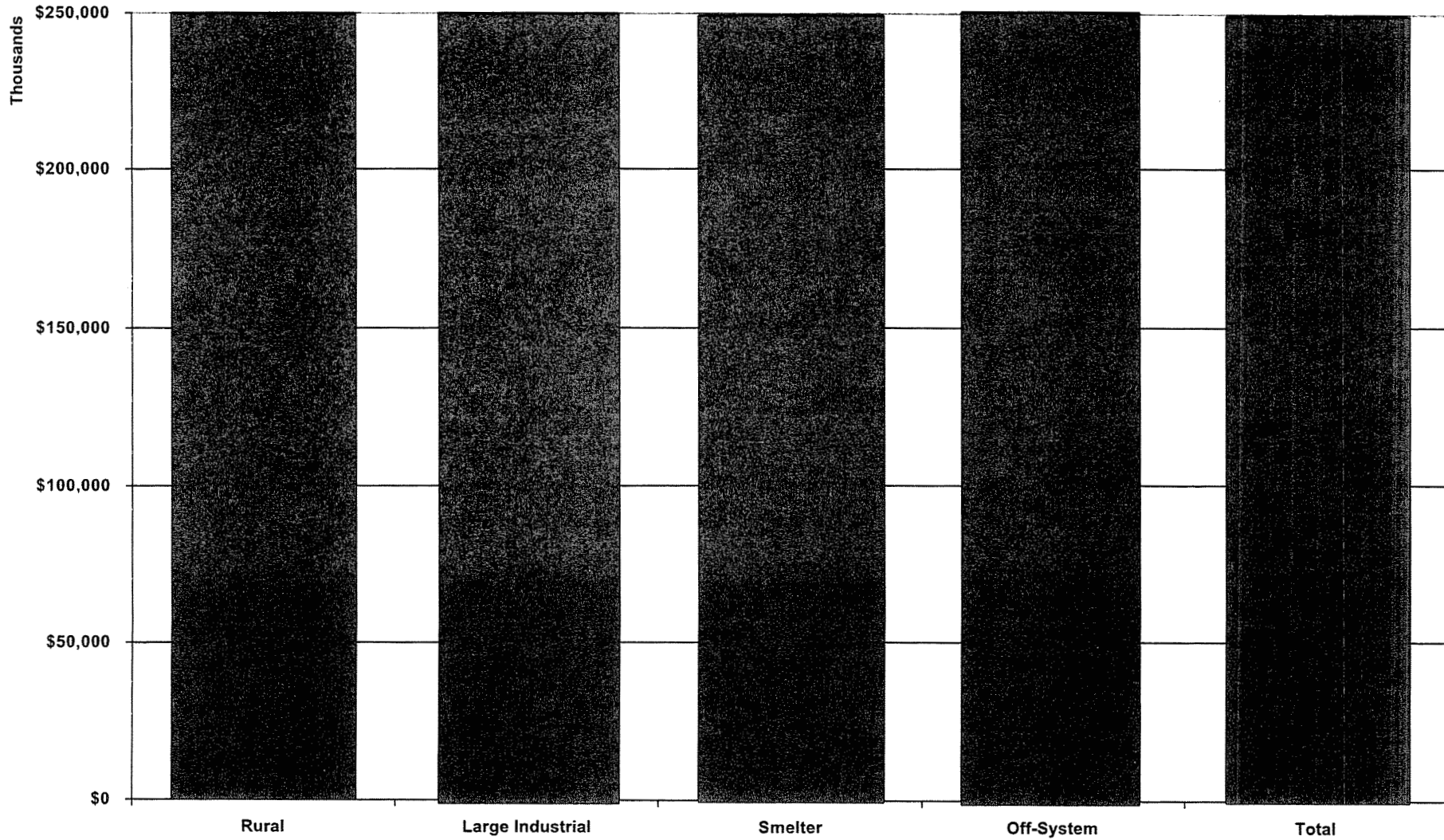
Power Cost - \$/MWh Sold

YTD - July



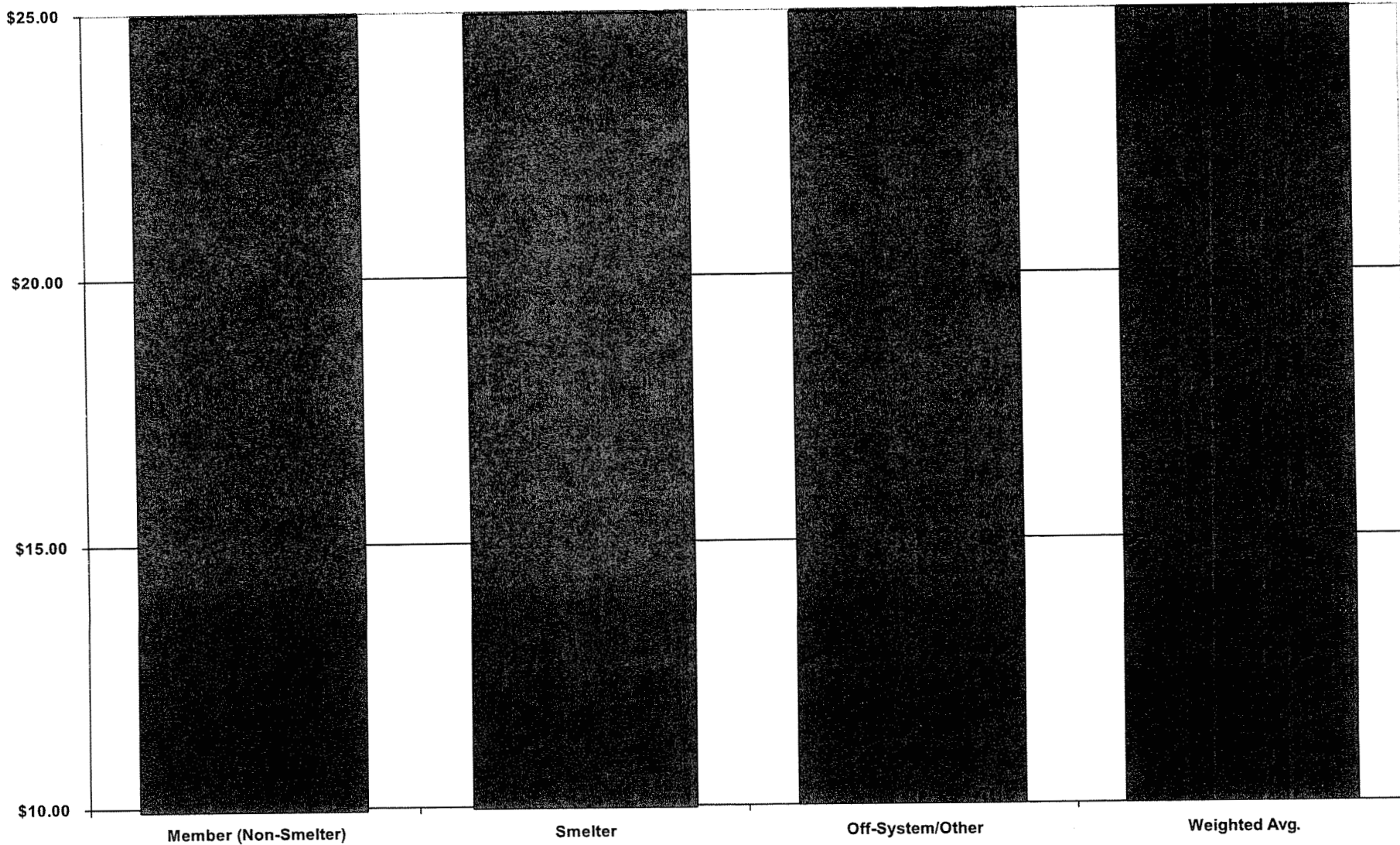
Favorable
 Budget
 Unfavorable
 Prior Year

Power Cost YTD – July



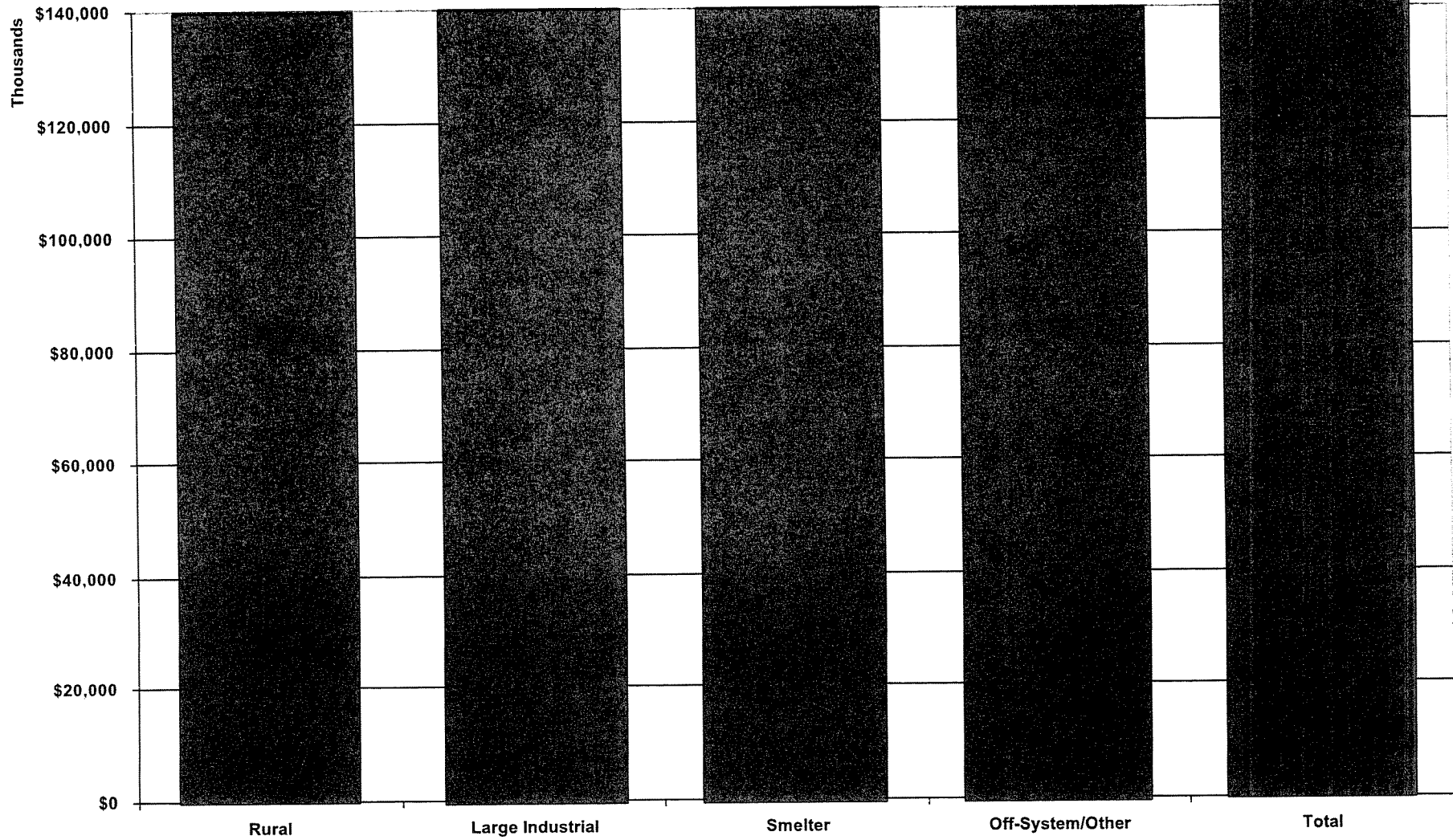
■ Favorable ■ Budget
 ■ Unfavorable □ Prior Year

Sales Margin - \$/MWh YTD - July



Favorable Budget
 Unfavorable Prior Year

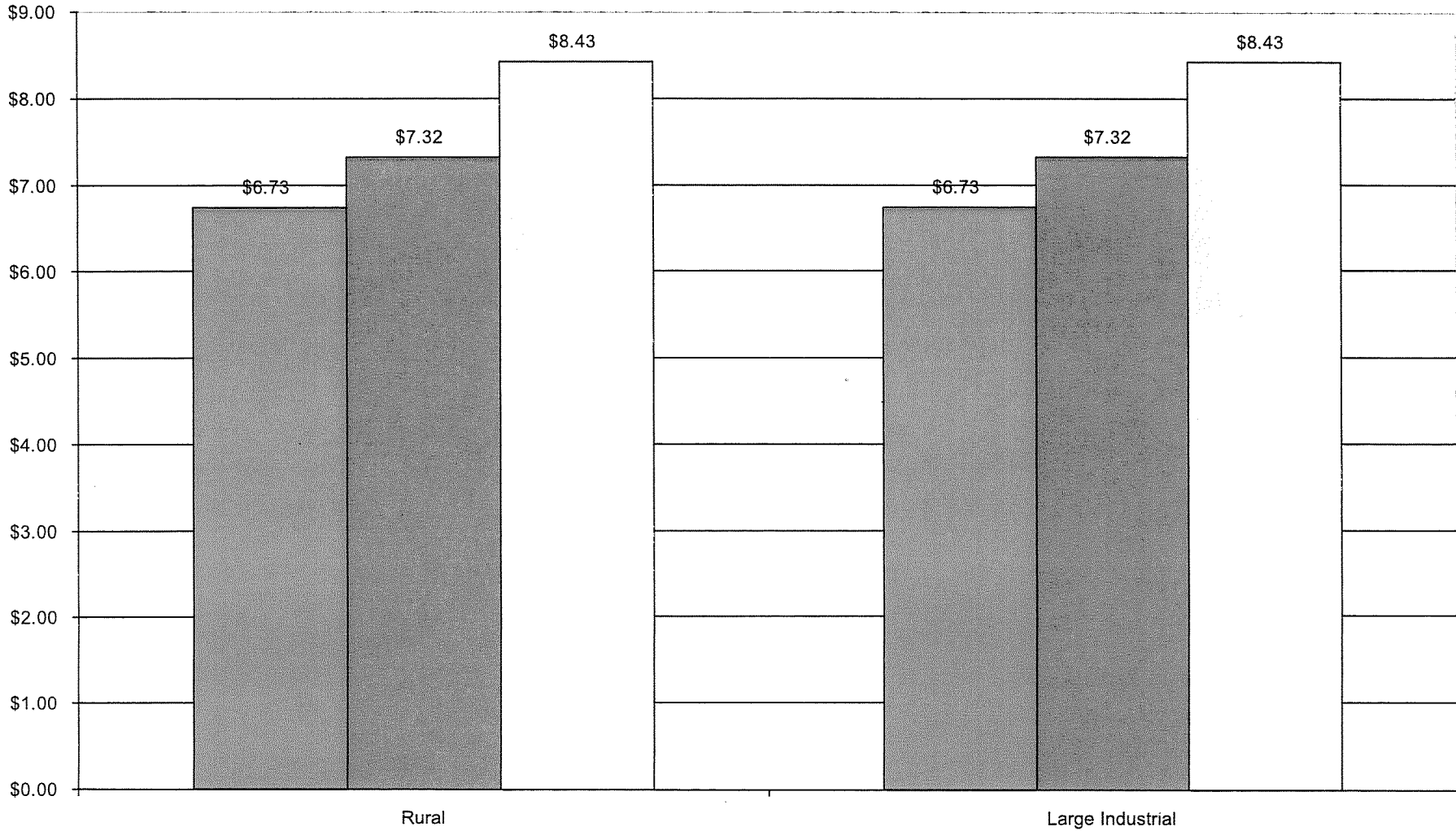
Sales Margin YTD - July



Favorable
 Budget
 Unfavorable
 Prior Year

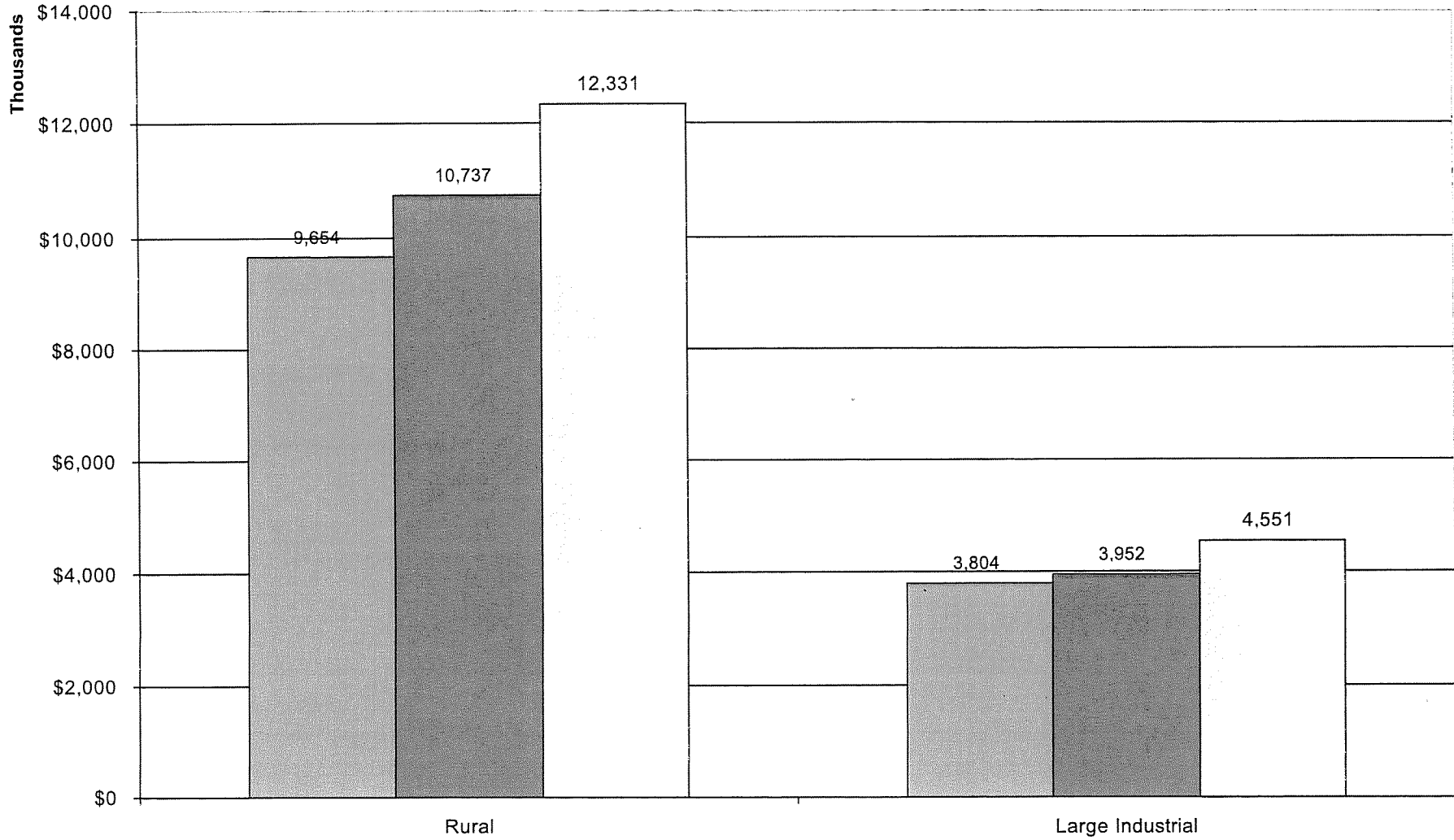
MRSM - \$/MWh

YTD - July



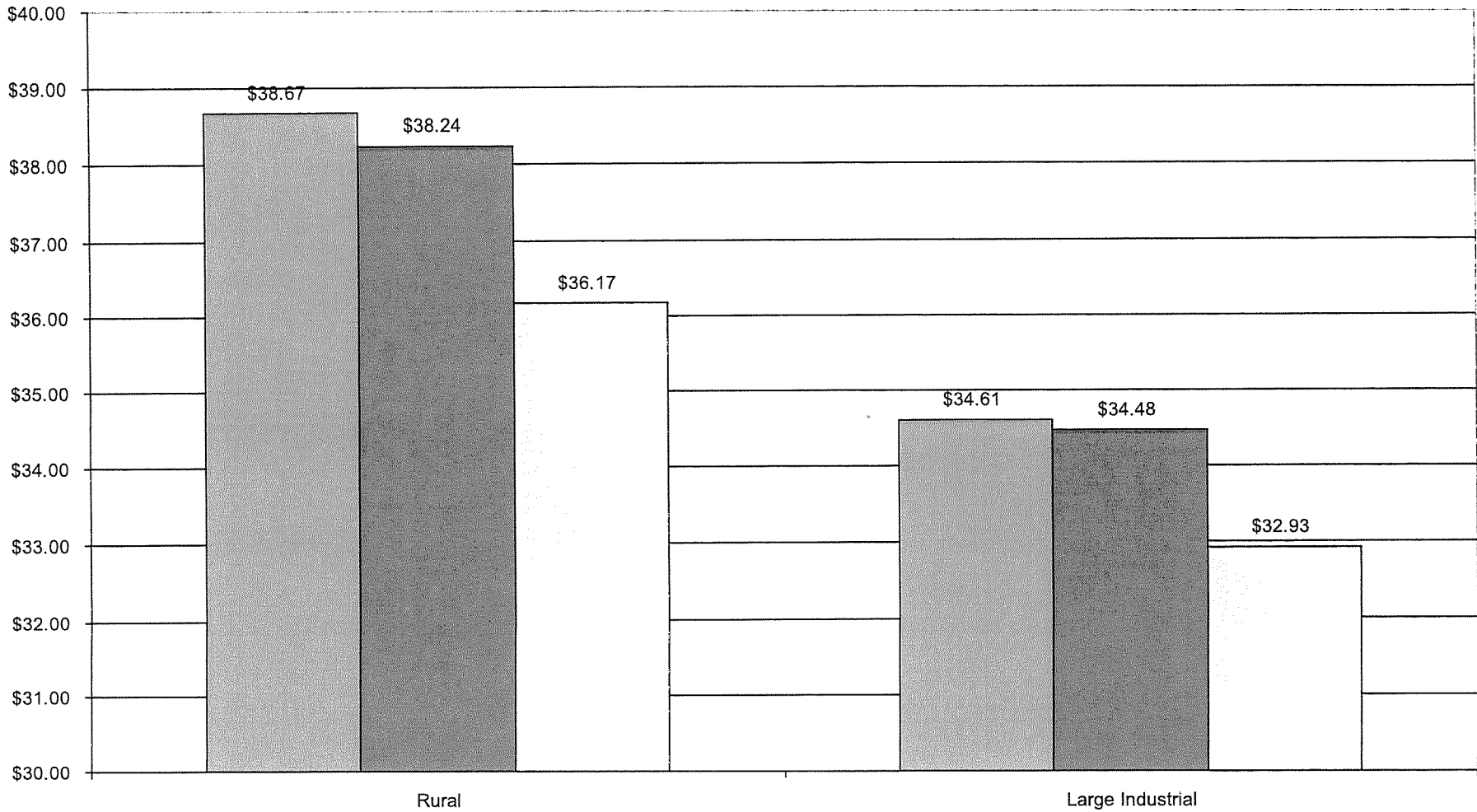
Favorable
 Budget
 Unfavorable
 Prior Year

MRSM YTD - July



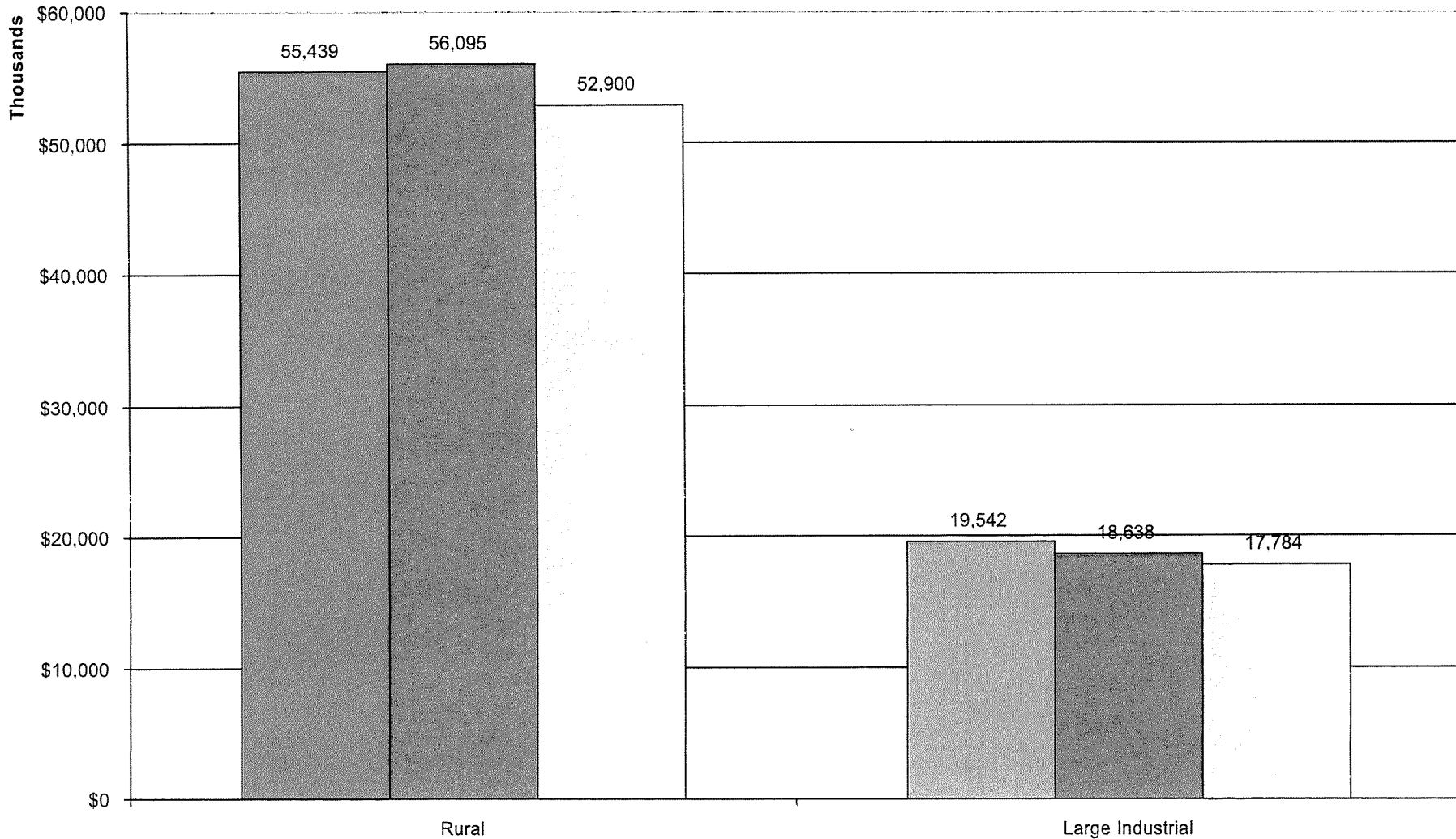
Favorable
 Budget
 Unfavorable
 Prior Year

Net Revenue (Excl. MRSM) - \$/MWh YTD - July



Favorable Budget
 Unfavorable Prior Year

Net Revenue (Excl. MRSM) YTD - July



Favorable
 Budget
 Unfavorable
 Prior Year

Other Operating Revenue and Income

	2011			2010	
	<u>Actual</u>	<u>Budget</u>	<u>Variance Fav/(Unfav)</u>	<u>2010 Actual</u>	<u>Variance Fav/(Unfav)</u>
July YTD	1,708	14	1,694	8,078	(6,370)

Favorable to budget due to (intentional) omission of the power supply transmission reservation (from the budget).

Unfavorable to prior year due to a lower power supply transmission reservation.

Non-Variable Production and Other Power Supply – Operations

	2011			2010	
	<u>Actual</u>	<u>Budget</u>	<u>Variance Fav/(Unfav)</u>	<u>2010 Actual</u>	<u>Variance Fav/(Unfav)</u>
July YTD			1,340		5,888

<u>Current Year Variances</u>	<u>Fav/(UnFav)</u>
Power Supply transmission reservation	(3,231)
HMPL 1 Outage scope reduction	1,436
Plant operations expense timing/reductions (Coleman \$479, Green \$696 & Wilson \$703)	1,878
Station-Two O&M timing/reductions	930
Other	327
Non-Variable Production and Other Power Supply - Operations	1,340
<u>Prior-Year Variances</u>	<u>Fav/(UnFav)</u>
Power Supply transmission reservation	5,573
Other	310
Non-Variable Production and Other Power Supply - Operations	5,883

Operation Expense – Transmission

	2011			2010	
	<u>Actual</u>	<u>Budget</u>	<u>Variance Fav/(Unfav)</u>	<u>2010 Actual</u>	<u>Variance Fav/(Unfav)</u>
July YTD	6,616	9,078	2,462	4,450	(2,166)

Favorable to budget primarily due to 1) lower than anticipated MISO related expenses \$650, 2) favorable labor expense as more is being charged to maintenance accounts than operations \$900 (see slide 31), and 3) various stations and lines fixed departmental expenses \$912.

Unfavorable to prior year due to MISO membership.

Consumer Service & Informational Expense

	2011		
	<u>Actual</u>	<u>Budget</u>	<u>Variance</u> <u>Fav/(Unfav)</u>
July YTD	235	514	279

Favorable to budget due to timing of fixed expenses in various departments.

Operation Expense – Sales

	2011		
	<u>Actual</u>	<u>Budget</u>	<u>Variance</u> <u>Fav/(Unfav)</u>
July YTD	6	511	505

Favorable to budget primarily due to timing of fixed departmental expenses in the marketing area.

Maintenance Expense – Production

	2011			2010	
	<u>Actual</u>	<u>Budget</u>	<u>Variance Fav/(Unfav)</u>	<u>2010 Actual</u>	<u>Variance Fav/(Unfav)</u>
July YTD			1,450		(2,497)

Various maintenance projects have been delayed or cancelled. These projects include mill overhauls, bar screen repairs and heavy equipment maintenance. Labor expense is favorable primarily due to open positions.

Unfavorable to prior year due to higher planned maintenance activities this year and the planned outage at Wilson.


Maintenance Expense – Transmission

	2011		
	<u>Actual</u>	<u>Budget</u>	<u>Variance</u> <u>Fav/(Unfav)</u>
July YTD	2,482	1,897	(585)

Unfavorable to budget primarily due to more labor being charged to maintenance than operations (The favorable labor variance in Operation Expense – Transmission offsets this unfavorable labor variance in maintenance).

Monthly Financial Report – June 2011



Your Touchstone Energy[®] Cooperative 

Financial Report
June 2011
(\$ in Thousands)

Board Meeting Date: August 19, 2011



Summary of Operations YTD June

	2011			2010	
	Actual	Budget *	Fav/(UnFav) Variance	Actual	Fav/(UnFav) Variance
Revenues	275,071	263,544	11,527	262,589	12,482
Cost of Electric Service	274,592	264,776	(9,816)	254,061	(20,531)
Operating Margins	479	(1,232)	1,711	8,528	(8,049)
Interest Income/Other	216	287	(71)	199	17
Net Margins - YTD	695	(945)	1,640	8,727	(8,032)

* Budget Revenues and Cost of Electric Service revised to remove the power supply transmission reservation (off-setting).



Statement of Operations – June Variance to Budget

	Current Month			Year-to-Date			Explanation
	Actual	Budget	Variance Fav/(UnFav)	Actual	Budget	Variance Fav/(UnFav)	
ELECTRIC ENERGY REVENUES	45,488	43,928	1,560	273,551	263,532	10,019	[A] Pages 7, 12-14
INCOME FROM LEASED PROPERTY - NET	0	0	0	0	0	0	
OTHER OPERATING REVENUE AND INCOME	206	2	204	1,520	12	1,508	[B], [C] Page 26
TOTAL OPER REVENUES & PATRONAGE CAPITAL	45,694	43,930	1,764	275,071	263,544	11,527	
OPERATION EXPENSE-PRODUCTION-EXCL FUEL	3,980	5,542	1,562	24,222	31,683	7,461	[A] Pages 7, 12-14, 27
OPERATION EXPENSE-PRODUCTION-FUEL	18,370	17,013	(1,357)	114,182	103,047	(11,135)	[A] Pages 7, 12-14
OPERATION EXPENSE-OTHER POWER SUPPLY	9,961	7,657	(2,304)	55,019	44,355	(10,664)	[A] Pages 7, 12-14, 27
OPERATION EXPENSE-TRANSMISSION	1,276	1,151	(125)	5,914	7,839	1,925	[B] Page 28
CONSUMER SERVICE & INFORMATIONAL EXPENSE	29	68	39	190	447	257	
OPERATION EXPENSE-SALES	21	68	47	23	457	434	[B] Page 29
OPERATION EXPENSE-ADMINISTRATIVE & GENERAL	2,725	2,637	(88)	13,677	13,301	(376)	
TOTAL OPERATION EXPENSE	36,362	34,136	(2,226)	213,227	201,129	(12,098)	
MAINTENANCE EXPENSE-PRODUCTION	4,155	3,149	(1,006)	18,929	20,564	1,635	[B], [C] Page 30
MAINTENANCE EXPENSE-TRANSMISSION	433	325	(108)	2,140	1,592	(548)	[B] Page 31
MAINTENANCE EXPENSE-GENERAL PLANT	17	8	(9)	58	56	(2)	
TOTAL MAINTENANCE EXPENSE	4,605	3,482	(1,123)	21,127	22,212	1,085	
DEPRECIATION & AMORTIZATION EXPENSE	2,878	3,022	144	17,314	17,939	625	
TAXES	65	21	(44)	128	125	(3)	
INTEREST ON LONG-TERM DEBT	3,752	3,912	160	22,996	23,461	465	
INTEREST CHARGED TO CONSTRUCTION-CREDIT	(21)	(82)	(61)	(375)	(240)	135	
OTHER INTEREST EXPENSE	0	0	0	59	82	23	
OTHER DEDUCTIONS	11	11	0	116	68	(48)	
TOTAL COST OF ELECTRIC SERVICE	47,652	44,502	(3,150)	274,592	264,776	(9,816)	
OPERATING MARGINS	(1,958)	(572)	(1,386)	479	(1,232)	1,711	
INTEREST INCOME	7	32	(25)	110	191	(81)	
ALLOWANCE FOR FUNDS USED DURING CONST	0	0	0	0	0	0	
OTHER NON-OPERATING INCOME - NET	2	0	2	9	0	9	
OTHER CAPITAL CREDITS & PAT DIVIDENDS	0	0	0	97	96	1	
EXTRAORDINARY ITEMS	0	0	0	0	0	0	
NET PATRONAGE CAPITAL OR MARGINS	(1,949)	(540)	(1,409)	695	(945)	1,640	

Explanations: [A] Net Sales Margin, [B] 10% and \$250,000 line item or [C] 10% and \$500,000 margins.



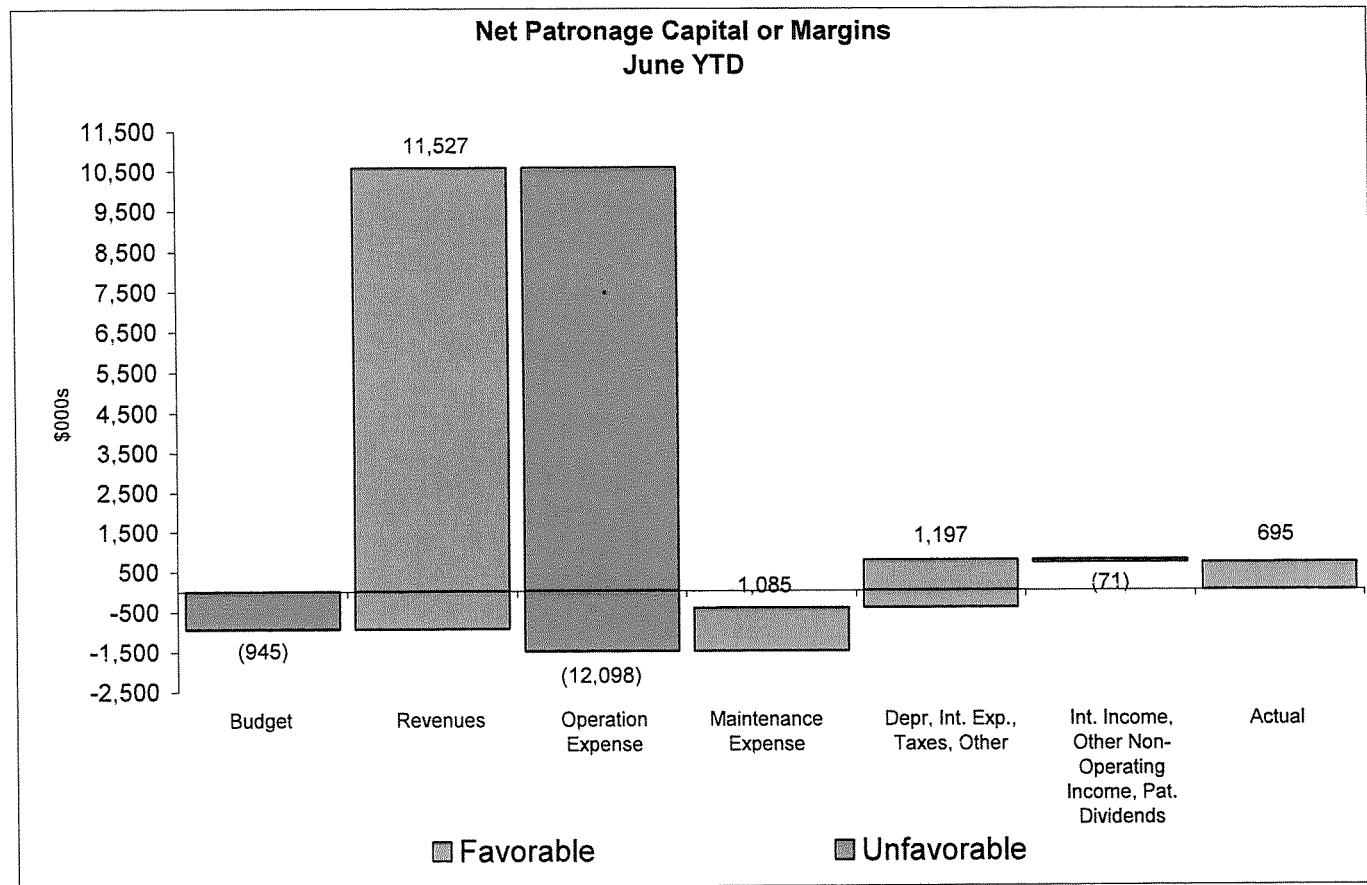
Statement of Operations – June Variance to Prior-Year

Warwick Electric Energy Cooperative

	Current Month			Year-to-Date			Explanation
	Actual	Prior Year	Variance Fav/(UnFav)	Actual	Prior Year	Variance Fav/(UnFav)	
ELECTRIC ENERGY REVENUES	45,488	42,857	2,631	273,551	255,653	17,898	[A] Pages 7, 12-14
INCOME FROM LEASED PROPERTY - NET	0	0	0	0	0	0	
OTHER OPERATING REVENUE AND INCOME	206	1,285	(1,079)	1,520	6,936	(5,416)	[B], [C] Page 26
TOTAL OPER REVENUES & PATRONAGE CAPITAL	45,694	44,142	1,552	275,071	262,589	12,482	
OPERATION EXPENSE-PRODUCTION-EXCL FUEL	3,980	4,613	633	24,222	25,801	1,579	[A] Pages 7, 12-14, 27
OPERATION EXPENSE-PRODUCTION-FUEL	18,370	16,953	(1,417)	114,182	102,187	(11,995)	[A] Pages 7, 12-14
OPERATION EXPENSE-OTHER POWER SUPPLY	9,961	8,119	(1,842)	55,019	48,655	(6,364)	[A] Pages 7, 12-14, [B] 27
OPERATION EXPENSE-TRANSMISSION	1,276	655	(621)	5,914	3,848	(2,066)	[B] Page 28
CONSUMER SERVICE & INFORMATIONAL EXPENSE	29	48	19	190	272	82	
OPERATION EXPENSE-SALES	21	18	(3)	23	26	3	
OPERATION EXPENSE-ADMINISTRATIVE & GENERAL	2,725	2,965	240	13,677	14,165	488	
TOTAL OPERATION EXPENSE	36,362	33,371	(2,991)	213,227	194,954	(18,273)	
MAINTENANCE EXPENSE-PRODUCTION	4,155	3,324	(831)	18,929	16,452	(2,477)	[B],[C] Page 30
MAINTENANCE EXPENSE-TRANSMISSION	433	457	24	2,140	2,033	(107)	
MAINTENANCE EXPENSE-GENERAL PLANT	17	14	(3)	58	104	46	
TOTAL MAINTENANCE EXPENSE	4,605	3,795	(810)	21,127	18,589	(2,538)	
DEPRECIATION & AMORTIZATION EXPENSE	2,878	2,846	(32)	17,314	17,034	(280)	
TAXES	65	65	0	128	133	5	
INTEREST ON LONG-TERM DEBT	3,752	3,742	(10)	22,996	23,455	459	
INTEREST CHARGED TO CONSTRUCTION-CREDIT	(21)	(63)	(42)	(375)	(200)	175	
OTHER INTEREST EXPENSE	0	20	20	59	63	4	
OTHER DEDUCTIONS	11	15	4	116	33	(83)	
TOTAL COST OF ELECTRIC SERVICE	47,652	43,791	(3,861)	274,592	254,061	(20,531)	
OPERATING MARGINS	(1,958)	351	(2,309)	479	8,528	(8,049)	
INTEREST INCOME	7	30	(23)	110	172	(62)	
ALLOWANCE FOR FUNDS USED DURING CONST	0	0	0	0	0	0	
OTHER NON-OPERATING INCOME - NET	2	2	0	9	14	(5)	
OTHER CAPITAL CREDITS & PAT DIVIDENDS	0	0	0	97	13	84	
EXTRAORDINARY ITEMS	0	0	0	0	0	0	
NET PATRONAGE CAPITAL OR MARGINS	(1,949)	383	(2,332)	695	8,727	(8,032)	

Explanations: [A] Net Sales Margin, [B] 10% and \$250,000 line item or [C] 10% and \$500,000 margins.

Variance Analysis Summary

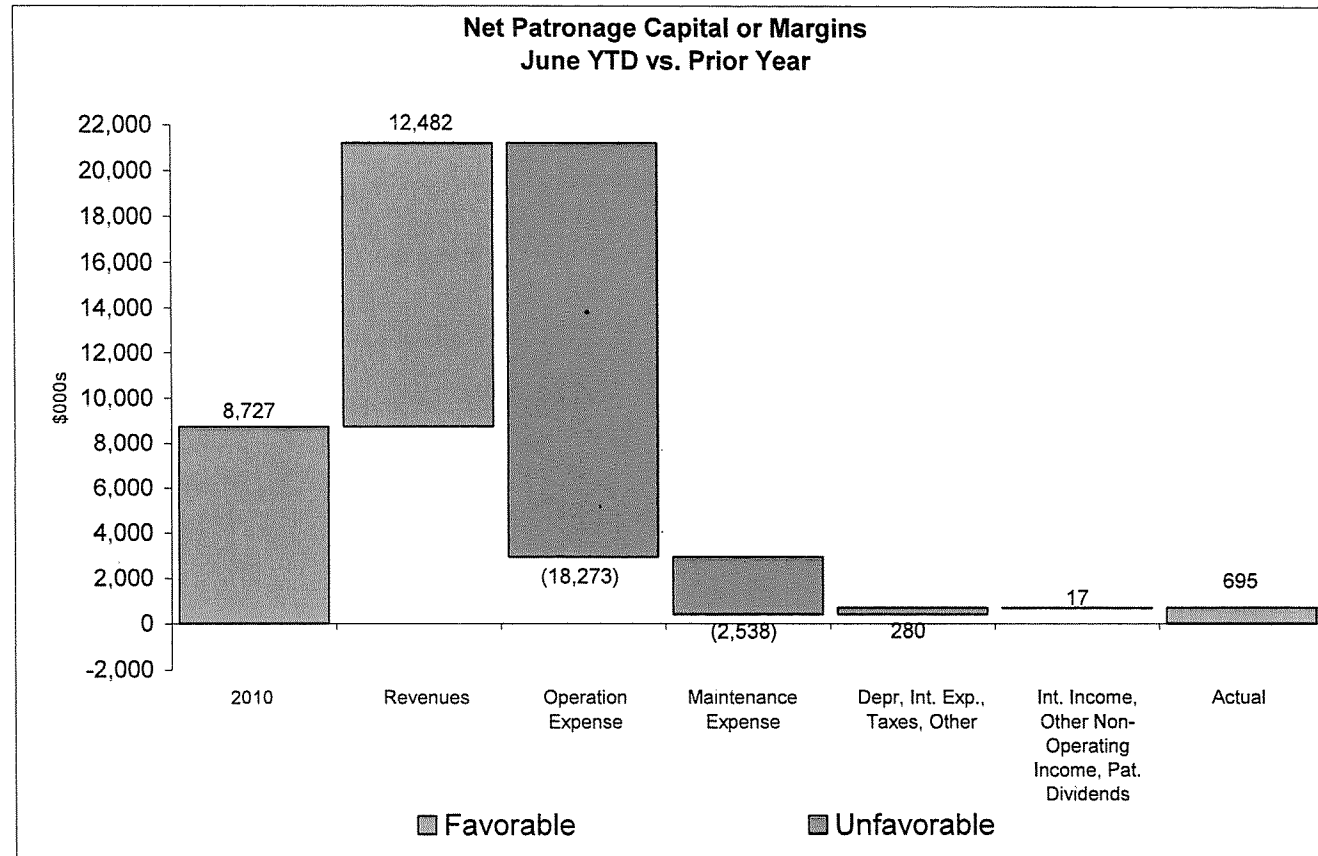


Financial Commentary

Year-to-Date

- YTD June 2011 Margins were \$1,640 favorable to budget.
 - Electric Energy Revenues were favorable \$10,019 primarily due to higher off-system volume (see pg. 12).
 - Other Revenue was favorable \$1,508 (see pg. 26).
 - Operation Expense was unfavorable \$12,098 – driven by higher variable costs \$15,639, partially offset by the reduction in scope of the HMPL 1 planned outage and favorable operation expense at transmission (see pgs. 13, 27, 28 and 29).
 - Maintenance Expense was favorable \$1,085 primarily due timing of plant expenses (see pgs. 30 & 31).
 - Depreciation and Interest Expense was favorable \$1,197 due to lower depreciation, lower interest expense due to the pre-payment of debt and higher capitalized interest.

Variance Analysis Summary



Financial Commentary

Year-to-Date

- YTD 2011 margins were \$8,032 unfavorable to YTD 2010.
 - Electric Energy Revenues were favorable \$17,898 primarily due to higher off-system volumes (see pg. 12).
 - Other Revenue was unfavorable \$5,416 primarily due to a lower power supply transmission reservation, which is off-set in Operations Expense – Other Power Supply (see pg. 26).
 - Operation Expense was unfavorable \$18,273 – driven by higher variable costs \$21,306, partially offset by lower transmission reservation (see pgs. 13, 27 & 28) and lower administrative costs.
 - Maintenance Expense was unfavorable \$2,538 primarily due to the planned outage at Wilson this year and higher planned maintenance activities at the plants (pg. 30).
 - Depreciation and Interest Expense combined was lower \$280.



Your Tristone Energy Cooperative

**Member Rate Stability Mechanism
YTD June**

	<u>Actual</u> <u>2011</u>	<u>Budget</u> <u>2011</u>	<u>2011</u> <u>Variance</u>	<u>Actual</u> <u>2010</u>	<u>2010</u> <u>Variance</u>		<u>Actual</u> <u>2011</u>	<u>Budget</u> <u>2011</u>	<u>2011</u> <u>Variance</u>	<u>Actual</u> <u>2010</u>	<u>2010</u> <u>Variance</u>
<u>MRSM - \$/MWh</u>						<u>Net Revenue - \$/MWh</u>					
Rural	(7.05)	(7.32)	0.27	(8.83)	1.78	Rural	38.52	37.77	0.75	35.93	2.59
Large Industrial	(7.05)	(7.32)	0.27	(8.83)	1.78	Large Industrial	34.43	34.26	0.17	32.59	1.84
Total	(7.05)	(7.32)	0.27	(8.83)	1.78	Total	37.33	36.82	0.51	35.01	2.32
<u>MRSM - Thousands of \$</u>						<u>Net Revenue - Thousands of \$</u>					
Rural	(8,260)	(9,021)	761	(10,694)	2,434	Rural	45,136	46,600	(1,464)	43,531	1,605
Large Industrial	(3,376)	(3,373)	(3)	(4,071)	695	Large Industrial	16,476	15,793	683	15,029	1,447
Total	(11,636)	(12,394)	758	(14,765)	3,129	Total	61,612	62,393	(781)	58,560	3,052

<u>Economic Reserve Balance</u>			
<u>Cumulative-to-Date</u>	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
Original Deposit	\$ 157,000		
Interest Earnings	2,373		
Withdrawals	(49,425)		
Cumulative through June 30th	\$ 109,948	\$ 110,173	\$ (225)
<u>YTD June 2011</u>			
Beg. Balance 1/1/2011	\$ 121,220		
Interest Earnings	509		
Withdrawals	(11,781)		
Ending Balance 6/30/2011	\$ 109,948	\$ 110,173	\$ (225)

Cash & Temporary Investments

	<u>Actual</u>	<u>Budget</u>	<u>Fav/(Unfav)</u>	<u>2010</u> <u>Actual</u>	<u>Fav/(Unfav)</u>
June 30th	76,443	28,378	48,065	52,281	24,162

The June 30th, 2011 cash balance compared to budget is favorable primarily due to a higher beginning balance \$2,700, lower capital expenditures \$21,102 and a reduction in fuel inventory \$21,050.

The June 30th, 2011 cash balance compared to prior year is favorable primarily due to voluntarily prepaying the RUS Series A Note during 2010.

<u>Lines of Credit</u> <u>As of June 30th</u>	
Original Amount	\$ 100,000
Letters of Credit Outstanding	(5,375)
Advances Outstanding	0
Available Lines of Credit	\$ 94,625

North Star – YTD June

	2011			2010	
	Actual	Budget	Fav/(UnFav) Variance	Actual	Fav/(UnFav) Variance
Total Cost of Electric Service			(286)		(20,531)
Other Operating Revenues & Income	(1,520)	(9,542)	(8,022)	(6,936)	(5,416)
Smelter Avoidable Base Charge	(1,351)	0	1,351	(2,054)	(703)
Off-System Sales/Other					
Interest Income	(110)	(191)	(81)	(172)	(62)
Other Non-Operating Income	(9)	0	9	(14)	(5)
Other Capital Credits & Pat. Dividends	(97)	(96)	1	(13)	84
			15,891		(15,079)
Member MWh	4,978,719	5,310,432	(331,713)	4,821,586	157,133
North Star - \$/kWh					

TIER

	<u>Actual</u>	<u>Budget</u>	<u>Fav/(Unfav)</u>
Interest on Long Term Debt	22,996	23,461	465
Net Margins	[REDACTED]		
TIER (6 months ending 6/30)	[REDACTED]		
TIER (12 months ending 6/30)	[REDACTED]		

Notes:

TIER = (Net Margins + Interest on Long-Term Debt) divided by Interest on Long-Term Debt

Capital Expenditures*

	Actual	Budget	Fav/(UnFav)
IT	525	591	66
Generation	8,177	19,244	11,067
Transmission	2,721	10,575	7,854
Other	406	2,521	2,115
Total	11,829	32,931	21,102

Explanation:

Generation favorable primarily due to the timing or cancellation of projects. Coleman was favorable \$3,372 due to the cancellation of several projects including Interposing Logic System Controls and control room upgrade. The delay of several projects including the C2 Aux Transformer, start-up buss tie and circulating water pump added to the favorability. Station Two was favorable \$3,101 due to reducing the scope of the HMPL 1 spring outage and timing of various projects. Green Station was favorable \$2,845 due to several projects being moved to later in the year. These include FGD rehab, boiler painting, generator rectifier and generator voltage regulator. The Wilson facility was favorable \$1,749 due to the delay of the dust collectors, conveyor belts and the secondary air-heater milestone payment.

Transmission favorable primarily due to the timing of the Wilson Line 19F Terminal, Two-Way Radio Replacement and Paradise Terminal Upgrade.

Other favorable primarily due to the delay in purchasing the PCI Software, Operator Training Simulator, training facility remodeling and analyzers and a chromatograph for the Environmental Department.

* Gross of the City's share of Station Two.



Your Touchstone Energy Cooperative

Revenue YTD June

	<u>Actual</u> <u>2011</u>	<u>Budget</u> <u>2011</u>	<u>Variance</u>	<u>Actual</u> <u>2010</u>	<u>2010</u> <u>Variance</u>
<u>MWh Sales</u>					
Rural	1,171,779	1,233,426	(61,647)	1,211,490	(39,711)
Large Industrial	478,636	460,952	17,684	461,151	17,485
Smelter	3,328,302	3,616,054	(287,752)	3,148,946	179,356
Off-System/Other					
Total					
<u>Revenue - \$/MWh</u>					
Rural	45.57	45.09	0.48	44.76	0.81
Large Industrial	41.48	41.58	(0.10)	41.42	0.06
Smelter	43.27	42.97	0.30	43.69	(0.42)
Off-System/Other					
Total					
<u>Revenue - Thousands of \$</u>					
Rural	53,396	55,621	(2,225)	54,225	(829)
Large Industrial	19,852	19,166	686	19,100	752
Smelter	144,006	155,367	(11,361)	137,584	6,422
Off-System/Other					
Total					

Revenue Price / Volume Analysis YTD June 2011

	<u>Price / Volume</u>		
	<u>Price</u>	<u>Volume</u>	<u>Total</u>
Rural	555	(2,780)	(2,225)
Large Industrial	(49)	735	686
Smelter	1,003	(12,364)	(11,361)
Off-System/Other			

**Variable Operations Cost
YTD June**

	<u>Actual 2011</u>	<u>Budget 2011</u>	<u>Variance</u>	<u>Actual 2010</u>	<u>2010 Variance</u>
Variable Operations (VO) Cost - \$/MWh					
Rural					
Large Industrial					
Smelter					
Off-System/Other					
Total					
VO Cost - Thousands of \$					
Rural					
Large Industrial					
Smelter					
Off-System/Other					
Total					

**YTD June 2011
Variable Operations Expense**

	<u>Actual</u>	<u>Budget</u>	<u>Fav/(UnFav)</u>	<u>Price Variance Fav/(UnFav)</u>	<u>Volume Variance Fav/(UnFav)</u>	<u>Fav/(UnFav)</u>
Reagent						
Fuel						
Purchased Power						
Non-FAC PPA (Non-Smelter)						



Your Touchstone Energy Cooperative

**Net Sales Margin
YTD June**

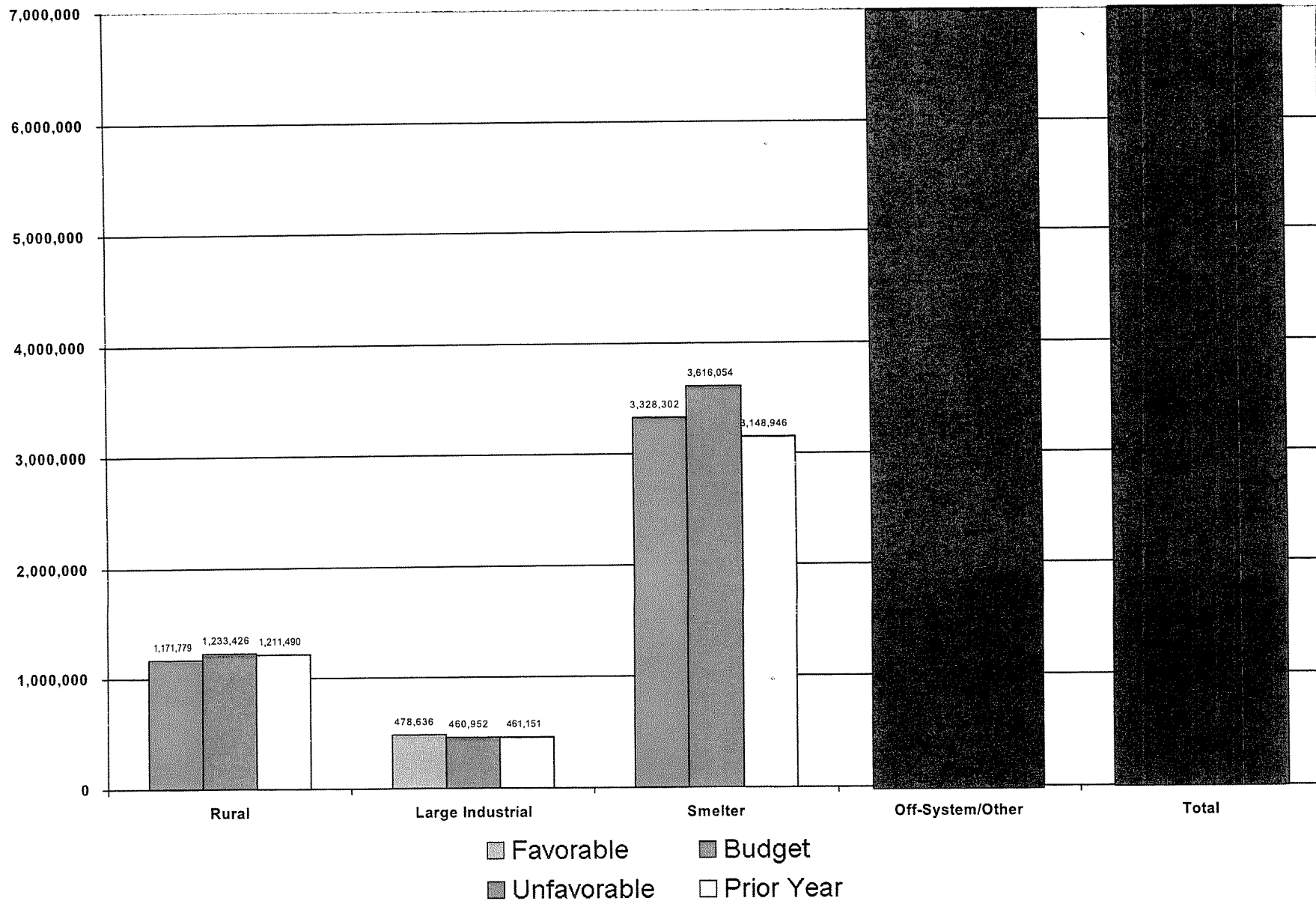
	<u>Actual 2011</u>	<u>Budget 2011</u>	<u>Variance</u>	<u>Actual 2010</u>	<u>2010 Variance</u>
Net Sales Margin - \$/MWh					
Rural					
Large Industrial					
Smelter					
Off-System/Other					
Total					

Net Sales Margin - Thousands of \$					
Rural					
Large Industrial					
Smelter					
Off-System/Other					
Total					

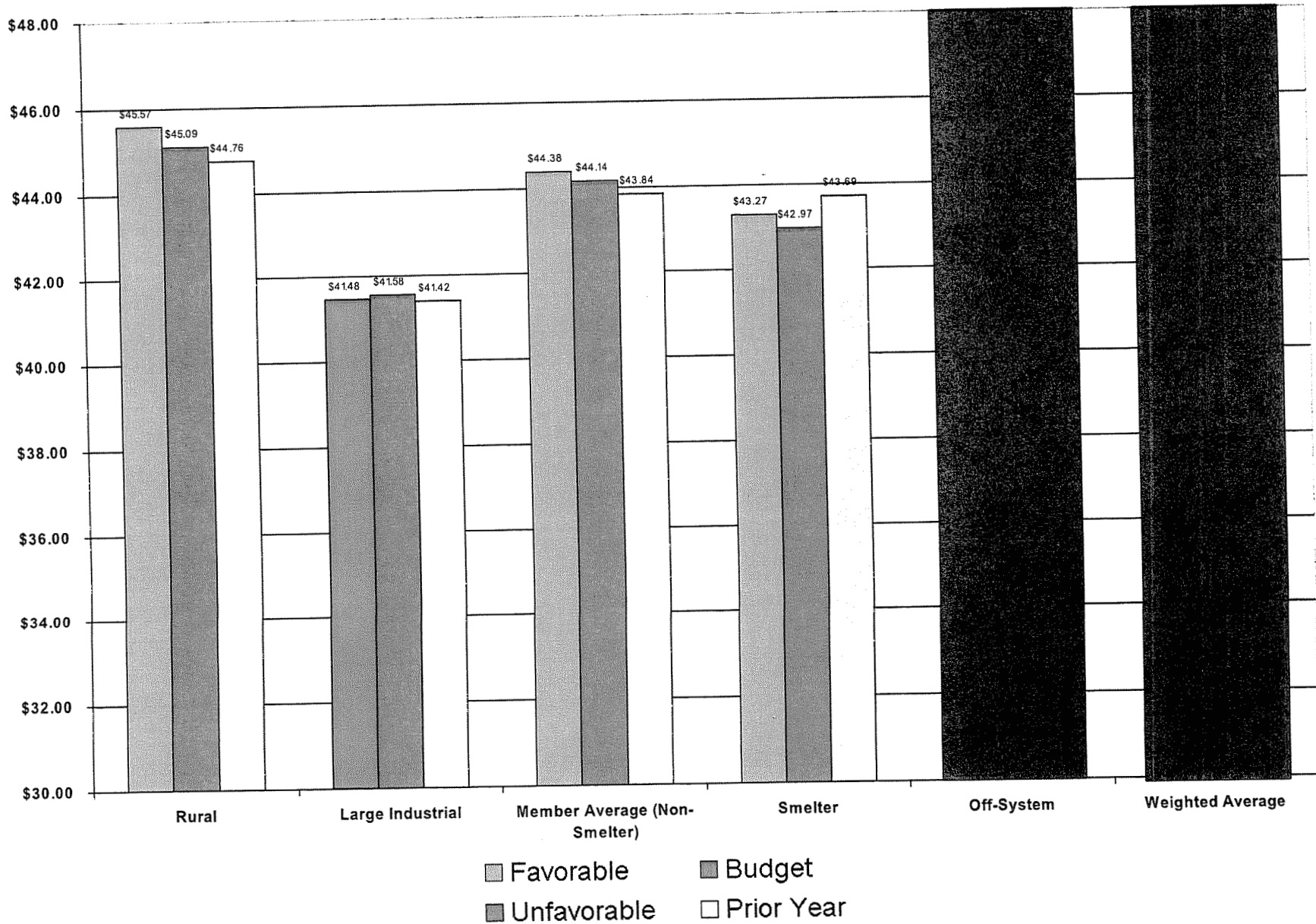
**Net Sales Margin
Price / Volume Analysis
YTD June 2011**

	<u>Price / Volume</u>		
	<u>Price</u>	<u>Volume</u>	<u>Total</u>
Rural			
Large Industrial			
Smelter			
Off-System/Other			

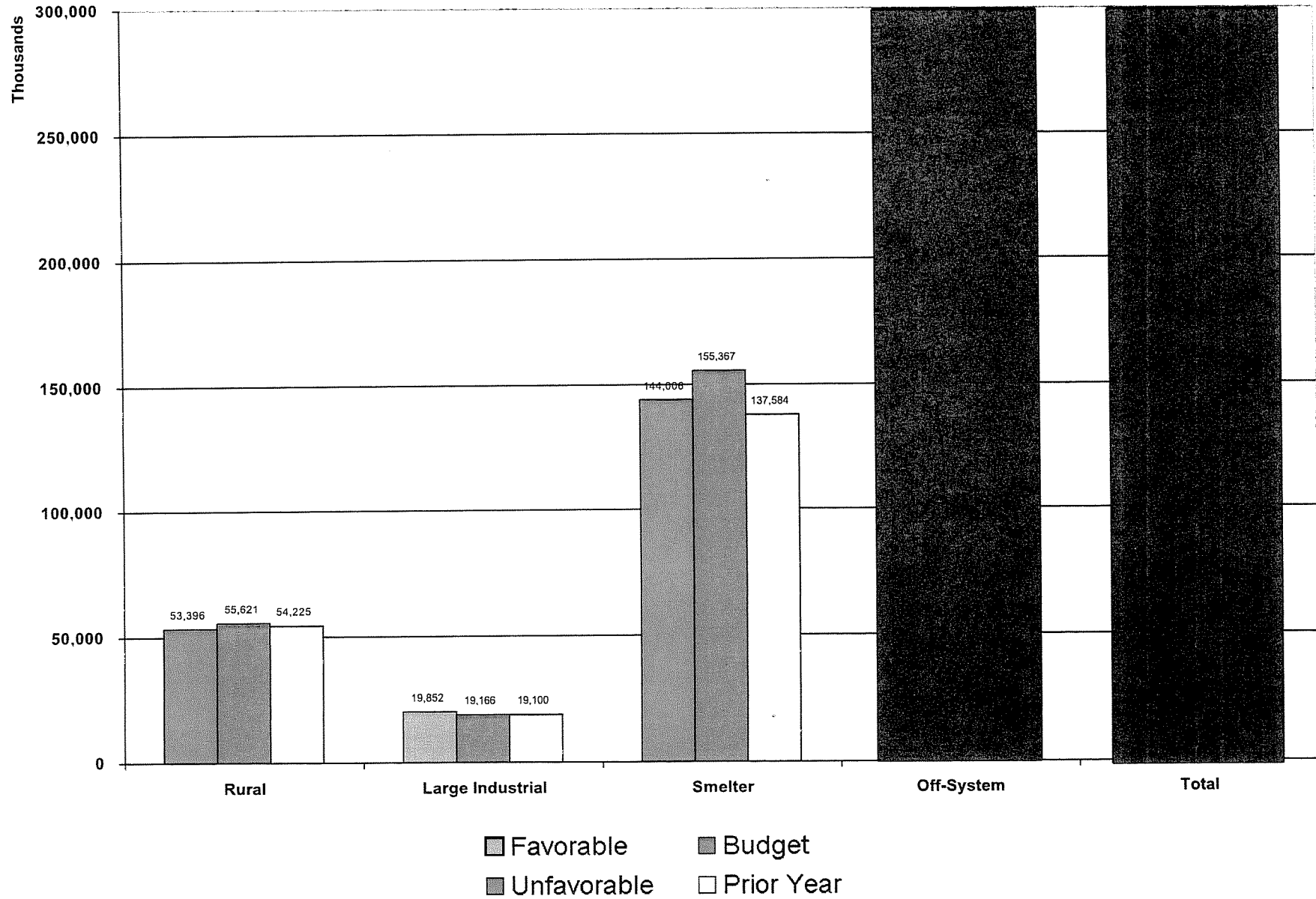
MWH Sales YTD - June



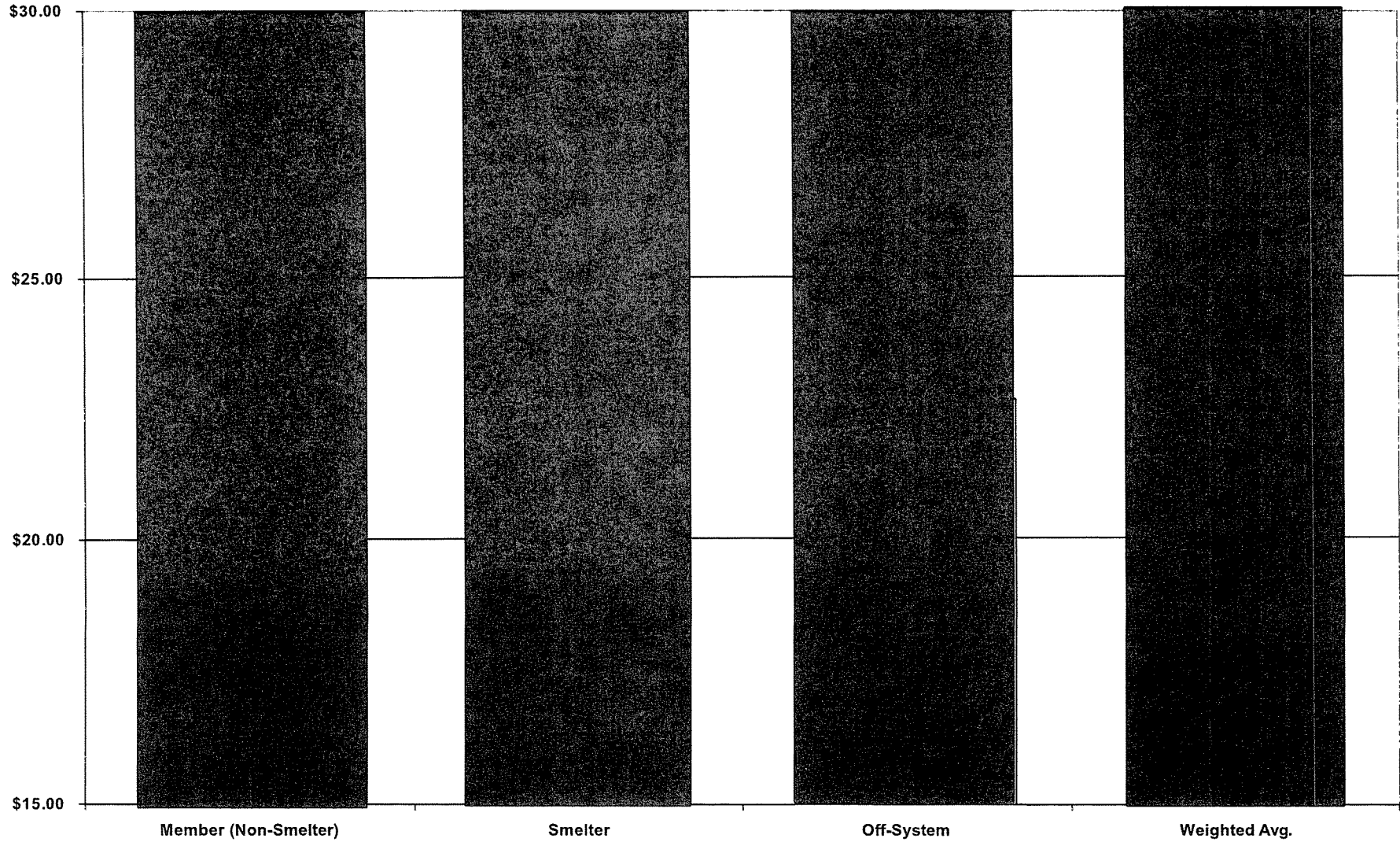
Revenue - \$/MWh Sold YTD - June



Revenue YTD - June

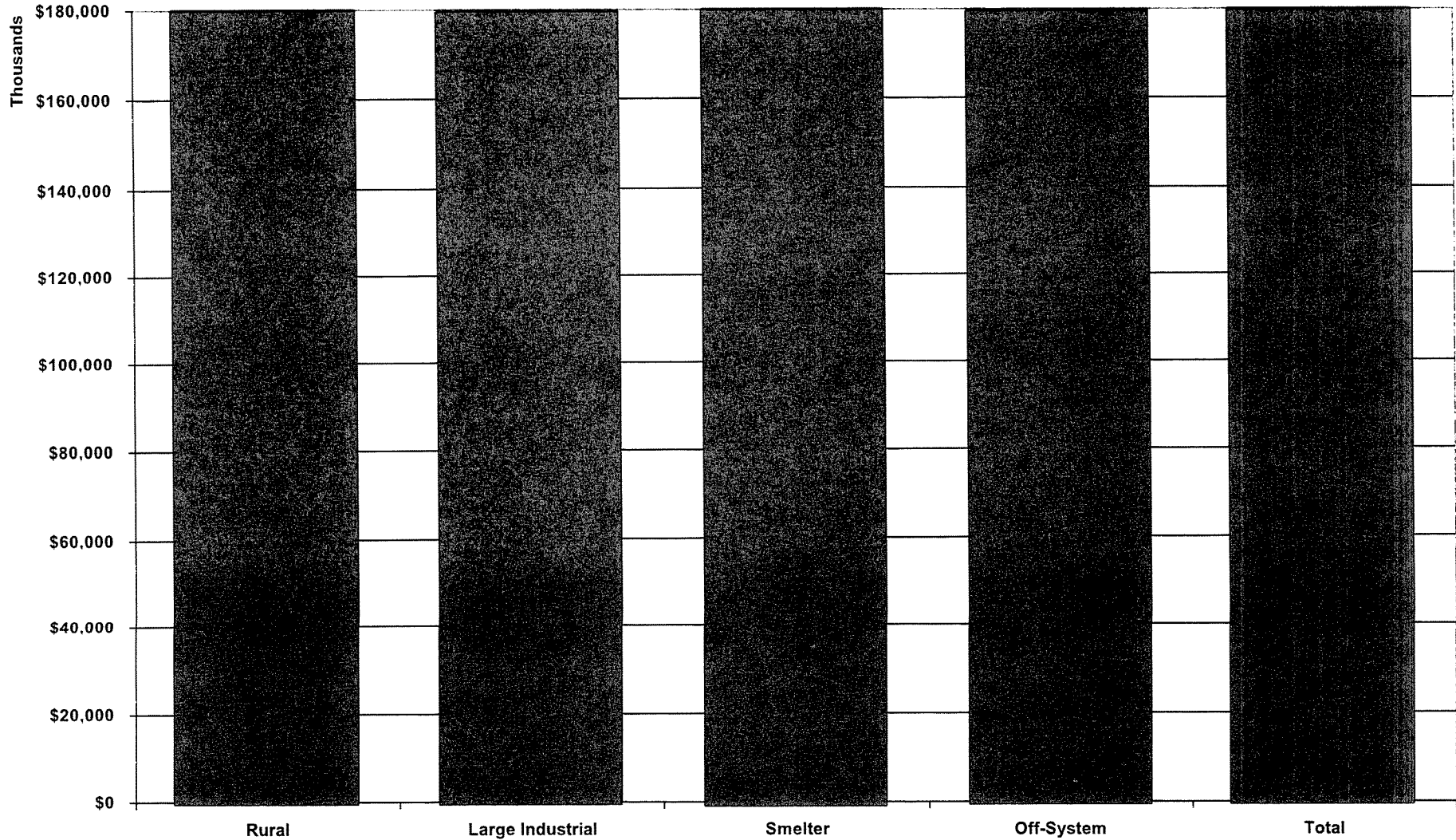


Power Cost - \$/MWh Sold YTD - June



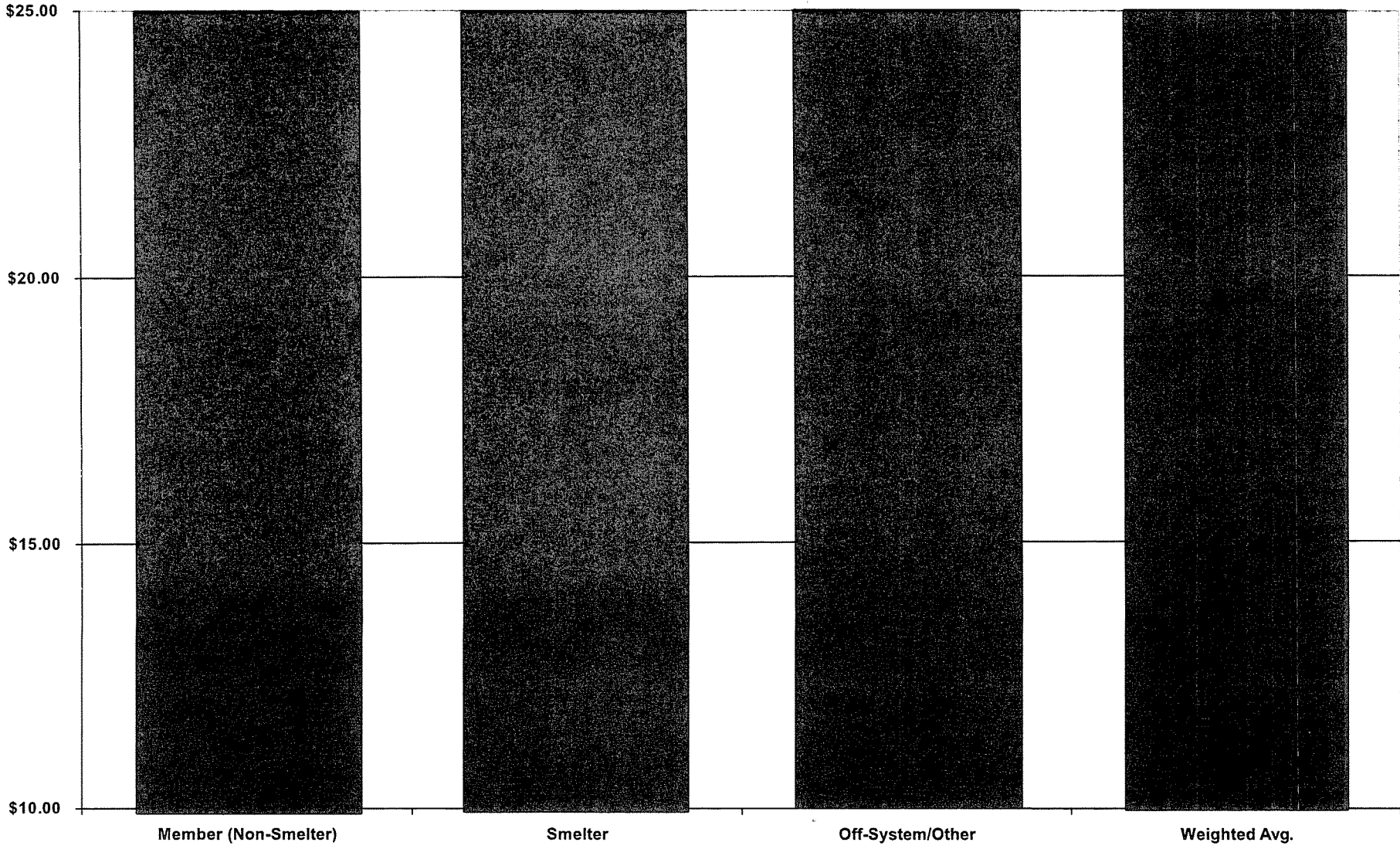
Favorable
 Budget
 Unfavorable
 Prior Year

Power Cost YTD – June



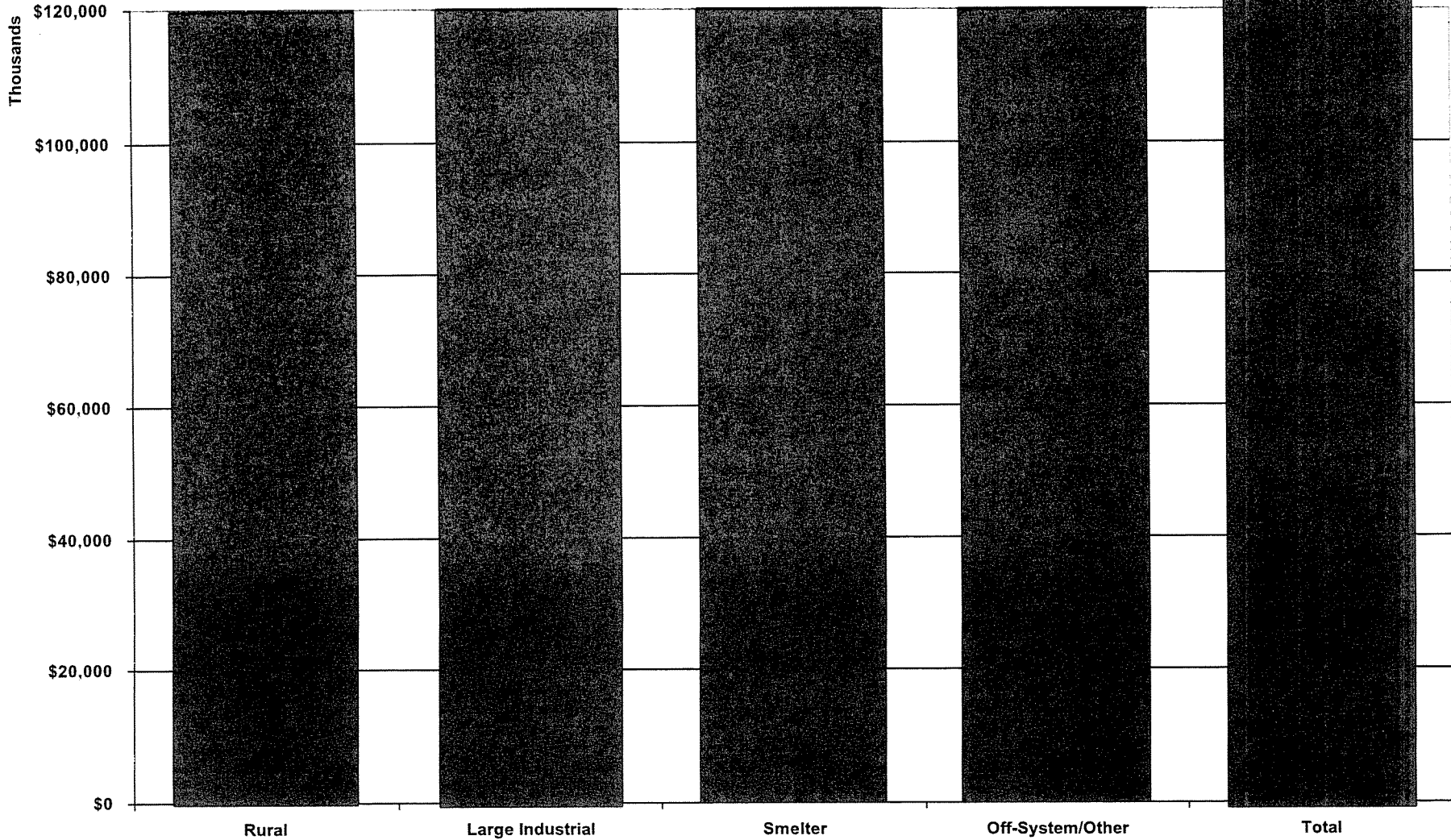
Favorable
 Budget
 Unfavorable
 Prior Year

Sales Margin - \$/MWh YTD - June



Favorable Budget
 Unfavorable Prior Year

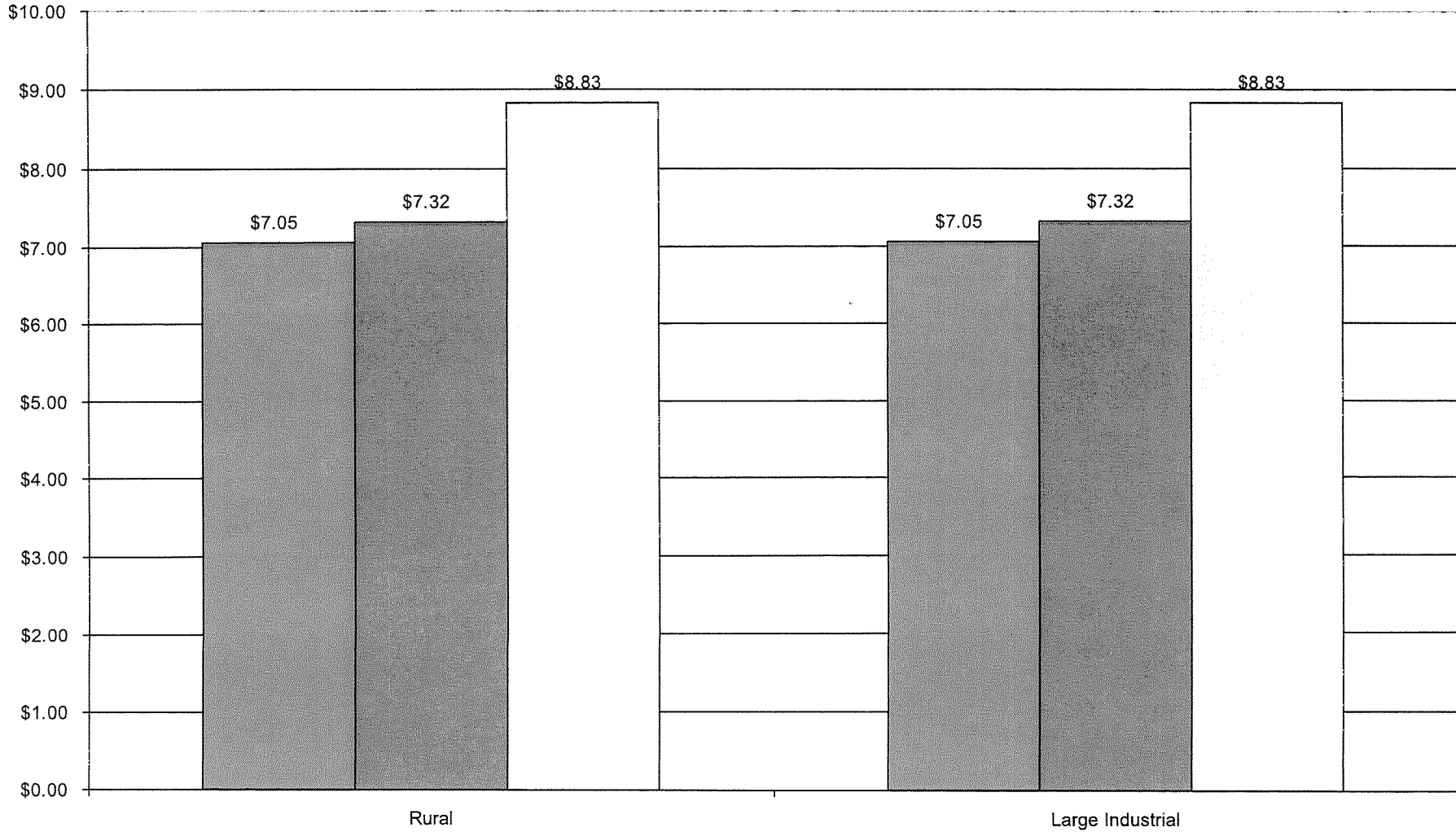
Sales Margin YTD - June



Favorable
 Budget
 Unfavorable
 Prior Year

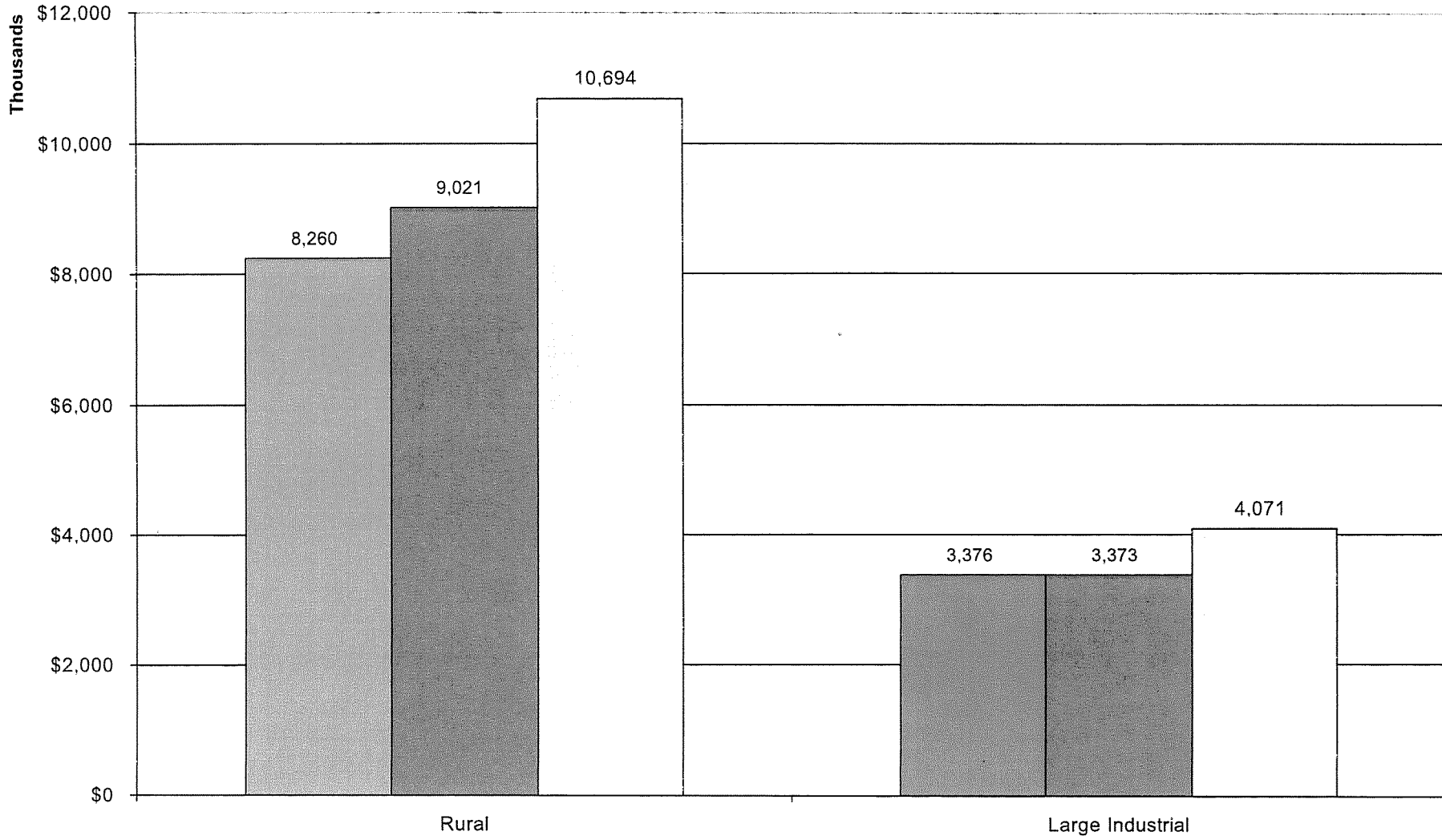
MRSM - \$/MWh

YTD - June



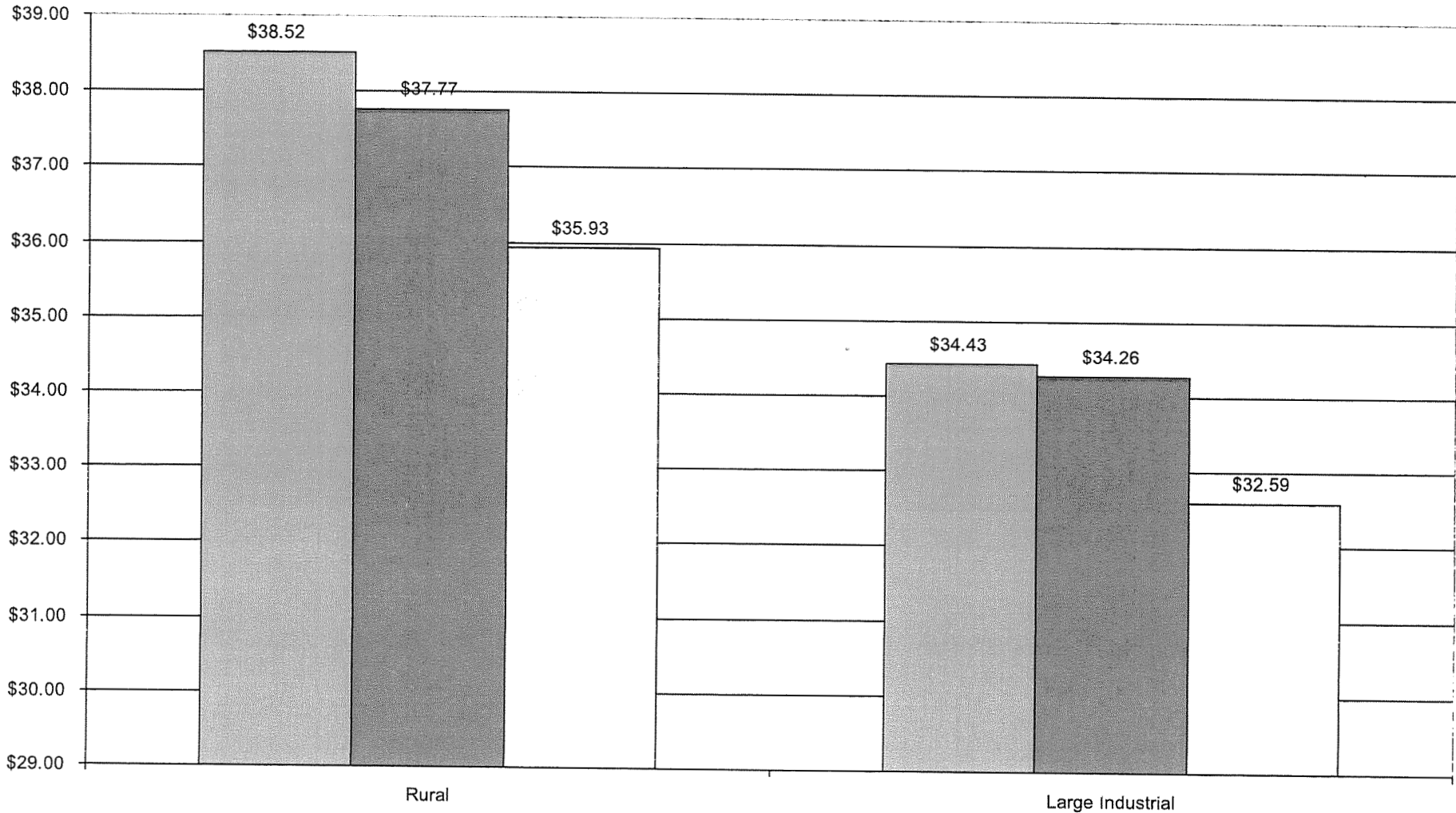
Favorable
 Budget
 Unfavorable
 Prior Year

MRS YTD - June



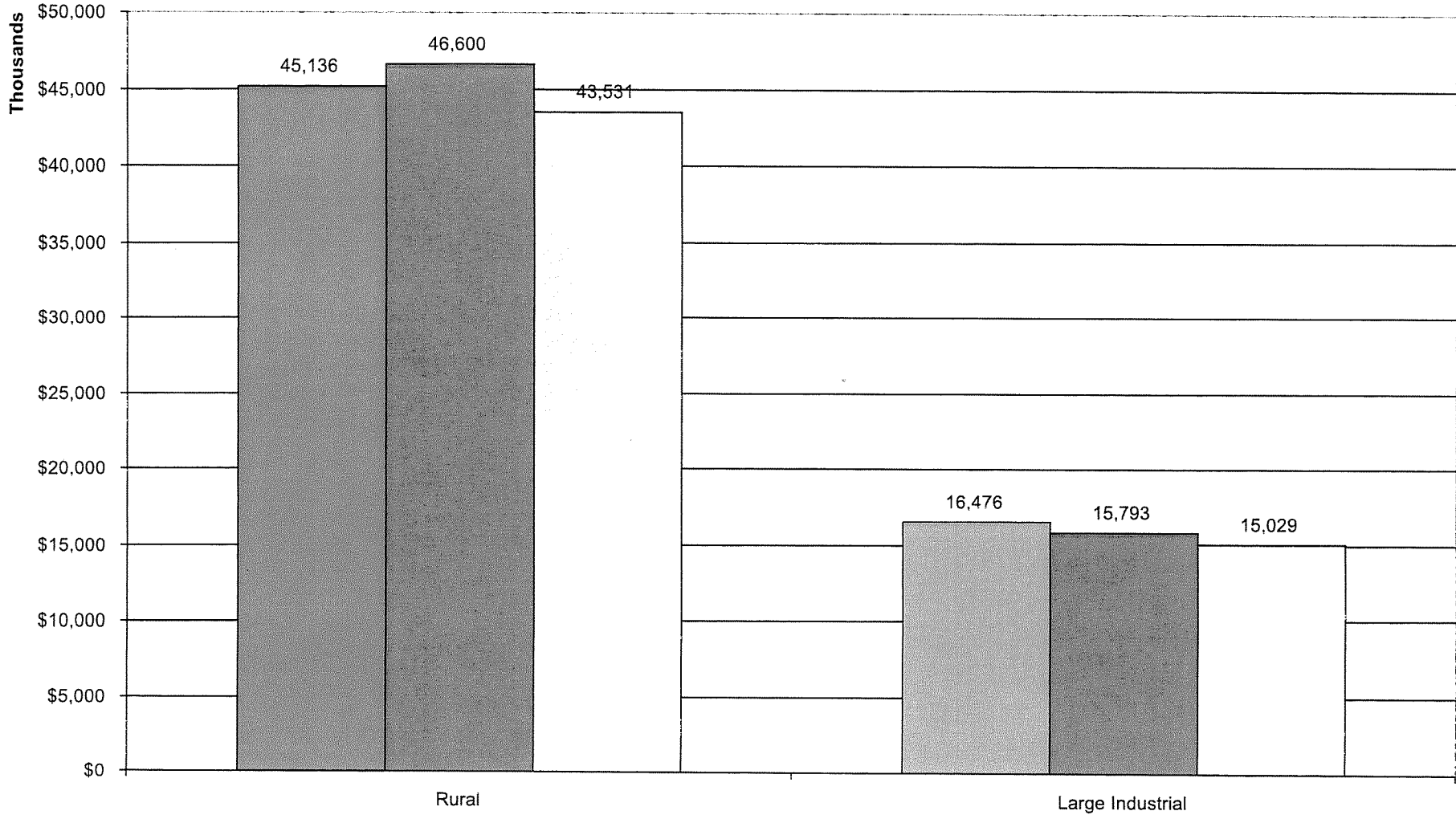
Favorable
 Budget
 Unfavorable
 Prior Year

Net Revenue (Excl. MRSM) - \$/MWh YTD - June



Favorable
 Budget
 Unfavorable
 Prior Year

Net Revenue (Excl. MRSM) YTD - June



Favorable
 Budget
 Unfavorable
 Prior Year

Other Operating Revenue and Income

	2011			2010	
	<u>Actual</u>	<u>Budget</u>	<u>Variance Fav/(Unfav)</u>	<u>2010 Actual</u>	<u>Variance Fav/(Unfav)</u>
June YTD	1,520	12	1,508	6,936	(5,416)

Favorable to budget due to (intentional) omission of the power supply transmission reservation (from the budget).

Unfavorable to prior year due to a lower power supply transmission reservation.

Non-Variable Production and Other Power Supply – Operations

	2011			2010	
	<u>Actual</u>	<u>Budget</u>	<u>Variance Fav/(Unfav)</u>	<u>2010 Actual</u>	<u>Variance Fav/(Unfav)</u>
June YTD			1,301		4,526

Current Year Variances

Power Supply transmission reservation	(2,758)
HMPL 1 Outage scope reduction	1,436
Plant operations expense timing (Coleman \$480, Green \$586 & Wilson \$445)	1,511
Station-Two O&M timing	904
Other	208
Non-Variable Production and Other Power Supply - Operations	1,301

Prior-Year Variances

Power Supply transmission reservation	4,704
Other	(178)
Non-Variable Production and Other Power Supply - Operations	4,526

Operation Expense – Transmission

	2011			2010	
	<u>Actual</u>	<u>Budget</u>	<u>Variance Fav/(Unfav)</u>	<u>2010 Actual</u>	<u>Variance Fav/(Unfav)</u>
June YTD	5,914	7,839	1,925	3,848	(2,066)

Favorable to budget primarily due to 1) lower than anticipated MISO related expenses \$589, 2) favorable labor expense as more is being charged to maintenance accounts than operations \$733 (see slide 31), and 3) various stations and lines fixed departmental expenses \$603.

Unfavorable to prior year due to MISO membership.

Operation Expense – Sales

	2011		
	<u>Actual</u>	<u>Budget</u>	<u>Variance Fav/(Unfav)</u>
June YTD	23	457	434

Favorable to budget primarily due to timing of fixed departmental expenses in the marketing area.

Maintenance Expense – Production

	2011			2010	
	<u>Actual</u>	<u>Budget</u>	<u>Variance Fav/(Unfav)</u>	<u>2010 Actual</u>	<u>Variance Fav/(Unfav)</u>
June YTD			1,635		(2,477)

Favorable to budget due to projects at Green that have been delayed \$1,010. These included mill overhauls, fire water lines and heavy equipment maintenance. The Coleman facility is favorable \$318 due to a timing of maintenance activities such as mill and pump overhauls and bar screen repairs. Timing of expenses at Reid are favorable \$354.

Unfavorable to prior year due to higher planned maintenance activities this year and the planned outage at Wilson.


Maintenance Expense – Transmission

		2011		
		Variance		
		<u>Actual</u>	<u>Budget</u>	<u>Fav/(Unfav)</u>
June YTD		2,140	1,592	(548)

Unfavorable to budget primarily due to higher maintenance expense and lower operation expense related to how labor is charged on an actual basis (There is more expense being charged to maintenance accounts than operations). The favorable variance in Operation Expense – Transmission offsets this unfavorable variance.

Monthly Financial Report – May 2011



Your Touchstone Energy Cooperative 

Financial Report
May 2011
(\$ in Thousands)

Board Meeting Date: July 15, 2011



Summary of Operations YTD May

	2011			2010	
	Actual	Budget *	Fav/(UnFav) Variance	Actual	Fav/(UnFav) Variance
Revenues	229,377	219,613	9,764	218,447	10,930
Cost of Electric Service	226,940	220,274	(6,666)	210,270	(16,670)
Operating Margins	2,437	(661)	3,098	8,177	(5,740)
Interest Income/Other	207	255	(48)	166	41
Net Margins - YTD	2,644	(405)	3,049	8,343	(5,699)

* Budget Revenues and Cost of Electric Service revised to remove the power supply transmission reservation (off-setting).



Statement of Operations – May Variance to Budget

Your Trusted Energy Cooperative

	Current Month			Year-to-Date			Explanation
	Actual	Budget	Variance Fav/(UnFav)	Actual	Budget	Variance Fav/(UnFav)	
ELECTRIC ENERGY REVENUES	50,393	43,020	7,373	228,063	219,603	8,460	[A] Pages 7, 12-14
INCOME FROM LEASED PROPERTY - NET	0	0	0	0	0	0	
OTHER OPERATING REVENUE AND INCOME	319	2	317	1,314	10	1,304	[B], [C] Page 26
TOTAL OPER REVENUES & PATRONAGE CAPITAL	50,712	43,022	7,690	229,377	219,613	9,764	
OPERATION EXPENSE-PRODUCTION-EXCL FUEL	4,138	5,624	1,486	20,242	26,142	5,900	[A] Pages 7, 12-14, 27
OPERATION EXPENSE-PRODUCTION-FUEL	20,070	17,375	(2,695)	95,813	86,034	(9,779)	[A] Pages 7, 12-14
OPERATION EXPENSE-OTHER POWER SUPPLY	10,517	8,113	(2,404)	45,058	36,698	(8,360)	[A] Pages 7, 12-14, 27
OPERATION EXPENSE-TRANSMISSION	622	1,249	627	4,638	6,688	2,050	[B] Page 28
CONSUMER SERVICE & INFORMATIONAL EXPENSE	27	69	42	161	379	218	
OPERATION EXPENSE-SALES	7	52	45	1	389	388	[B] Page 29
OPERATION EXPENSE-ADMINISTRATIVE & GENERAL	2,198	2,260	62	10,952	10,663	(289)	
TOTAL OPERATION EXPENSE	37,579	34,743	(2,836)	176,865	166,993	(9,872)	
MAINTENANCE EXPENSE-PRODUCTION	2,632	3,285	653	14,774	17,415	2,641	[B], [C] Page 30
MAINTENANCE EXPENSE-TRANSMISSION	386	240	(146)	1,707	1,268	(439)	[B] Page 31
MAINTENANCE EXPENSE-GENERAL PLANT	13	8	(5)	41	47	6	
TOTAL MAINTENANCE EXPENSE	3,031	3,533	502	16,522	18,730	2,208	
DEPRECIATION & AMORTIZATION EXPENSE	2,878	3,010	132	14,436	14,917	481	
TAXES	0	21	21	63	104	41	
INTEREST ON LONG-TERM DEBT	3,863	4,042	179	19,244	19,549	305	
INTEREST CHARGED TO CONSTRUCTION-CREDIT	(17)	(54)	(37)	(354)	(159)	195	
OTHER INTEREST EXPENSE	0	0	0	59	82	23	
OTHER DEDUCTIONS	13	12	(1)	105	57	(48)	
TOTAL COST OF ELECTRIC SERVICE	47,347	45,307	(2,040)	226,940	220,274	(6,666)	
OPERATING MARGINS	3,365	(2,285)	5,650	2,437	(661)	3,098	
INTEREST INCOME	9	33	(24)	103	159	(56)	
ALLOWANCE FOR FUNDS USED DURING CONST	0	0	0	0	0	0	
OTHER NON-OPERATING INCOME - NET	2	0	2	7	0	7	
OTHER CAPITAL CREDITS & PAT DIVIDENDS	0	0	0	97	96	1	
EXTRAORDINARY ITEMS	0	0	0	0	0	0	
NET PATRONAGE CAPITAL OR MARGINS	3,376	(2,253)	5,629	2,644	(405)	3,049	

Explanations: [A] Net Sales Margin, [B] 10% and \$250,000 line item or [C] 10% and \$500,000 margins.



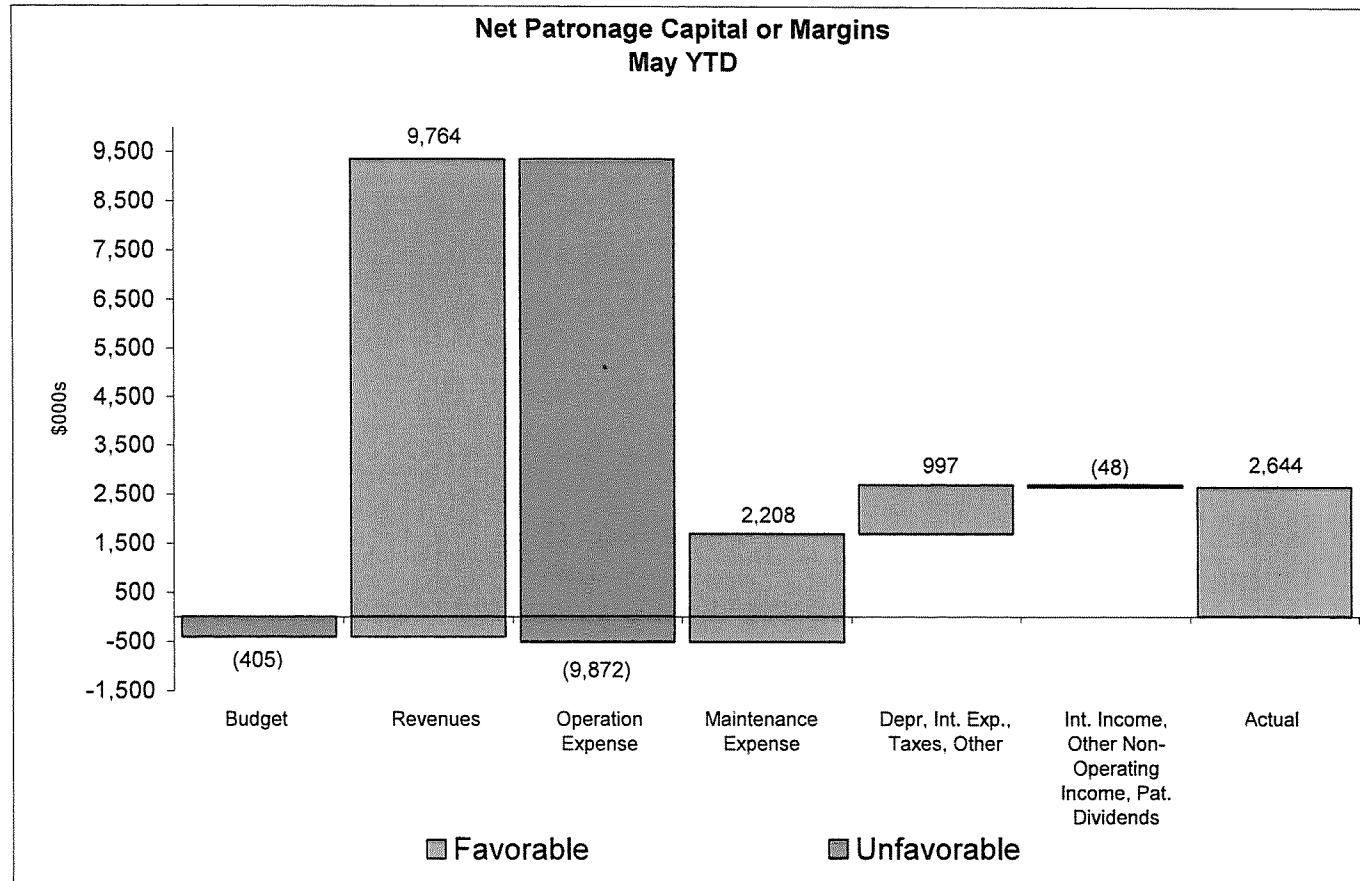
Your Texas Power Partner

Statement of Operations – May Variance to Prior-Year

	Current Month			Year-to-Date			
	Actual	Prior Year	Variance Fav/(UnFav)	Actual	Prior Year	Variance Fav/(UnFav)	Explanation
ELECTRIC ENERGY REVENUES	50,393	41,411	8,982	228,063	212,796	15,267	[A] Pages 7, 12-14
INCOME FROM LEASED PROPERTY - NET	0	0	0	0	0	0	
OTHER OPERATING REVENUE AND INCOME	319	1,143	(824)	1,314	5,651	(4,337)	[B], [C] Page 26
TOTAL OPER REVENUES & PATRONAGE CAPITAL	50,712	42,554	8,158	229,377	218,447	10,930	
OPERATION EXPENSE-PRODUCTION-EXCL FUEL	4,138	4,517	379	20,242	21,188	946	[A] Pages 7, 12-14, 27
OPERATION EXPENSE-PRODUCTION-FUEL	20,070	15,418	(4,652)	95,813	85,234	(10,579)	[A] Pages 7, 12-14
OPERATION EXPENSE-OTHER POWER SUPPLY	10,517	8,919	(1,598)	45,058	40,536	(4,522)	[A] Pages 7, 12-14, [B] 27
OPERATION EXPENSE-TRANSMISSION	622	618	(4)	4,638	3,193	(1,445)	[B] Page 28
CONSUMER SERVICE & INFORMATIONAL EXPENSE	27	45	18	161	224	63	
OPERATION EXPENSE-SALES	7	11	4	1	7	6	
OPERATION EXPENSE-ADMINISTRATIVE & GENERAL	2,198	1,426	(772)	10,952	11,200	248	
TOTAL OPERATION EXPENSE	37,579	30,954	(6,625)	176,865	161,582	(15,283)	
MAINTENANCE EXPENSE-PRODUCTION	2,632	3,587	955	14,774	13,128	(1,646)	[B],[C] Page 30
MAINTENANCE EXPENSE-TRANSMISSION	386	334	(52)	1,707	1,576	(131)	
MAINTENANCE EXPENSE-GENERAL PLANT	13	7	(6)	41	90	49	
TOTAL MAINTENANCE EXPENSE	3,031	3,928	897	16,522	14,794	(1,728)	
DEPRECIATION & AMORTIZATION EXPENSE	2,878	2,886	8	14,436	14,188	(248)	
TAXES	0	2	2	63	68	5	
INTEREST ON LONG-TERM DEBT	3,863	3,700	(163)	19,244	19,713	469	
INTEREST CHARGED TO CONSTRUCTION-CREDIT	(17)	(29)	(12)	(354)	(137)	217	
OTHER INTEREST EXPENSE	0	21	21	59	43	(16)	
OTHER DEDUCTIONS	13	5	(8)	105	19	(86)	
TOTAL COST OF ELECTRIC SERVICE	47,347	41,467	(5,880)	226,940	210,270	(16,670)	
OPERATING MARGINS	3,365	1,087	2,278	2,437	8,177	(5,740)	
INTEREST INCOME	9	31	(22)	103	141	(38)	
ALLOWANCE FOR FUNDS USED DURING CONST	0	0	0	0	0	0	
OTHER NON-OPERATING INCOME - NET	2	2	0	7	12	(5)	
OTHER CAPITAL CREDITS & PAT DIVIDENDS	0	0	0	97	13	84	
EXTRAORDINARY ITEMS	0	0	0	0	0	0	
NET PATRONAGE CAPITAL OR MARGINS	3,376	1,120	2,256	2,644	8,343	(5,699)	

[A] Net Sales Margin, [B] 10% and \$250,000 line item or [C] 10% and \$500,000 margins.

Variance Analysis Summary

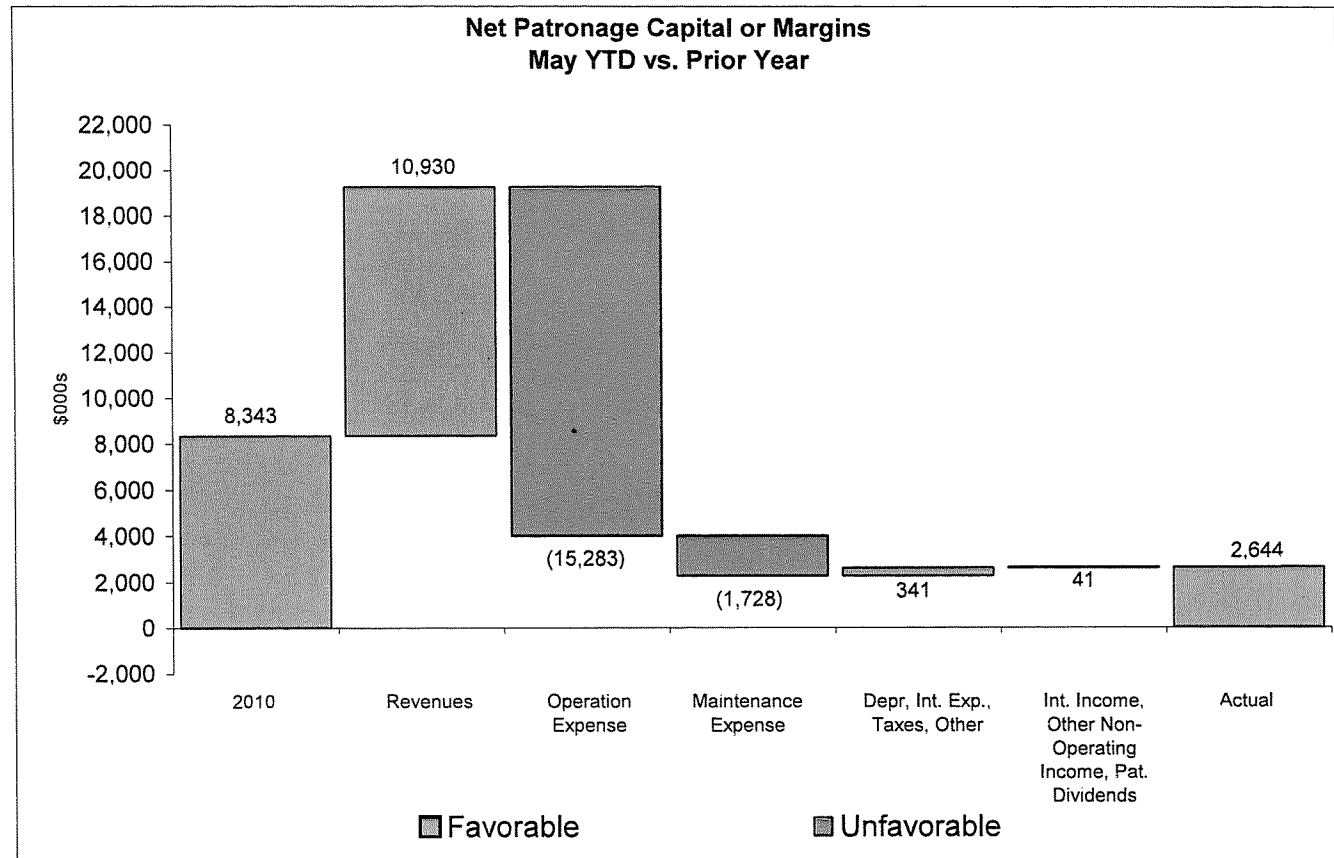


Financial Commentary

Year-to-Date

- YTD May 2011 Margins were \$3,049 favorable to budget.
 - Electric Energy Revenues were favorable \$8,460 primarily due to higher off-system volume (see pg. 12).
 - Other Revenue was favorable \$1,304 (see pg. 26).
 - Operation Expense was unfavorable \$9,872 – driven by higher variable costs \$13,190, partially offset by the reduction in scope of the HMPL 1 planned outage and favorable timing of operating expenses at transmission (see pgs. 13, 27, 28 & 29).
 - Maintenance Expense was favorable \$2,208 primarily due timing of plant expenses (see pgs. 30 & 31).
 - Depreciation and Interest Expense was favorable \$997 due to lower depreciation and higher capitalized interest.

Variance Analysis Summary



Financial Commentary

Year-to-Date

- YTD 2011 margins were \$5,699 unfavorable to YTD 2010.
 - Electric Energy Revenues were favorable \$15,267 primarily due to higher off-system volumes (see pg. 12).
 - Other Revenue was unfavorable \$4,337 primarily due to a lower power supply transmission reservation, which is off-set in Operations Expense – Other Power Supply (see pg. 26).
 - Operation Expense was unfavorable \$15,283 – driven by higher variable costs \$17,766, partially offset by lower transmission reservation (see pgs. 13, 27 & 28) and lower administrative costs.
 - Maintenance Expense was unfavorable \$1,728 primarily due to unplanned outages at Coleman and Green this year, the planned outage at Wilson this year and higher planned maintenance activities at the plants (pg. 30).
 - Depreciation and Interest Expense combined was lower \$341

Member Rate Stability Mechanism YTD May

	<u>Actual</u> <u>2011</u>	<u>Budget</u> <u>2011</u>	<u>2011</u> <u>Variance</u>	<u>Actual</u> <u>2010</u>	<u>2010</u> <u>Variance</u>		<u>Actual</u> <u>2011</u>	<u>Budget</u> <u>2011</u>	<u>2011</u> <u>Variance</u>	<u>Actual</u> <u>2010</u>	<u>2010</u> <u>Variance</u>
<u>MRSM - \$/MWh</u>						<u>Net Revenue - \$/MWh</u>					
Rural	(7.28)	(7.01)	(0.27)	(8.99)	1.71	Rural	38.36	37.65	0.71	35.77	2.59
Large Industrial	(7.28)	(7.01)	(0.27)	(8.99)	1.71	Large Industrial	34.56	34.28	0.28	32.62	1.94
Total	(7.28)	(7.01)	(0.27)	(8.99)	1.71	Total	37.26	36.73	0.53	34.89	2.37
<u>MRSM - Thousands of \$</u>						<u>Net Revenue - Thousands of \$</u>					
Rural	(7,003)	(7,163)	160	(8,806)	1,803	Rural	36,886	38,456	(1,570)	35,069	1,817
Large Industrial	(2,876)	(2,684)	(192)	(3,424)	548	Large Industrial	13,642	13,125	517	12,442	1,200
Total	(9,879)	(9,847)	(32)	(12,230)	2,351	Total	50,528	51,581	(1,053)	47,511	3,017

<u>Economic Reserve Balance</u>			
<u>Cumulative-to-Date</u>	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
Original Deposit	\$ 157,000		
Interest Earnings	2,292		
Withdrawals	(47,424)		
Cumulative through May 31st	\$ 111,868	\$ 112,635	\$ (767)
<u>YTD May 2011</u>			
Beg. Balance 1/1/2011	\$ 121,220		
Interest Earnings	428		
Withdrawals	(9,780)		
Ending Balance 5/31/2011	\$ 111,868	\$ 112,635	\$ (767)

Cash & Temporary Investments

	<u>Actual</u>	<u>Budget</u>	<u>Fav/(Unfav)</u>	2010 <u>Actual</u>	<u>Fav/(Unfav)</u>
May 31st	67,027	29,493	37,534	49,836	17,191

The May 31st, 2011 cash balance compared to budget is favorable primarily due to lower capital expenditures \$17,717 and a reduction in fuel inventory \$20,298.

The May 31st, 2011 cash balance compared to prior year is favorable primarily due to voluntarily prepaying the RUS Series A Note during 2010.

<u>Lines of Credit</u> <u>As of May 31st</u>	
Original Amount	\$ 100,000
Letters of Credit Outstanding	(5,625)
Advances Outstanding	0
Available Lines of Credit	\$ 94,375

North Star – YTD May

	2011			2010	
	Actual	Budget	Fav/(UnFav) Variance	Actual	Fav/(UnFav) Variance
Total Cost of Electric Service			1,276		(16,670)
Other Operating Revenues & Income	(1,301)	(7,952)	(6,651)	(5,651)	(4,350)
Off-System Sales					
Interest Income	(103)	(159)	(56)	(141)	(38)
Other Non-Operating Income	(7)	0	7	(12)	(5)
Other Capital Credits & Pat. Dividends	(97)	(96)	1	(13)	84
			12,630		(11,240)
Member MWh	4,124,603	4,420,429	(295,826)	3,993,205	131,398
North Star - \$/kWh					



TIER

	<u>Actual</u>	<u>Budget</u>	<u>Fav/(Unfav)</u>
Interest on Long Term Debt	19,244	19,549	305
Net Margins	[REDACTED]		
TIER (5 months ending 5/31)	[REDACTED]		
TIER (12 months ending 5/31)	[REDACTED]		

Notes:

TIER = (Net Margins + Interest on Long-Term Debt) divided by Interest on Long-Term Debt

Capital Expenditures*

	Actual	Budget	Fav/(UnFav)
IT	420	516	96
Generation	6,449	17,336	10,887
Transmission	2,246	7,179	4,933
Other	333	2,134	1,801
Total	9,448	27,165	17,717

Explanation:

Generation favorable primarily due to the timing or cancellation of projects. Coleman was favorable \$3,922 due to the cancellation of several projects including Interposing Logic System Controls and control room upgrade. The delay of several projects including the C2 Aux Transformer and circulating water pump added to the favorability. Station Two was favorable \$2,747 due to reducing the scope of the HMPL 1 spring outage. Green Station was favorable \$2,299 due to several projects being moved to later in the year. These include FGD rehab , IUCS Controls, Sample & Analyzers and OFA Jordan drives. The Wilson facility was favorable \$1,919 due to the delay of the dust collectors, conveyor belts and the secondary air-heater milestone payment.

Transmission favorable primarily due to the timing of the Wilson Line 19F Terminal, Two-Way Radio Replacement and Paradise Terminal Upgrade.

Other favorable primarily due to the delay in purchasing the PCI Software, Operator Training Simulator and analyzers and a chromatograph for the Environmental Department.

* Gross of the City's share of Station Two.



Your Touchstone Energy Cooperative

Revenue YTD May

	<u>Actual 2011</u>	<u>Budget 2011</u>	<u>Variance</u>	<u>Actual 2010</u>	<u>2010 Variance</u>
<u>MWh Sales</u>					
Rural	961,586	1,021,540	(59,954)	980,170	(18,584)
Large Industrial	394,769	382,838	11,931	381,292	13,477
Smelter	2,768,246	3,016,051	(247,805)	2,631,743	136,503
Off-System/Other					
Total					
<u>Revenue - \$/MWh</u>					
Rural	45.64	44.66	0.98	44.76	0.88
Large Industrial	41.84	41.29	0.55	41.61	0.23
Smelter	43.43	42.70	0.73	43.83	(0.40)
Off-System/Other					
Total					
<u>Revenue - Thousands of \$</u>					
Rural	43,889	45,619	(1,730)	43,875	14
Large Industrial	16,518	15,809	709	15,866	652
Smelter	120,223	128,795	(8,572)	115,361	4,862
Off-System/Other					
Total					

Revenue Price / Volume Analysis YTD May 2011

	<u>Price / Volume</u>		
	<u>Price</u>	<u>Volume</u>	<u>Total</u>
Rural	947	(2,677)	(1,730)
Large Industrial	216	493	709
Smelter	2,010	(10,582)	(8,572)
Off-System/Other			



Your Touchstone Energy Cooperative

Variable Operations Cost YTD May

	<u>Actual 2011</u>	<u>Budget 2011</u>	<u>Variance</u>	<u>Actual 2010</u>	<u>2010 Variance</u>
Variable Operations (VO) Cost - \$/MWh					
Rural					
Large Industrial					
Smelter					
Off-System/Other					
Total					
VO Cost - Thousands of \$					
Rural					
Large Industrial					
Smelter					
Off-System/Other					
Total					

YTD May 2011 Variable Operations Expense

	<u>Actual</u>	<u>Budget</u>	<u>Fav/(UnFav)</u>	<u>Price Variance Fav/(UnFav)</u>	<u>Volume Variance Fav/(UnFav)</u>	<u>Fav/(UnFav)</u>
Reagent						
Fuel						
Purchased Power						
Non-FAC PPA (Non-Smelter)						



Your Touchstone Energy Cooperative

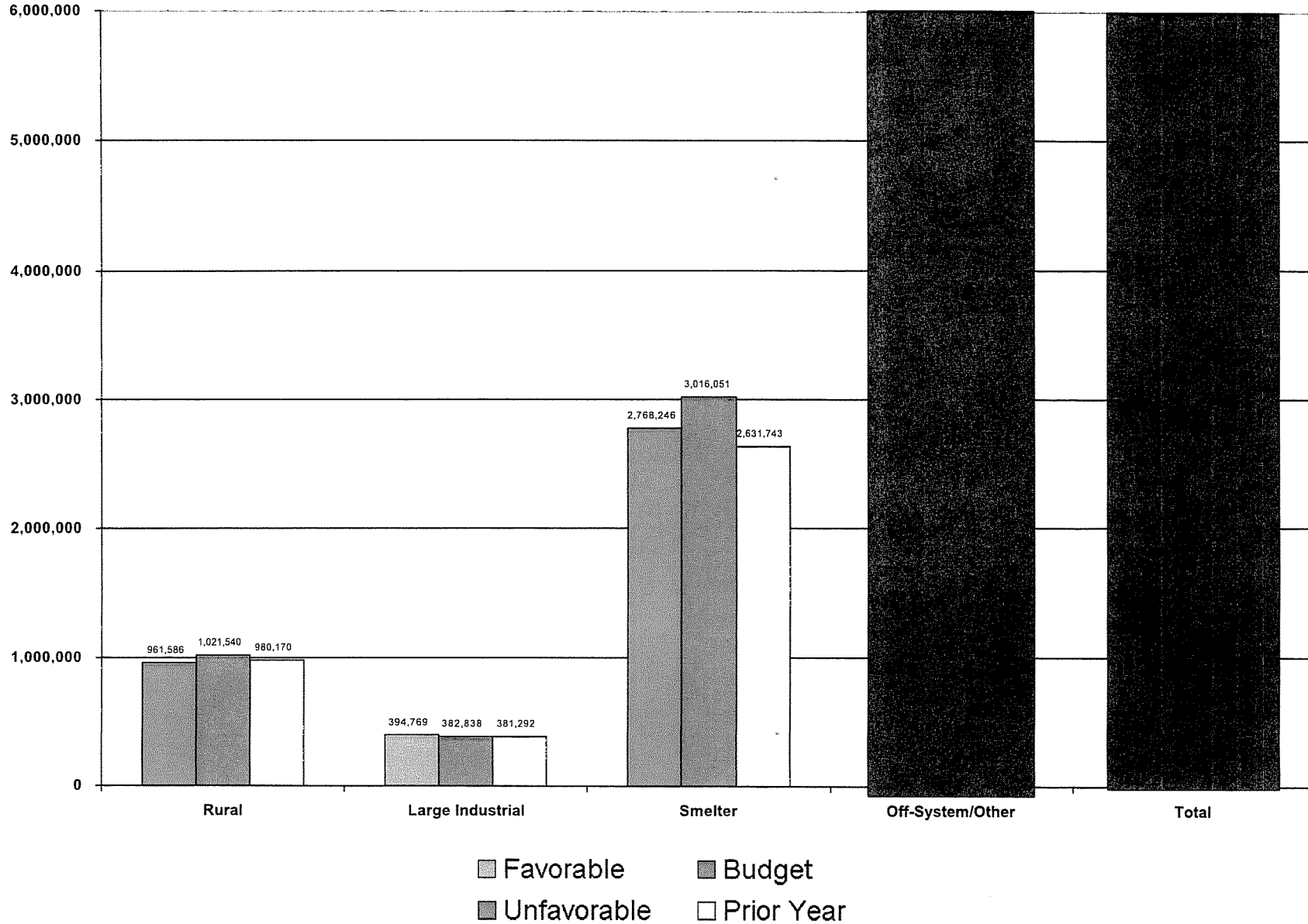
Net Sales Margin YTD May

	<u>Actual 2011</u>	<u>Budget 2011</u>	<u>Variance</u>	<u>Actual 2010</u>	<u>2010 Variance</u>
<u>Net Sales Margin - \$/MWh</u>					
Rural					
Large Industrial					
Smelter					
Off-System/Other					
Total					
<u>Net Sales Margin - Thousands of \$</u>					
Rural					
Large Industrial					
Smelter					
Off-System/Other					
Total					

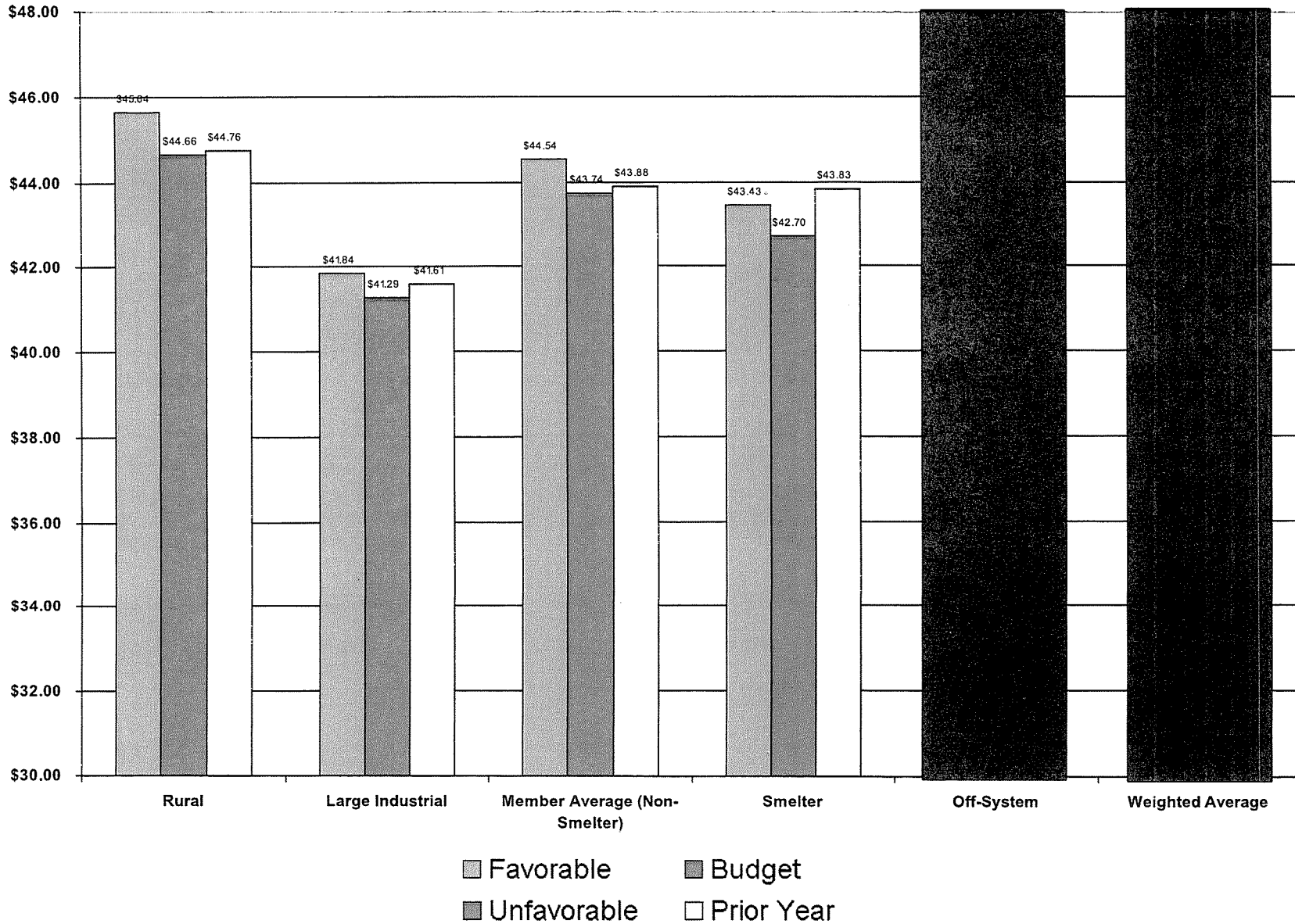
Net Sales Margin Price / Volume Analysis YTD May 2011

	<u>Price / Volume</u>		
	<u>Price</u>	<u>Volume</u>	<u>Total</u>
Rural			
Large Industrial			
Smelter			
Off-System/Other			
Total			

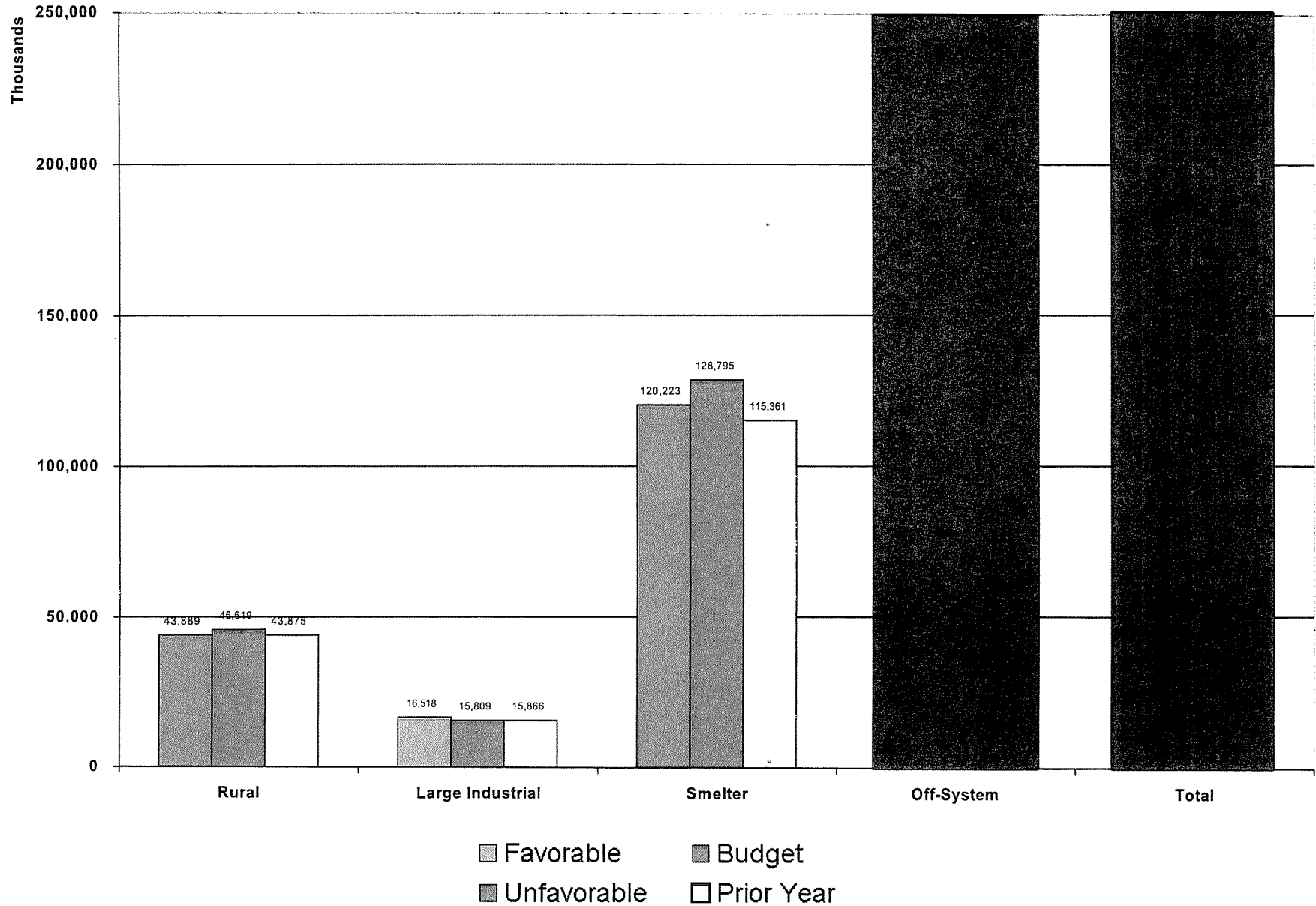
MWH Sales YTD - May



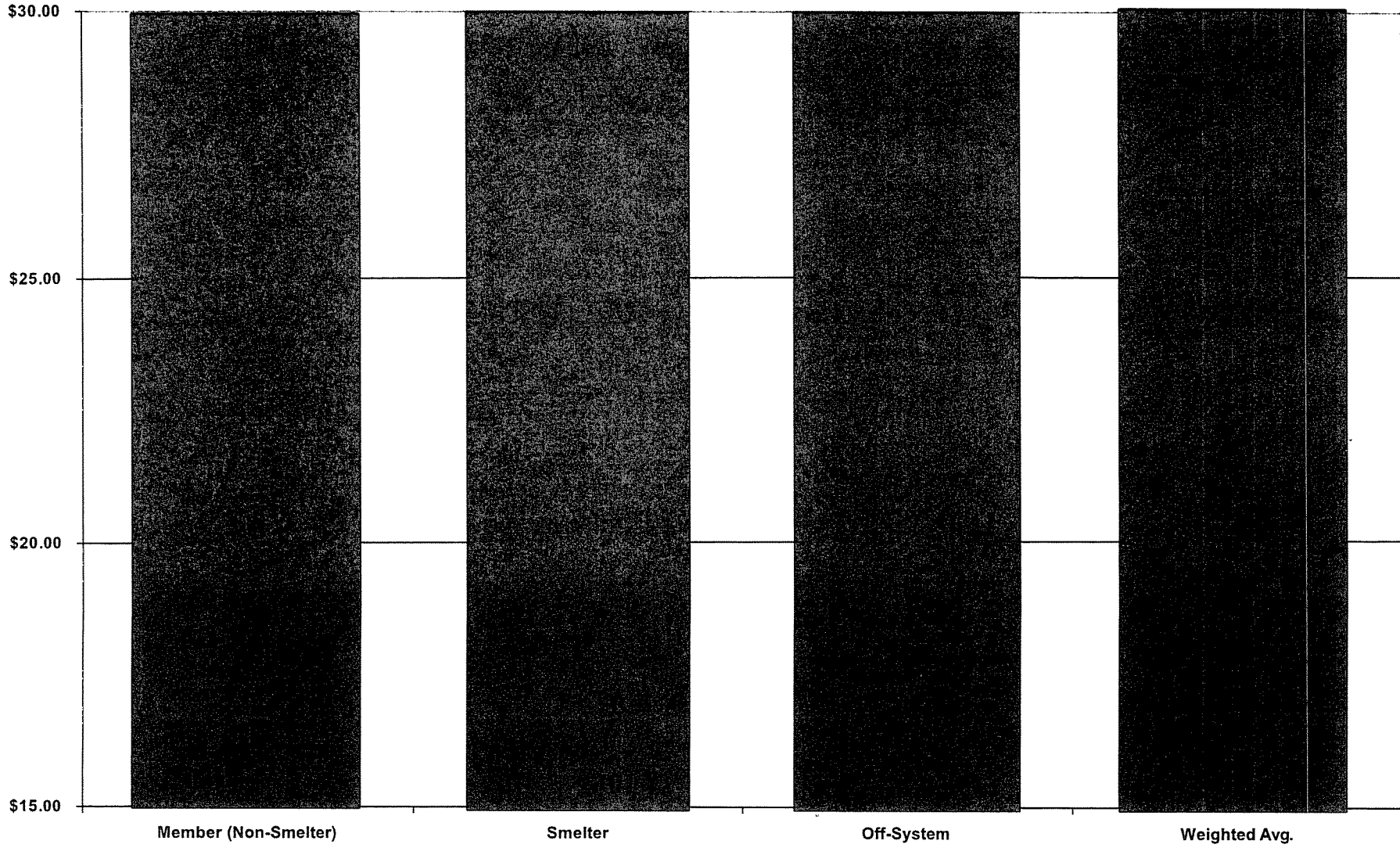
Revenue - \$/MWh Sold YTD - May



Revenue YTD - May

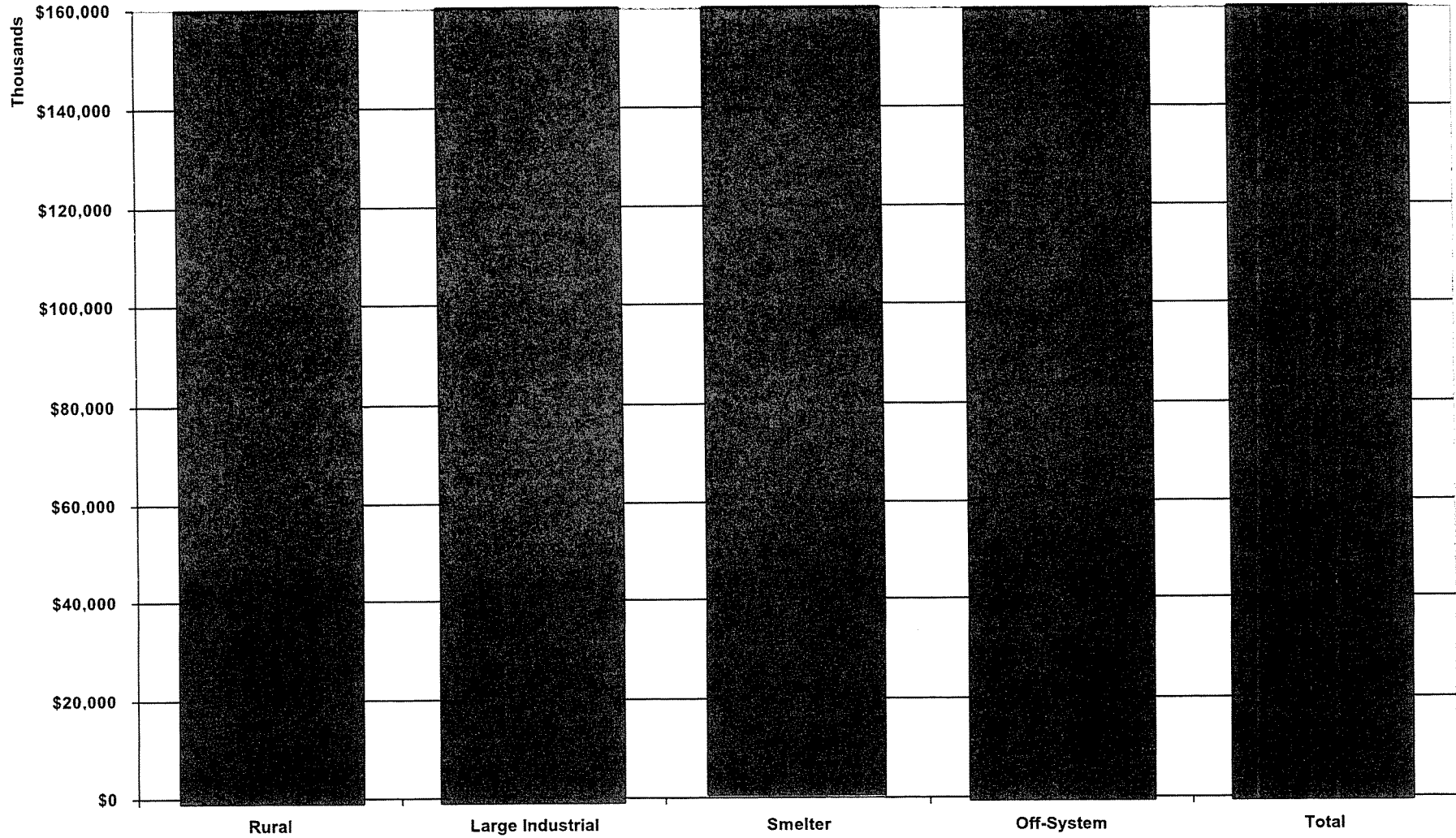


Power Cost - \$/MWh Sold YTD - May



Favorable
 Budget
 Unfavorable
 Prior Year

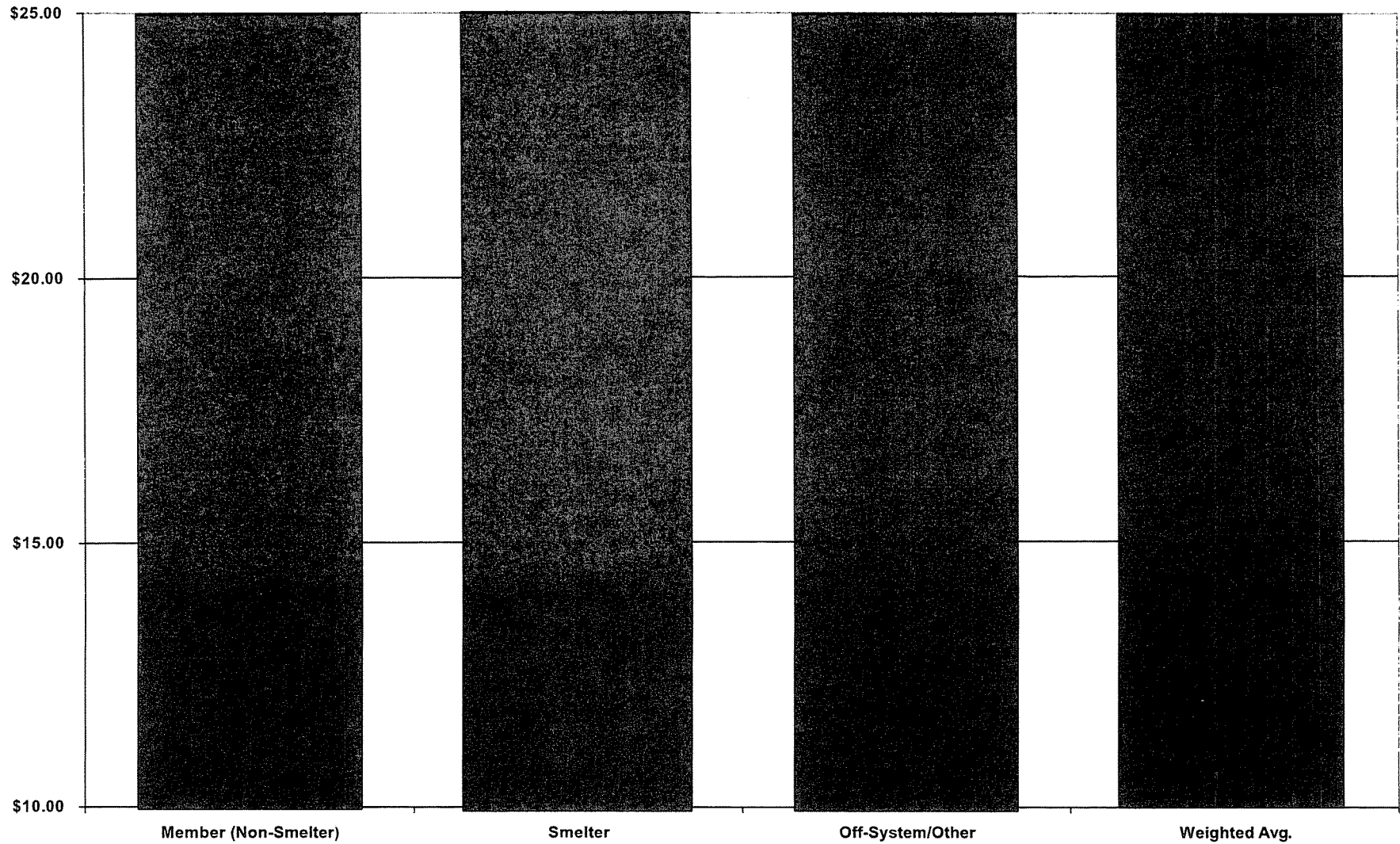
Power Cost YTD – May



Favorable
 Budget
 Unfavorable
 Prior Year

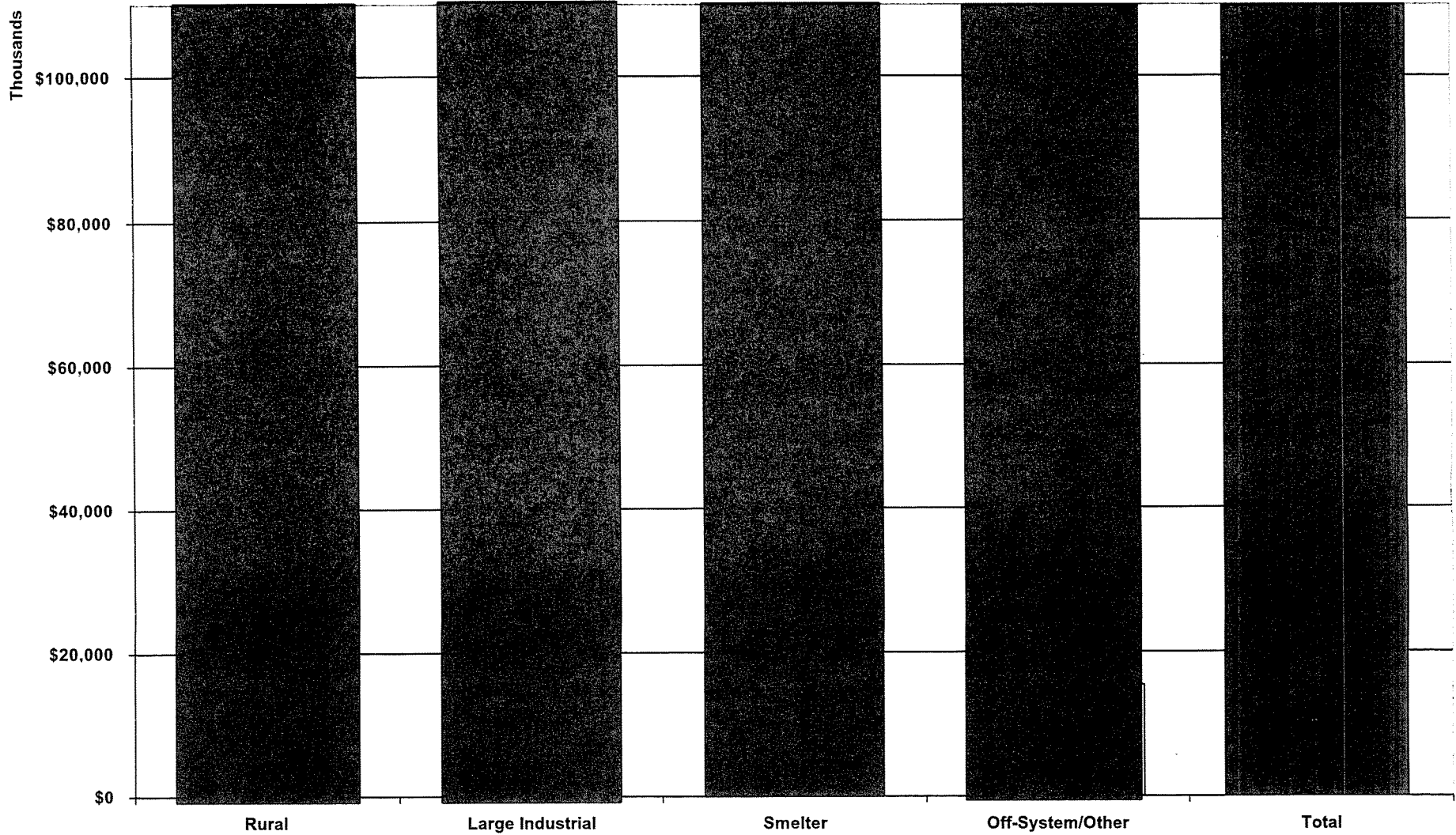
Sales Margin - \$/MWh

YTD - May



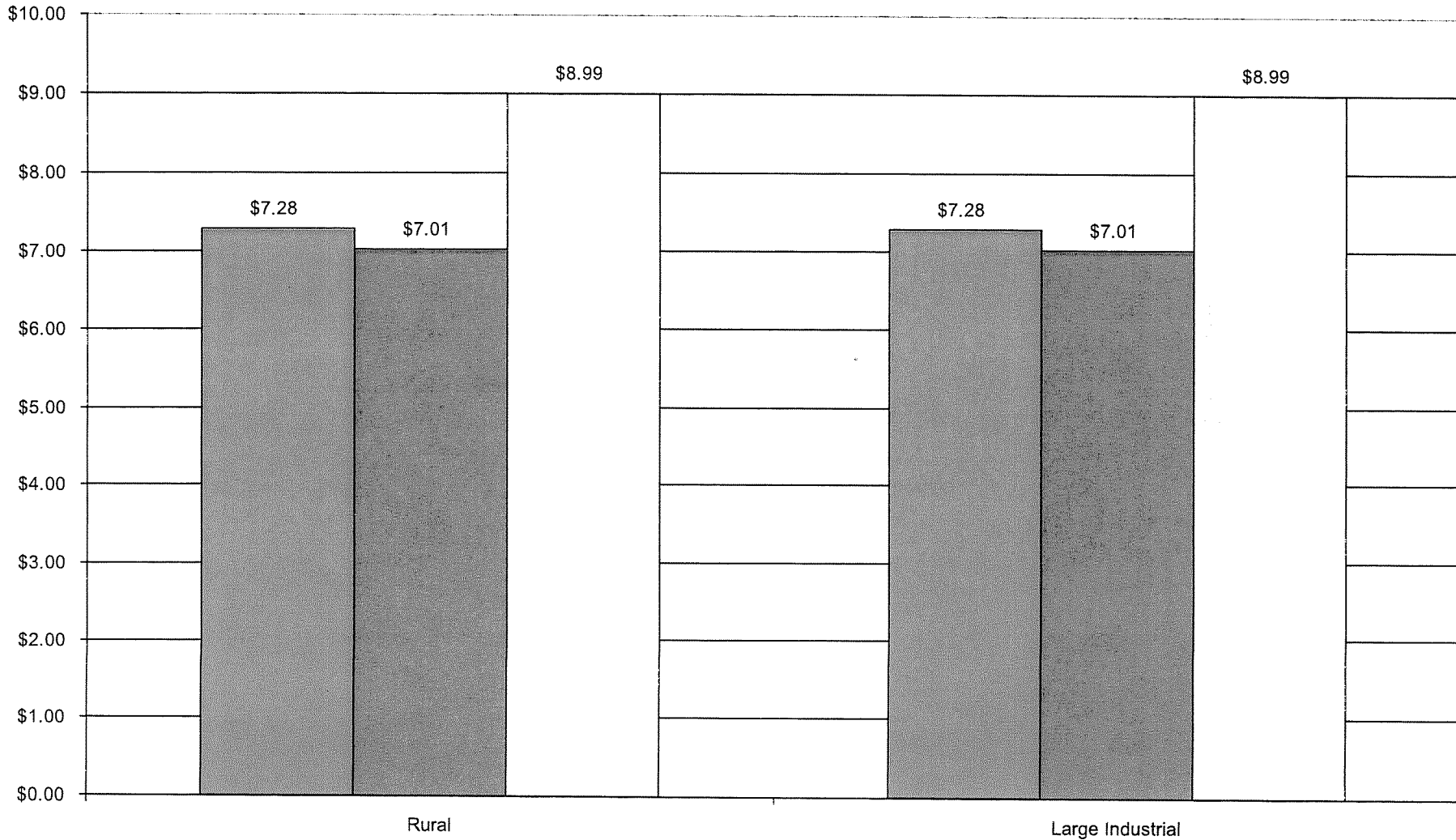
Favorable
 Budget
 Unfavorable
 Prior Year

Sales Margin YTD - May



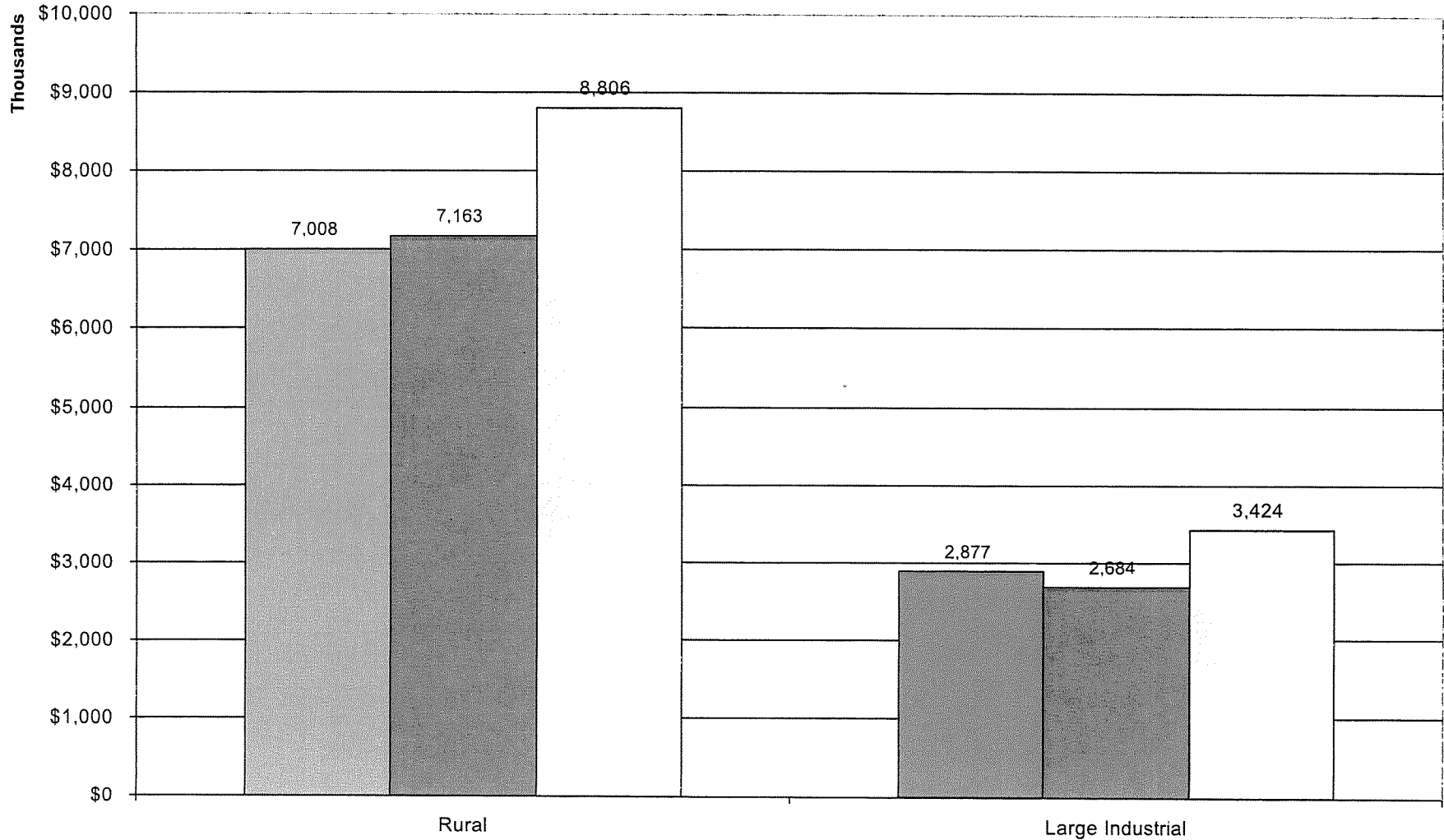
Favorable Budget
 Unfavorable Prior Year

MRSM - \$/MWh YTD - May



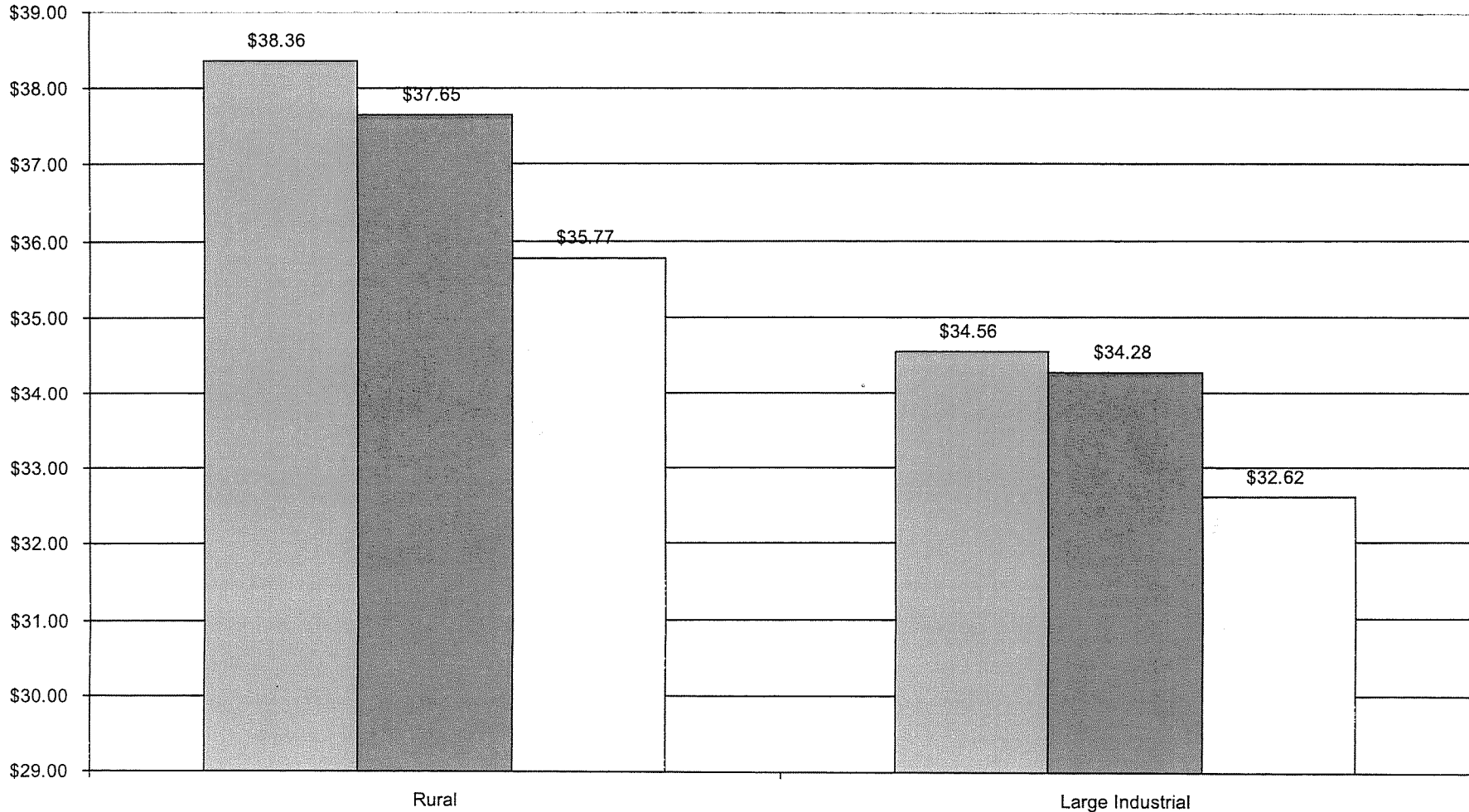
Favorable
 Budget
 Unfavorable
 Prior Year

MRSM YTD - May



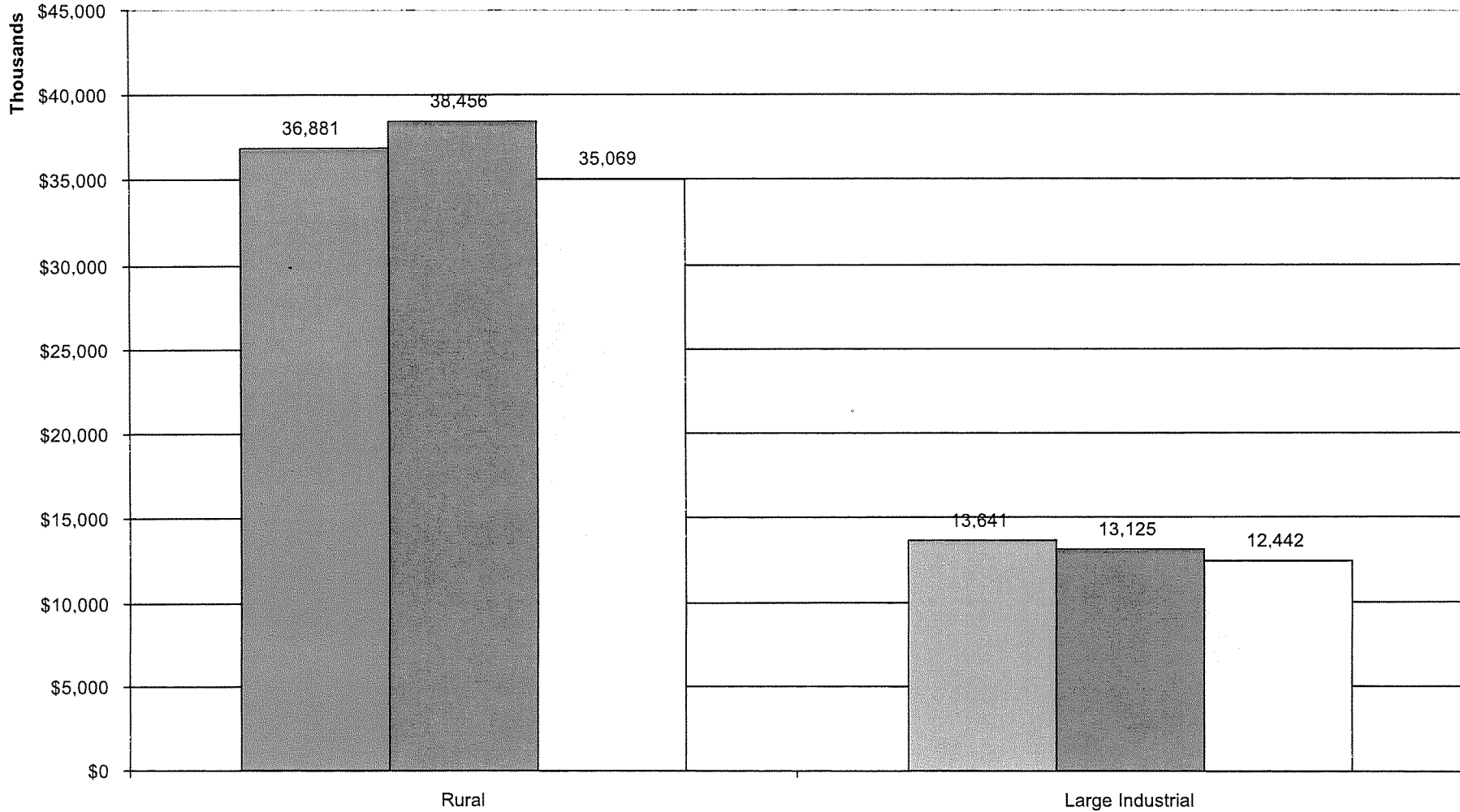
Favorable
 Budget
 Unfavorable
 Prior Year

Net Revenue (Excl. MRSM) - \$/MWh YTD - May



Favorable
 Budget
 Unfavorable
 Prior Year

Net Revenue (Excl. MRSM) YTD - May



Favorable
 Budget
 Unfavorable
 Prior Year

Other Operating Revenue and Income

	2011			2010	
	<u>Actual</u>	<u>Budget</u>	<u>Variance Fav/(Unfav)</u>	<u>2010 Actual</u>	<u>Variance Fav/(Unfav)</u>
May YTD	1,314	10	1,304	5,651	(4,337)

Favorable to budget due to (intentional) omission of the power supply transmission reservation (from the budget).

Unfavorable to prior year due to a lower power supply transmission reservation.

Non-Variable Production and Other Power Supply – Operations

	2011			2010	
			Variance	2010	Variance
	<u>Actual</u>	<u>Budget</u>	<u>Fav/(Unfav)</u>	<u>Actual</u>	<u>Fav/(Unfav)</u>
May YTD			951		3,611

Current Year Variances

Power Supply transmission reservation	(2,296)
HMPL 1 Outage scope reduction	1,436
Plant operations expense timing (Coleman \$509, Green \$350 & Wilson \$317)	1,176
Station-Two O&M timing	409
Other	226
Non-Variable Production and Other Power Supply - Operations	951

Prior-Year Variances

Power Supply transmission reservation	3,994
Other	(383)
Non-Variable Production and Other Power Supply - Operations	3,611

Operation Expense – Transmission

	2011			2010	
	<u>Actual</u>	<u>Budget</u>	<u>Variance Fav/(Unfav)</u>	<u>2010 Actual</u>	<u>Variance Fav/(Unfav)</u>
May YTD	4,638	6,688	2,050	3,193	(1,445)

Favorable to budget primarily due to 1) lower than anticipated MISO related expenses \$705, 2) unfilled positions and more labor capitalized than budgeted \$658, and 3) various stations and lines fixed departmental expenses \$687.

Unfavorable to prior year due to MISO membership.

Operation Expense – Sales

		2011	
			Variance
		<u>Actual</u>	<u>Budget</u>
			<u>Fav/(Unfav)</u>
May YTD		1	389
			388

Favorable to budget primarily due to timing of fixed departmental expenses in the marketing area.

Maintenance Expense – Production

	2011			2010	
	<u>Actual</u>	<u>Budget</u>	<u>Variance Fav/(Unfav)</u>	<u>2010 Actual</u>	<u>Variance Fav/(Unfav)</u>
May YTD			2,641		(1,646)

Favorable to budget due to projects at Green that have been delayed \$1,149. These included mill overhauls, fire water lines and heavy equipment maintenance. The Coleman facility is favorable \$707 due to a timing of maintenance activities such as mill and pump overhauls and bar screen repairs. Timing of expenses at Reid are favorable \$354.

Unfavorable to prior year due to higher planned maintenance activities this year, the planned outage at Wilson and higher unplanned outages at Green and Coleman.

Maintenance Expense – Transmission

		2011		
		<u>Actual</u>	<u>Budget</u>	Variance <u>Fav/(Unfav)</u>
May YTD		1,707	1,268	(439)

Unfavorable to budget primarily due to higher maintenance expense and lower operation expense. The favorable variance in Operation Expense – Transmission offsets this unfavorable variance.