

ORIGINAL



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. 2013-00199
GENERAL ADJUSTMENT IN RATES)**

**VOLUME 3 of 5
APPLICATION TAB 35**

FILED: June 28, 2013

ORIGINAL

Big Rivers Electric Corporation
Case No. 2013-00199
Table of Contents

Forecasted Test Year
(Forecast Yest Year 12ME January 15, 2015; Base Period TME September 30, 2013)

Volume Number	Tab Number	Item	
1	1	Table of Contents	
1	1	Application	

Big Rivers Electric Corporation
Case No. 2013-00199
Table of Contents

Forecasted Test Year

(Forecast Yest Year 12ME January 15, 2015; Base Period TME September 30, 2013)

Volume Number	Tab Number	Filing Requirement	Description	Sponsoring Witness(es)
1	1	807 KAR 5:001 Section 16(1)(b)1	<i>Reason the adjustment</i>	Mr. Bailey
1	2	807 KAR 5:001 Section 16(1)(b)2	<i>Certificate of good standing or certificate of authorization</i>	Ms. Richert
1	3	807 KAR 5:001 Section 16(1)(b)3	<i>Certificate of assumed name</i>	Ms. Richert
1	4	807 KAR 5:001 Section 16(1)(b)4	<i>Proposed tariff</i>	Ms. Speed
1	5	807 KAR 5:001 Section 16(1)(b)5	<i>Utility's proposed tariff changes - Current Tariff v. Proposed Tariff [Side-by-Side]</i>	Ms. Speed
1	6	807 KAR 5:001 Section 16(1)(b)6	<i>Customer notice complies with subsections (3) and (4); copy of notice</i>	Ms. Speed
1	7	807 KAR 5:001 Section 16(2)	<i>Notice of Intent</i>	Ms. Speed
1	8	807 KAR 5:001 Section 16(3)(a)	<i>Manner of Notification (<= 20 Customers)</i>	Ms. Speed
1	9	807 KAR 5:001 Section 16(3)(b)	<i>Manner of Notification (> 20 Customers)</i>	Ms. Speed
1	10	807 KAR 5:001 Section 16(3)(c)	<i>Service in Multiple Counties</i>	Ms. Speed
1	11	807 KAR 5:001 Section 16(4)	<i>Notice Requirements</i>	Ms. Speed
1	12	807 KAR 5:001 Section 16(5)	<i>Proff of Notice</i>	Ms. Speed
1	13	807 KAR 5:001 Section 16(6)	<i>Additional Notice Requirements</i>	Ms. Speed
1	14	807 KAR 5:001 Section 16(7)	<i>Abbreviated Form of Notice</i>	Ms. Speed
1	15	807 KAR 5:001 Section 16(8)	<i>Notice of hearing scheduled by the commission in compliance with KRS 424.300</i>	Ms. Speed
1	16	807 KAR 5:001 Section 16(11)(a)	<i>Financial date for Forecasted Period presented in form of pro forma adjustments to Base Period</i>	Mr. Wolfram and Mr. Williams
1	17	807 KAR 5:001 Section 16(11)(b)	<i>Forecasted adjustments limited to twelve (12) months immediately following suspension period.</i>	Mr. Williams
1	18	807 KAR 5:001 Section 16(11)(c)	<i>Capitalization and Net Investment Rate Base</i>	Mr. Warren

**Big Rivers Electric Corporation
Case No. 2013-00199
Table of Contents**

Forecasted Test Year

(Forecast Test Year 12ME January 15, 2015; Base Period TME September 30, 2013)

Volume Number	Tab Number	Filing Requirement	Description	Sponsoring Witness(es)
1	19	807 KAR 5:001 Section 16(11)(d) and 807 KAR 5:001 Section 16(11)(e)	<i>No revisions to Forecasted Test Period except for mathematical errors or changes in regulatory or statutory enactments; Commission may require Alternative Forecast</i>	Ms. Speed
1	20	807 KAR 5:001 Section 16(11)(f)	<i>Reconciliation of Rate Base and Capital used to determine Revenue requirements</i>	Mr. Warren
1	21	807 KAR 5:001 Section 16(12)(a)	<i>Prepared testimony of each witness including utility's chief officer in Kentucky addressing programs to achieve improvements, efficiency, and productivity.</i>	Mr. Bailey
1	22	807 KAR 5:001 Section 16(12)(b)	<i>Most recent capital construction budget with minimum of three (3) year forecast of construction expenditures.</i>	Mr. Berry and Mr. Crockett
1	23	807 KAR 5:001 Section 16(12)(c)	<i>Description of all factors used in preparing forecast period, including econometric models, variables, assumptions, escalation factors, etc.</i>	Mr. Williams
1	24	807 KAR 5:001 Section 16(12)(d)	<i>Utility's annual and monthly budget for twelve (12) months preceding filing date, base period, and forecasted period.</i>	Ms. Richert
1	25	807 KAR 5:001 Section 16(12)(e)	<i>Statement of attestation of utility's chief officer in Kentucky regarding forecast's reasonableness/reliability, and affirming forecast's assumption/methodologies used in forecasts given to management.</i>	Mr. Bailey
1	26	807 KAR 5:001 Section 16(12)(f)	<i>Provide information on each major construction project comprising \geq 5% of annual construction budget within three (3) year forecast.</i>	Mr. Berry and Mr. Crockett
1	27	807 KAR 5:001 Section 16(12)(g)	<i>Provide aggregate information on all construction project comprising $<$ 5% of annual construction budget within three (3) year forecast.</i>	Mr. Berry and Mr. Crockett

Big Rivers Electric Corporation
Case No. 2013-00199
Table of Contents

Forecasted Test Year

(Forecast Yest Year 12ME January 15, 2015; Base Period TME September 30, 2013)

Volume Number	Tab Number	Filing Requirement	Description	Sponsoring Witness(es)
1	28	807 KAR 5:001 Section 16(12)(h)	<i>Financial forecast information corresponding to three (3) forecasted years included in capital construction budget.</i>	Ms. Barron, Mr. Berry, Mr. Haner, Mr. Warren, Mr. Williams, and Mr. Wolfram
1	29	807 KAR 5:001 Section 16(12)(i)	<i>Most recent Federal Energy Regulatory Commission or Federal Communication Commission audit reports.</i>	Ms. Richert
2	30	807 KAR 5:001 Section 16(12)(j)	<i>Prospectuses of the most recent stock or bond offerings.</i>	Ms. Richert
2	31	807 KAR 5:001 Section 16(12)(k)	<i>Most recent Federal Energy Regulatory Commission Form 1 (electric) or Form 2 (gas), or Automated Reporting Management Information System Report (telephone) and Public Service Commission Form T (telephone);</i>	Ms. Richert
2	32	807 KAR 5:001 Section 16(12)(l)	<i>Annual report to shareholders, or members, and statistical supplement</i>	Ms. Richert
2	33	807 KAR 5:001 Section 16(12)(m)	<i>Current chart of accounts</i>	Ms. Richert
2	34	807 KAR 5:001 Section 16(12)(n)	<i>Latest twelve (12) months of monthly managerial reports providing financial results of operations in comparison to forecast</i>	Ms. Richert
3	35	807 KAR 5:001 Section 16(12)(o)	<i>Monthly budget variance reports with explanations, for twelve (12) months prior to base period, each month of base period, and subsequent months, when available.</i>	Ms. Richert
4	36	807 KAR 5:001 Section 16(12)(p)	<i>Securities and Exchange Commission's annual reports, Form 10-Ks, Form 8-Ks, and form 10-Qs.</i>	Ms. Richert
4	37	807 KAR 5:001 Section 16(12)(q)	<i>Independent auditor's annual opinion report.</i>	Ms. Richert
4	38	807 KAR 5:001 Section 16(12)(r)	<i>Quarterly reports to stockholders for most recent five (5) quarters.</i>	Ms. Richert

Big Rivers Electric Corporation
Case No. 2013-00199
Table of Contents

Forecasted Test Year

(Forecast Yest Year 12ME January 15, 2015; Base Period TME September 30, 2013)

Volume Number	Tab Number	Filing Requirement	Description	Sponsoring Witness(es)
4	39	807 KAR 5:001 Section 16(12)(s)	<i>Summary of the utility's latest depreciation study with schedules by major plant accounts.</i>	Ms. Richert
4	40	807 KAR 5:001 Section 16(12)(t)	<i>List of all commercially available or in-house developed computer software, programs, and models</i>	Ms. Richert
4	41	807 KAR 5:001 Section 16(12)(u)	<i>Information related to any amounts charged, allocated, or paid to utility by an affiliate, general office, or home office.</i>	Ms. Richert
4	42	807 KAR 5:001 Section 16(12)(v)	<i>Cost of service study</i>	Mr. Wolfram
4	43	807 KAR 5:001 Section 16(12)(w)	<i>Local exchange carriers, jurisdictional separations study, and service specific cost studies.</i>	Ms. Richert
4	44	807 KAR 5:001 Section 16(13)(a)	<i>Jurisdictional financial summary for base period and forecasted period deriving amount of requested increase.</i>	Mr. Warren
4	45	807 KAR 5:001 Section 16(13)(b)	<i>Jurisdictional rate base summary for base period and forecasted period with schedules detailing analysis of rate base.</i>	Mr. Warren
4	46	807 KAR 5:001 Section 16(13)(c)	<i>Jurisdictional operating income summary for base period and forecasted period with schedules detailing major/individual accounts.</i>	Ms. Richert
4	47	807 KAR 5:001 Section 16(13)(d)	<i>Summary of jurisdictional adjustments to operating income by major account with supporting schedules.</i>	Ms. Richert
4	48	807 KAR 5:001 Section 16(13)(e)	<i>Jurisdictional federal and sate income tax summary for base period and forecasted period with all supporting schedules.</i>	Ms. Richert
4	49	807 KAR 5:001 Section 16(13)(f)	<i>Summary schedules for base period and forecasted period of membership dues, initiation fees, country club expenditures, et. al.</i>	Ms. Richert

**Big Rivers Electric Corporation
Case No. 2013-00199
Table of Contents**

Forecasted Test Year

(Forecast Yest Year 12ME January 15, 2015; Base Period TME September 30, 2013)

Volume Number	Tab Number	Filing Requirement	Description	Sponsoring Witness(es)
4	50	807 KAR 5:001 Section 16(13)(g)	<i>Analysis of payroll costs including schedules for wages/salaries, employee benefits, payroll taxes, straight/overtime hours, et. al.</i>	Mr. Haner
4	51	807 KAR 5:001 Section 16(13)(h)	<i>Computation of gross revenue conversion factor for forecasted period.</i>	Mr. Wolfram
4	52	807 KAR 5:001 Section 16(13)(i)	<i>Comparative income statements and revenue/sales statistics for five (5) most recent calendar years from application filing date, base/forecasted periods, plus two (2) years beyond forecasted period.</i>	Ms. Richert
4	53	807 KAR 5:001 Section 16(13)(j)	<i>Cost of capital summary for base period and forecasted period with supporting schedules.</i>	Ms. Richert
4	54	807 KAR 5:001 Section 16(13)(k)	<i>Comparative financial data for ten (10) most recent calendar years, base period, and forecasted period.</i>	Ms. Richert
4	55	807 KAR 5:001 Section 16(13)(l)	<i>Narrative description and explanation of all proposed tariff changes.</i>	Ms. Speed
4	56	807 KAR 5:001 Section 16(13)(m)	<i>Revenue summary for base period and forecasted period with supporting schedules detailing billing analyses for customer classes.</i>	Ms. Richert
4	57	807 KAR 5:001 Section 16(13)(n)	<i>Typical bill comparison for present and proposed rates for all customer classes.</i>	Mr. Wolfram
4	58	807 KAR 5:001 Section 16(15)	<i>Request for waiver(s)</i>	Ms. Richert
4	59	Ordering Paragraph Nos. 2 and 3 of Commission's Order, dated July 24, 2012, in CN 2008-00408	<i>Electric utility in rate case to fully explain consideration of cost-effective energy efficieny programs and their impact on test year</i>	Ms. Barron

**Big Rivers Electric Corporation
Case No. 2013-00199
Table of Contents**

Forecasted Test Year
(Forecast Yest Year 12ME January 15, 2015; Base Period TME September 30, 2013)

Direct Testimony and Exhibits

Volume Number	Tab Number	Witness	Exhibit(s)	Exhibit Decription
5	60	Mark A. Bailey	Exhibit Bailey - 1	Professional Summary
5	61	Billie J. Richert	Exhibit Richert - 1	Professional Summary
			Exhibit Richert - 2	MFIR Calculation
			Exhibit Richert - 3	Generation & Transmisison Cooperatives Comparison Analysis
			Exhibit Richert - 4	Credit Rating Agency Reports
5	62	DeAnna M. Speed	Exhibit Speed - 1	Professional Summary
			Exhibit Speed - 2	Summary of Proposed Changes to Tariff Rates
			Exhibit Speed - 3	Side-by-Side Comparison of Big Rivers Proposed Tariff in CN 2012-000535 (PSC KY No. 25) versus Big Rivers Proposed Tariff in CN 2013-00199 (PSC KY No. 26)
5	63	Robert W. Berry	Exhibit Berry - 1	Forecasted Production Non-Labor Fixed Departmental Expenses (FDE)
			Exhibit Berry - 2	Forecasted Production Capital Work Plan
5	64	David G. Crockett	[None]	
5	65	Daniel M. Walker	Exhibit Walker - 1	G&T Cooperatives, Ratings and 2011 TIER
			Exhibit Walker - 2	G&T Cooperatives Debt Service Coverage (DSC) Ratios
			Exhibit Walker - 3	Equity Ratio
5	66	Jeffrey A. Williams	Exhibit Williams -1	Professional Summary

**Big Rivers Electric Corporation
Case No. 2013-00199
Table of Contents**

Forecasted Test Year
(Forecast Yest Year 12ME January 15, 2015; Base Period TME September 30, 2013)

Direct Testimony and Exhibits

Volume Number	Tab Number	Witness	Exhibit(s)	Exhibit Decription
5	67	Lindsay N. Barron	Exhibit Barron - 1	Professional Summary
			Exhibit Barron - 2	U.S. Department of Agriculture, Rural Utilities Service Approval Letter for 2013 Load Forecast Work Plan
			Exhibit Barron - 3	2014 and 2015 Energy and Demand Budget
5	68	James V. Haner	Exhibit Haner - 1	Professional Summary
			Exhibit Haner - 2	Calculation of Severance Costs
5	69	Christopher A. Warren	Exhibit Warren - 1	Professional Summary
			Exhibit Warren - 2	Big Rivers Financial Model
			Exhibit Warren - 3	Financial Results with and without Rate Increase
5	70	John Wolfram	Exhibit Wolfram - 1	Professional Summary
			Exhibit Wolfram - 2	Revenue Requirements and Pro Forma Adjustments
			Exhibit Wolfram - 3	Cost-of-Service Study: Functional Assignment and Classification
			Exhibit Wolfram - 4	Cost-of-Service Study: Allocation to Rate Classes
			Exhibit Wolfram - 5	Billing Determinants: Present & Proposed Rates
			Exhibit Wolfram - 6	Summary of Proposed Increase
			Exhibit Wolfram - 7	Estimate of Retail Rate Increase
			Exhibit Wolfram - 8	Rate Comparison to Other Kentucky Utilities



Big Rivers Electric Corporation
Case No. 2013-00199
Forecasted Test Period Filing Requirements
(Forecast Test Year 12ME 01/31/2015; Base Period 12ME 09/30/2013)

Tab No. 35
Filing Requirement
807 KAR 5:001 Section 16(12)(o)
Sponsoring Witness: Billie J. Richert

Description of Filing Requirement:

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


Response:

Complete monthly budget variance reports, with narrative explanations, for the twelve (12) months prior to the base period (i.e., October 2011 through September 2012) and the months of the base period that are available as of the date of this filing (i.e., October 2012 through March 2013) 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 – March 2013



Your Touchstone Energy[®] Cooperative 

Financial Report
March 2013
(\$ in Thousands)

Board Meeting Date: May 17, 2013



Summary of Statement of Operations YTD – March

	2013			2012	
	Actual	Budget	Fav/(UnFav) Variance	Actual	Fav/(UnFav) Variance
Revenues	151,218	147,477	3,741	135,305	15,913
Cost of Electric Service	142,983	143,078	95	137,472	(5,511)
Operating Margins	8,235	4,399	3,836	(2,167)	10,402
Interest Income/Other	1,287	1,749	(462)	63	1,224
Net Margins - YTD	9,522	6,148	3,374	(2,104)	11,626
<i>April Margins - YTD</i>	<i>10,905</i>	<i>2,748</i>	<i>8,157</i>	<i>(2,082)</i>	<i>12,987</i>



Your. The. River. Energy. Corporation.

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	50,322	48,735	1,587	150,186	146,549	3,637	[A] Pages 7, 9-13, 16-21
OTHER OPERATING REVENUE AND INCOME	321	307	14	1,032	928	104	
TOTAL OPER REVENUES & PATRONAGE CAPITAL	50,643	49,042	1,601	151,218	147,477	3,741	
OPERATION EXPENSE-PRODUCTION-EXCL FUEL	4,125	4,765	640	12,611	13,746	1,135	[A] Pages 8, 14-15, 22
OPERATION EXPENSE-PRODUCTION-FUEL	19,607	21,433	1,826	61,032	63,377	2,345	[A] Pages 8, 14-15
OPERATION EXPENSE-OTHER POWER SUPPLY	10,157	8,378	(1,779)	27,425	23,136	(4,289)	[A] Pages 8, 14-15, 22
OPERATION EXPENSE-TRANSMISSION	895	798	(97)	2,833	2,328	(505)	[B] & [C] Page 23
OPERATION EXPENSE-RTO/ISO	244	195	(49)	698	584	(114)	
OPERATION EXPENSE-CUSTOMER ACCOUNTS	0	0	0	0	0	0	
CONSUMER SERVICE & INFORMATIONAL EXPENSE	62	188	126	133	319	186	
OPERATION EXPENSE-SALES	5	18	13	10	29	19	
OPERATION EXPENSE-ADMINISTRATIVE & GENERAL	2,213	2,878	665	6,600	7,233	633	[C] Page 24
TOTAL OPERATION EXPENSE	37,308	38,653	1,345	111,342	110,752	(590)	
MAINTENANCE EXPENSE-PRODUCTION	3,269	3,476	207	9,203	9,424	221	
MAINTENANCE EXPENSE-TRANSMISSION	331	447	116	946	1,193	247	
MAINTENANCE EXPENSE-GENERAL PLANT	19	17	(2)	77	55	(22)	
TOTAL MAINTENANCE EXPENSE	3,619	3,940	321	10,226	10,672	446	
DEPRECIATION & AMORTIZATION EXPENSE	3,459	3,446	(13)	10,287	10,328	41	
TAXES	0	0	0	0	0	0	
INTEREST ON LONG-TERM DEBT	3,794	3,929	135	11,094	11,225	131	
INTEREST CHARGED TO CONSTRUCTION-CREDIT	(37)	(22)	15	(107)	(31)	76	
OTHER INTEREST EXPENSE	0	0	0	0	0	0	
OTHER DEDUCTIONS	34	47	13	141	132	(9)	
TOTAL COST OF ELECTRIC SERVICE	48,177	49,993	1,816	142,983	143,078	95	
OPERATING MARGINS	2,466	(951)	3,417	8,235	4,399	3,836	
INTEREST INCOME	188	170	(2)	504	511	(7)	
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	783	1,238	(455)	783	1,238	(455)	[B] Page 25
EXTRAORDINARY ITEMS	0	0	0	0	0	0	
NET PATRONAGE CAPITAL OR MARGINS	3,417	457	2,960	9,522	6,148	3,374	

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



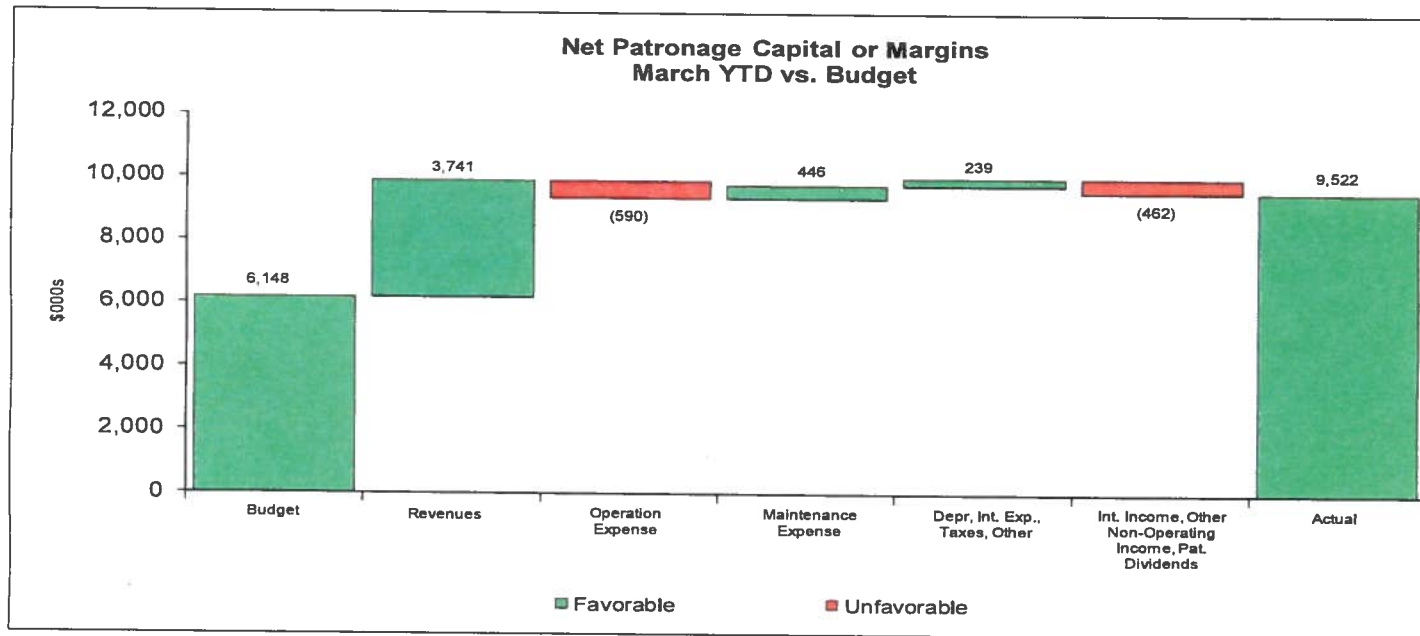
YTD Explanations Energy Operations

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	50,322	45,146	5,176	150,186	134,100	16,086	[A] Pages 7, 9-13, 16-21
OTHER OPERATING REVENUE AND INCOME	321	348	(27)	1,032	1,205	(173)	
TOTAL OPER REVENUES & PATRONAGE CAPITAL	50,643	45,494	5,149	151,218	135,305	15,913	
OPERATION EXPENSE-PRODUCTION-EXCL FUEL	4,125	4,346	221	12,611	11,820	(791)	[A] Pages 8, 14-15, 22
OPERATION EXPENSE-PRODUCTION-FUEL	19,607	16,511	(3,096)	61,032	49,722	(11,310)	[A] Pages 8, 14-15
OPERATION EXPENSE-OTHER POWER SUPPLY	10,157	11,958	1,801	27,425	31,526	4,101	[A] Pages 8, 14-15, 22
OPERATION EXPENSE-TRANSMISSION	895	799	(96)	2,833	2,409	(424)	[B] Page 23
OPERATION EXPENSE-RTO/ISO	244	233	(11)	698	659	(39)	
OPERATION EXPENSE-CUSTOMER ACCOUNTS	0	0	0	0	0	0	
CONSUMER SERVICE & INFORMATIONAL EXPENSE	62	68	6	133	104	(29)	
OPERATION EXPENSE-SALES	5	9	4	10	6	(4)	
OPERATION EXPENSE-ADMINISTRATIVE & GENERAL	2,213	2,576	363	6,600	6,722	122	
TOTAL OPERATION EXPENSE	37,308	36,500	(808)	111,342	102,968	(8,374)	
MAINTENANCE EXPENSE-PRODUCTION	3,269	5,682	2,413	9,203	12,134	2,931	[B] & [C] Page 26
MAINTENANCE EXPENSE-TRANSMISSION	331	436	105	946	1,055	109	
MAINTENANCE EXPENSE-GENERAL PLANT	19	10	(9)	77	40	(37)	
TOTAL MAINTENANCE EXPENSE	3,619	6,128	2,509	10,226	13,229	3,003	
DEPRECIATION & AMORTIZATION EXPENSE	3,459	3,390	(69)	10,287	10,176	(111)	
TAXES	0	1	1	0	1	1	
INTEREST ON LONG-TERM DEBT	3,794	3,827	33	11,094	11,257	163	
INTEREST CHARGED TO CONSTRUCTION-CREDIT	(37)	(66)	(29)	(107)	(200)	(93)	
OTHER INTEREST EXPENSE	0	0	0	0	0	0	
OTHER DEDUCTIONS	34	15	(19)	141	41	(100)	
TOTAL COST OF ELECTRIC SERVICE	48,177	49,795	1,618	142,983	137,472	(5,511)	
OPERATING MARGINS	2,466	(4,301)	6,767	8,235	(2,167)	10,402	
INTEREST INCOME	168	7	161	504	18	486	[B] Page 27
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	783	45	738	783	45	738	[B] & [C] Page 25
EXTRAORDINARY ITEMS	0	0	0	0	0	0	
NET PATRONAGE CAPITAL OR MARGINS	3,417	(4,249)	7,666	9,522	(2,104)	11,626	

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

Variance Analysis Summary

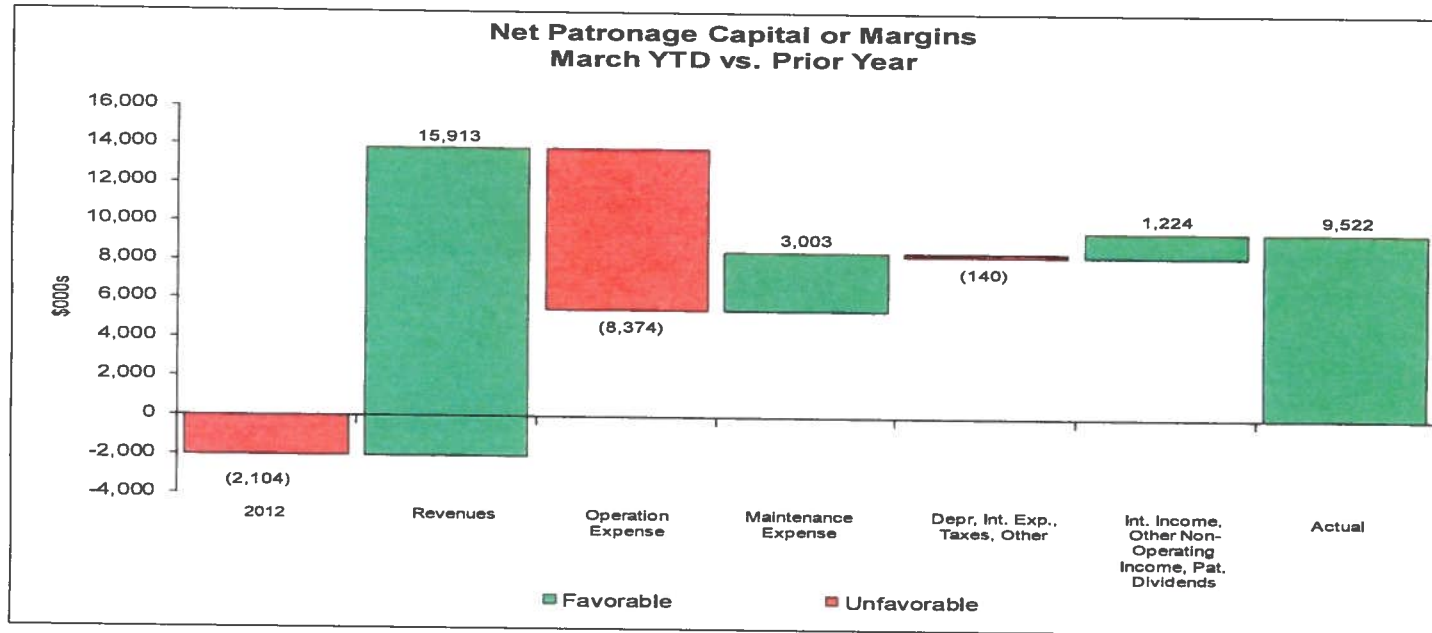


Financial Commentary

Year-to-Date

- March YTD 2013 Margins were \$3,374 favorable to budget.
 - Revenues were favorable \$3,741 primarily due to OSS volumes, as well as the \$1.4m retroactive rate adjustment per the January 29th PSC order (see pages 7, 9-13, 16-21).
 - Operation Expense was unfavorable \$590 driven by purchased power, while somewhat offset by fuel and reagent (see page 8).
 - Maintenance Expense was favorable \$446 primarily due to timing of maintenance expenses.
 - Depreciation/Interest Expense/Other was favorable \$239 primarily due to slightly lower interest on long-term debt, as well as higher capitalized interest.
 - Interest Income/Patronage was unfavorable \$462 due to timing of the allocation of patronage capital from CFC (see pages 25 & 27)

Variance Analysis Summary



Financial Commentary

Year-to-Date

- March YTD 2013 margins were \$11,626 favorable compared to 2012.
 - Revenues were favorable \$15,913 largely due to volumes, most of which is from OSS (see pages 7, 9-13, 16-21).
 - Operation Expense was unfavorable \$8,374 – driven by higher fuel cost \$13,080, mostly due to volume, partially offset by lower purchase power \$4,686.
 - Maintenance Expense was favorable \$3,003 due to higher outage expenses in 2012. (see page 26)
 - Depreciation, Interest Expense, Taxes & Other combined were unfavorable \$140 due to slightly higher depreciation expense, as well as less interest capitalized in 2013.
 - Interest Income/Patronage was favorable \$1,224 due to patronage capital as a result of the 2012 refinancing and the interest on the capital term certificates (see page 25 & 27)



West Tennessee Energy Corporation

**Revenue
YTD March**

	Actual 2013	Budget 2013	Variance	Actual 2012	2012 Variance
MWh Sales					
Rural	653,325	644,895	8,430	574,390	78,935
Large Industrial	238,582	233,213	5,369	243,840	(5,258)
Smelter	1,836,847	1,820,448	16,399	1,841,799	(4,952)
Off-System/Other	511,052	347,810	163,242	271,767	239,285
Total	3,239,806	3,046,365	193,441	2,931,796	308,010

Revenue - \$/MWh					
Rural	53.21	52.84	0.37	49.12	4.09
Large Industrial	44.60	44.73	(0.13)	42.50	2.10
Smelter	48.89	50.07	(1.18)	48.02	0.87
Off-System/Other	29.31	31.34	(2.03)	26.04	3.27
Total	46.36	48.11	(1.75)	45.74	0.62

Revenue - Thousands of \$					
Rural ⁽¹⁾	34,764	34,077	687	28,212	6,552
Large Industrial	10,641	10,432	209	10,363	278
Smelter	89,802	91,141	(1,339)	88,447	1,355
Off-System/Other	14,979	10,899	4,080	7,078	7,901
Total	150,186	146,549	3,637	134,100	16,086

⁽¹⁾ Includes \$1.3m of the \$1.4m retroactive adjustment from January 29th order by the PSC.

Revenue Price / Volume Analysis

March 2013

	Price / Volume		
	Price	Volume	Total
Rural	242	445	687
Large Industrial	(31)	240	209
Smelter	(2,160)	821	(1,339)
Off-System/Other	(1,036)	5,116	4,080
	(2,985)	6,622	3,637



**Variable Operations Cost
YTD March**

	Actual 2013	Budget 2013	Variance	Actual 2012	2012 Variance
Variable Operations (VO) Cost - \$/MWh					
Rural	25.67	26.91	1.24	25.55	(0.12)
Large Industrial	25.69	26.91	1.22	25.71	0.02
Smelter	26.60	27.69	1.09	26.35	(0.25)
Off-System/Other	26.80	27.40	0.60	25.61	(1.19)
Total	26.38	27.43	1.05	26.07	(0.31)

VO Cost - Thousands of \$					
Rural	16,774	17,356	582	14,678	(2,096)
Large Industrial	6,128	6,276	148	6,269	141
Smelter	48,869	50,416	1,547	48,528	(341)
Off-System/Other	13,698	9,528	(4,170)	6,961	(6,737)
Total	85,469	83,576	(1,893)	76,436	(9,033)

**YTD March 2013
Variable Operations Expense**

	Actual	Budget	Fav/(UnFav)	Price Variance	Volume Variance	Fav/(UnFav)
				Fav/(UnFav)	Fav/(UnFav)	
Reagent	6,986	7,875	889	(4,310)	5,199	889
Fuel	69,460	72,009	2,549	469	2,080	2,549
Purchased Power	9,845	4,378	(5,467)	841	(6,308)	(5,467)
Non-FAC PPA (Non-Smelter)	(822)	(686)	136	126	10	136
	85,469	83,576	(1,893)	(2,874)	981	(1,893)



**Gross Margin
YTD March**

	<u>Actual 2013</u>	<u>Budget 2013</u>	<u>Variance</u>	<u>Actual 2012</u>	<u>2012 Variance</u>
Gross Margin - \$/MWh					
Rural	27.54	25.93	1.61	23.57	3.97
Large Industrial	18.91	17.82	1.09	16.79	2.12
Smelter	22.29	22.38	(0.09)	21.67	0.62
Off-System/Other	2.51	3.94	(1.43)	0.43	2.08
Total	19.98	20.68	(0.70)	19.67	0.31

Gross Margin - Thousands of \$					
Rural	17,990	16,721	1,269	13,534	4,456
Large Industrial	4,513	4,156	357	4,094	419
Smelter	40,933	40,725	208	39,919	1,014
Off-System/Other	1,281	1,371	(90)	117	1,164
Total	64,717	62,973	1,744	57,664	7,053

**Gross Margin
Price / Volume Analysis
March 2013**

	<u>Price / Volume</u>		
	<u>Price</u>	<u>Volume</u>	<u>Total</u>
Rural	1.050	219	1.269
Large Industrial	261	96	357
Smelter	(159)	367	208
Off-System/Other	(733)	643	(90)
	419	1,325	1,744



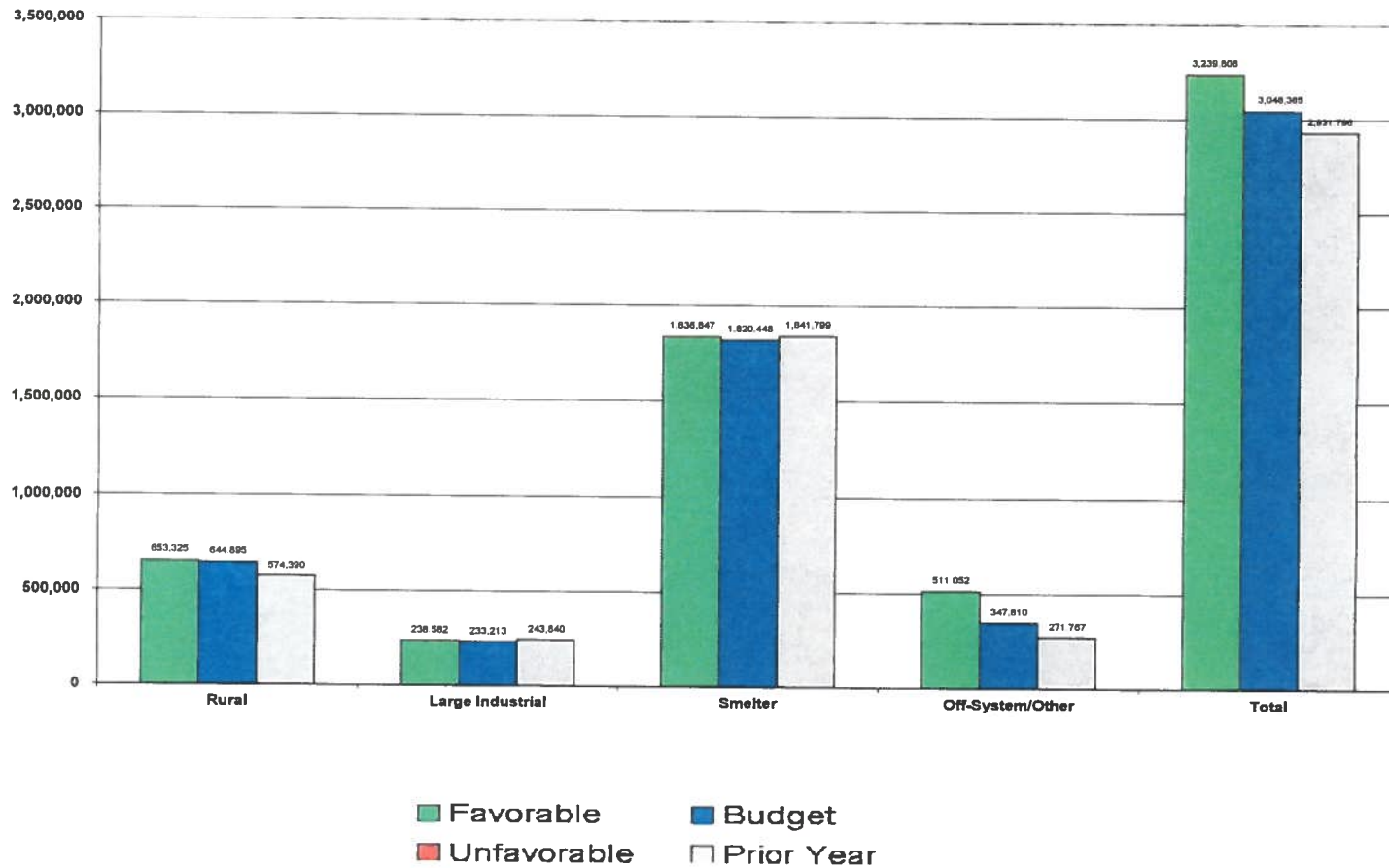
Water. Environment. Energy. Together.

**Member Rate Stability Mechanism
YTD March**

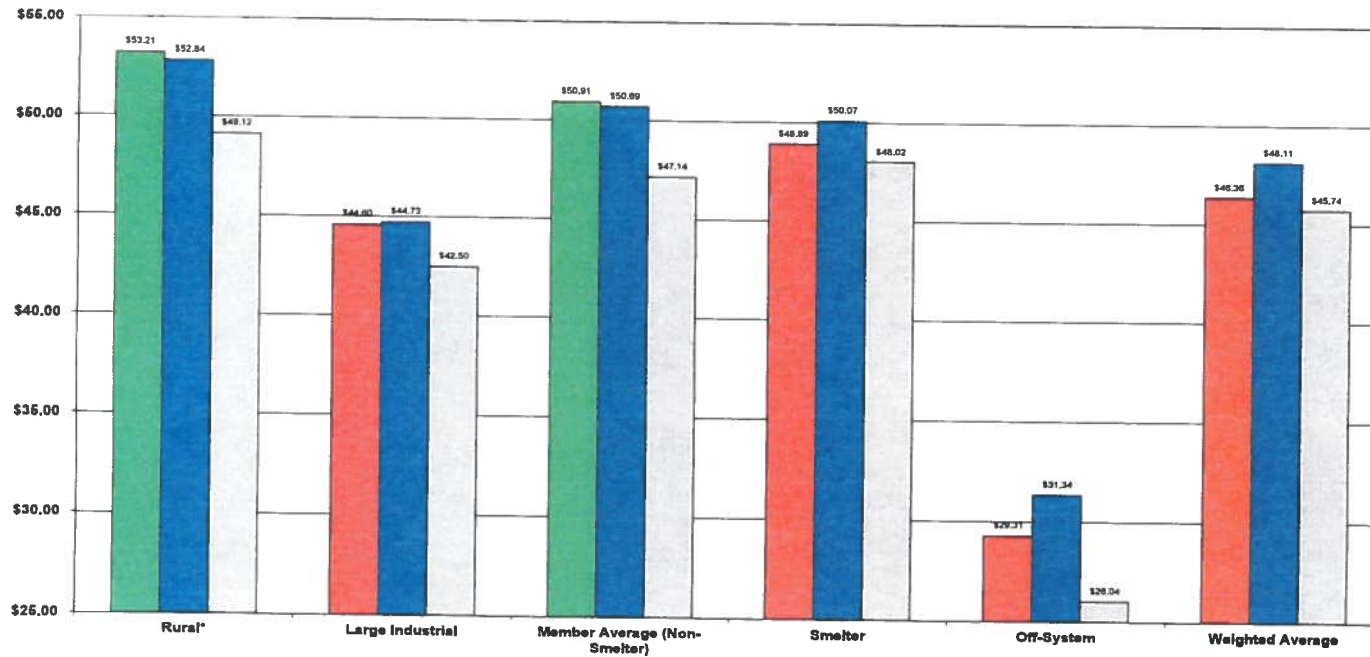
	<u>Actual</u> <u>2013</u>	<u>Budget</u> <u>2013</u>	<u>2013</u> <u>Variance</u>	<u>Actual</u> <u>2012</u>	<u>2012</u> <u>Variance</u>		<u>Actual</u> <u>2013</u>	<u>Budget</u> <u>2013</u>	<u>2013</u> <u>Variance</u>	<u>Actual</u> <u>2012</u>	<u>2012</u> <u>Variance</u>
<u>MRSM - \$/MWh</u>						<u>Net Revenue - \$/MWh</u>					
Rural	(6.77)	(7.44)	0.67	(6.32)	(0.45)	Rural	46.44	45.40	1.04	42.80	3.64
Large Industrial	(6.45)	(6.96)	0.51	(6.32)	(0.13)	Large Industrial	38.15	37.77	0.38	36.18	1.97
Total	(6.69)	(7.32)	0.63	(6.32)	(0.37)	Total	44.22	43.37	0.85	40.82	3.40
<u>MRSM - Thousands of \$</u>						<u>Net Revenue - Thousands of \$</u>					
Rural	(4,425)	(4,801)	376	(3,626)	(799)	Rural	30,339	29,276	1,063	24,586	5,753
Large Industrial	(1,539)	(1,624)	85	(1,541)	2	Large Industrial	9,102	8,808	294	8,822	280
Total	(5,964)	(6,425)	461	(5,167)	(797)	Total	39,441	38,084	1,357	33,408	6,033

<u>Cumulative-to-Date</u>	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
Original Deposit	\$ 157,000		
Interest Earnings	3,271		
Withdrawals	(84,885)		
Ending Balance 03/31/2013	\$ 75,386	\$ 74,294	\$ 1,092
<u>Year-to-Date</u>			
Beg. Balance 1/1/2013	\$ 80,643		
Interest Earnings	68		
Withdrawals	(5,325)		
Ending Balance 03/31/2013	\$ 75,386	\$ 74,294	\$ 1,092

MWH Sales YTD – March



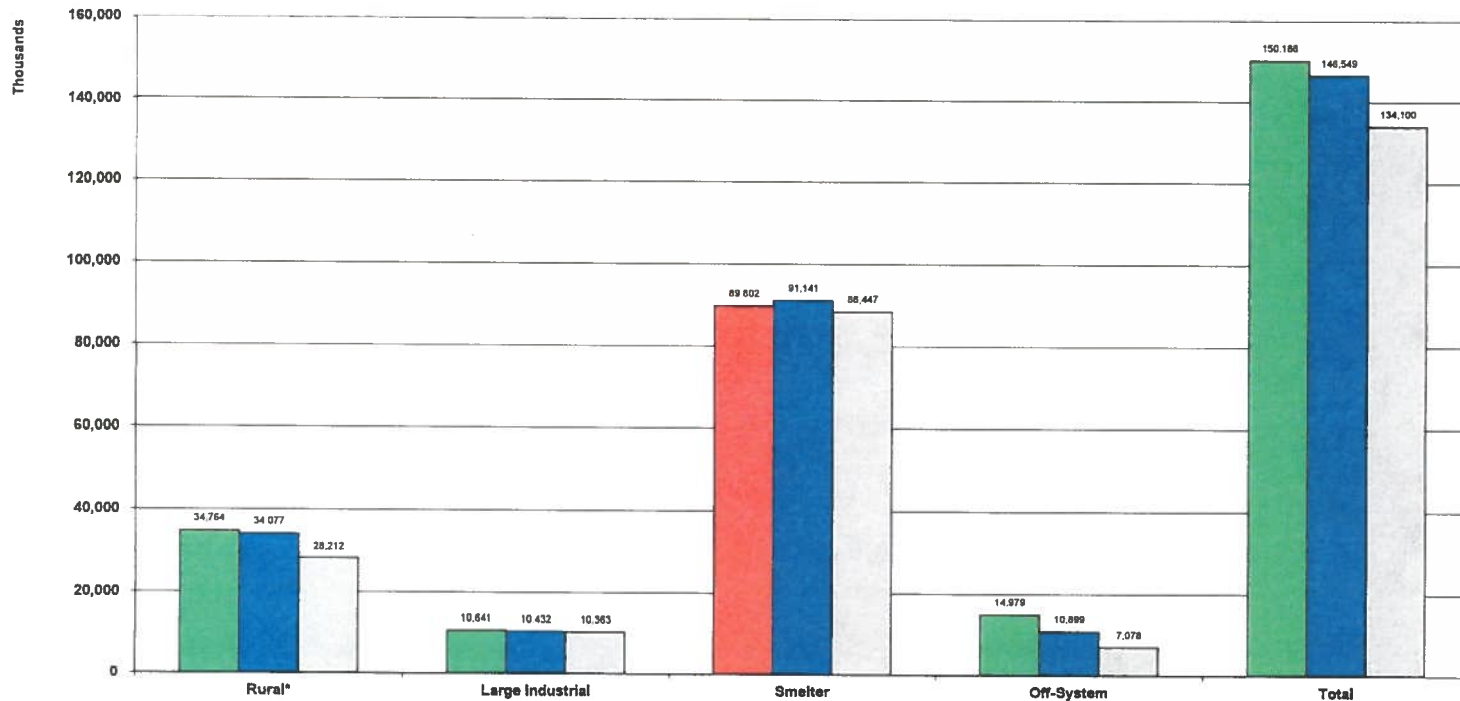
Revenue - \$/MWh Sold YTD – March



*2013 Rural includes \$1.3m of the \$1.4m retroactive adjustment from January 29th order by the PSC



Revenue YTD - March

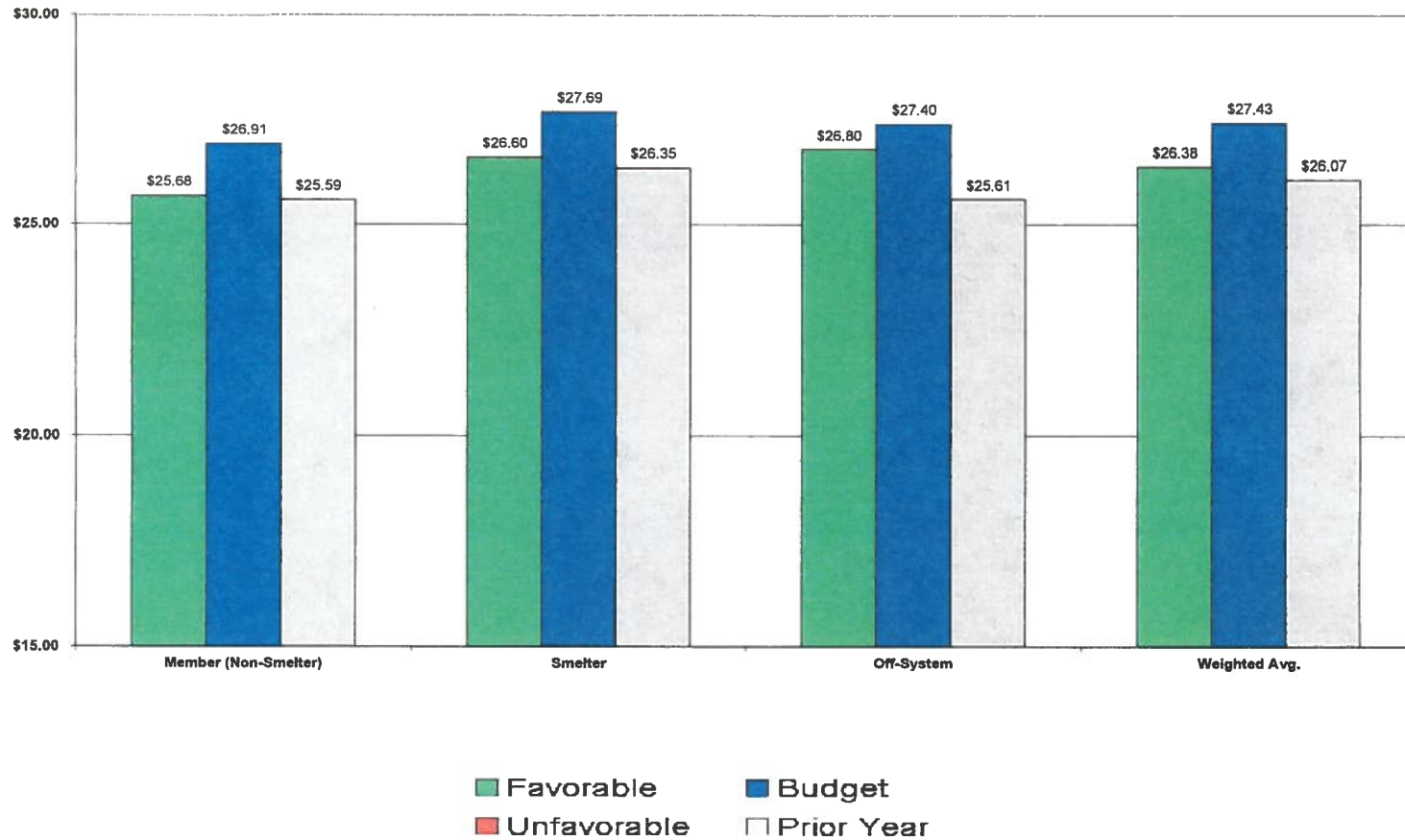


*2013 Rural includes \$1.3m of the \$1.4m retroactive adjustment from January 29th order from the PSC

■ Favorable ■ Budget
■ Unfavorable ■ Prior Year

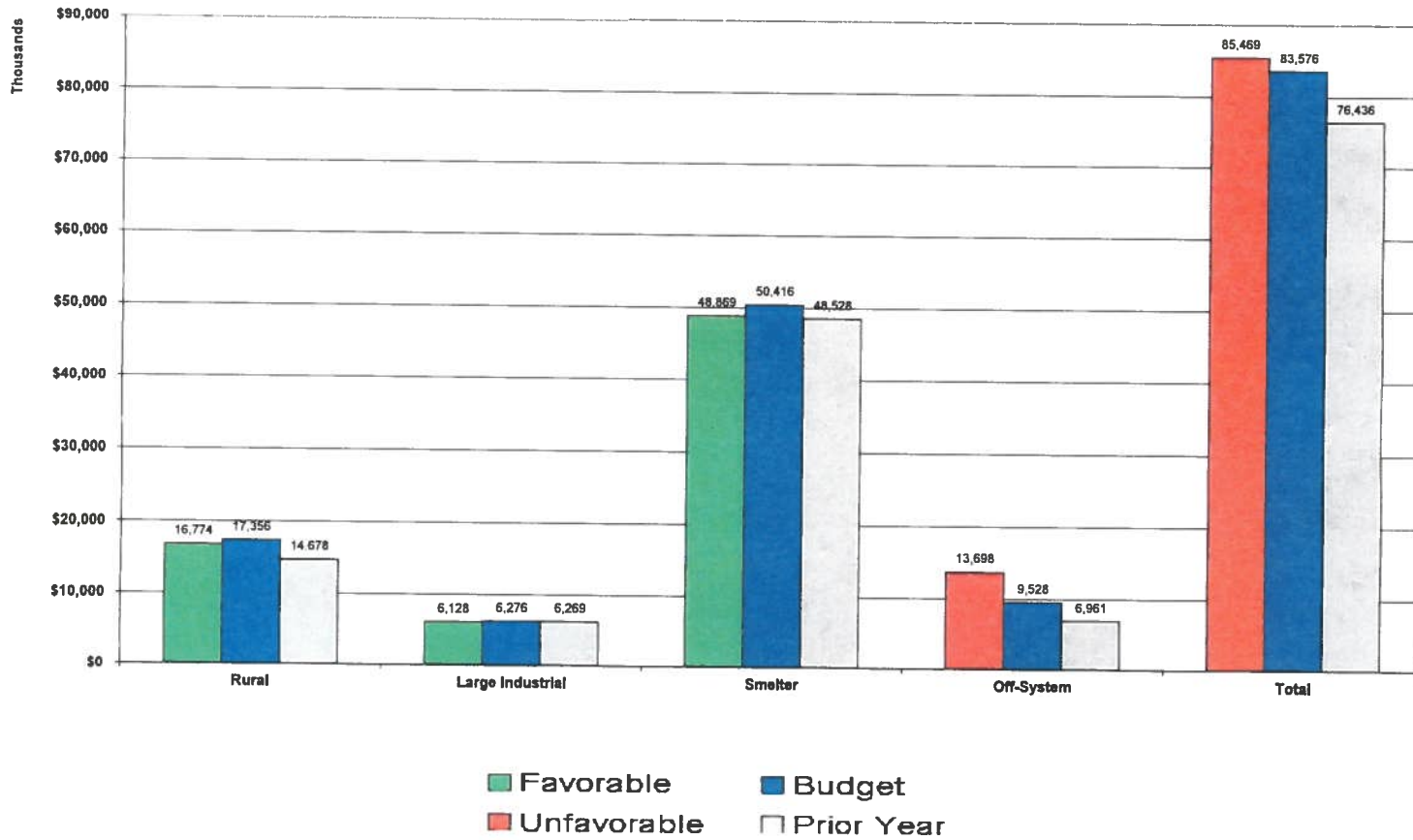


Variable Operations - \$/MWh Sold YTD – March



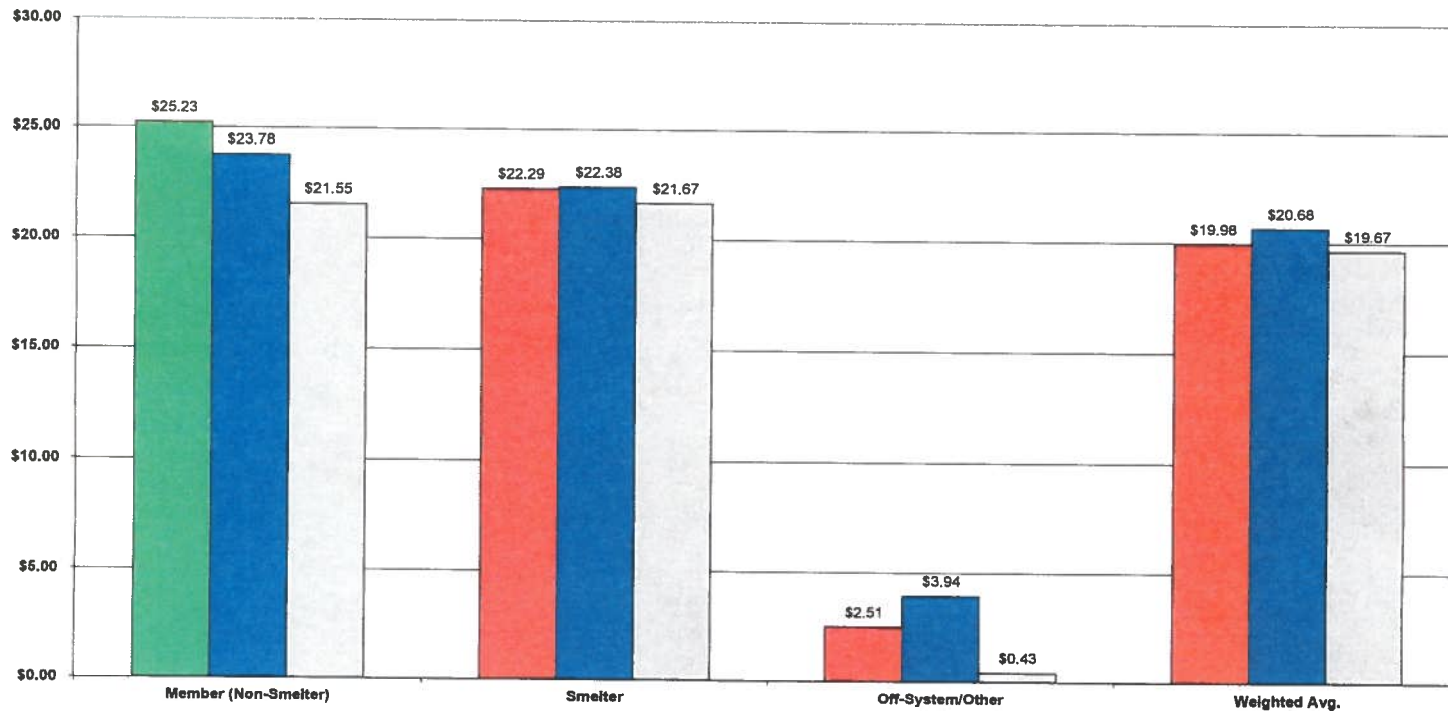


Variable Operations Cost YTD – March



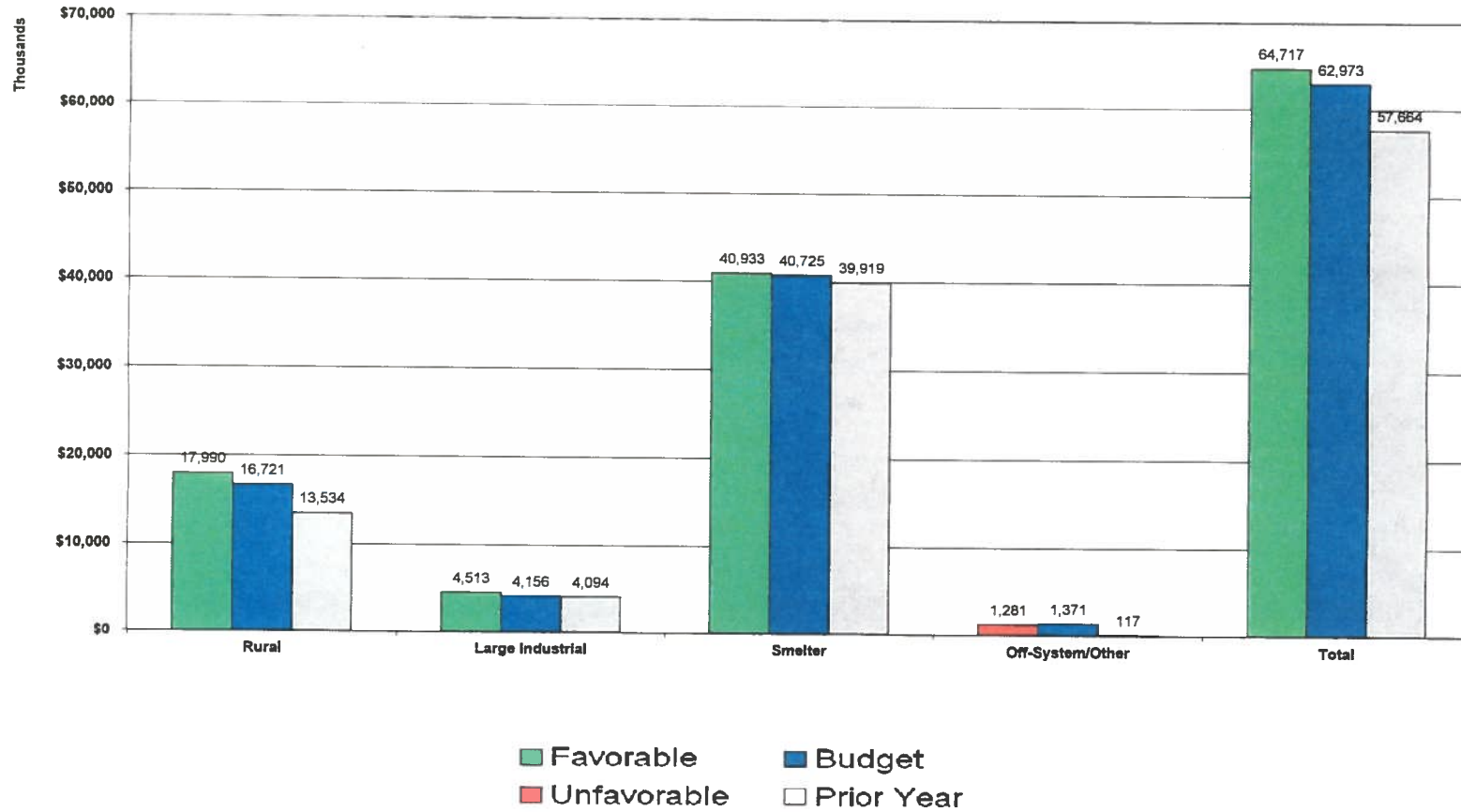


Gross Margin - \$/MWh YTD – March



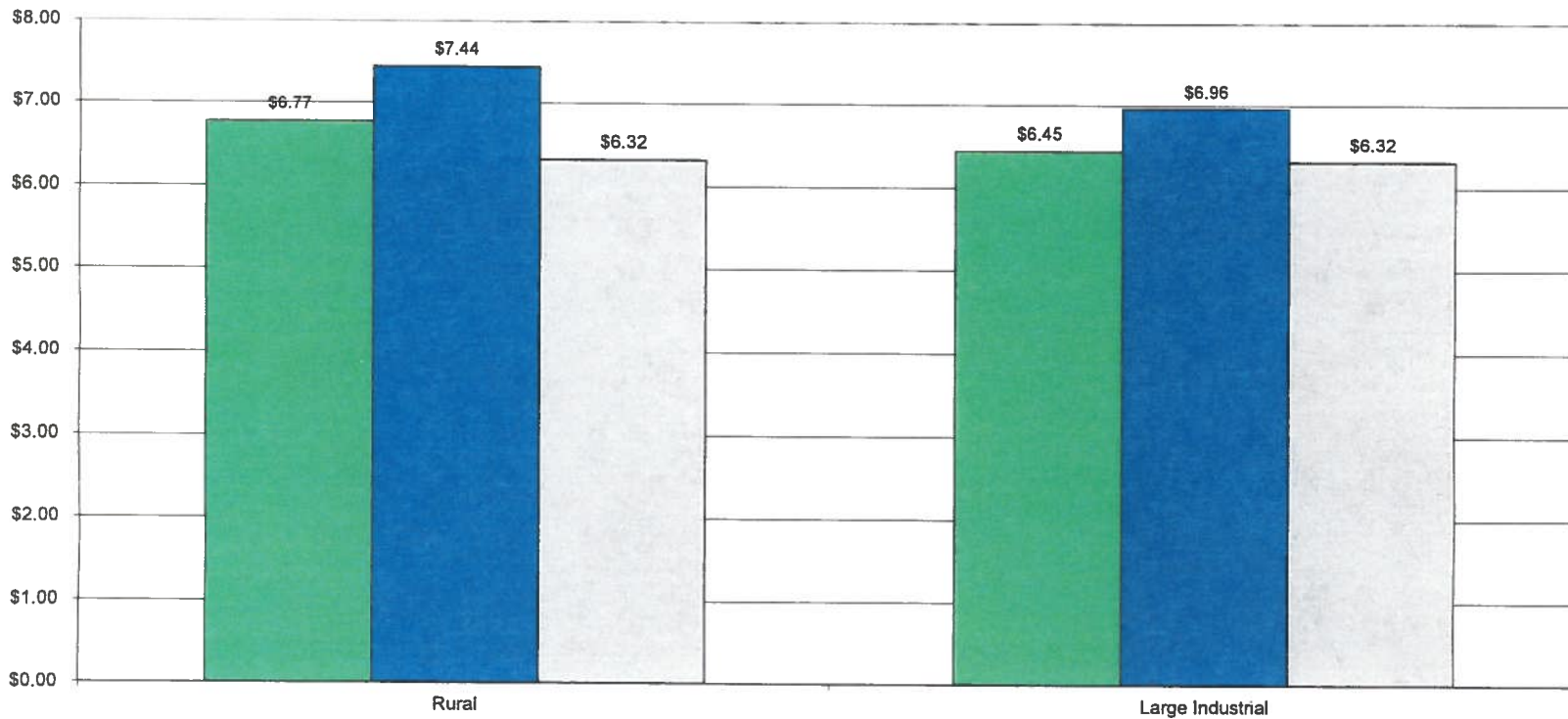
■ Favorable ■ Budget
■ Unfavorable Prior Year

Gross Margin YTD – March



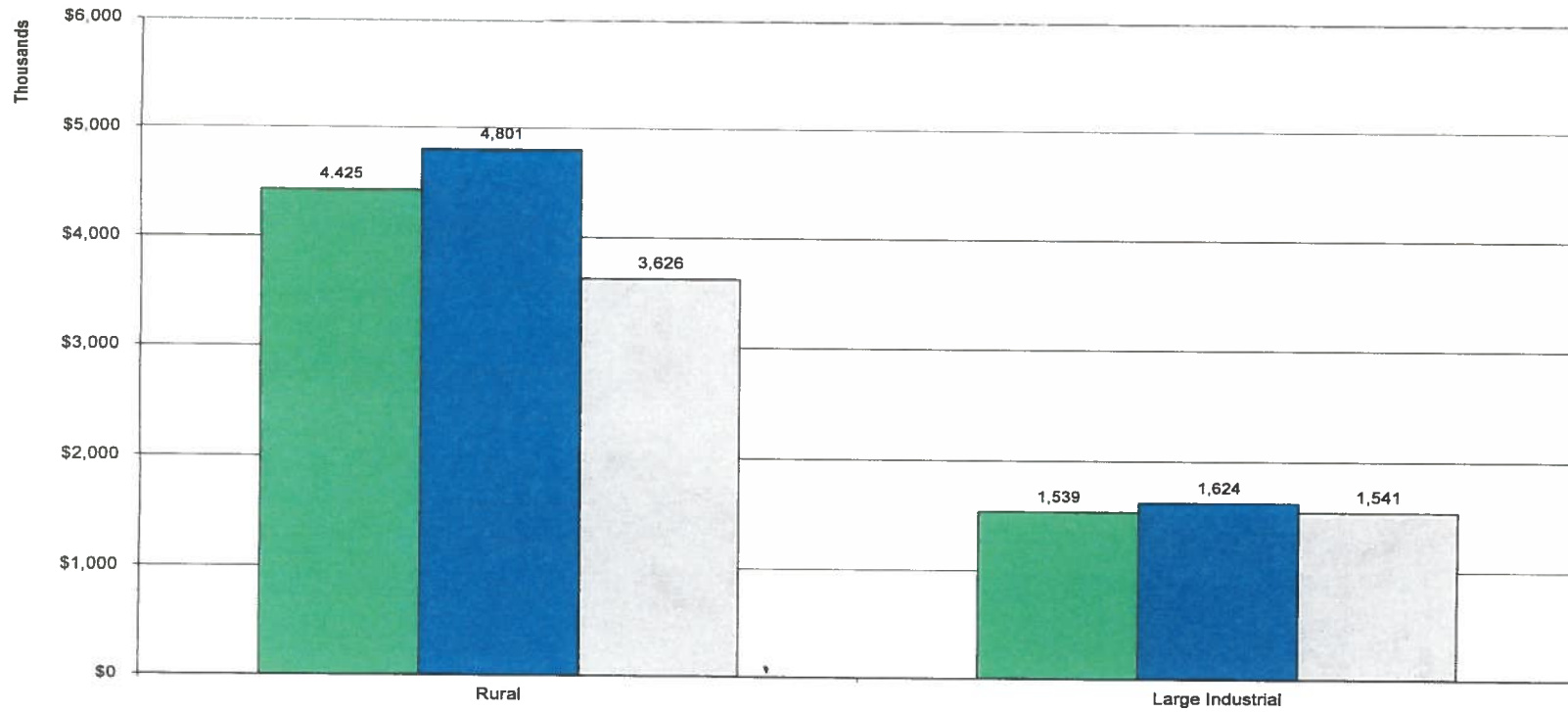


MRSM - \$/MWh YTD - March



Favorable Budget
Unfavorable Prior Year

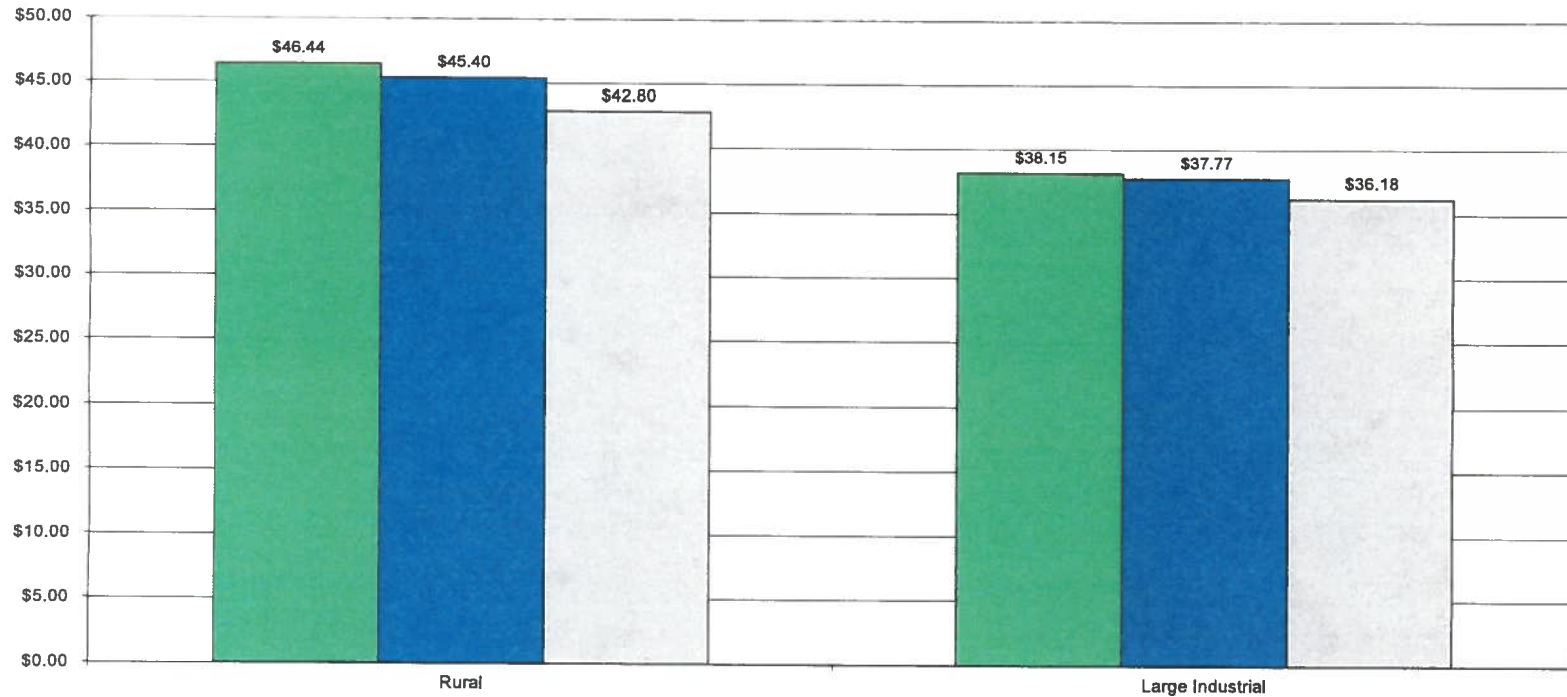
MRSM YTD - March



■ Favorable ■ Budget
■ Unfavorable ■ Prior Year



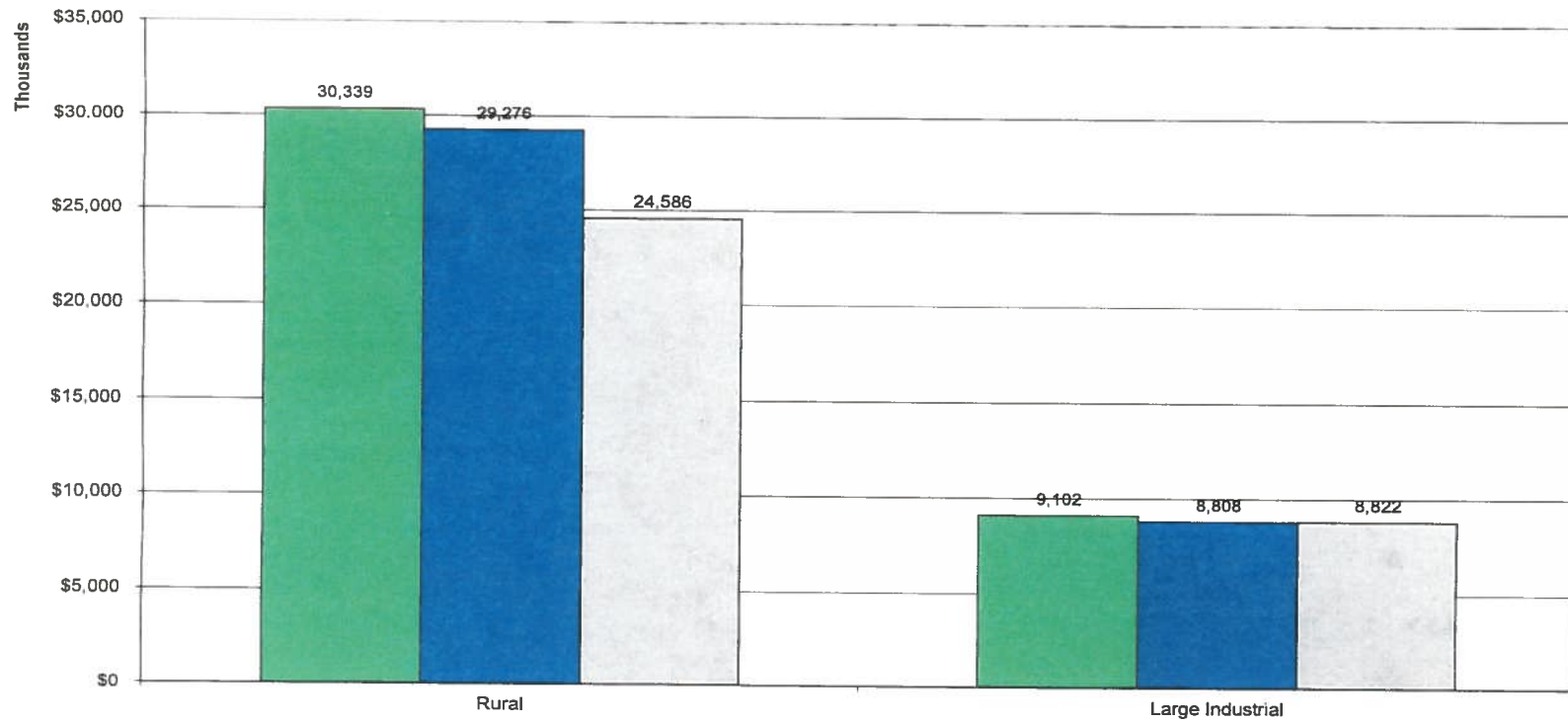
Net Revenue Less MRSM - \$/MWh YTD – March



■ Favorable ■ Budget
■ Unfavorable □ Prior Year



Net Revenue Less MRS YTD - March



■ Favorable ■ Budget
■ Unfavorable □ Prior Year



Non-Variable Production and Other Power Supply – Operations

	<u>Actual</u>	<u>Budget</u>	<u>Variance Fav/(Unfav)</u>	<u>2012 Actual</u>	<u>Variance Fav/(Unfav)</u>
March YTD	15,599	16,683	1,084	16,632	1,033

Current Year Variances

Power Supply transmission reservation	179
Station-Two expenses	632
Plant Operations expense (WL, GN, CL)	387
Other (Depreciation, Property Taxes/Insurance)	(114)
Non-Variable Production and Other Power Supply - Operations	1,084

Prior-Year Variances

Labor	104
Station-Two Plant O&M (outage in 2012)	820
Other (Plant Operations, Depreciation, Property Taxes/Insurance)	109
Non-Variable Production and Other Power Supply - Operations	1,033



Operation Expense – Transmission

	<u>Actual</u>	<u>Budget</u>	<u>Variance Fav/(Unfav)</u>	<u>2012 Actual</u>	<u>Variance Fav/(Unfav)</u>
March YTD	2,833	2,328	(505)	2,409	(424)

The unfavorable variance compared to budget and prior year is driven by \$392k in MISO transmission expenses (MISO Transmission Expansion Projects and Multi-value Projects). A portion of these expenses is budgeted in Other Power Supply.



Operation Expense – Administrative & General

	<u>Actual</u>	<u>Budget</u>	<u>Variance Fav/(Unfav)</u>
March YTD	6,600	7,233	633

The favorable variance compared to budget is driven by a \$243 favorability in Information Systems mainly due to timing of the HP contract expenses and \$114 in Demand Side Management programs in Member Relations, as well as a \$219 favorability in Energy Services, primarily due to timing of IRP expenses.



Other Capital Credits & Pat Dividends

	<u>Actual</u>	<u>Budget</u>	<u>Variance Fav/(Unfav)</u>	<u>2012 Actual</u>	<u>Variance Fav/(Unfav)</u>
March YTD	783	1,238	(455)	45	738

The unfavorable variance compared to budget is driven by timing of patronage capital associated with the CFC loan, now expected in September. The favorable variance compared to prior year is due to patronage capital associated with the July 2012 refinancing.



Maintenance Expense – Production

	<u>Actual</u>	<u>2012 Actual</u>	<u>Variance Fav/(Unfav)</u>
March YTD	9,203	12,134	2,931

The favorable variance compared to prior year is driven by 2012 outage expenses at Wilson.



Interest Income

	<u>Actual</u>	<u>2012 Actual</u>	<u>Variance Fav/(Unfav)</u>
March YTD	504	18	486

Interest income was favorable compared to prior year due to interest on CFC capital term certificates.



North Star – YTD March

	2013			2012	
	Actual	Budget	Fav/(UnFav) Variance	Actual	Fav/(UnFav) Variance
Total Cost of Electric Service	142,983	143,078	95	137,472	(5,511)
Other Operating Revenues & Income	(1,032)	(928)	104	(1,205)	(173)
Smelter Avoidable Base Charge	0	0	0	(234)	(234)
Off-System Sales/Other	(14,979)	(10,899)	4,080	(7,078)	7,901
Interest Income	(504)	(511)	(7)	(18)	486
Other Non-Operating Income	0	0	0	0	0
Other Capital Credits & Pat. Dividends	(783)	(1,238)	(455)	(45)	738
	125,685	129,502	3,817	128,892	3,207

Member MWh	2,728,754	2,698,555	30,199	2,660,029	68,725
------------	-----------	-----------	--------	-----------	--------

North Star - \$/kWh	0.046060	0.047989	0.001929	0.048455	0.002395
---------------------	----------	----------	----------	----------	----------



TIER

	<u>Actual</u>	<u>Budget</u>	<u>Fav/(Unfav)</u>
Interest on Long-Term Debt	11,094	11,225	131
Net Margins	9,522	6,148	3,374
TIER - YTD March	1.86	1.55	0.31
TIER (12 months ending 3/31)	1.51	1.32	0.19

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)
IS	41	385	344
Generation	3,358	8,025	4,667
Transmission	1,469	2,013	544
Other	22	915	893
ECP	0	0	0
Total	4,890	11,338	6,448

Explanation:

IS was favorable \$344 due to timing of the Hyperion upgrade and the Members' Replacement of Hardware/Software projects.

Generation was favorable by \$4,667. Station-Two was favorable \$5,934 due to timing of the H2 outage projects. Wilson Station was favorable \$178 due to timing of the No. 1 Boiler Feed Pump project. Partially offsetting this favorability, Coleman Station was unfavorable \$1,086 largely due to timing of outage projects. Green Station was unfavorable \$359 primarily due to the G1 and G2 FGD Rehabilitation projects

Transmission was favorable \$544 primarily due to timing of White Oak-50 MVA Substation project.

Other was favorable \$893 largely due to timing of vehicle projects and the PCI Software project.

* 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>	2012 <u>Actual</u>	<u>Fav/(Unfav)</u>
March 31st	116,380	114,277	2,103	49,467	66,913

The March 31, 2013 cash balance compared to budget is favorable due to the beginning balance favorability of \$8.8m, mostly offset by changes in working capital.

The favorable variance to prior-year is driven by the July 2012 refinancing.

<u>Lines of Credit</u> <u>As of March 31st</u>	
Original Amount	\$100,000
Letters of Credit Outstanding	(8,375)
Advances Outstanding	0
Available Lines of Credit	\$ 91,625

Monthly Financial Report – February 2013



Your Touchstone Energy® Cooperative 

Financial Report

February 2013

(\$ in Thousands)

Board Meeting Date: April 19, 2013



Summary of Statement of Operations YTD - February

	2013			2012	
	Actual	Budget	Fav/(UnFav) Variance	Actual	Fav/(UnFav) Variance
Revenues	100,576	98,434	2,142	89,811	10,765
Cost of Electric Service	94,806	93,085	(1,721)	87,677	(7,129)
Operating Margins	5,770	5,349	421	2,134	3,636
Interest Income/Other	335	342	(7)	11	324
Net Margins - YTD	6,105	5,691	414	2,145	3,960
<i>March</i>	<i>3,417</i>	<i>457</i>	<i>2,960</i>	<i>(4,249)</i>	<i>7,666</i>
<i>March-YTD</i>	<i>9,522</i>	<i>6,148</i>	<i>3,374</i>	<i>(2,104)</i>	<i>11,626</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	49,226	46,358	2,868	99,864	97,815	2,049	[A] Pages 7, 9-13, 16-21
OTHER OPERATING REVENUE AND INCOME	351	307	44	712	619	93	
TOTAL OPER REVENUES & PATRONAGE CAPITAL	49,577	46,665	2,912	100,576	98,434	2,142	
OPERATION EXPENSE-PRODUCTION-EXCL FUEL	4,111	4,361	250	8,486	8,981	495	[A] Pages 8, 14-15, 22
OPERATION EXPENSE-PRODUCTION-FUEL	19,894	19,908	12	41,425	41,944	519	[A] Pages 8, 14-15
OPERATION EXPENSE-OTHER POWER SUPPLY	7,940	7,126	(814)	17,268	14,757	(2,511)	[A] Pages 8, 14-15, 22
OPERATION EXPENSE-TRANSMISSION	1,167	743	(424)	1,938	1,531	(407)	[B] Page 23
OPERATION EXPENSE-RTO/ISO	215	182	(33)	454	389	(65)	
OPERATION EXPENSE-CUSTOMER ACCOUNTS	0	0	0	0	0	0	
CONSUMER SERVICE & INFORMATIONAL EXPENSE	23	62	39	71	130	59	
OPERATION EXPENSE-SALES	5	5	0	5	10	5	
OPERATION EXPENSE-ADMINISTRATIVE & GENERAL	2,638	2,105	(533)	4,387	4,356	(31)	
TOTAL OPERATION EXPENSE	35,993	34,490	(1,503)	74,034	72,098	(1,936)	
MAINTENANCE EXPENSE-PRODUCTION	2,631	3,213	582	5,935	5,948	13	
MAINTENANCE EXPENSE-TRANSMISSION	336	362	26	615	746	131	
MAINTENANCE EXPENSE-GENERAL PLANT	35	18	(17)	58	38	(20)	
TOTAL MAINTENANCE EXPENSE	3,002	3,593	591	6,608	6,732	124	
DEPRECIATION & AMORTIZATION EXPENSE	3,414	3,442	28	6,828	6,882	54	
TAXES	0	0	0	0	0	0	
INTEREST ON LONG-TERM DEBT	3,496	3,494	(2)	7,300	7,296	(4)	
INTEREST CHARGED TO CONSTRUCTION-CREDIT	(36)	(6)	30	(70)	(8)	62	
OTHER INTEREST EXPENSE	0	0	0	0	0	0	
OTHER DEDUCTIONS	70	38	(32)	106	85	(21)	
TOTAL COST OF ELECTRIC SERVICE	45,839	45,051	(888)	94,806	93,085	(1,721)	
OPERATING MARGINS	3,638	1,614	2,024	5,770	5,349	421	
INTEREST INCOME	165	170	(5)	335	342	(7)	
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	3,803	1,784	2,019	6,105	5,891	414	

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

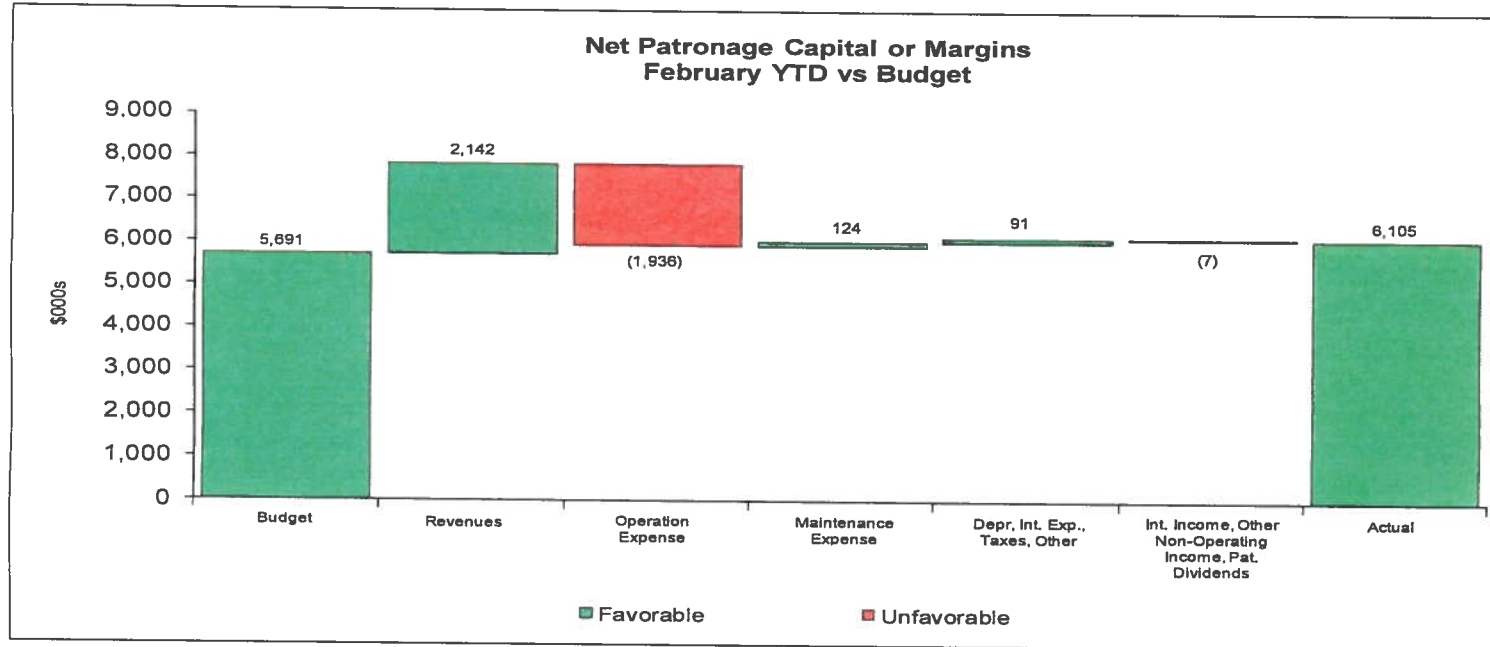


Statement of Operations – February Variance to Prior-Year

	Current Month			Year-to-Date			Explanation
	Actual	Prior Year	Variance Fav/(UnFav)	Actual	Prior Year	Variance Fav/(UnFav)	
ELECTRIC ENERGY REVENUES	49,226	42,452	6,774	99,864	88,954	10,910	[A] Pages 7, 9-13, 16-21
OTHER OPERATING REVENUE AND INCOME	351	483	(132)	712	857	(145)	
TOTAL OPER REVENUES & PATRONAGE CAPITAL	49,577	42,935	6,642	100,576	89,811	10,765	
OPERATION EXPENSE-PRODUCTION-EXCL FUEL	4,111	3,502	(609)	8,486	7,474	(1,012)	[A] Pages 8, 14-15, 22
OPERATION EXPENSE-PRODUCTION-FUEL	19,894	16,308	(3,586)	41,425	33,211	(8,214)	[A] Pages 8, 14-15
OPERATION EXPENSE-OTHER POWER SUPPLY	7,940	9,334	1,394	17,268	19,568	2,300	[A] Pages 8, 14-15, 22
OPERATION EXPENSE-TRANSMISSION	1,167	793	(374)	1,938	1,611	(327)	[B] Page 23
OPERATION EXPENSE-RTO/ISO	215	217	2	454	426	(28)	
OPERATION EXPENSE-CUSTOMER ACCOUNTS	0	0	0	0	0	0	
CONSUMER SERVICE & INFORMATIONAL EXPENSE	23	21	(2)	71	36	(35)	
OPERATION EXPENSE-SALES	5	0	(5)	5	(4)	(9)	
OPERATION EXPENSE-ADMINISTRATIVE & GENERAL	2,638	2,119	(519)	4,387	4,146	(241)	
TOTAL OPERATION EXPENSE	35,993	32,294	(3,699)	74,034	66,468	(7,566)	
MAINTENANCE EXPENSE-PRODUCTION	2,631	3,294	663	5,935	6,453	518	[C] Page 24
MAINTENANCE EXPENSE-TRANSMISSION	336	304	(32)	615	619	4	
MAINTENANCE EXPENSE-GENERAL PLANT	35	12	(23)	58	29	(29)	
TOTAL MAINTENANCE EXPENSE	3,002	3,610	608	6,608	7,101	493	
DEPRECIATION & AMORTIZATION EXPENSE	3,414	3,389	(25)	6,828	6,786	(42)	
TAXES	0	0	0	0	0	0	
INTEREST ON LONG-TERM DEBT	3,496	3,606	110	7,300	7,431	131	
INTEREST CHARGED TO CONSTRUCTION-CREDIT	(36)	(64)	(28)	(70)	(134)	(64)	
OTHER INTEREST EXPENSE	0	0	0	0	0	0	
OTHER DEDUCTIONS	70	12	(58)	106	25	(81)	
TOTAL COST OF ELECTRIC SERVICE	45,939	42,847	(3,092)	94,806	87,677	(7,129)	
OPERATING MARGINS	3,638	88	3,550	5,770	2,134	3,636	
INTEREST INCOME	165	5	160	335	11	324	[B] Page 25
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	3,803	93	3,710	6,105	2,145	3,960	

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

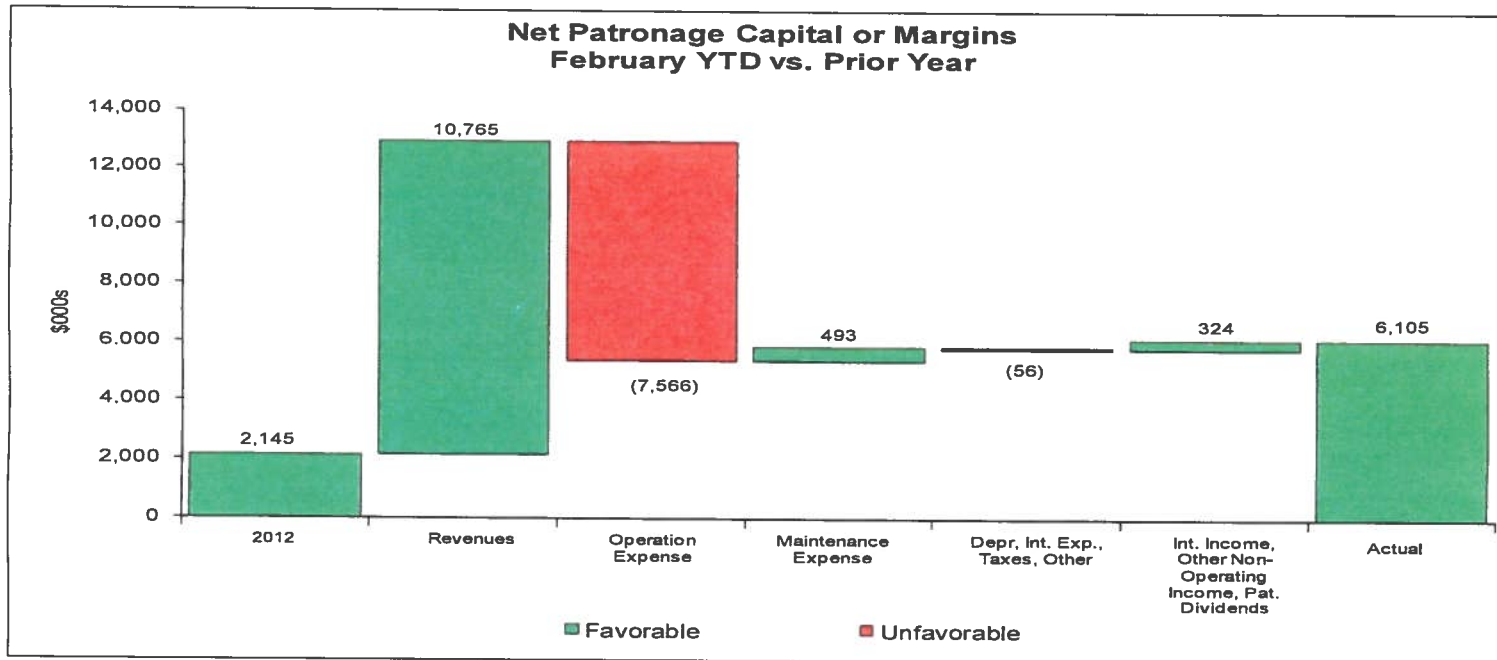


Financial Commentary

Year-to-Date

- February YTD 2013 Margins were \$414 favorable to budget.
 - Revenues were favorable \$2,142 primarily due to the \$1.4m retroactive rate adjustment per the January 29th order from the PSC and OSS volumes (see pages 7, 9-13, 16-21).
 - Operation Expense was unfavorable \$1,936 driven by purchased power (see page 8).
 - Maintenance Expense was favorable \$124 primarily due to timing of maintenance expenses.
 - Depreciation/Interest Expense/Other was favorable \$91 primarily due to slightly lower depreciation expense, as well as higher capitalized interest.

Variance Analysis Summary



Financial Commentary

Year-to-Date

- February YTD 2013 margins were \$3,960 favorable compared to 2012.
 - Revenues were favorable \$10,765 largely due to volumes, most of which is from OSS (see pages 7, 9-13, 16-21).
 - Operation Expense was unfavorable \$7,566 – driven by higher fuel cost \$9,551, mostly due to volume, partially offset by lower purchase power \$2,779.
 - Maintenance Expense was favorable \$493 due to outage expenses in 2012. (see page 24)
 - Depreciation, Interest Expense, Taxes & Other combined were higher \$56 due to slightly higher depreciation expense, as well as less interest capitalized in 2013.
 - Interest income was favorable due to the interest on the capital term certificates. (see page 25)



Wind • Solar • Hydro • Geothermal • Energy Storage

**Revenue
YTD February**

	Actual 2013	Budget 2013	Variance	Actual 2012	2012 Variance
MWh Sales					
Rural	440,031	457,235	(17,204)	416,315	23,716
Large Industrial	156,610	152,817	3,793	159,519	(2,909)
Smelter	1,200,878	1,193,405	7,473	1,209,593	(8,715)
Off-System/Other	367,783	217,900	149,883	150,435	217,348
Total	2,165,301	2,021,357	143,944	1,935,862	229,439

Revenue - \$/MWh					
Rural	54.66	53.00	1.66	48.57	6.09
Large Industrial	44.81	45.28	(0.47)	42.56	2.25
Smelter	48.87	50.03	(1.16)	47.82	1.05
Off-System/Other	27.48	31.92	(4.44)	27.30	0.18
Total	46.12	48.39	(2.27)	45.95	0.17

Revenue - Thousands of \$					
Rural ⁽¹⁾	24,054	24,233	(179)	20,221	3,833
Large Industrial	7,018	6,919	99	6,789	229
Smelter	58,687	59,708	(1,021)	57,837	850
Off-System/Other	10,105	6,955	3,150	4,107	5,998
Total	99,864	97,815	2,049	88,954	10,910

⁽¹⁾ Includes \$1.3m of the \$1.4m retroactive adjustment from January 29th order by the PSC.

**Revenue Price / Volume Analysis
February 2013**

	Price / Volume		
	Price	Volume	Total
Rural	733	(912)	(179)
Large Industrial	(73)	172	99
Smelter	(1,395)	374	(1,021)
Off-System/Other	(1,634)	4,784	3,150
	(2,368)	4,418	2,049



**Variable Operations Cost
YTD February**

	Actual 2013	Budget 2013	Variance	Actual 2012	2012 Variance
Variable Operations (VO) Cost - \$/MWh					
Rural	25.47	26.89	1.42	25.07	(0.40)
Large Industrial	25.46	26.89	1.43	25.11	(0.35)
Smelter	26.45	27.67	1.22	25.78	(0.67)
Off-System/Other	26.82	27.37	0.55	25.31	(1.51)
Total	26.24	27.40	1.16	25.53	(0.71)
VO Cost - Thousands of \$					
Rural	11,207	12,295	1,088	10,436	(771)
Large Industrial	3,988	4,109	121	4,006	18
Smelter	31,759	33,021	1,262	31,181	(578)
Off-System/Other	9,864	5,964	(3,900)	3,807	(6,057)
Total	56,818	55,389	(1,429)	49,430	(7,388)

	YTD February 2013 Variable Operations Expense			Price Variance Volume Variance		
	Actual	Budget	Fav/(UnFav)	Fav/(UnFav)	Fav/(UnFav)	Fav/(UnFav)
Reagent	4,743	5,221	478	(2,072)	2,550	478
Fuel	46,947	47,648	701	627	74	701
Purchased Power	5,714	2,996	(2,718)	(3,046)	328	(2,718)
Non-FAC PPA (Non-Smelter)	(586)	(476)	110	121	(11)	110
	56,818	55,389	(1,429)	(4,370)	2,941	(1,429)



**Net Sales Margin
YTD February**

	Actual 2013	Budget 2013	Variance	Actual 2012	2012 Variance
Net Sales Margin - \$/MWh					
Rural	29.19	26.11	3.08	23.50	5.69
Large Industrial	19.35	18.39	0.96	17.45	1.90
Smelter	22.42	22.36	0.06	22.04	0.38
Off-System/Other	0.66	4.55	(3.89)	1.99	(1.33)
Total	19.88	20.99	(1.11)	20.42	(0.54)

	Actual 2013	Budget 2013	Variance	Actual 2012	2012 Variance
Net Sales Margin - Thousands of \$					
Rural	12,847	11,938	909	9,785	3,062
Large Industrial	3,030	2,810	220	2,783	247
Smelter	26,928	26,687	241	26,656	272
Off-System/Other	241	990	(749)	300	(59)
Total	43,046	42,426	620	39,524	3,522

**Net Sales Margin
Price / Volume Analysis
February 2013**

	Price / Volume		
	Price	Volume	Total
Rural	1,358	(449)	909
Large Industrial	150	70	220
Smelter	74	167	241
Off-System/Other	(1,431)	682	(749)
	152	469	620



Your. Local. Energy. Cooperative.

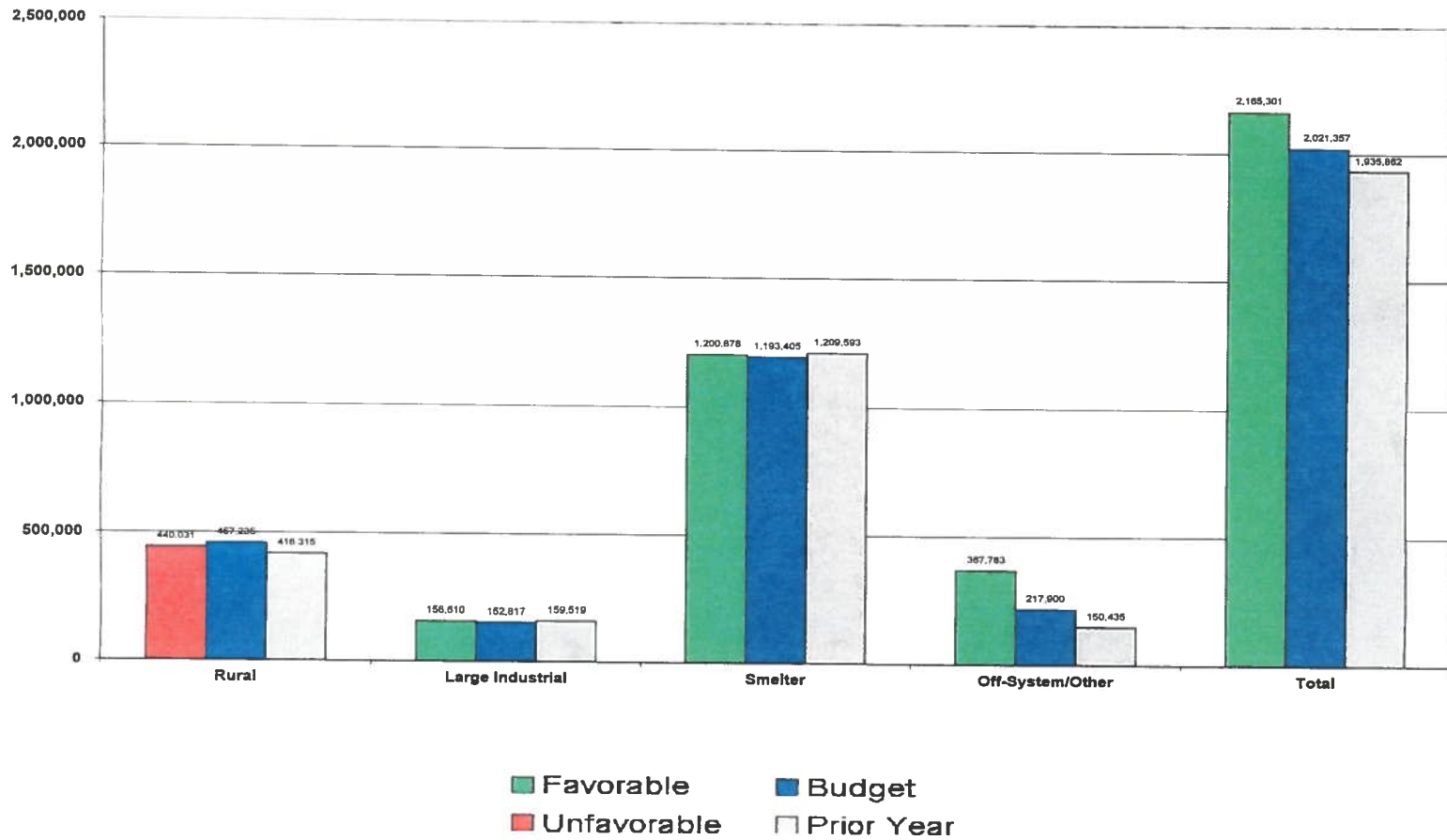
**Member Rate Stability Mechanism
YTD February**

	<u>Actual</u> <u>2013</u>	<u>Budget</u> <u>2013</u>	<u>2013</u> <u>Variance</u>	<u>Actual</u> <u>2012</u>	<u>2012</u> <u>Variance</u>		<u>Actual</u> <u>2013</u>	<u>Budget</u> <u>2013</u>	<u>2013</u> <u>Variance</u>	<u>Actual</u> <u>2012</u>	<u>2012</u> <u>Variance</u>
<u>MRSM - \$/MWh</u>						<u>Net Revenue - \$/MWh</u>					
Rural	(6.65)	(8.00)	1.35	(6.01)	(0.64)	Rural	48.01	45.00	3.01	42.56	5.45
Large Industrial	(6.30)	(7.00)	0.70	(6.01)	(0.29)	Large Industrial	38.51	38.28	0.23	36.55	1.96
Total	(6.56)	(7.48)	0.92	(6.01)	(0.55)	Total	45.52	43.58	1.94	40.90	4.61
<u>MRSM - Thousands of \$</u>						<u>Net Revenue - Thousands of \$</u>					
Rural	(2,927)	(3,471)	544	(2,500)	(427)	Rural	21,127	20,762	365	17,721	3,406
Large Industrial	(986)	(1,094)	108	(962)	(24)	Large Industrial	6,032	5,825	207	5,827	205
Total	(3,913)	(4,565)	652	(3,462)	(451)	Total	27,159	26,587	572	23,548	3,611

<u>Cumulative-to-Date</u>	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
Original Deposit	\$ 157,000		
Interest Earnings	3,250		
Withdrawals	(82,874)		
Ending Balance 02/28/2013	\$ 77,376	\$ 76,108	\$ 1,268
<u>YTD January 2013</u>			
Beg. Balance 1/1/2013	\$ 80,643		
Interest Earnings	47		
Withdrawals	(3,314)		
Ending Balance 02/28/2013	\$ 77,376	\$ 76,108	\$ 1,268

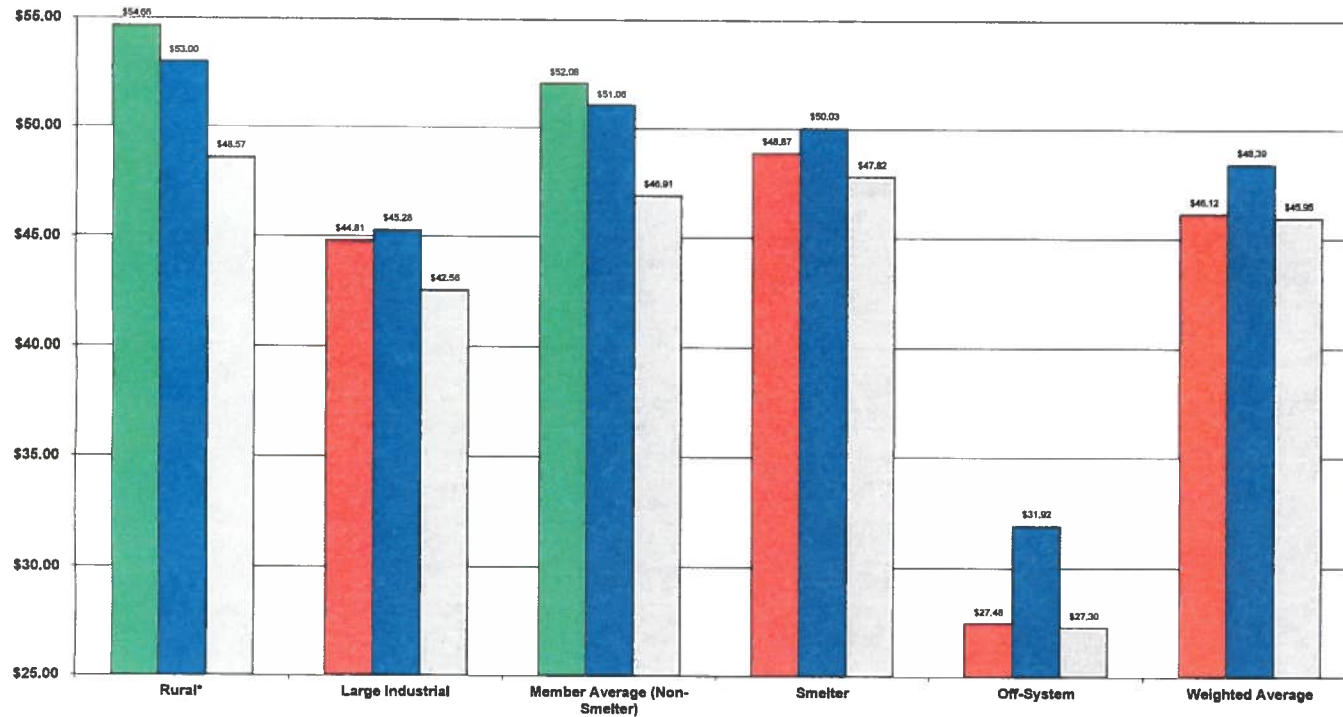


MWH Sales YTD - February





Revenue - \$/MWh Sold YTD – February

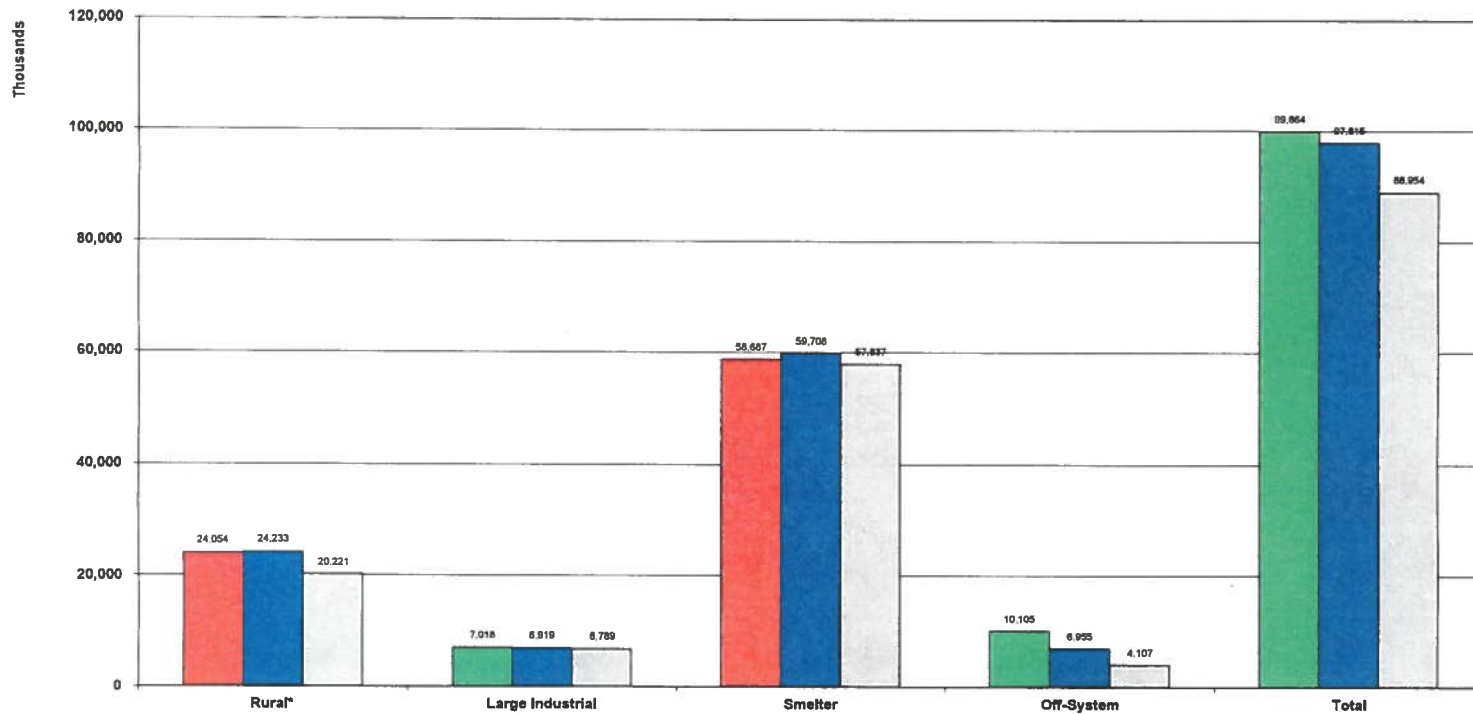


*2013 Rural includes \$1.3m of the \$1.4m retroactive adjustment from January 29th order by the PSC

■ Favorable ■ Budget
■ Unfavorable ■ Prior Year



Revenue YTD - February

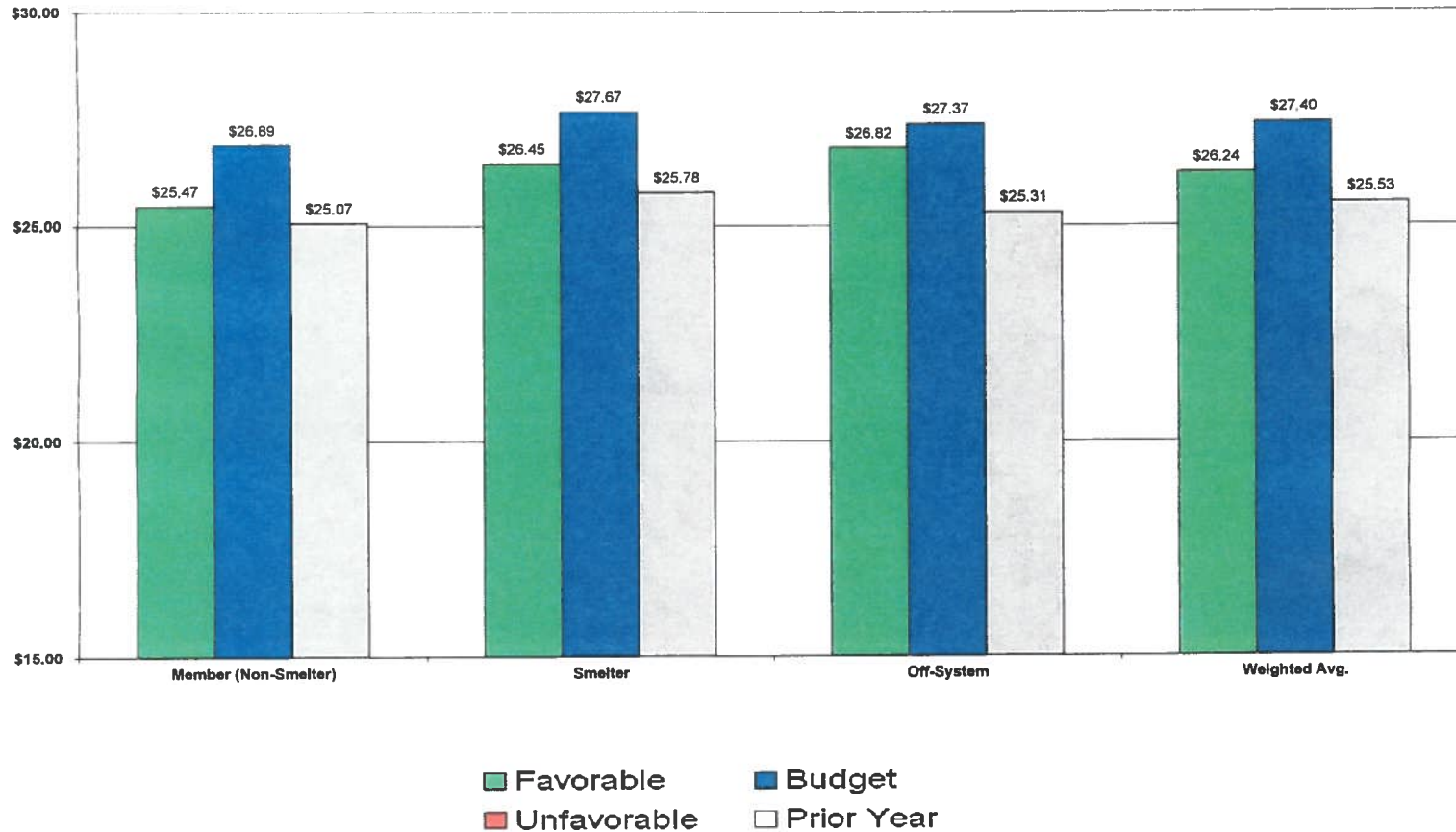


*2013 Rural includes \$1.3m of the \$1.4m retroactive adjustment from January 29th order from the PSC

■ Favorable ■ Budget
■ Unfavorable Prior Year

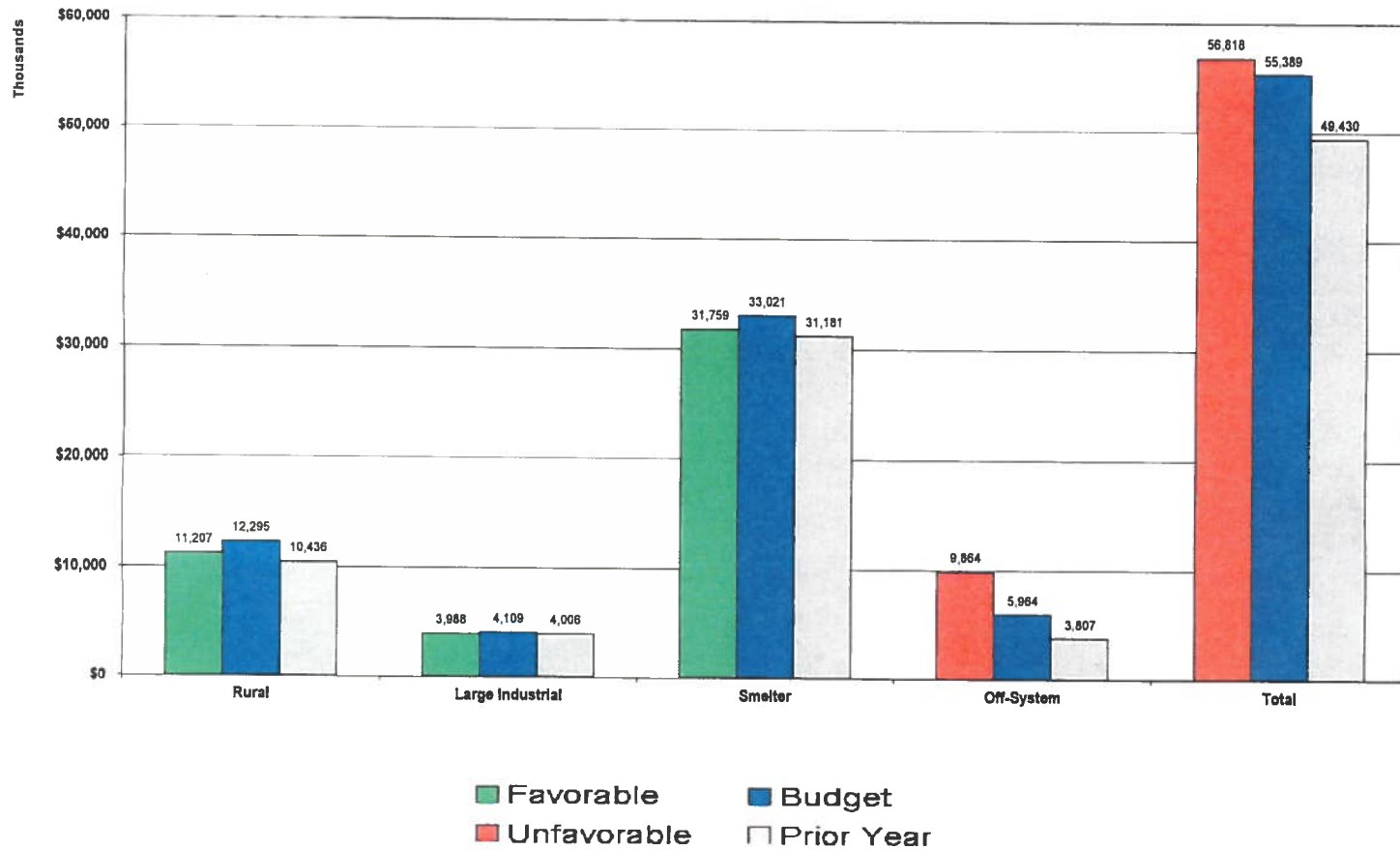


Variable Operations - \$/MWh Sold YTD – February



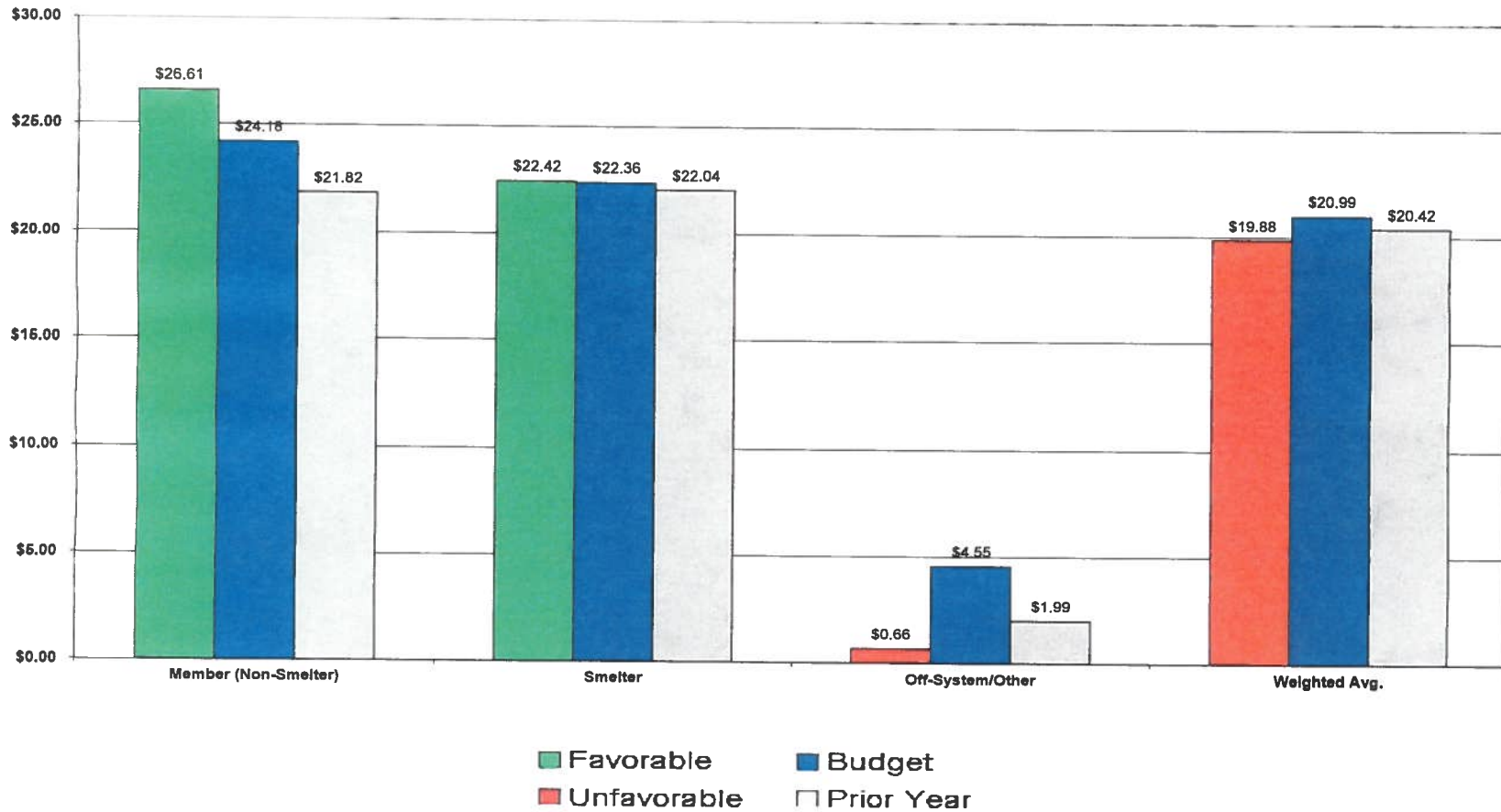


Variable Operations Cost YTD – February



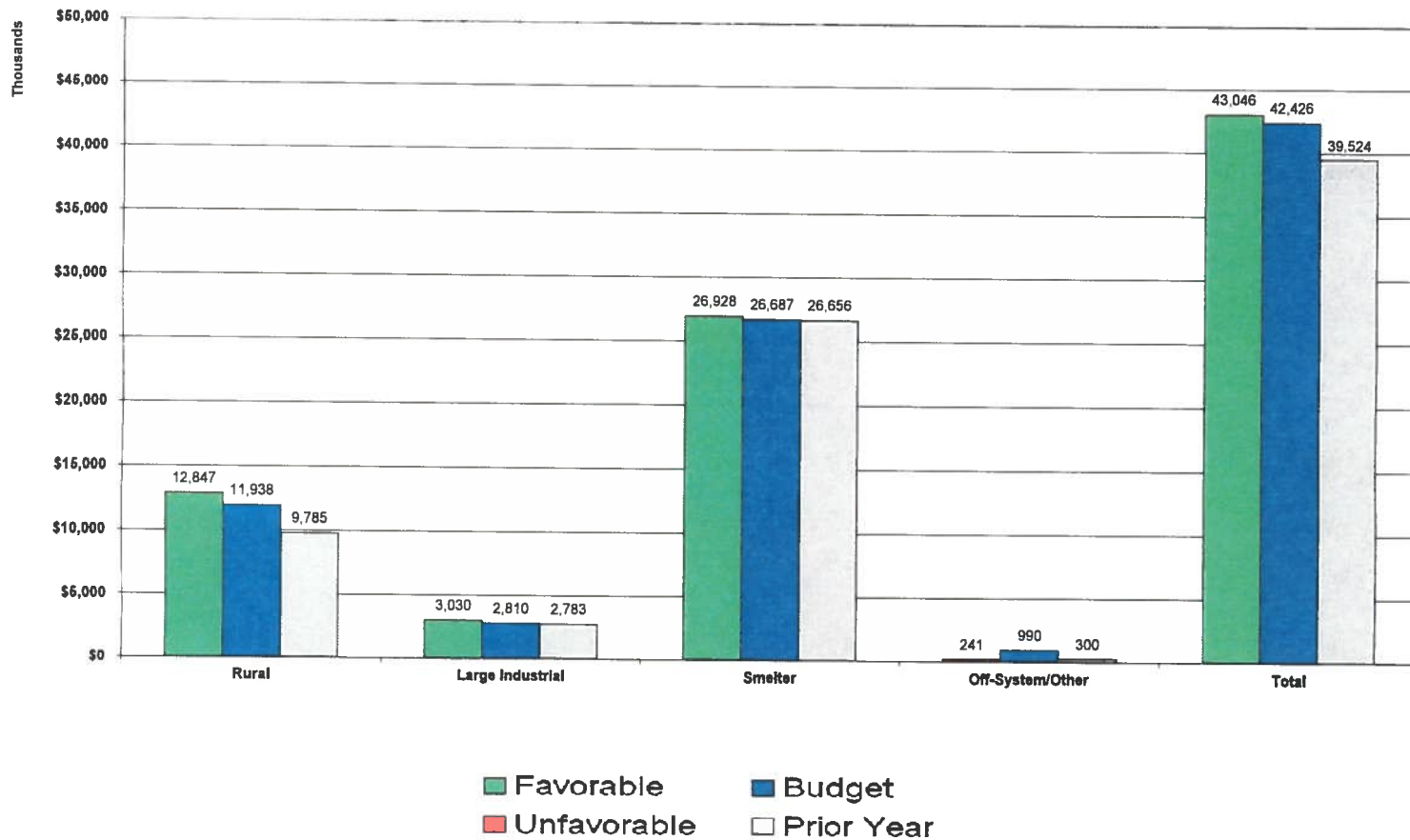


Net Sales Margin - \$/MWh YTD – February



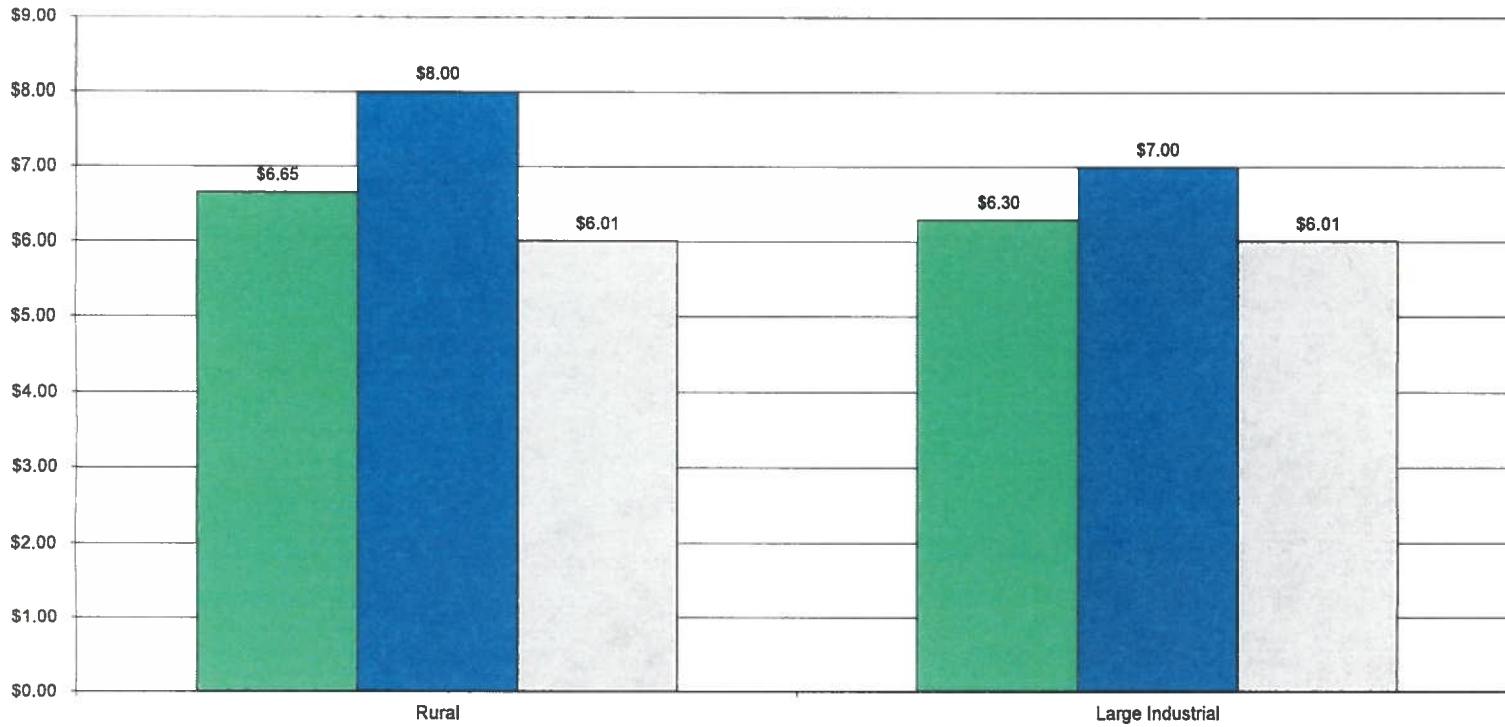


Net Sales Margin YTD – February



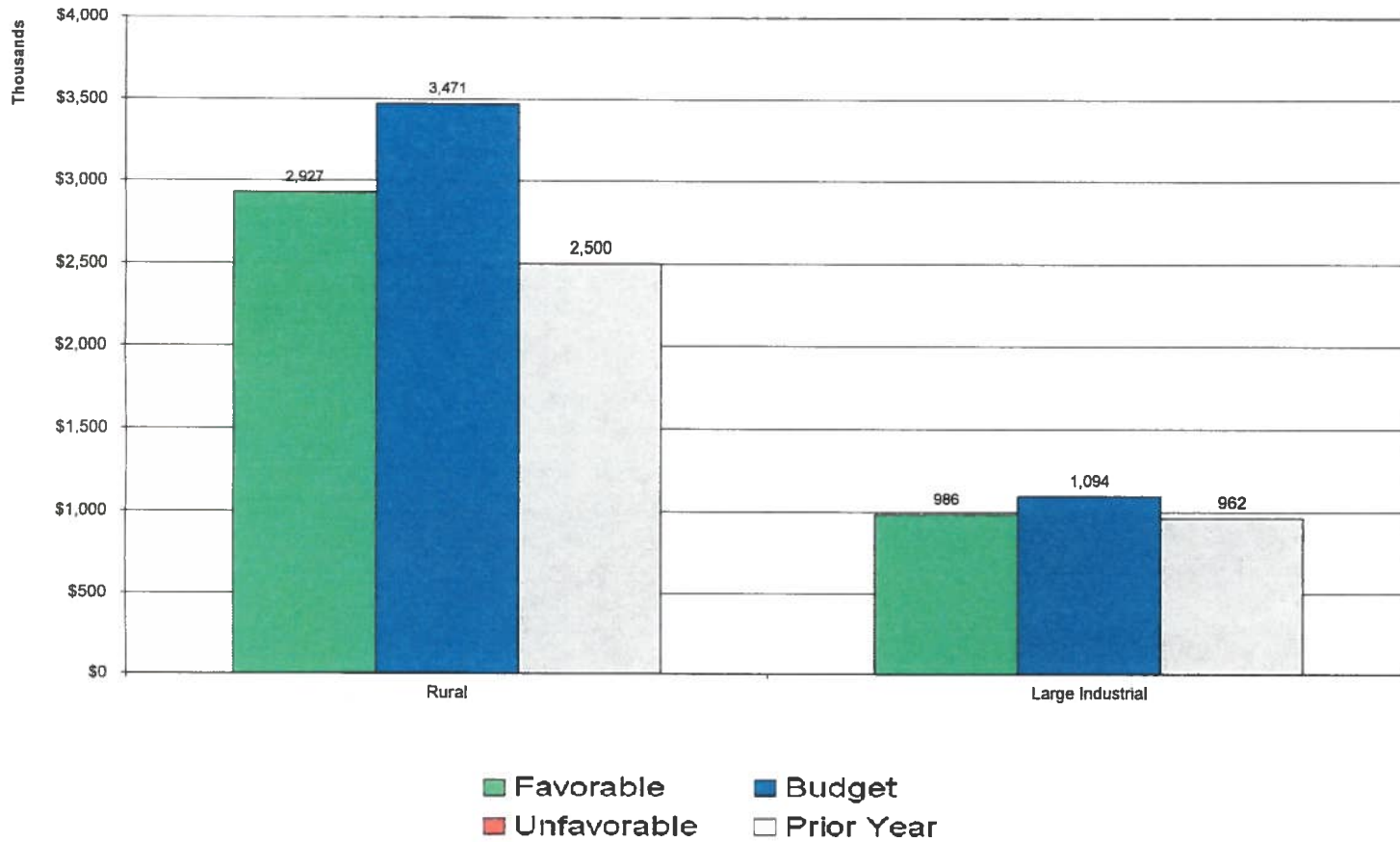


MRSM - \$/MWh YTD - February



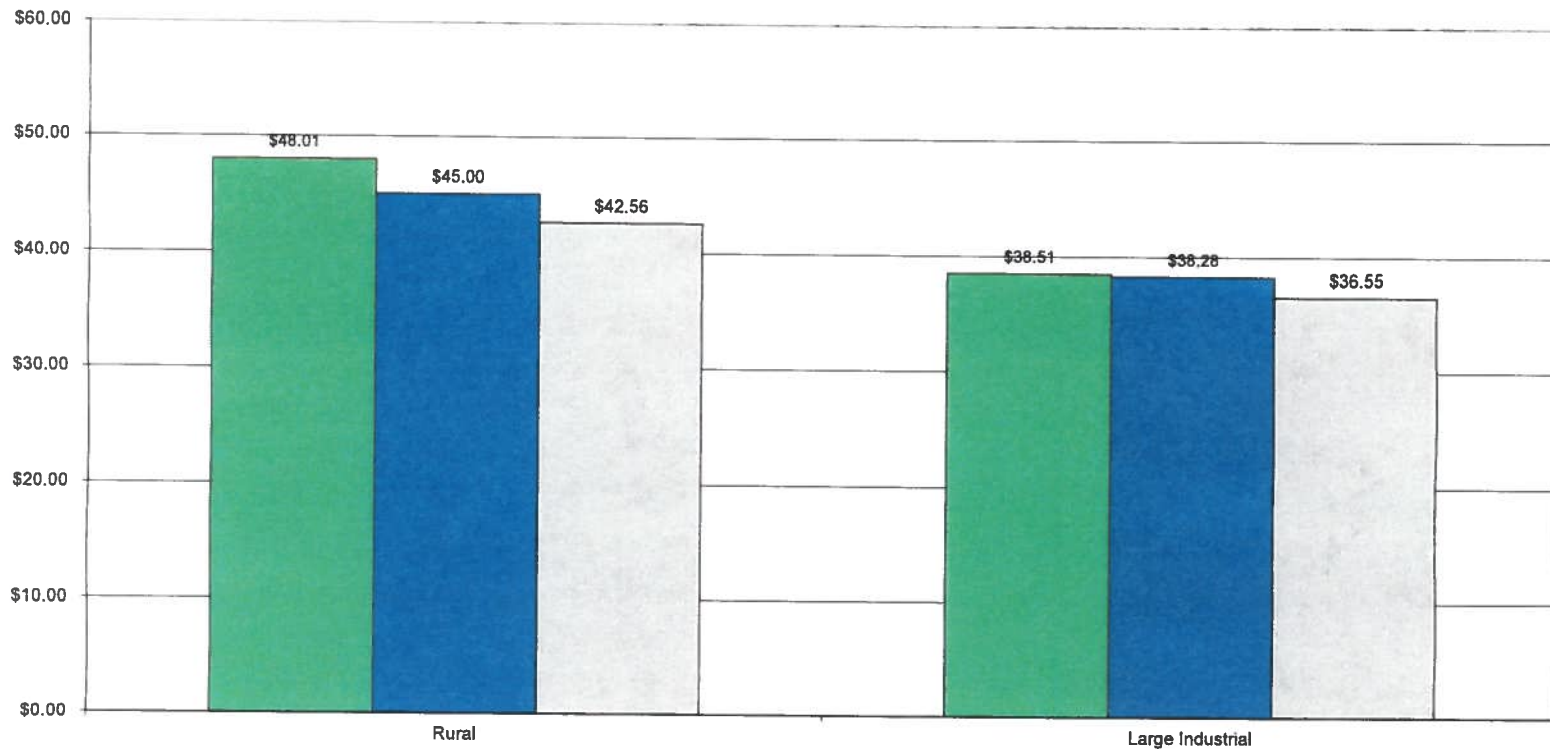
■ Favorable ■ Budget
■ Unfavorable ■ Prior Year

MRSM YTD - February





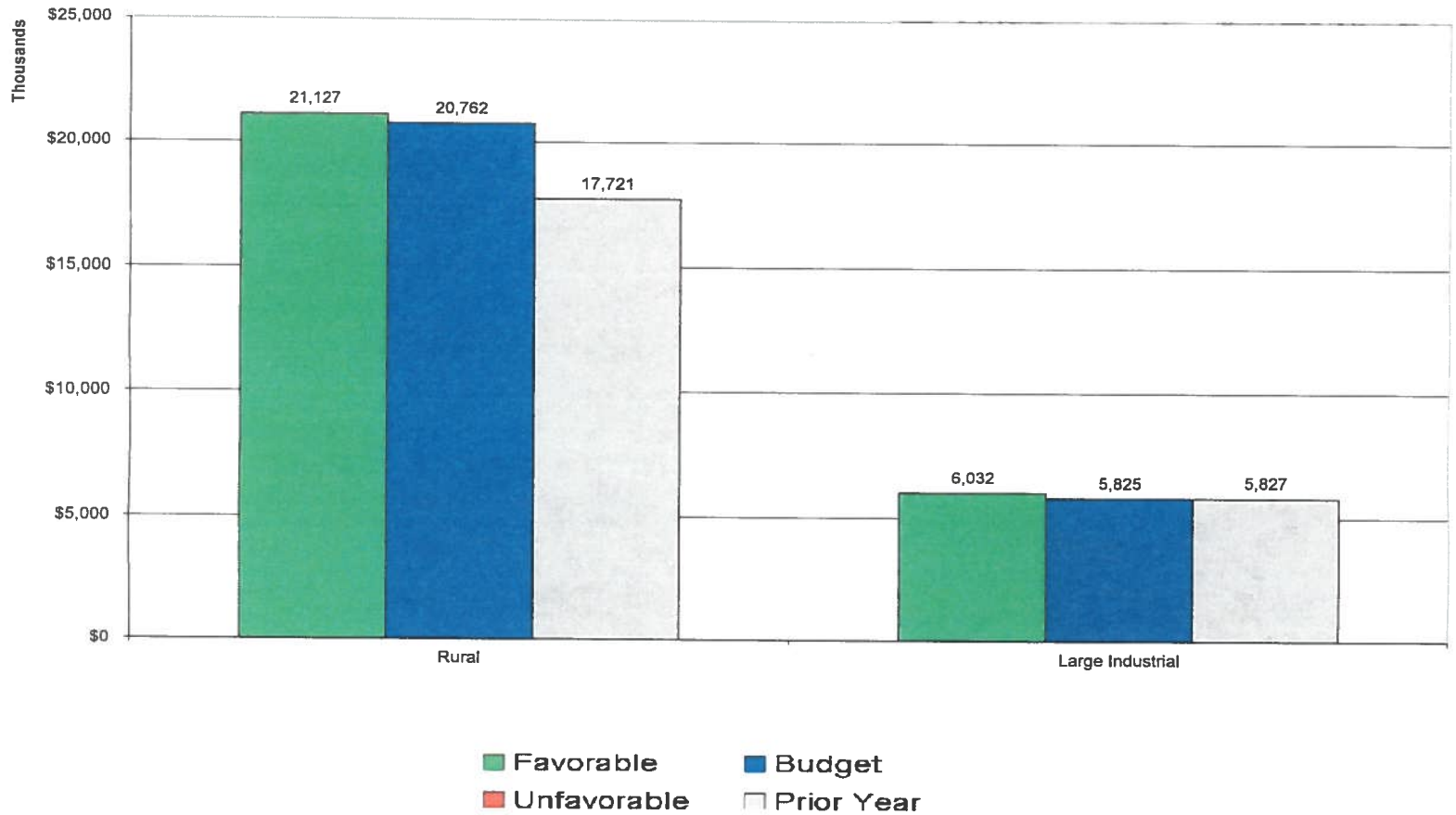
Net Revenue Less MRSMS - \$/MWh YTD – February



■ Favorable ■ Budget
■ Unfavorable ■ Prior Year



Net Revenue Less MRSM YTD - February





Non-Variable Production and Other Power Supply – Operations

	<u>Actual</u>	<u>Budget</u>	<u>Variance Fav/(Unfav)</u>	<u>2012 Actual</u>	<u>Variance Fav/(Unfav)</u>
February YTD	10,361	10,293	(68)	10,823	462

Prior-Year Variances

Station-Two Plant O&M Non-labor

Other

Non-Variable Production and Other Power Supply - Operations

Fav/(UnFav)

613

(151)

462



Operation Expense – Transmission

	<u>Actual</u>	<u>Budget</u>	<u>Variance Fav/(Unfav)</u>	<u>2012 Actual</u>	<u>Variance Fav/(Unfav)</u>
February YTD	1,938	1,531	(407)	1,611	(327)

The unfavorable variance compared to budget and prior year is driven by MISO transmission expenses (MISO Transmission Expansion Projects and Multi-value Projects).



Maintenance Expense – Production

	<u>Actual</u>	<u>2012 Actual</u>	<u>Variance Fav/(Unfav)</u>
February YTD	5,935	6,453	518

The favorable variance compared to prior year is driven by 2012 outage expenses at Wilson.



Interest Income

	<u>Actual</u>	<u>2012 Actual</u>	<u>Variance Fav/(Unfav)</u>
February YTD	335	11	324

Interest income was favorable compared to prior year due to interest on capital term certificates.



North Star – YTD February

	2013			2012	
	Actual	Budget	Fav/(UnFav) Variance	Actual	Fav/(UnFav) Variance
Total Cost of Electric Service	94,806	93,085	(1,721)	87,677	(7,129)
Other Operating Revenues & Income	(712)	(619)	93	(857)	(145)
Smelter Avoidable Base Charge	0	0	0	(222)	(222)
Off-System Sales/Other	(10,105)	(6,955)	3,150	(4,107)	5,998
Interest Income	(335)	(342)	(7)	(11)	324
Other Non-Operating Income	0	0	0	0	0
Other Capital Credits & Pat. Dividends	0	0	0	0	0
	83,654	85,169	1,515	82,480	(1,174)

Member MWh	1,797,519	1,803,457	(5,938)	1,785,428	12,091
------------	-----------	-----------	---------	-----------	--------

North Star - \$/kWh	0.046539	0.047226	0.000687	0.046196	(0.000343)
---------------------	----------	----------	----------	----------	------------



TIER

	<u>Actual</u>	<u>Budget</u>	<u>Fav/(Unfav)</u>
Interest on Long-Term Debt	7,300	7,296	(4)
Net Margins	6,105	5,691	414
TIER - YTD February	1.84	1.78	0.06
TIER (12 months ending 2/28)	1.34	1.15	0.19

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)
IS	6	145	139
Generation	1,217	964	(253)
Transmission	947	1,414	467
Other	21	618	597
ECP	0	0	0
Total	2,191	3,141	950

Explanation:

IS was favorable \$139 due to timing of the Hyperion upgrade and the Members' replacement of hardware/software and iSeries CIS/BIS projects.

Generation was unfavorable by \$253. Green Station was unfavorable \$315 primarily due to the G1 and G2 FGD Rehabilitation projects. Wilson Station was unfavorable \$67 due to timing associated with the Stack Lightning Elimination project. Coleman Station was unfavorable \$184 due to timing of the conveyor belt project, ash disposal project, and timing of other miscellaneous projects. Partially offsetting these unfavorabilities, Station-Two was favorable \$313 due to timing of the H2 Catalyst replacement, Voltage Regulator and Slag Grinders projects.

Transmission was favorable \$467 primarily due to timing of White Oak-50 MVA Substation project.

Other was favorable \$597 largely due to timing of vehicle projects.

* 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>	2012	<u>Fav/(Unfav)</u>
February 28th	116,726	110,088	6,638	49,472	67,254

The February 28, 2013 cash balance compared to budget is favorable due to the beginning balance favorability of \$8.8m, partially offset by changes in working capital.

The favorable variance to prior-year is driven by the July 2012 refinancing.

<u>Lines of Credit</u> <u>As of February 28th</u>	
Original Amount	\$100,000
Letters of Credit Outstanding	(8,375)
Advances Outstanding	0
Available Lines of Credit	\$ 91,625

Monthly Financial Report – January 2013



Your Touchstone Energy[®] Cooperative 

Financial Report
January 2013
(\$ in Thousands)

Board Meeting Date: March 14, 2013



Summary of Statement of Operations YTD - January

	2013			2012	
	Actual	Budget	Fav/(UnFav) Variance	Actual	Fav/(UnFav) Variance
Revenues	50,999	51,769	(770)	46,876	4,123
Cost of Electric Service	48,867	48,033	(834)	44,830	(4,037)
Operating Margins	2,132	3,736	(1,604)	2,046	86
Interest Income/Other	170	171	(1)	6	164
Net Margins - YTD	2,302	3,907	(1,605)	2,052	250



Statement of Operations – January Variance to Budget

	Current Month		Variance Fav/(UnFav)	Explanation
	Actual	Budget		
ELECTRIC ENERGY REVENUES	50,638	51,457		
OTHER OPERATING REVENUE AND INCOME	361	312	(819)	[A] Pages 7, 9-13, 16-21
TOTAL OPER REVENUES & PATRONAGE CAPITAL	50,999	51,769	(770)	
OPERATION EXPENSE-PRODUCTION-EXCL FUEL	4,375	4,620	245	[A] Pages 8, 14-15, 22
OPERATION EXPENSE-PRODUCTION-FUEL	21,531	22,037	506	[A] Pages 8, 14-15
OPERATION EXPENSE-OTHER POWER SUPPLY	9,328	7,631	(1,697)	[A] Pages 8, 14-15, 22
OPERATION EXPENSE-TRANSMISSION	771	788	17	
OPERATION EXPENSE-RTO/ISO	238	207	(31)	
OPERATION EXPENSE-CUSTOMER ACCOUNTS	0	0	0	
CONSUMER SERVICE & INFORMATIONAL EXPENSE	48	68	20	
OPERATION EXPENSE-SALES	0	5	5	
OPERATION EXPENSE-ADMINISTRATIVE & GENERAL	1,751	2,252	501	[B], [C] Page 23
TOTAL OPERATION EXPENSE	38,042	37,608	(434)	
MAINTENANCE EXPENSE-PRODUCTION	3,304	2,735	(569)	[B], [C] Page 24
MAINTENANCE EXPENSE-TRANSMISSION	279	384	105	
MAINTENANCE EXPENSE-GENERAL PLANT	23	20	(3)	
TOTAL MAINTENANCE EXPENSE	3,606	3,139	(467)	
DEPRECIATION & AMORTIZATION EXPENSE	3,414	3,440	26	
TAXES	0	0	0	
INTEREST ON LONG-TERM DEBT	3,804	3,802	(2)	
INTEREST CHARGED TO CONSTRUCTION-CREDIT	(34)	(2)	32	
OTHER INTEREST EXPENSE	0	0	0	
OTHER DEDUCTIONS	35	46	11	
TOTAL COST OF ELECTRIC SERVICE	48,867	48,033	(834)	
OPERATING MARGINS	2,132	3,736	(1,604)	
INTEREST INCOME	170	171	(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	2,302	3,907	(1,605)	

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

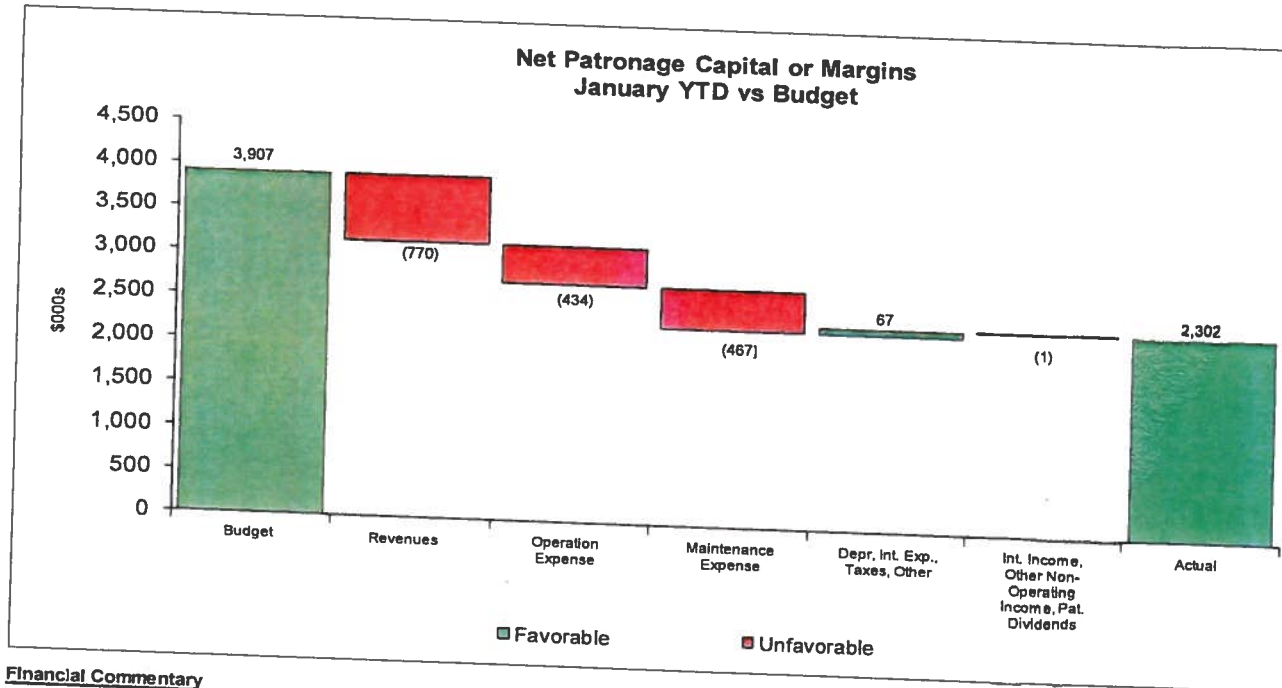


Statement of Operations – January Variance to Prior-Year

	Current Month		Variance Fav/(UnFav)	Explanation
	Actual	Prior Year		
ELECTRIC ENERGY REVENUES	50,638	46,502	4,136	[A] Pages 7, 9-13, 16-21
OTHER OPERATING REVENUE AND INCOME	361	374	(13)	
TOTAL OPER REVENUES & PATRONAGE CAPITAL	50,999	46,876	4,123	
OPERATION EXPENSE-PRODUCTION-EXCL FUEL	4,375	3,973	(402)	[A] Pages 8, 14-15, 22
OPERATION EXPENSE-PRODUCTION-FUEL	21,531	16,904	(4,627)	[A] Pages 8, 14-15
OPERATION EXPENSE-OTHER POWER SUPPLY	9,328	10,234	906	[A] Pages 8, 14-15, 22
OPERATION EXPENSE-TRANSMISSION	771	818	47	
OPERATION EXPENSE-RTO/ISO	238	209	(29)	
OPERATION EXPENSE-CUSTOMER ACCOUNTS	0	0	0	
CONSUMER SERVICE & INFORMATIONAL EXPENSE	48	15	(33)	
OPERATION EXPENSE-SALES	0	(4)	(4)	
OPERATION EXPENSE-ADMINISTRATIVE & GENERAL	1,751	2,026	275	[B] Page 23
TOTAL OPERATION EXPENSE	38,042	34,175	(3,867)	
MAINTENANCE EXPENSE-PRODUCTION	3,304	3,159	(145)	
MAINTENANCE EXPENSE-TRANSMISSION	279	315	36	
MAINTENANCE EXPENSE-GENERAL PLANT	23	17	(6)	
TOTAL MAINTENANCE EXPENSE	3,606	3,491	(115)	
DEPRECIATION & AMORTIZATION EXPENSE	3,414	3,397	(17)	
TAXES	0	0	0	
INTEREST ON LONG-TERM DEBT	3,804	3,824	20	
INTEREST CHARGED TO CONSTRUCTION-CREDIT	(34)	(70)	(36)	
OTHER INTEREST EXPENSE	0	0	0	
OTHER DEDUCTIONS	35	13	(22)	
TOTAL COST OF ELECTRIC SERVICE	48,867	44,830	(4,037)	
OPERATING MARGINS	2,132	2,046	86	
INTEREST INCOME	170	6	164	
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	2,302	2,052	250	

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

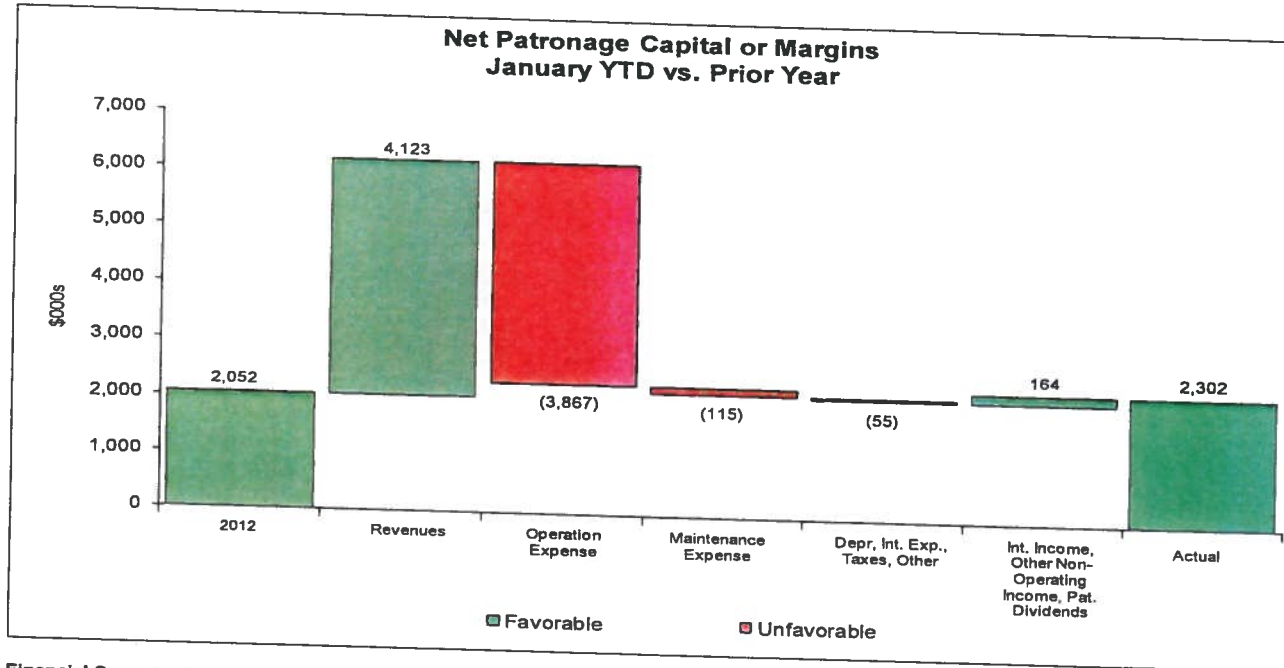


Financial Commentary

Year-to-Date

- January 2013 Margins were \$1,605 unfavorable to budget.
 - Revenues were unfavorable \$770 primarily due to lower peak for rurals, as well as lower FAC rate and lower OSS pricing (see pages 7, 9-13, 16-21).
 - Operation Expense was unfavorable \$434 – driven by higher purchase power volumes (see page 8).
 - Maintenance Expense was unfavorable \$467 primarily due to forced outage repairs and timing of maintenance expenses at Coleman, Green and Station 2 (see page 24).
 - Depreciation/Interest Expense/Other was favorable \$67 primarily due to slightly lower depreciation expense, as well as higher capitalized interest.

Variance Analysis Summary



Financial Commentary

Year-to-Date

- January 2013 margins were \$250 favorable to 2012.
 - Revenues were favorable \$4,123 largely due to volumes, most of which is from OSS (see pages 7, 9-13, 16-21).
 - Operation Expense was unfavorable \$3,867 – driven by higher fuel cost \$4,912, mostly due to volume, partially offset by lower purchase power \$709.
 - Maintenance Expense was unfavorable \$115 due to forced outage repairs and timing during 2013.
 - Depreciation, Interest Expense, Taxes & Other combined were higher \$55 due to slightly higher depreciation expense, as well as less interest capitalized in 2013.
 - Interest income was favorable due to the interest income on the capital term certificates.

**Revenue
YTD January**

	Actual 2013	Budget 2013	Variance	Actual 2012	2012 Variance
MWh Sales					
Rural	235,718	249,207	(13,489)	224,313	11,405
Large Industrial	82,265	78,513	3,752	79,778	2,487
Smelter	630,197	627,043	3,154	625,756	4,441
Off-System/Other	188,059	110,711	77,348	90,549	97,510
Total	1,136,239	1,065,474	70,765	1,020,396	115,843
Revenue - \$/MWh					
Rural	49.41	52.39	(2.98)	47.71	1.70
Large Industrial	43.35	44.78	(1.43)	42.43	0.92
Smelter	48.35	49.92	(1.57)	47.79	0.56
Off-System/Other	26.33	32.37	(6.04)	27.71	(1.38)
Total	44.57	48.29	(3.72)	45.57	(1.00)
Revenue - Thousands of \$					
Rural	11,646	13,056	(1,410)	10,703	943
Large Industrial	3,566	3,515	51	3,385	181
Smelter	30,473	31,301	(828)	29,905	568
Off-System/Other	4,952	3,583	1,369	2,509	2,443
Total	50,638	51,457	(819)	46,502	4,136

**Revenue Price / Volume Analysis
January 2013**

	Price / Volume		Total
	Price	Volume	
Rural	(704)	(706)	(1,410)
Large Industrial	(117)	168	51
Smelter	(986)	157	(828)
Off-System/Other	(1,135)	2,503	1,369
	(2,942)	2,123	(819)



**Variable Operations Cost
YTD January**

	Actual 2013	Budget 2013	Variance	Actual 2012	2012 Variance
Variable Operations (VO) Cost - \$/MWh					
Rural	25.54	26.83	1.29	24.51	(1.03)
Large Industrial	25.54	26.83	1.29	24.51	(1.03)
Smelter	26.68	27.59	0.91	25.34	(1.34)
Off-System/Other	27.09	27.31	0.22	24.97	(2.12)
Total	26.43	27.33	0.90	25.06	(1.37)
VO Cost - Thousands of \$					
Rural	6,020	6,685	665	5,498	(522)
Large Industrial	2,101	2,106	5	1,955	(146)
Smelter	16,812	17,301	489	15,855	(957)
Off-System/Other	5,095	3,023	(2,072)	2,261	(2,834)
Total	30,029	29,115	(914)	25,569	(4,460)

**YTD January 2013
Variable Operations Expense**

	Actual	Budget	Fav/(UnFav)	Price Variance Fav/(UnFav)	Volume Variance Fav/(UnFav)	Fav/(UnFav)
Reagent	2,463	2,752	289			289
Fuel	24,429	25,069	640	32	257	640
Purchased Power	3,499	1,545	(1,954)	(3,108)	3,748	640
Non-FAC PPA (Non-Smelter)	(362)	(251)	111	536	(2,490)	(1,954)
				119	(8)	111
Total	30,029	29,115	(914)	(2,421)	1,507	(914)



**Net Sales Margin
YTD January**

	Actual 2013	Budget 2013	Variance	Actual 2012	2012 Variance
Net Sales Margin - \$/MWh					
Rural	23.87	25.56	(1.69)	23.20	0.67
Large Industrial	17.81	17.95	(0.14)	17.92	(0.11)
Smelter	21.67	22.33	(0.66)	22.45	(0.78)
Off-System/Other	(0.76)	5.06	(5.82)	2.74	(3.50)
Total	18.14	20.96	(2.82)	20.51	(2.37)
Net Sales Margin - Thousands of \$					
Rural	5,626	6,371	(745)	5,205	421
Large Industrial	1,465	1,409	56	1,430	35
Smelter	13,661	14,001	(340)	14,050	(389)
Off-System/Other	(143)	560	(703)	248	(391)
Total	20,609	22,340	(1,731)	20,933	(324)

**Net Sales Margin
Price / Volume Analysis
January 2013**

	Price / Volume		Total
	Price	Volume	
Rural	(400)	(345)	(745)
Large Industrial	(11)	67	56
Smelter	(410)	70	(340)
Off-System/Other	(1,094)	391	(703)
	(1,915)	184	(1,731)



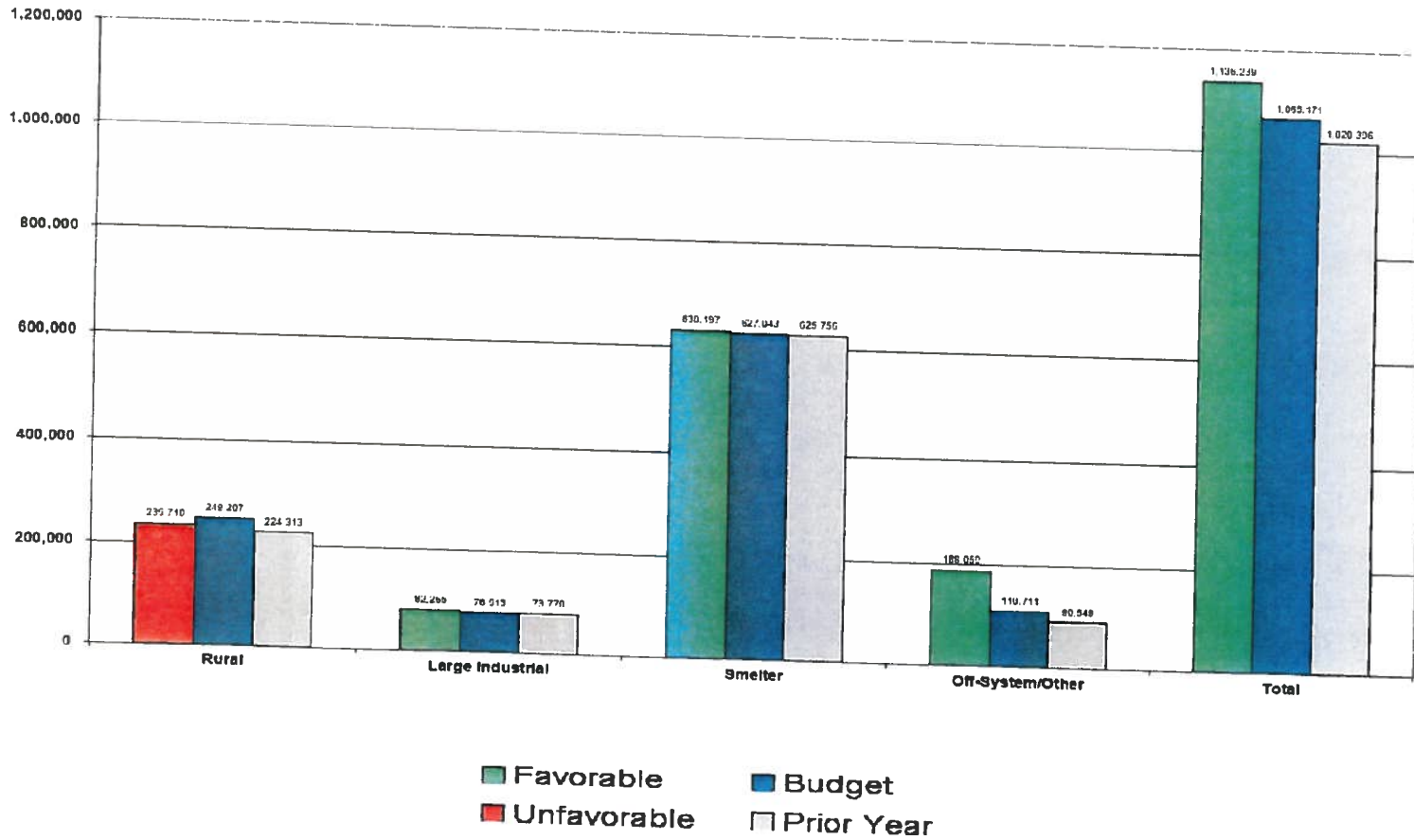
Your Local Energy Cooperative

Member Rate Stability Mechanism YTD January

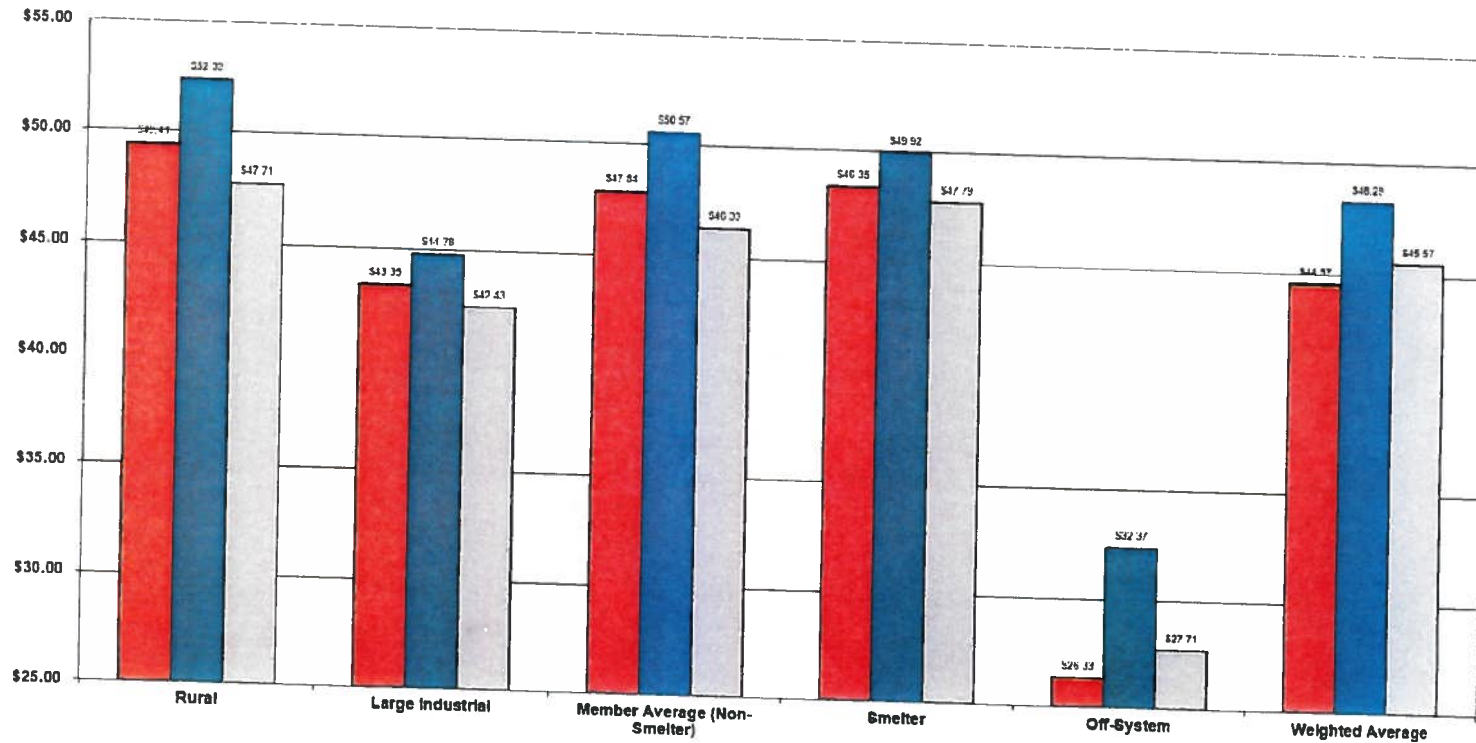
	<u>Actual</u> <u>2013</u>	<u>Budget</u> <u>2013</u>	<u>2013</u> <u>Variance</u>	<u>Actual</u> <u>2012</u>	<u>2012</u> <u>Variance</u>		<u>Actual</u> <u>2013</u>	<u>Budget</u> <u>2013</u>	<u>2013</u> <u>Variance</u>	<u>Actual</u> <u>2012</u>	<u>2012</u> <u>Variance</u>
MRSM - \$/MWh						Net Revenue - \$/MWh					
Rural	(6.07)	(7.64)	1.57	(5.99)	(0.08)	Rural	43.34	44.75	(1.41)	41.72	1.62
Large Industrial	(5.74)	(7.21)	1.47	(5.99)	0.25	Large Industrial	37.61	37.57	0.04	36.44	1.17
Total	(5.98)	(7.53)	1.55	(5.99)	0.01	Total	41.86	43.04	(1.18)	40.34	1.51
MRSM - Thousands of \$						Net Revenue - Thousands of \$					
Rural	(1,430)	(1,903)	473	(1,341)	(89)	Rural	10,216	11,153	(937)	9,362	854
Large Industrial	(472)	(566)	94	(479)	7	Large Industrial	3,094	2,949	145	2,906	188
Total	(1,902)	(2,469)	567	(1,820)	(82)	Total	13,310	14,102	(792)	12,268	1,042

<u>Cumulative-to-Date</u>	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
Original Deposit	\$ 157,000		
Interest Earnings	3,229		
Withdrawals	(80,972)		
Ending Balance 01/31/2013	\$ 79,257	\$ 78,160	\$ 1,097
YTD January 2013			
Beg. Balance 1/1/2013	\$ 80,643		
Interest Earnings	26		
Withdrawals	(1,412)		
Ending Balance 01/31/2013	\$ 79,257	\$ 78,160	\$ 1,097

MWH Sales YTD - January

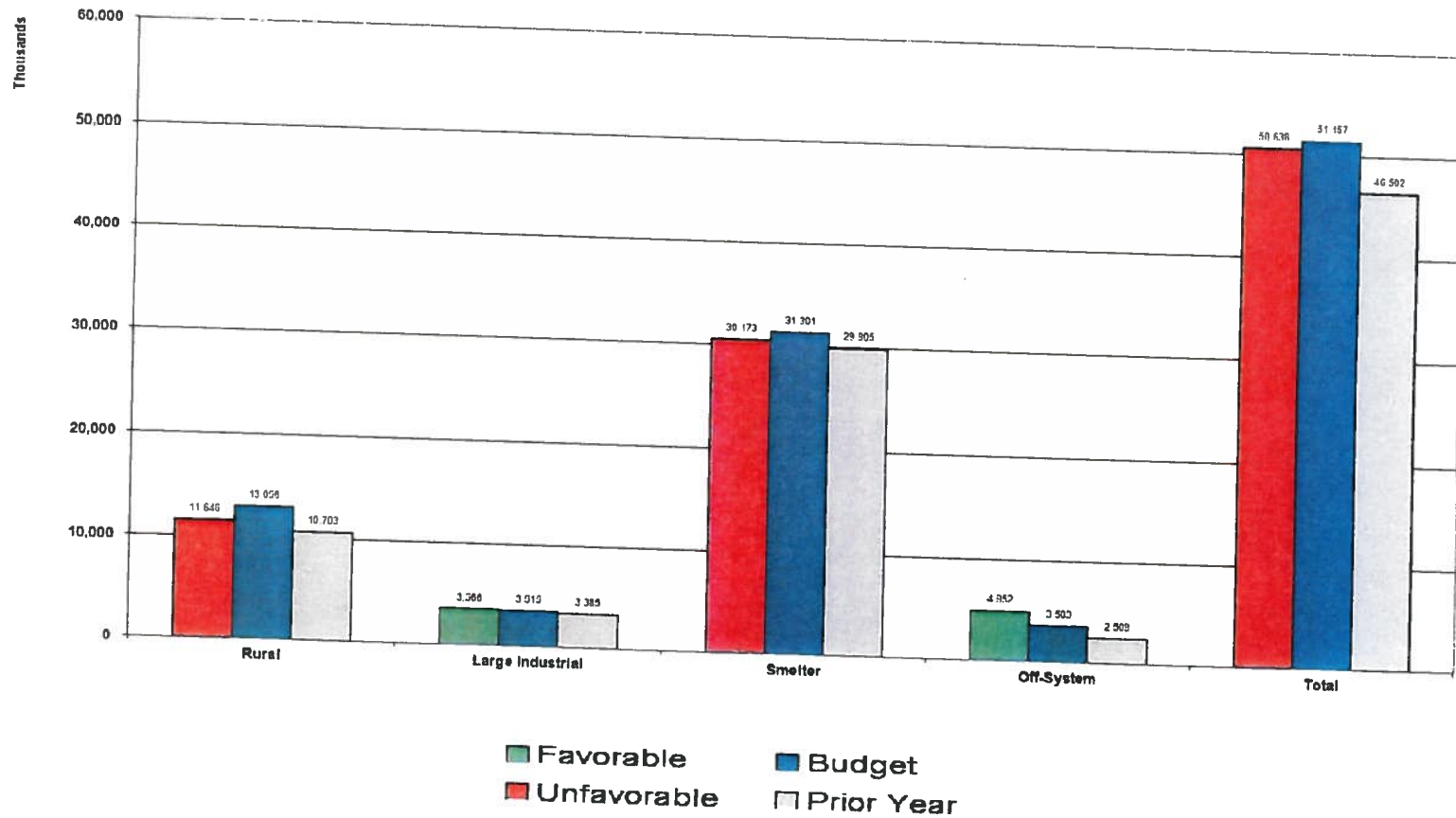


Revenue - \$/MWh Sold YTD – January

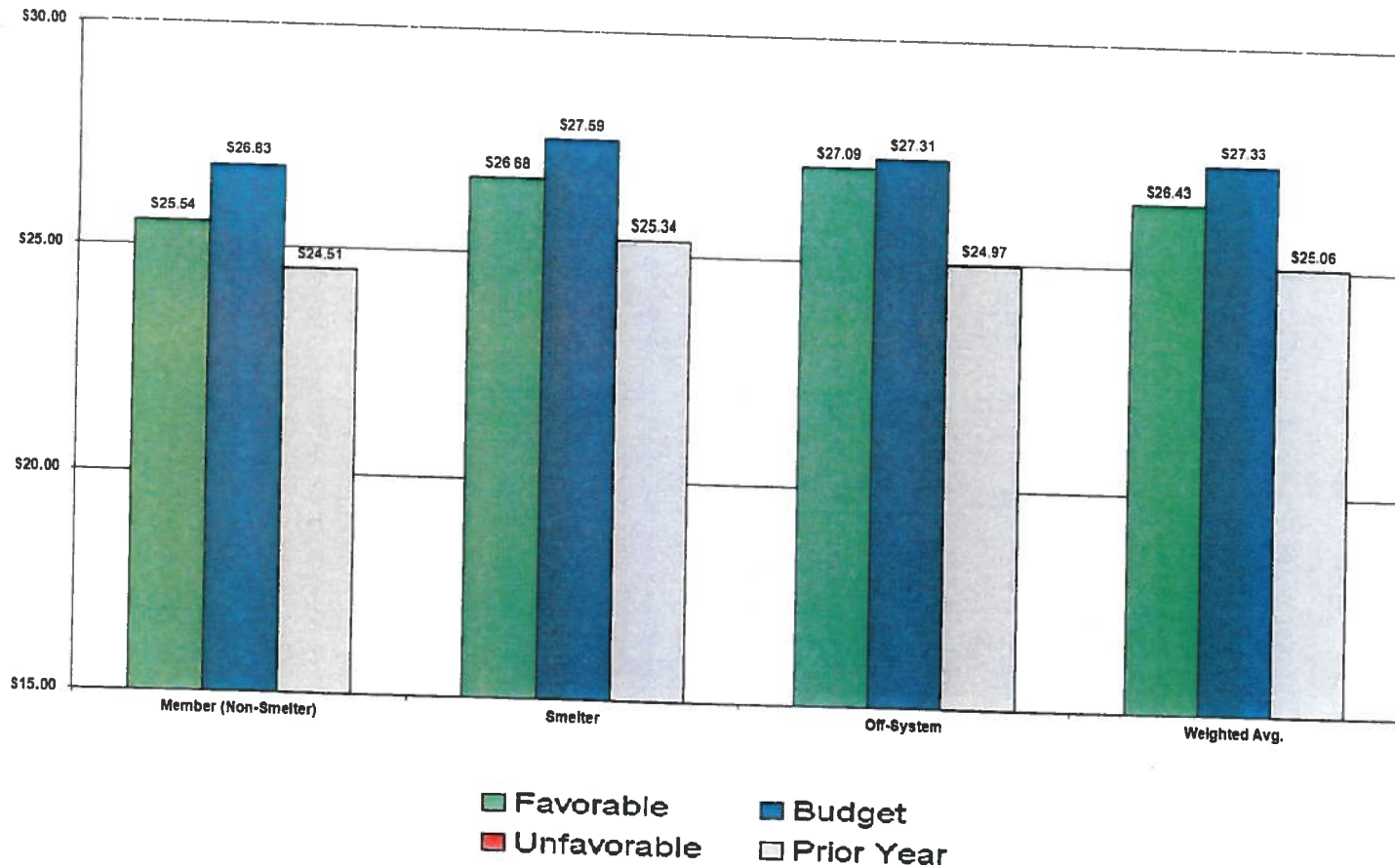


■ Favorable ■ Budget
■ Unfavorable ■ Prior Year

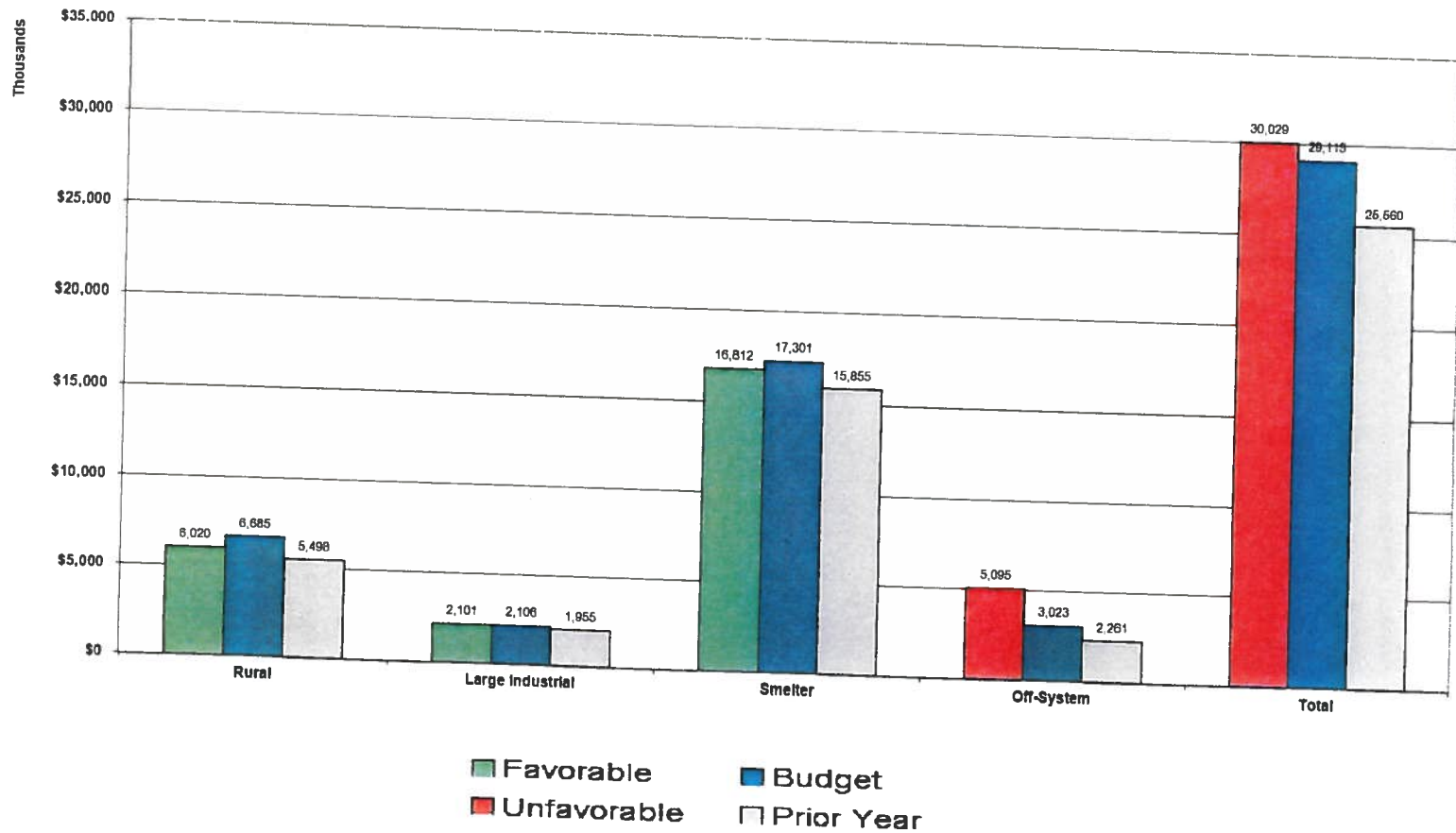
Revenue YTD - January



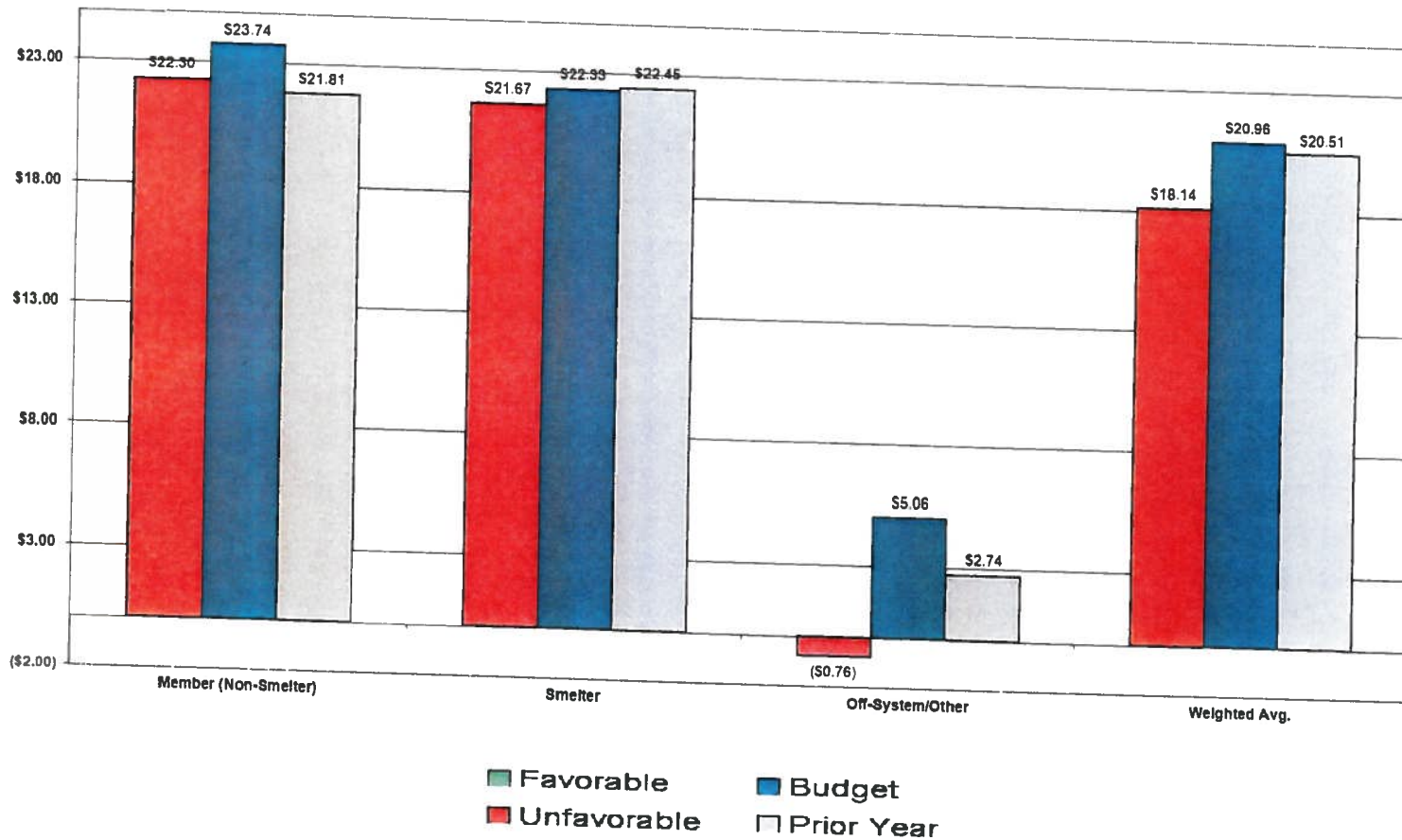
Variable Operations - \$/MWh Sold YTD – January



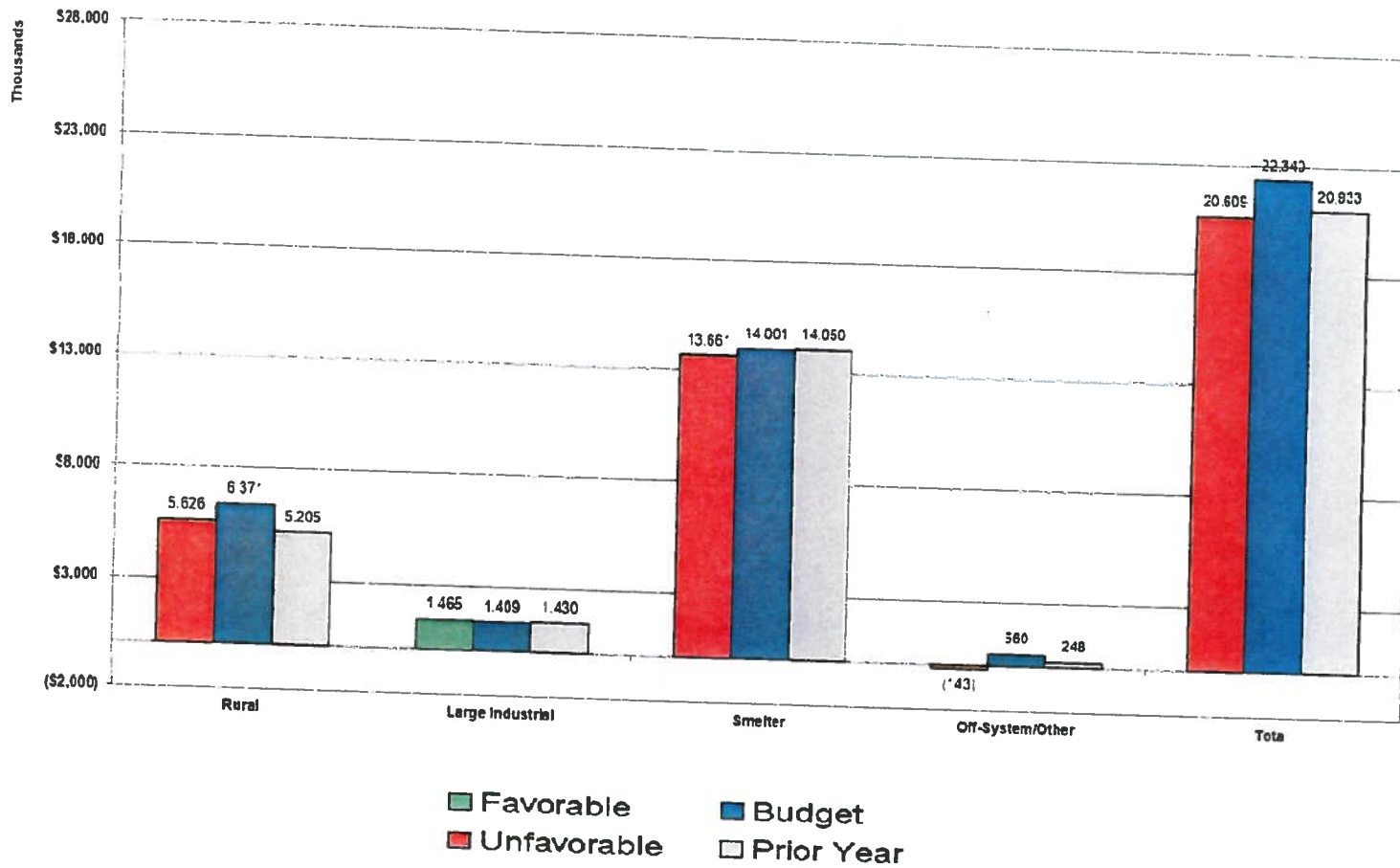
Variable Operations Cost YTD – January



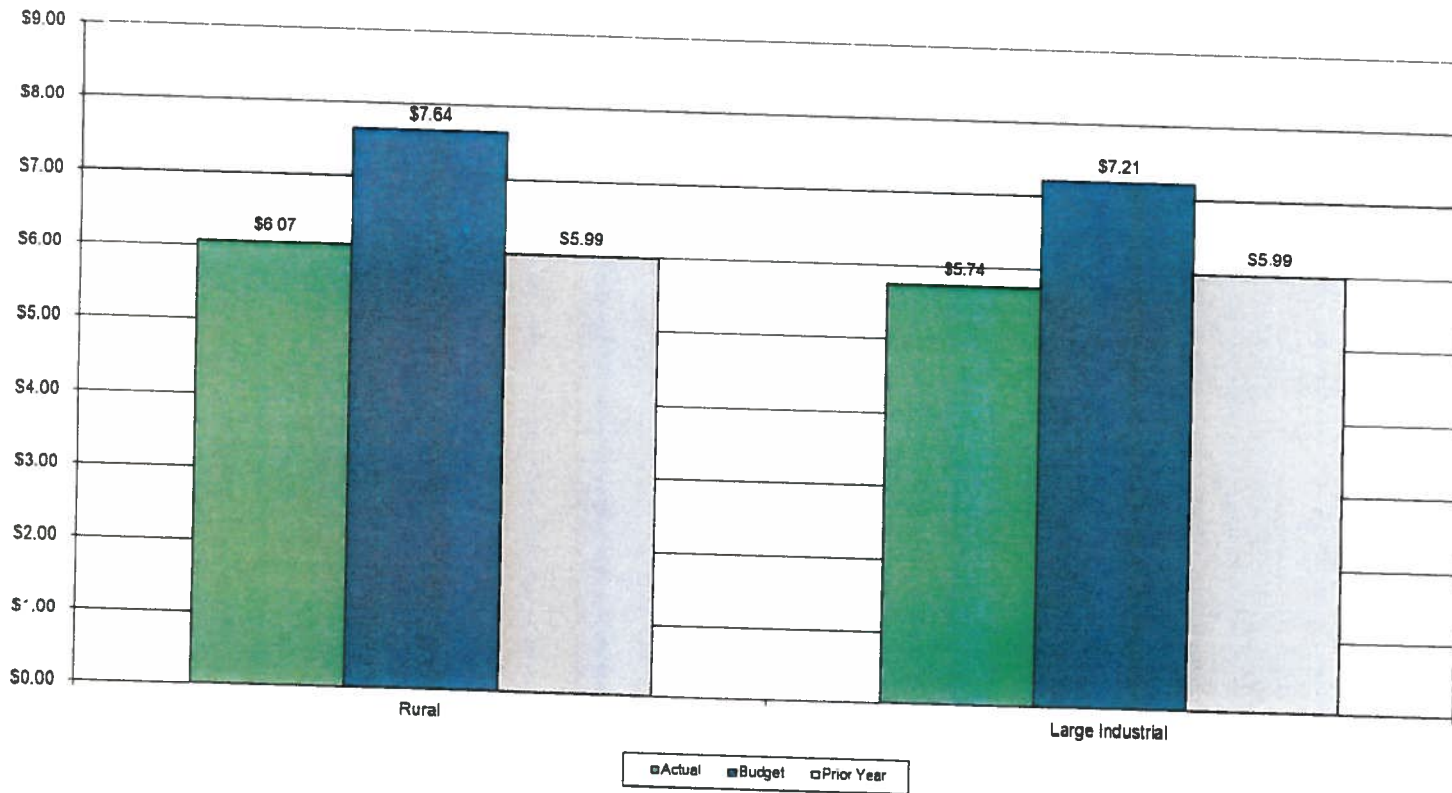
Net Sales Margin - \$/MWh YTD – January



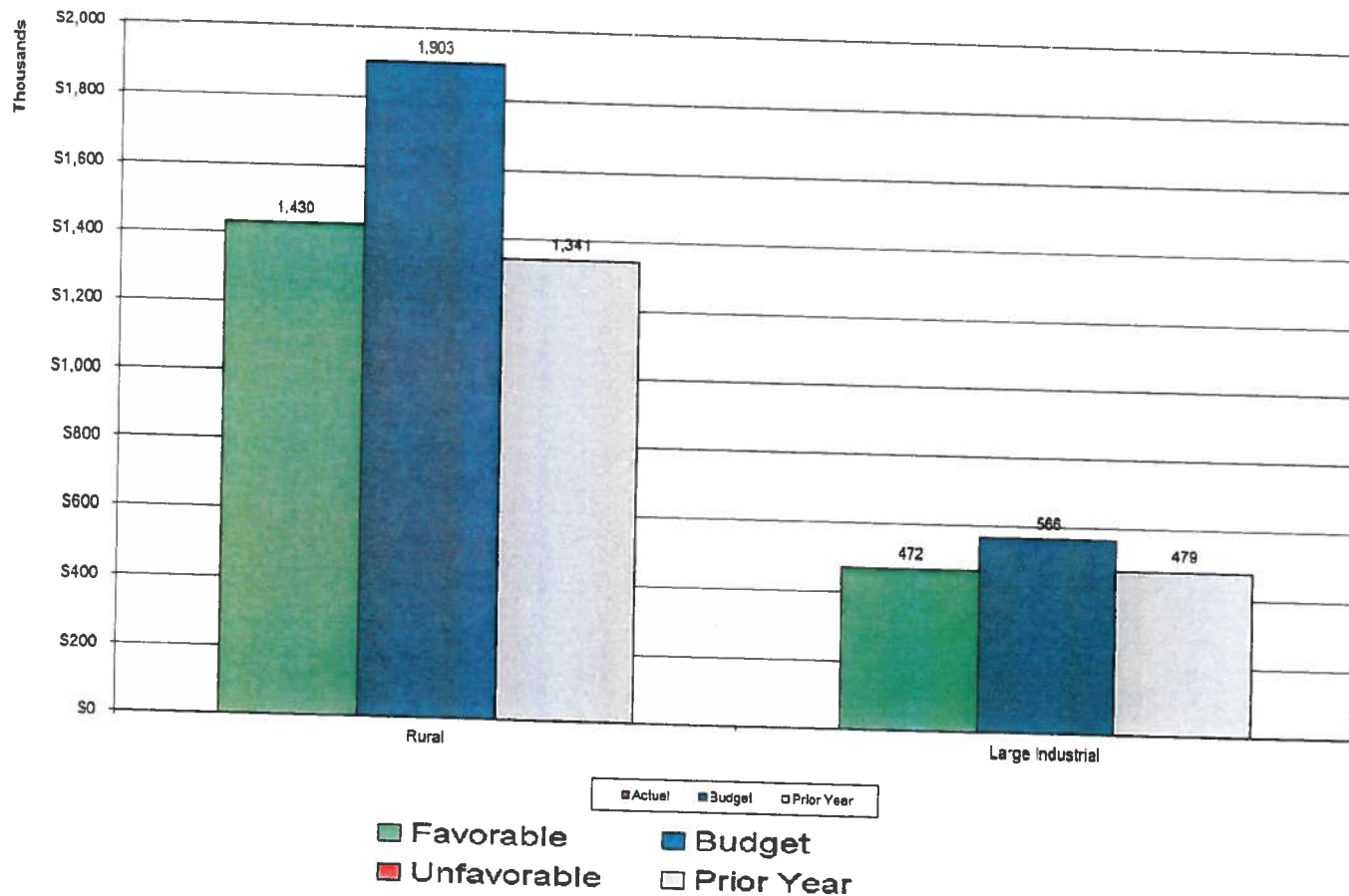
Net Sales Margin YTD – January



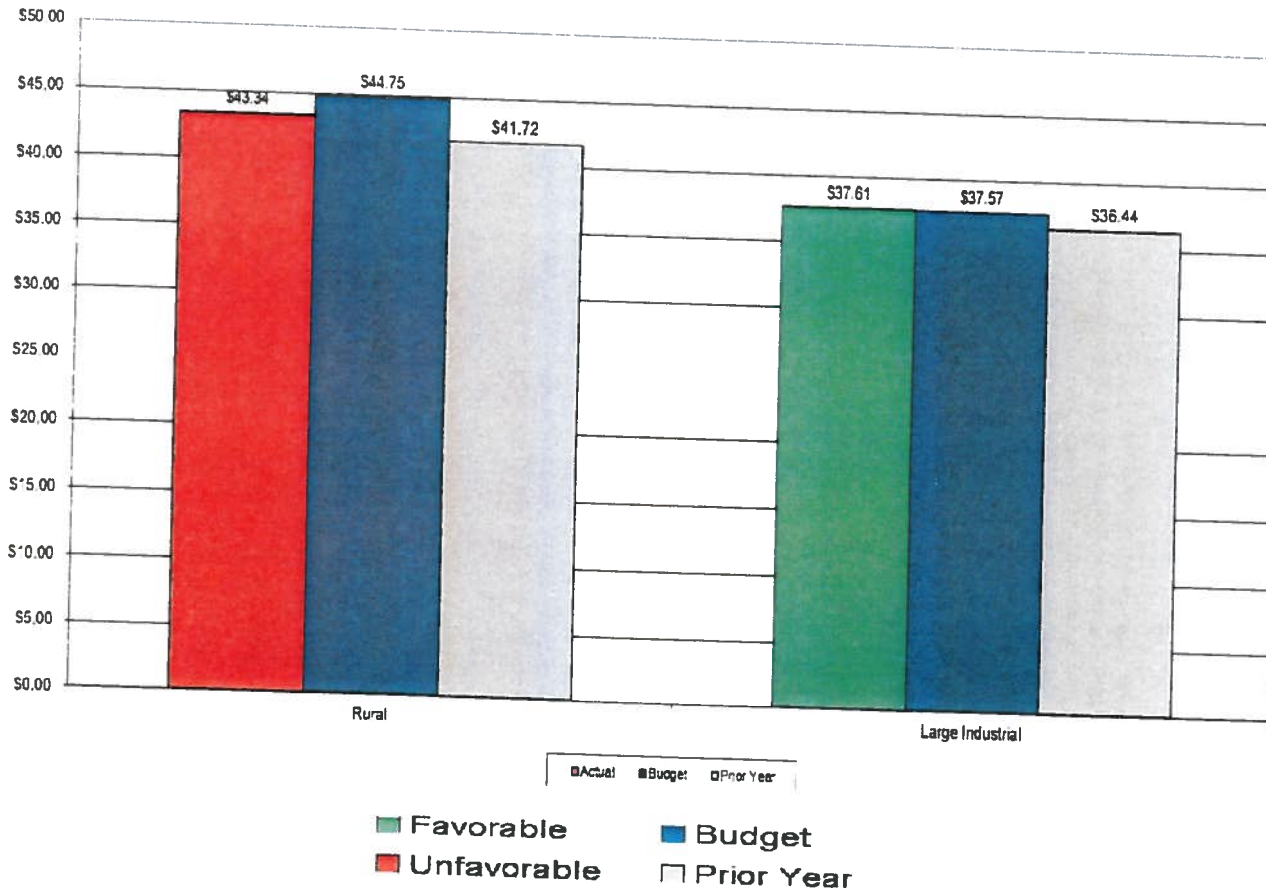
MRSM - \$/MWh YTD - January



MRSM YTD - January

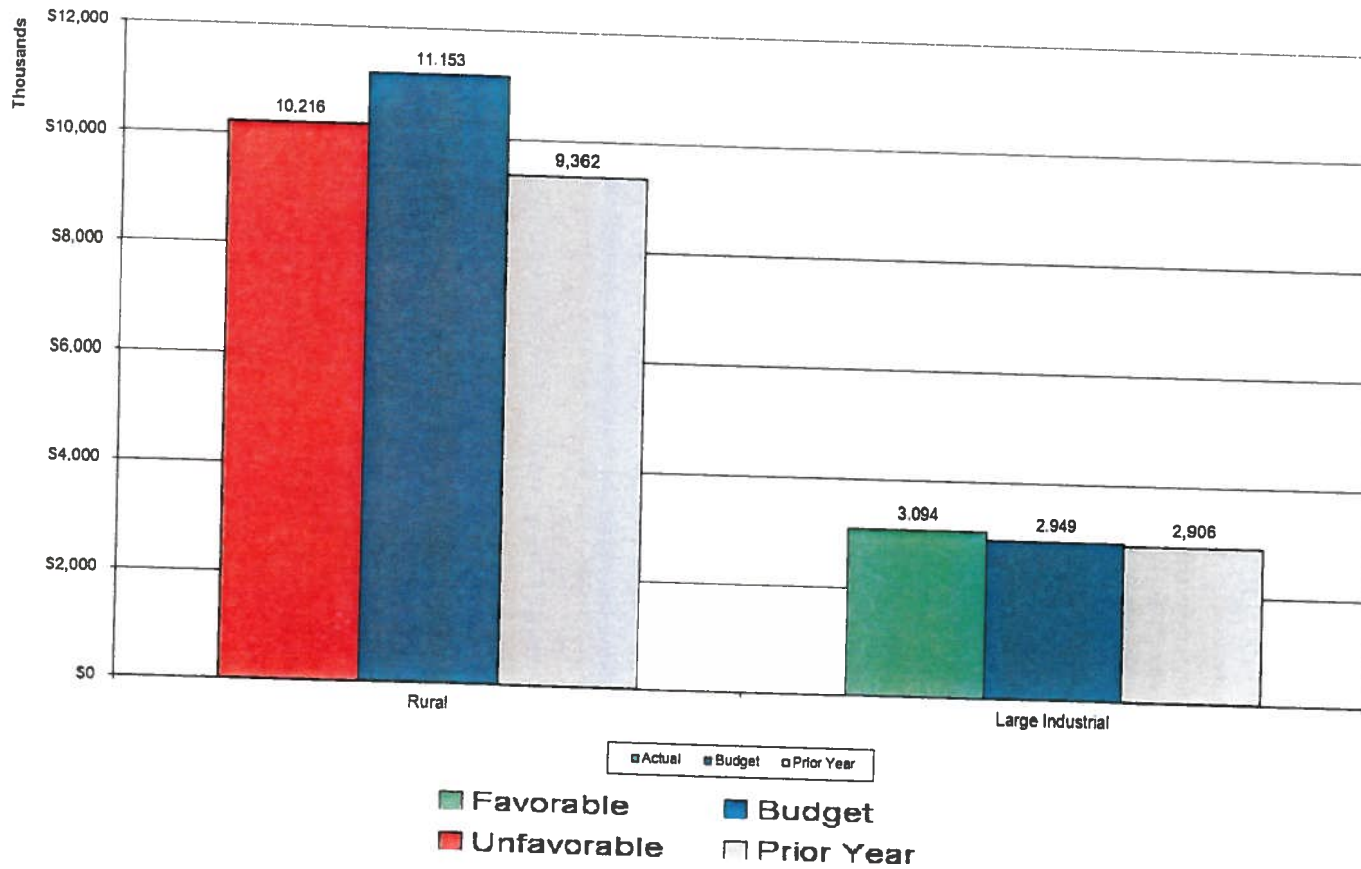


Net Revenue (Excl. MRSM) - \$/MWh YTD – January





Net Revenue (Excl. MRSM) YTD - January





Non-Variable Production and Other Power Supply – Operations

	<u>Actual</u>	<u>Budget</u>	<u>Variance Fav/(Unfav)</u>	<u>2012 Actual</u>	<u>Variance Fav/(Unfav)</u>
January YTD	5,205	5,173	(32)	5,542	337

Prior-Year Variances

Station-Two Plant O&M Non-labor
Other

Non-Variable Production and Other Power Supply - Operations

<u>Fav/(UnFav)</u>
342
(5)
<u>337</u>



Operation Expense – Administrative & General

	<u>Actual</u>	<u>Budget</u>	<u>Variance Fav/(Unfav)</u>	<u>2012 Actual</u>	<u>Variance Fav/(Unfav)</u>
January YTD	1,751	2,252	501	2,026	275

Current and prior-year favorable variances are attributable to timing of expenses associated with Information Systems (HP invoicing) and other A&G departments.



Maintenance Expense – Production

	<u>Actual</u>	<u>Budget</u>	<u>Variance</u> <u>Fav/(Unfav)</u>
January YTD	3,304	2,735	(569)

The unfavorable variance is driven by forced outage repairs at Coleman (\$170), as well as timing of maintenance expenditures at Green (\$166) and Coleman (\$288).



North Star – YTD January

	2013			2012	
	Actual	Budget	Fav/(UnFav) Variance	Actual	Fav/(UnFav) Variance
Total Cost of Electric Service	48,867	48,033	(834)	44,830	(4,037)
Other Operating Revenues & Income	(361)	(312)	49	(374)	(13)
Smelter Avoidable Base Charge	0	0	0	(126)	(126)
Off-System Sales/Other	(4,952)	(3,583)	1,369	(2,509)	2,443
Interest Income	(170)	(171)	(1)	(6)	164
Other Non-Operating Income	0	0	0	0	0
Other Capital Credits & Pat. Dividends	0	0	0	0	0
	43,384	43,967	583	41,815	(1,569)

Member MWh	948,181	954,763	(6,582)	929,847	18,334
------------	---------	---------	---------	---------	--------

North Star - \$/kWh	0.045754	0.046050	0.000296	0.044971	(0.000783)
---------------------	----------	----------	----------	----------	------------



TIER

	<u>Actual</u>	<u>Budget</u>	<u>Fav/(Unfav)</u>
Interest on Long-Term Debt	3,804	3,802	(2)
Net Margins	2,302	3,907	(1,605)
TIER - YTD January	1.61	2.03	(0.42)
TIER (12 months ending 1/31)	1.26	1.14	0.12

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)
IS	2	50	48
Generation	716	785	69
Transmission	623	556	(67)
Other	6	17	11
ECP	0	0	0
Total	1,347	1,408	61

Explanation:

IS was favorable \$48 due to the timing of expenditures associated with the Members' replacement of iSeries CIS/BIS (AS400 systems).

Generation was favorable by \$69 due to timing of capital expenditures. Station-Two was favorable \$417 due to timing of the H2 Catalyst replacement. Green Station was unfavorable \$157 primarily due to the G1 and G2 FGD Rehabilitation project. Wilson Station was unfavorable \$105 due to timing associated with the Stack Lightning Elimination project. Coleman Station was unfavorable \$86 due to timing of the conveyor belt project.

Transmission was unfavorable \$67 due to timing of several projects.

Other was favorable \$11 due to timing of the Copy Machine project for Human Resources.

* 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>	<u>2012 Actual</u>	<u>Fav/(Unfav)</u>
January 31st	112,287	107,684	4,603	46,616	65,671

The January 31, 2013 cash balance compared to budget is favorable due to the beginning balance favorability, partially offset by changes in working capital.

The favorable variance to prior-year is driven by the borrowing in 2012.

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

Monthly Financial Report – December 2012



Your Touchstone Energy® Cooperative 

Financial Report
December 2012
(\$ in Thousands)

Board Meeting Date: February 26, 2013



Summary of Statement of Operations YTD - December

	2012			2011	
	Actual	Budget	Fav/(UnFav) Variance	Actual	Fav/(UnFav) Variance
Revenues	568,342	618,737	(50,395)	561,989	6,353
Cost of Electric Service	558,090	612,135	54,045	556,657	(1,433)
Operating Margins	10,252	6,602	3,650	5,332	4,920
Interest Income/Other	1,025	95	930	268	757
Net Margins - YTD	11,277	6,697	4,580	5,600	5,677
January - YTD	2,302	3,907	(1,605)	2,052	250



Statement of Operations – December Variance to Budget

	Current Month			Year-to-Date			Explanation
	Actual	Budget	Variance Fav/(UnFav)	Actual	Budget	Variance Fav/(UnFav)	
ELECTRIC ENERGY REVENUES	47,926	54,557	(6,631)	563,385	614,725	(51,340)	[A] Pages 7, 9-13, 16-21
OTHER OPERATING REVENUE AND INCOME	361	334	27	4,957	4,012	945	[B], [C] Page 22
TOTAL OPER REVENUES & PATRONAGE CAPITAL	48,287	54,891	(6,604)	568,342	618,737	(50,395)	
OPERATION EXPENSE-PRODUCTION-EXCL FUEL	3,943	4,542	599	48,055	54,962	6,907	[A] Pages 8, 14-15, 23
OPERATION EXPENSE-PRODUCTION-FUEL	21,249	23,379	2,130	226,369	240,841	14,472	[A] Pages 8, 14-15
OPERATION EXPENSE-OTHER POWER SUPPLY	8,646	8,192	(454)	111,465	126,165	14,700	[A] Pages 8, 14-15, 23
OPERATION EXPENSE-TRANSMISSION	1,035	905	(130)	10,119	10,723	604	[C] Page 24
OPERATION EXPENSE-RTO/ISO	193	228	35	2,262	2,471	209	
OPERATION EXPENSE-CUSTOMER ACCOUNTS	297	0	(297)	297	0	(297)	[B] Page 26
CONSUMER SERVICE & INFORMATIONAL EXPENSE	256	52	(204)	886	724	(162)	
OPERATION EXPENSE-SALES	45	73	28	191	1,102	911	[B] Page 27
OPERATION EXPENSE-ADMINISTRATIVE & GENERAL	2,622	1,965	(657)	26,429	25,926	(503)	[C] Page 28
TOTAL OPERATION EXPENSE	38,286	39,336	1,050	426,073	462,914	36,841	
MAINTENANCE EXPENSE-PRODUCTION	3,285	2,638	(647)	41,170	58,890	17,720	[B], [C] Page 29
MAINTENANCE EXPENSE-TRANSMISSION	302	305	3	4,608	3,933	(675)	[B], [C] Page 30
MAINTENANCE EXPENSE-GENERAL PLANT	31	8	(23)	184	101	(83)	
TOTAL MAINTENANCE EXPENSE	3,618	2,951	(667)	45,962	62,924	16,962	
DEPRECIATION & AMORTIZATION EXPENSE	3,426	3,547	121	41,090	41,911	821	[C] Page 31
TAXES	0	0	0	4	1	(3)	
INTEREST ON LONG-TERM DEBT	3,799	3,739	(60)	45,033	44,647	(386)	
INTEREST CHARGED TO CONSTRUCTION-CREDIT	(45)	(108)	(63)	(766)	(678)	88	
OTHER INTEREST EXPENSE	46	0	(46)	148	0	(148)	
OTHER DEDUCTIONS	121	43	(78)	546	416	(130)	
TOTAL COST OF ELECTRIC SERVICE	49,251	49,506	257	558,090	612,135	54,045	
OPERATING MARGINS	(964)	5,383	(6,347)	10,252	6,602	3,650	
INTEREST INCOME	213	3	210	963	62	901	[B], [C] Page 34
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	3	0	3	62	33	29	
EXTRAORDINARY ITEMS	0	0	0	0	0	0	
NET PATRONAGE CAPITAL OR MARGINS	(748)	5,386	(6,134)	11,277	6,697	4,580	

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

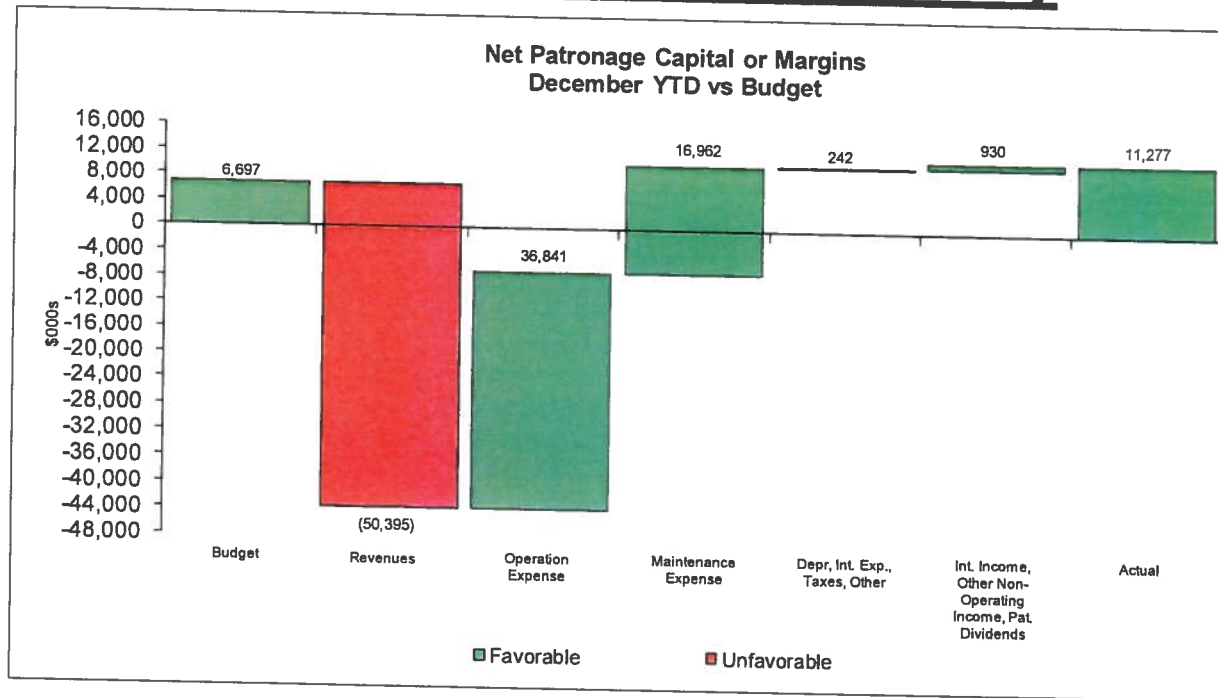


Statement of Operations – December Variance to Prior-Year

	Current Month			Year-to-Date			Explanation
	Actual	Prior Year	Variance Fav/(UnFav)	Actual	Prior Year	Variance Fav/(UnFav)	
ELECTRIC ENERGY REVENUES	47,925	47,411	515	563,385	558,372	5,013	[A] Pages 7, 9-13, 16-21
OTHER OPERATING REVENUE AND INCOME	361	380	(19)	4,957	3,617	1,340	[B], [C] Page 22
TOTAL OPER REVENUES & PATRONAGE CAPITAL	48,287	47,791	496	568,342	561,989	6,353	
OPERATION EXPENSE-PRODUCTION-EXCL FUEL	3,943	4,673	730	48,055	50,410	2,355	[A] Pages 8, 14-15, 23
OPERATION EXPENSE-PRODUCTION-FUEL	21,249	19,074	(2,175)	226,369	226,229	(140)	[A] Pages 8, 14-15
OPERATION EXPENSE-OTHER POWER SUPPLY	8,646	9,729	1,083	111,465	112,252	797	[A] Pages 8, 14-15, 23
OPERATION EXPENSE-TRANSMISSION	1,035	841	(194)	10,119	9,183	(936)	[B], [C] Page 24
OPERATION EXPENSE-RTO/ISO	193	212	19	2,262	2,530	268	[B] Page 25
OPERATION EXPENSE-CUSTOMER ACCOUNTS	297	0	(297)	297	0	(297)	[B] Page 26
CONSUMER SERVICE & INFORMATIONAL EXPENSE	256	193	(63)	886	632	(254)	
OPERATION EXPENSE-SALES	45	44	(1)	191	185	(6)	
OPERATION EXPENSE-ADMINISTRATIVE & GENERAL	2,622	2,855	233	26,429	26,557	128	
TOTAL OPERATION EXPENSE	38,286	37,621	(665)	426,073	427,988	1,915	
MAINTENANCE EXPENSE-PRODUCTION	3,285	3,895	610	41,170	42,896	1,726	[C] Page 29
MAINTENANCE EXPENSE-TRANSMISSION	302	564	262	4,608	4,681	73	
MAINTENANCE EXPENSE-GENERAL PLANT	31	7	(24)	184	141	(43)	
TOTAL MAINTENANCE EXPENSE	3,618	4,466	848	45,962	47,718	1,756	
DEPRECIATION & AMORTIZATION EXPENSE	3,426	3,252	(174)	41,090	35,407	(5,683)	[B], [C] Page 31
TAXES	0	(30)	(30)	4	98	94	
INTEREST ON LONG-TERM DEBT	3,799	3,789	(10)	45,033	45,715	682	[C] Page 32
INTEREST CHARGED TO CONSTRUCTION-CREDIT	(45)	(40)	5	(766)	(548)	218	
OTHER INTEREST EXPENSE	46	0	(46)	148	59	(89)	
OTHER DEDUCTIONS	121	17	(104)	546	220	(326)	[B] Page 33
TOTAL COST OF ELECTRIC SERVICE	49,251	49,075	(176)	558,090	556,657	(1,433)	
OPERATING MARGINS	(964)	(1,284)	320	10,252	5,332	4,920	
INTEREST INCOME	213	6	207	963	150	813	[B], [C] Page 34
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	3	4	(1)	62	109	(47)	
EXTRAORDINARY ITEMS	0	0	0	0	0	0	
NET PATRONAGE CAPITAL OR MARGINS	(748)	(1,274)	526	11,277	5,600	5,677	

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

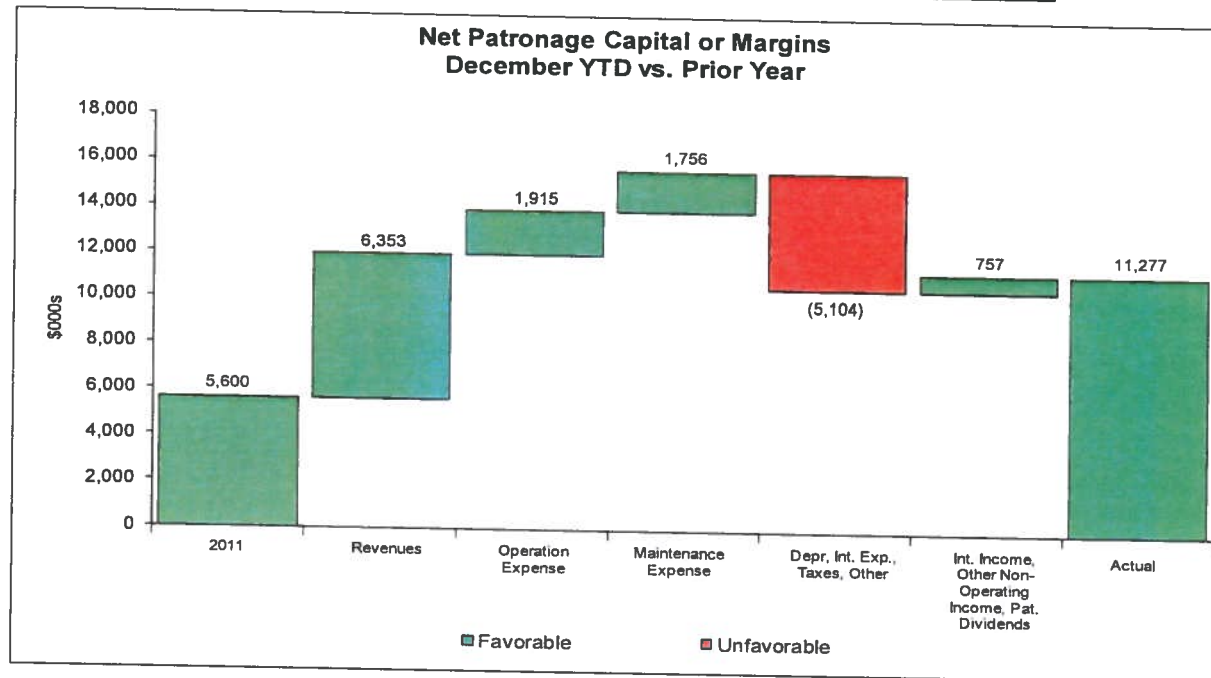


Financial Commentary

Year-to-Date

- December YTD 2012 Margins were \$4,580 favorable to budget.
 - Revenues were unfavorable \$50,395 primarily due to lower off-system price & volume along with lower rural volume and lower rates for all customers (see page 7).
 - Operation Expense was favorable \$36,841 -- driven by lower variable costs \$32,824 primarily due to lower pricing (see page 8). The remainder of the variance is made up of favorable plant and fixed departmental expenses (see pages 23-24 & 26-28).
 - Maintenance Expense was favorable \$16,962 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 29-30).
 - Interest Income/Other is favorable \$930 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 34).

Variance Analysis Summary



Financial Commentary

Year-to-Date

- December YTD 2012 margins were \$5,677 favorable to 2011.
 - Revenues were favorable \$6,353 primarily due to the 9/1/2011 rate increase, a higher smelter TIER Adjustment Charge (\$2.75/MWh vs \$1.95/MWh in 2011) and higher transmission revenue, mostly offset by lower off-system price and volumes (see pages 7 & 22).
 - Operation Expense was favorable \$1,915 – driven by lower variable costs \$5,142, due to volume, partially offset by higher expenses associated with Station-Two and higher Fixed Departmental Expenses (see pages 8 & 23-26).
 - Maintenance Expense was favorable \$1,756 due to reduced spending this year to offset the lower off-system market (see page 29).
 - Depreciation, Interest Expense, Taxes & Other combined were higher \$5,104 due to higher depreciation expense, partially offset by lower interest expense (see pages 31-33).
 - Interest income was favorable due to the interest income on the capital term certificates (see page 34).



**Revenue
YTD December**

	Actual 2012	Budget 2012	Variance	Actual 2011	2011 Variance
MWh Sales					
Rural	2,321,479	2,377,958	(56,479)	2,371,106	(49,627)
Large Industrial	961,298	961,547	(249)	973,092	(11,794)
Smelter	7,424,472	7,317,072	107,400	6,854,819	569,653
Off-System/Other	1,536,835	1,602,630	(65,795)	3,056,108	(1,519,273)
Total	12,244,084	12,259,207	(15,123)	13,255,125	(1,011,041)
Revenue - \$/MWh					
Rural	50.58	53.10	(2.52)	46.78	3.80
Large Industrial	43.15	45.89	(2.74)	41.68	1.47
Smelter	48.52	51.80	(3.28)	44.48	4.04
Off-System/Other	28.81	40.77	(11.96)	33.38	(4.57)
Total	46.01	50.14	(4.13)	42.12	3.89
Revenue - Thousands of \$					
Rural	117,417	126,261	(8,844)	110,911	6,506
Large Industrial	41,476	44,124	(2,648)	40,560	916
Smelter	360,208	378,995	(18,787)	304,880	55,328
Off-System/Other	44,284	65,346	(21,062)	102,021	(57,737)
Total	563,385	614,726	(51,341)	558,372	5,013

**Revenue Price / Volume Analysis
December 2012**

	Price / Volume		
	Price	Volume	Total
Rural	(5,845)	(2,999)	(8,844)
Large Industrial	(2,636)	(12)	(2,648)
Smelter	(24,350)	5,563	(18,787)
Off-System/Other	(18,379)	(2,683)	(21,062)
	(51,210)	(131)	(51,341)



Variable Operations Cost YTD December

	Actual 2012	Budget 2012	Variance	Actual 2011	2011 Variance
Variable Operations (VO) Cost - \$/MWh					
Rural	25.73	28.24	2.51	25.26	(0.47)
Large Industrial	25.75	28.24	2.49	25.26	(0.49)
Smelter	26.61	29.35	2.74	24.71	(1.90)
Off-System/Other	25.95	28.50	2.55	23.94	(2.01)
Total	26.29	28.94	2.65	24.67	(1.62)
VO Cost - Thousands of \$					
Rural	59,727	67,157	7,430	59,926	199
Large Industrial	24,750	27,156	2,406	24,554	(196)
Smelter	197,552	214,742	17,190	169,403	(28,149)
Off-System/Other	39,882	45,680	5,798	73,170	33,288
Total	321,911	354,735	32,824	327,053	5,142

YTD December 2012 Variable Operations Expense

	Actual	Budget	Fav/(UnFav)	Price Variance	Volume Variance	Fav/(UnFav)
				Fav/(UnFav)	Fav/(UnFav)	
Reagent	26,015	32,549	6,534	5,178	1,356	6,534
Fuel	253,438	270,530	17,092	17,674	(582)	17,092
Purchased Power	45,260	55,350	10,090	6,543	3,547	10,090
Non-FAC PPA (Non-Smelter)	(2,802)	(3,694)	(892)	(830)	(62)	(892)
	321,911	354,735	32,824	28,565	4,259	32,824



**Net Sales Margin
YTD December**

	Actual 2012	Budget 2012	Variance	Actual 2011	2011 Variance
Net Sales Margin - \$/MWh					
Rural	24.85	24.86	(0.01)	21.52	3.33
Large Industrial	17.40	17.65	(0.25)	16.42	0.98
Smelter	21.91	22.45	(0.54)	19.77	2.14
Off-System/Other	2.87	12.27	(9.40)	9.44	(6.57)
Total	19.72	21.20	(1.48)	17.45	2.27
Net Sales Margin - Thousands of \$					
Rural	57,690	59,104	(1,414)	50,985	6,705
Large Industrial	16,726	16,968	(242)	16,006	720
Smelter	162,656	164,253	(1,597)	135,477	27,179
Off-System/Other	4,402	19,666	(15,264)	28,851	(24,449)
Total	241,474	259,991	(18,517)	231,319	10,155

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

	Price / Volume		
	Price	Volume	Total
Rural	(10)	(1,404)	(1,414)
Large Industrial	(238)	(4)	(242)
Smelter	(4,008)	2,411	(1,597)
Off-System/Other	(14,457)	(807)	(15,264)
	(18,712)	195	(18,517)



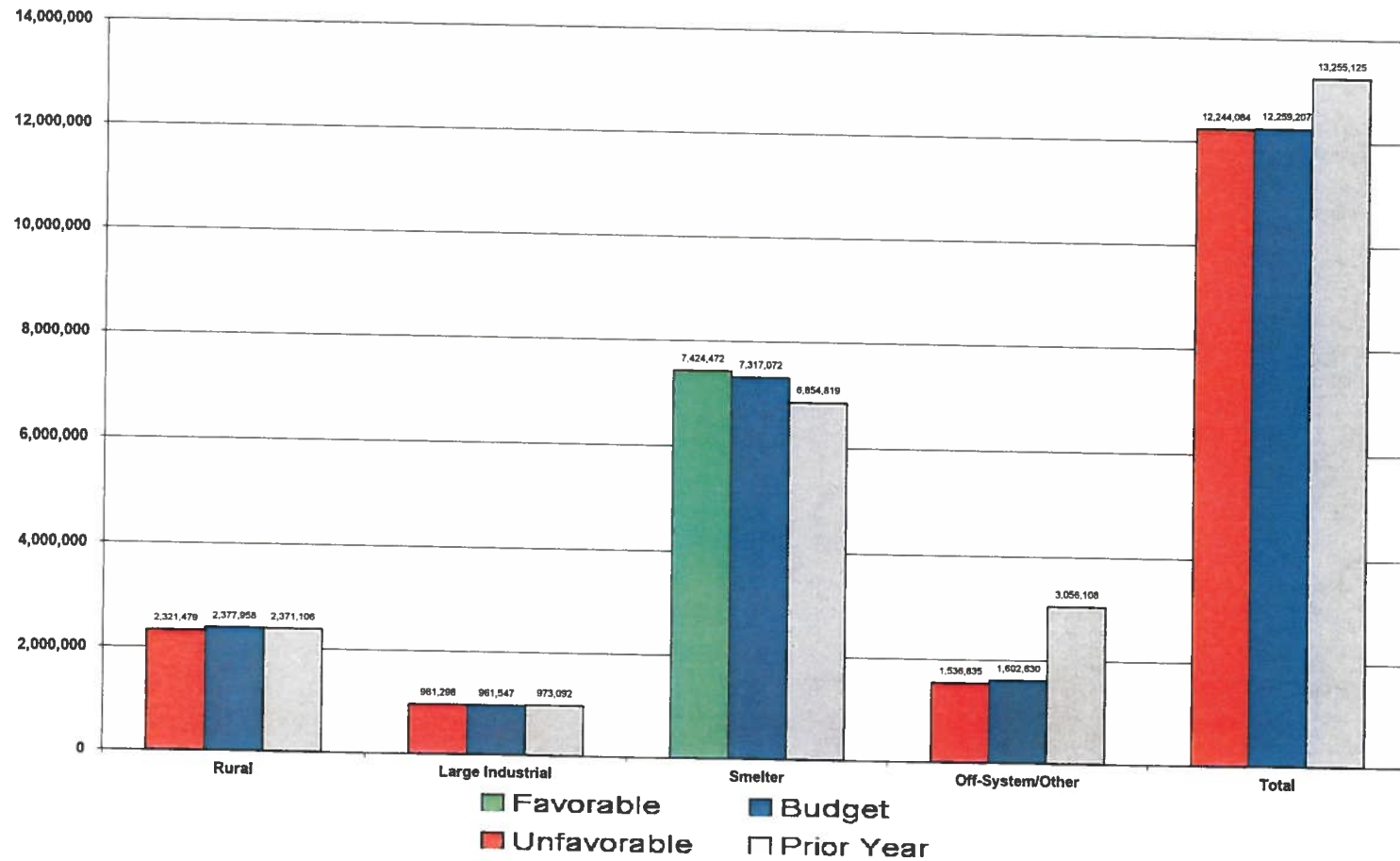
**Member Rate Stability Mechanism
YTD December**

Your Town's Own Energy Cooperative

	<u>Actual 2012</u>	<u>Budget 2012</u>	<u>2012 Variance</u>	<u>Actual 2011</u>	<u>2011 Variance</u>		<u>Actual 2012</u>	<u>Budget 2012</u>	<u>2012 Variance</u>	<u>Actual 2011</u>	<u>2011 Variance</u>
MRSM - \$/MWh						Net Revenue - \$/MWh					
Rural	(6.11)	(8.71)	2.60	(6.22)	0.11	Rural	44.47	44.39	0.08	40.56	3.91
Large Industrial	(6.11)	(8.71)	2.60	(6.22)	0.11	Large Industrial	37.04	37.18	(0.14)	35.46	1.58
Total	(6.11)	(8.71)	2.60	(6.22)	0.11	Total	42.29	42.31	(0.02)	39.07	3.21
MRSM - Thousands of \$						Net Revenue - Thousands of \$					
Rural	(14,197)	(20,778)	6,581	(14,751)	554	Rural	103,220	105,483	(2,263)	96,160	7,060
Large Industrial	(5,873)	(8,307)	2,434	(6,054)	181	Large Industrial	35,603	35,817	(214)	34,506	1,097
Total	(20,070)	(29,085)	9,015	(20,805)	735	Total	138,823	141,300	(2,477)	130,666	8,157

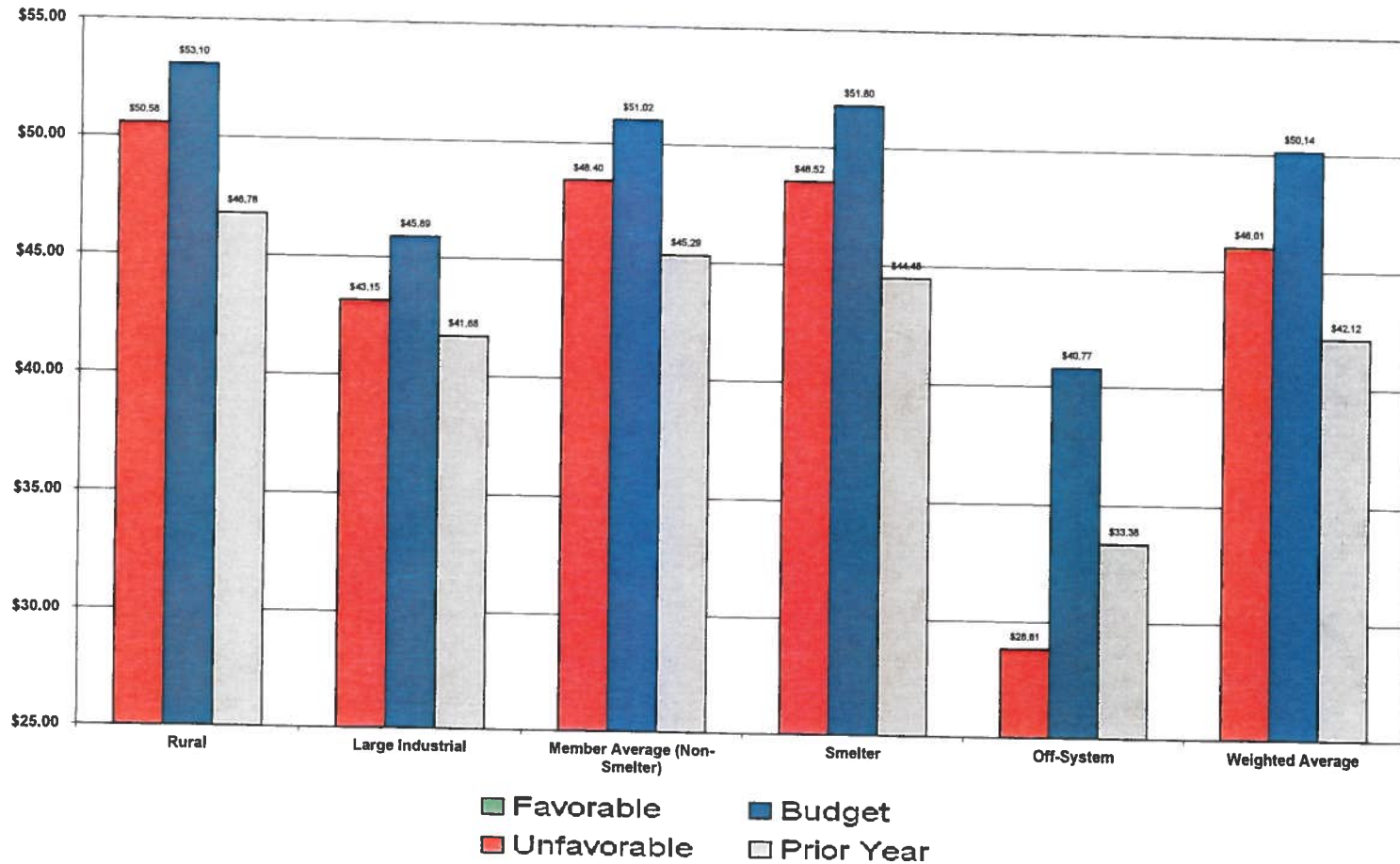
<u>Economic Reserve Balance</u>			
<u>Cumulative-to-Date</u>	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
Original Deposit	\$ 157,000		
Interest Earnings	3,203		
Withdrawals	(79,560)		
Ending Balance 12/31/2012	\$ 80,643	\$ 72,067	\$ 8,576
<u>YTD December 2012</u>			
Beg. Balance 1/1/2012	\$ 100,601		
Interest Earnings	439		
Withdrawals	(20,397)		
Ending Balance 12/31/2012	\$ 80,643	\$ 72,067	\$ 8,576

MWH Sales YTD - December



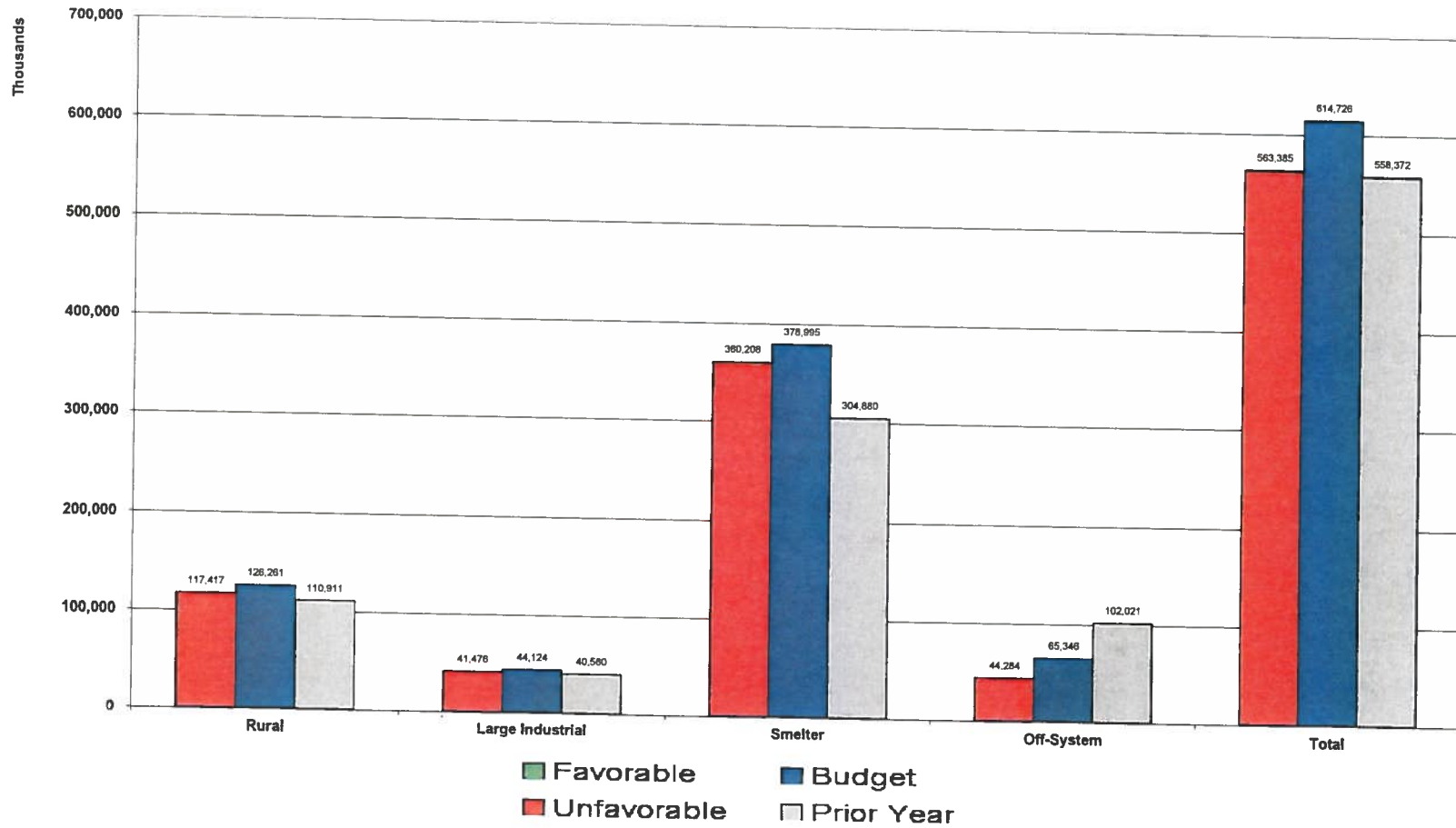


Revenue - \$/MWh Sold YTD - December



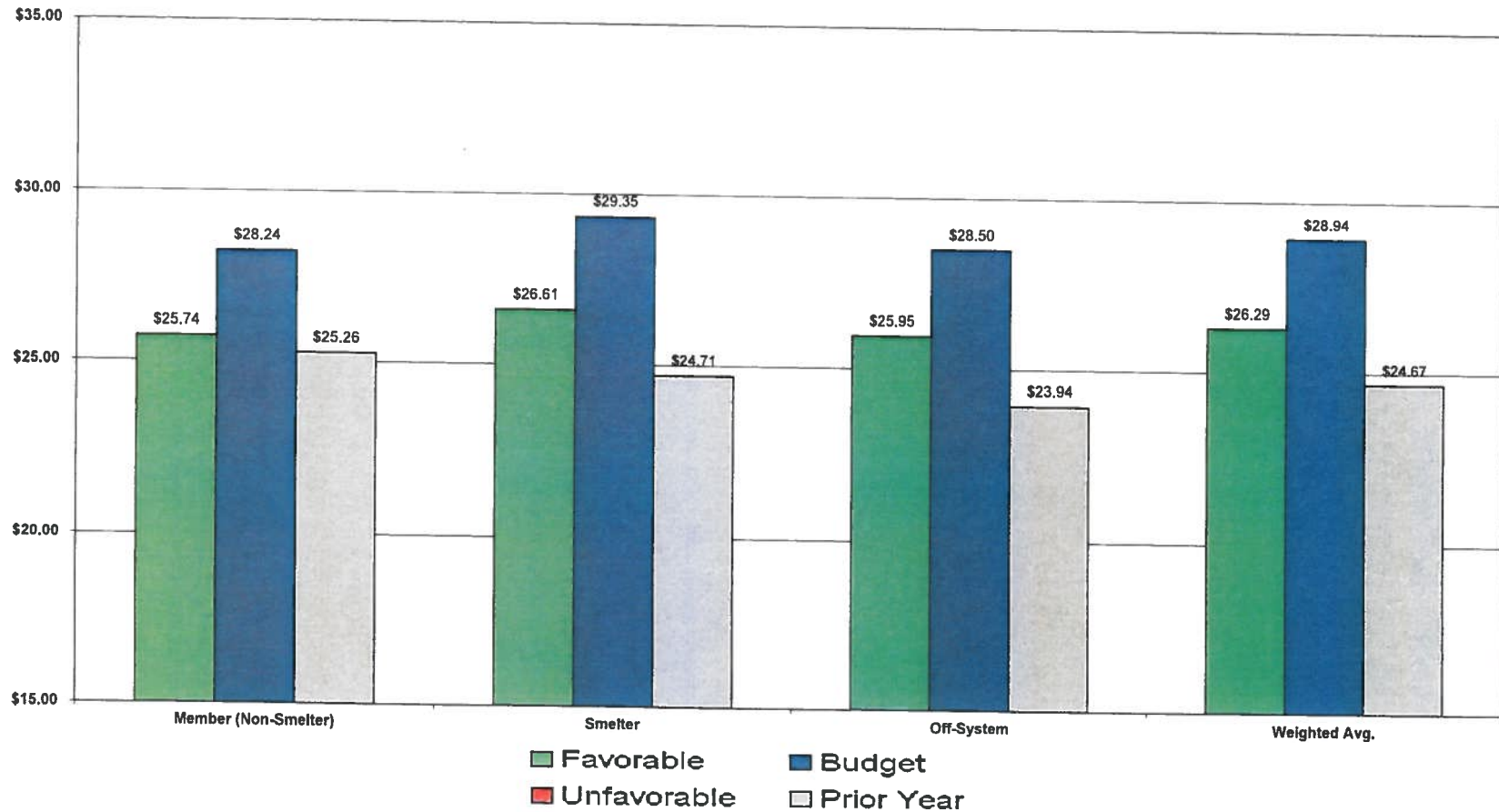


Revenue YTD - December



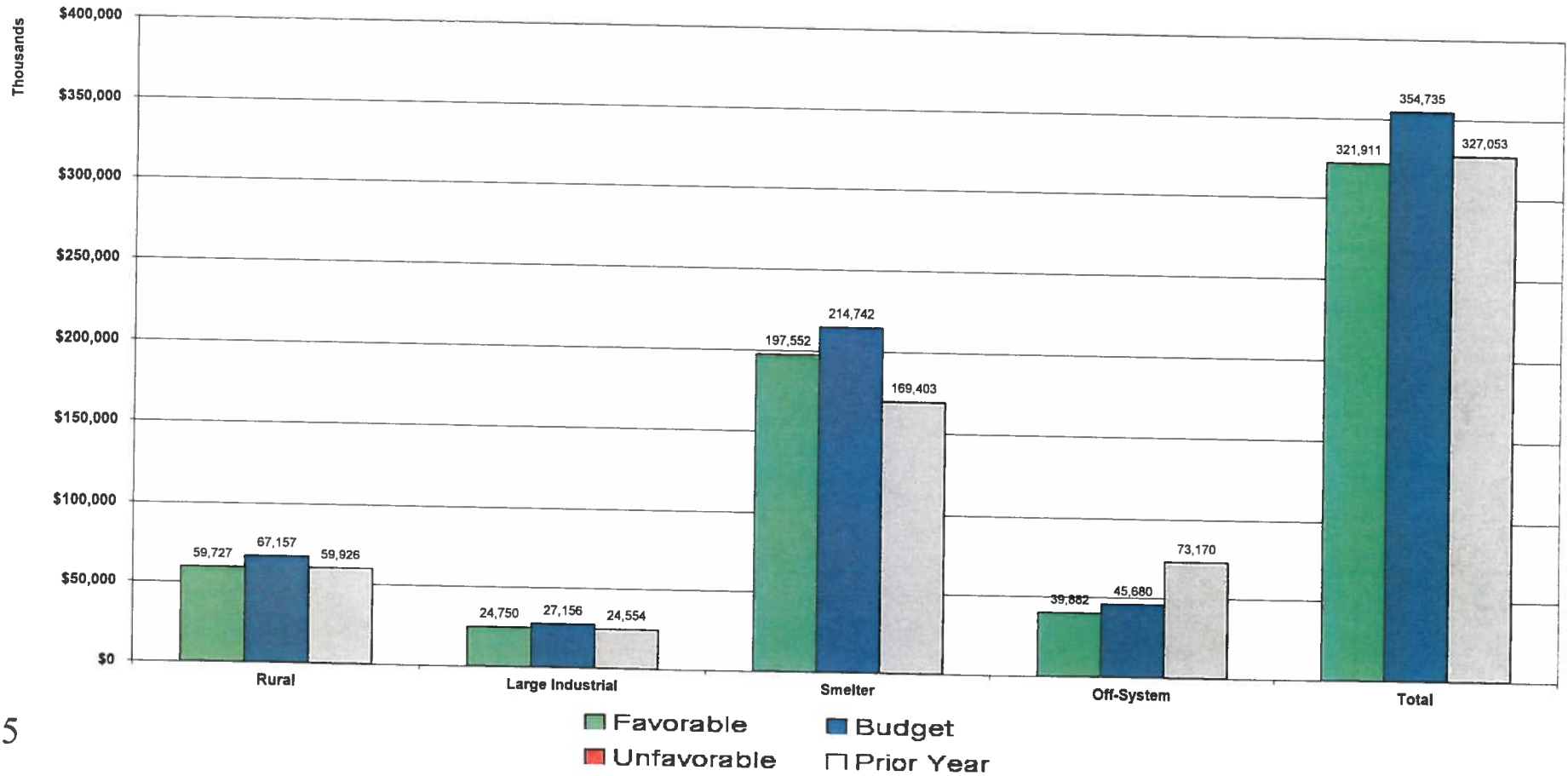


Variable Operations - \$/MWh Sold YTD - December



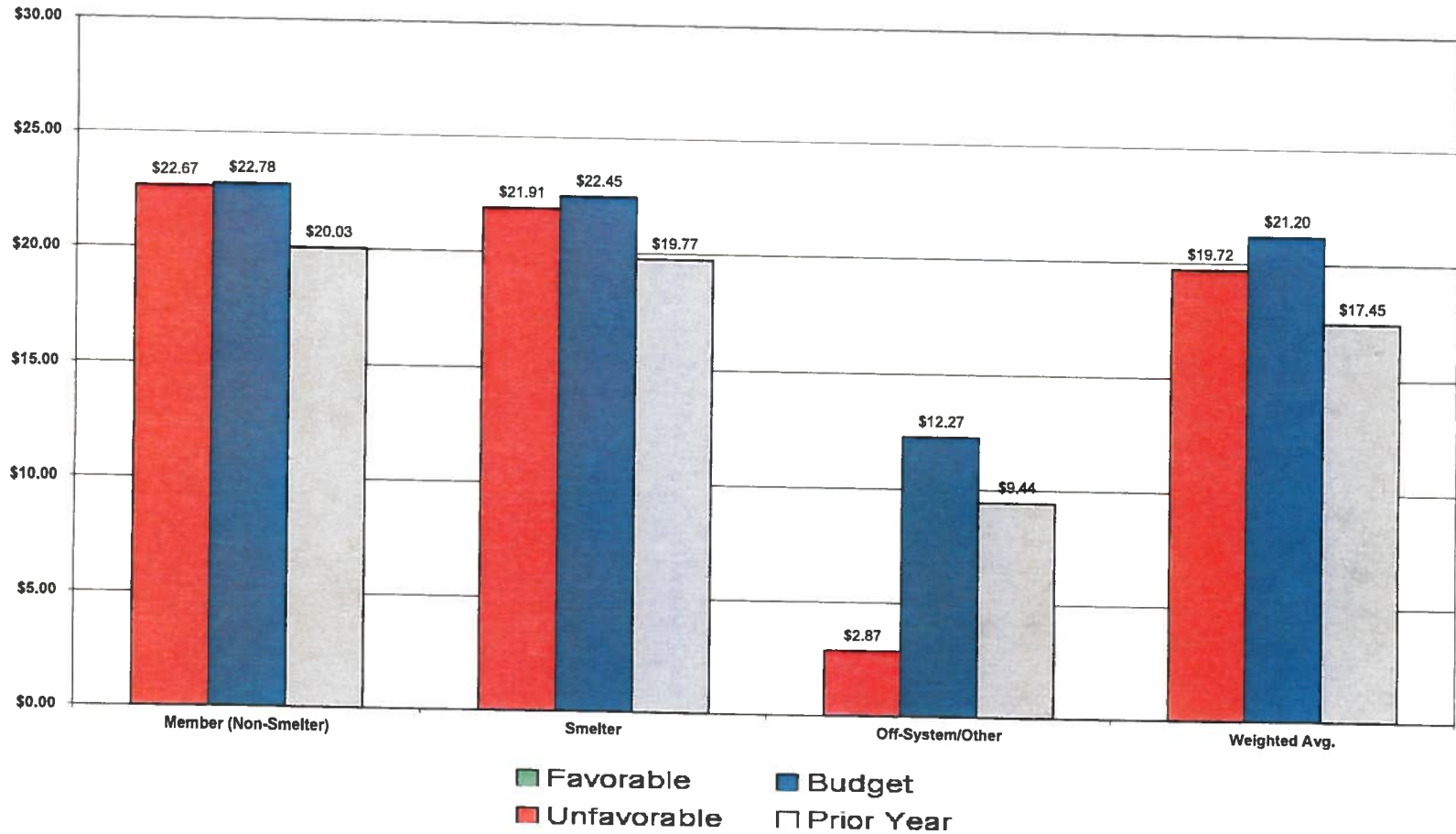


Variable Operations Cost YTD - December



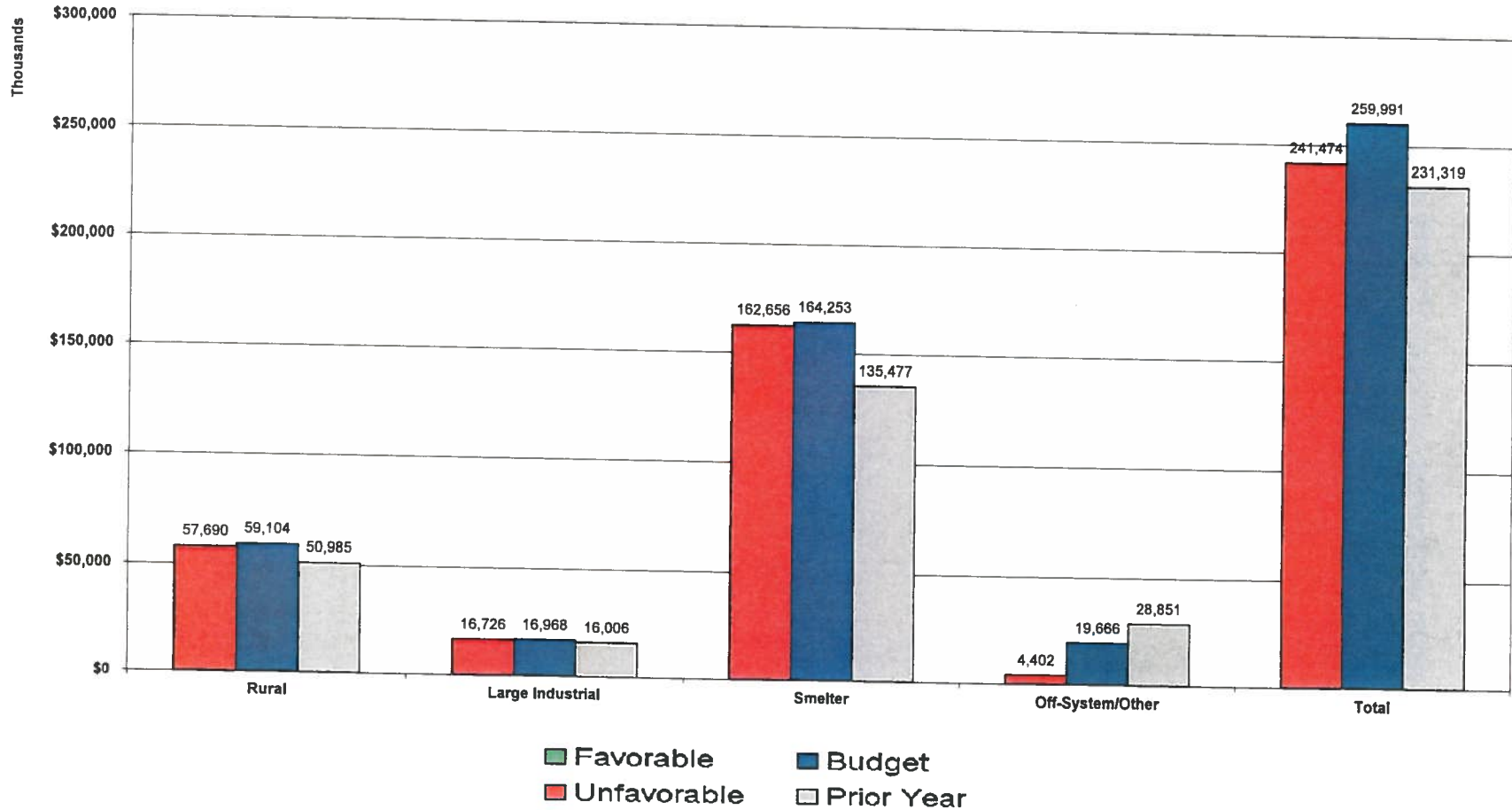


Net Sales Margin - \$/MWh YTD – December



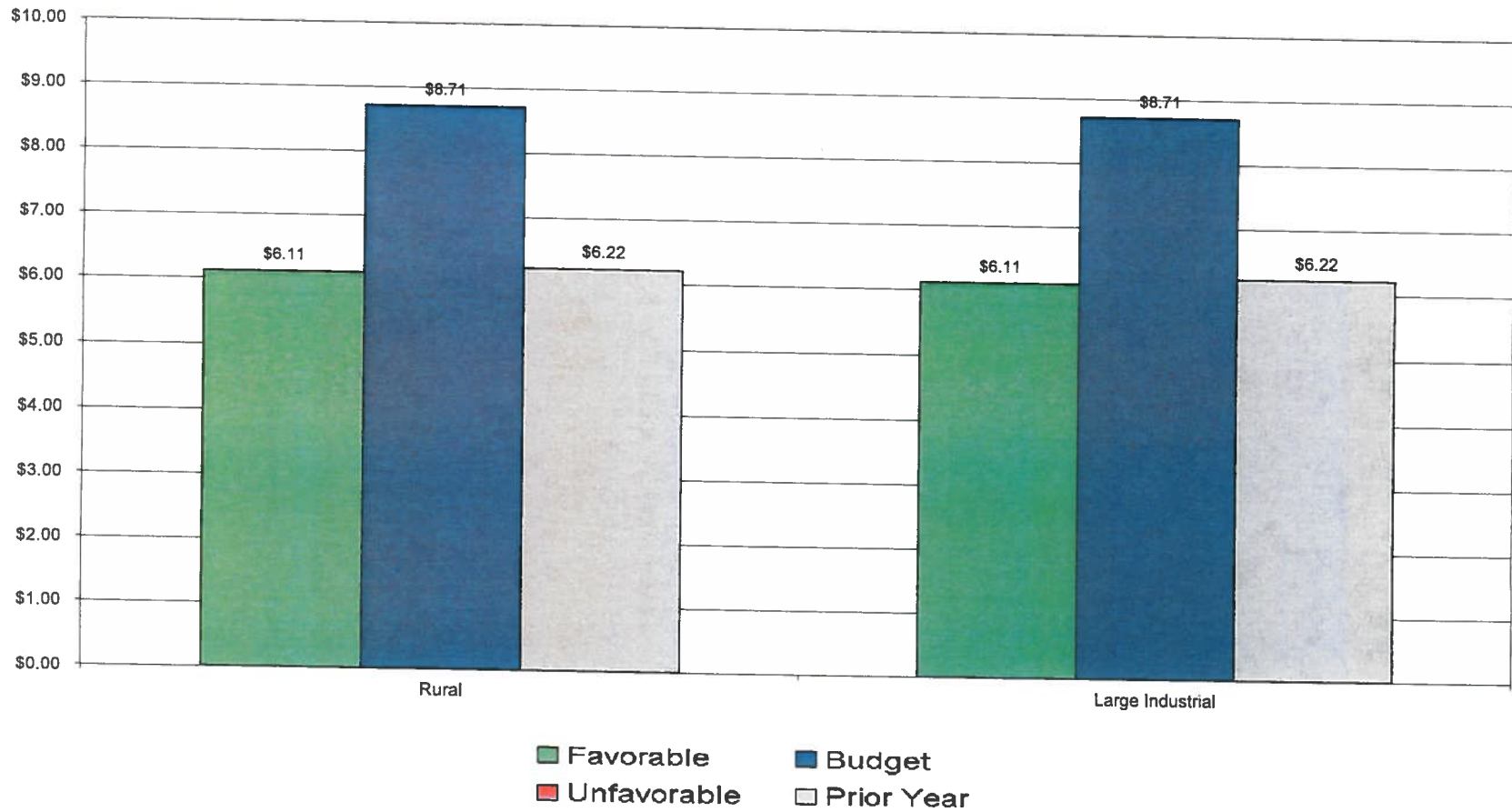


Net Sales Margin YTD – December

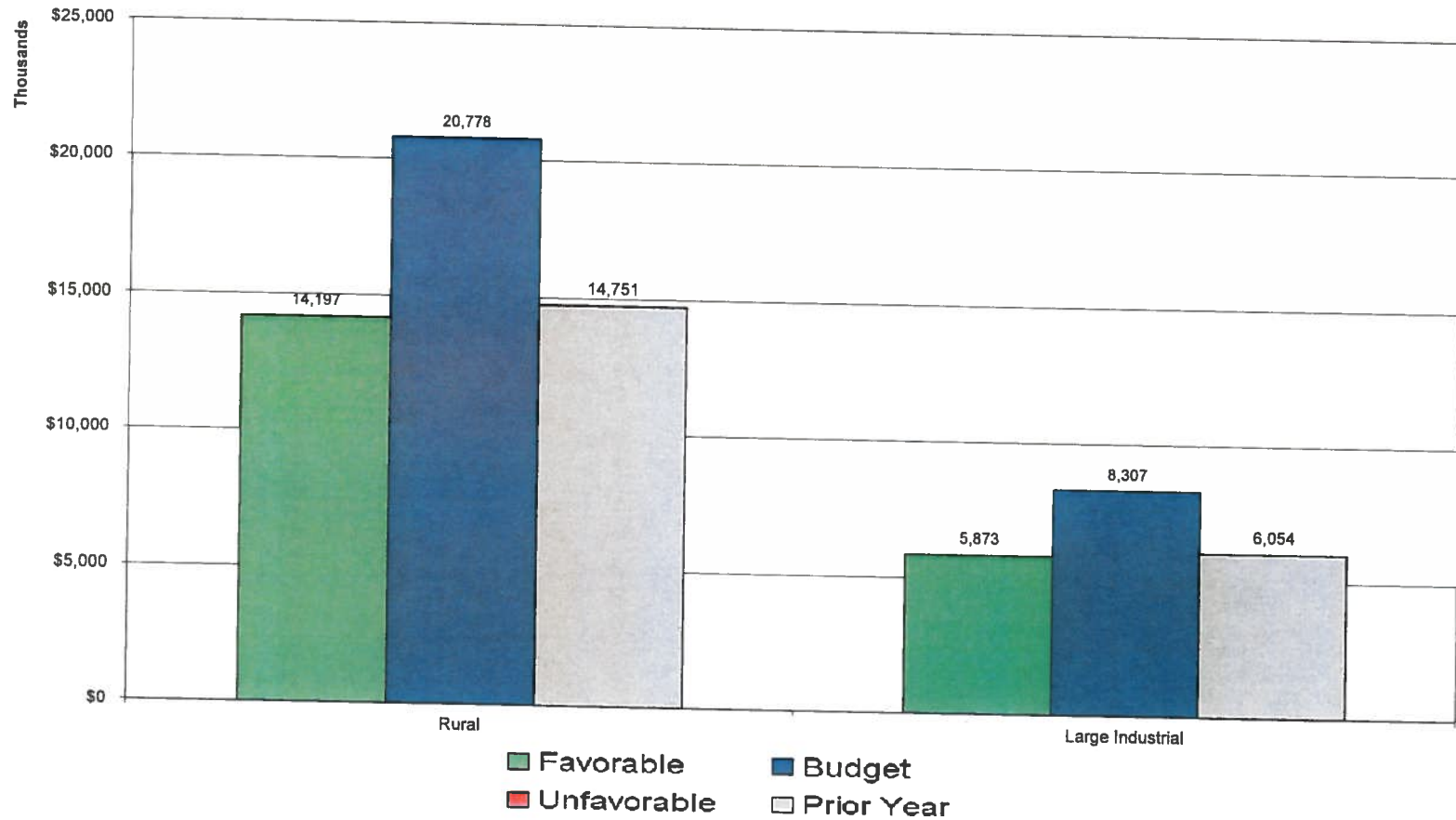




MRSM - \$/MWh YTD - December

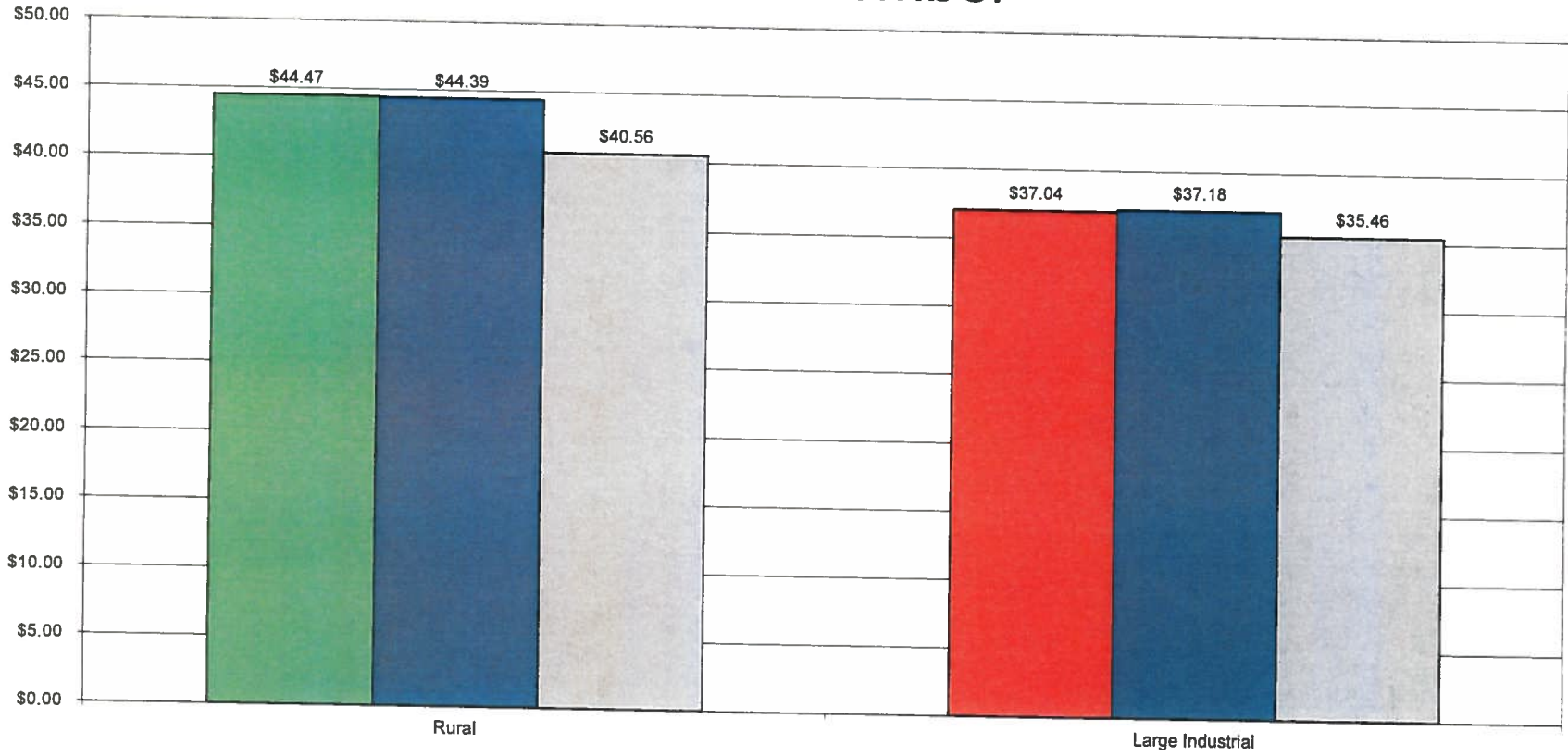


MRSM YTD - December





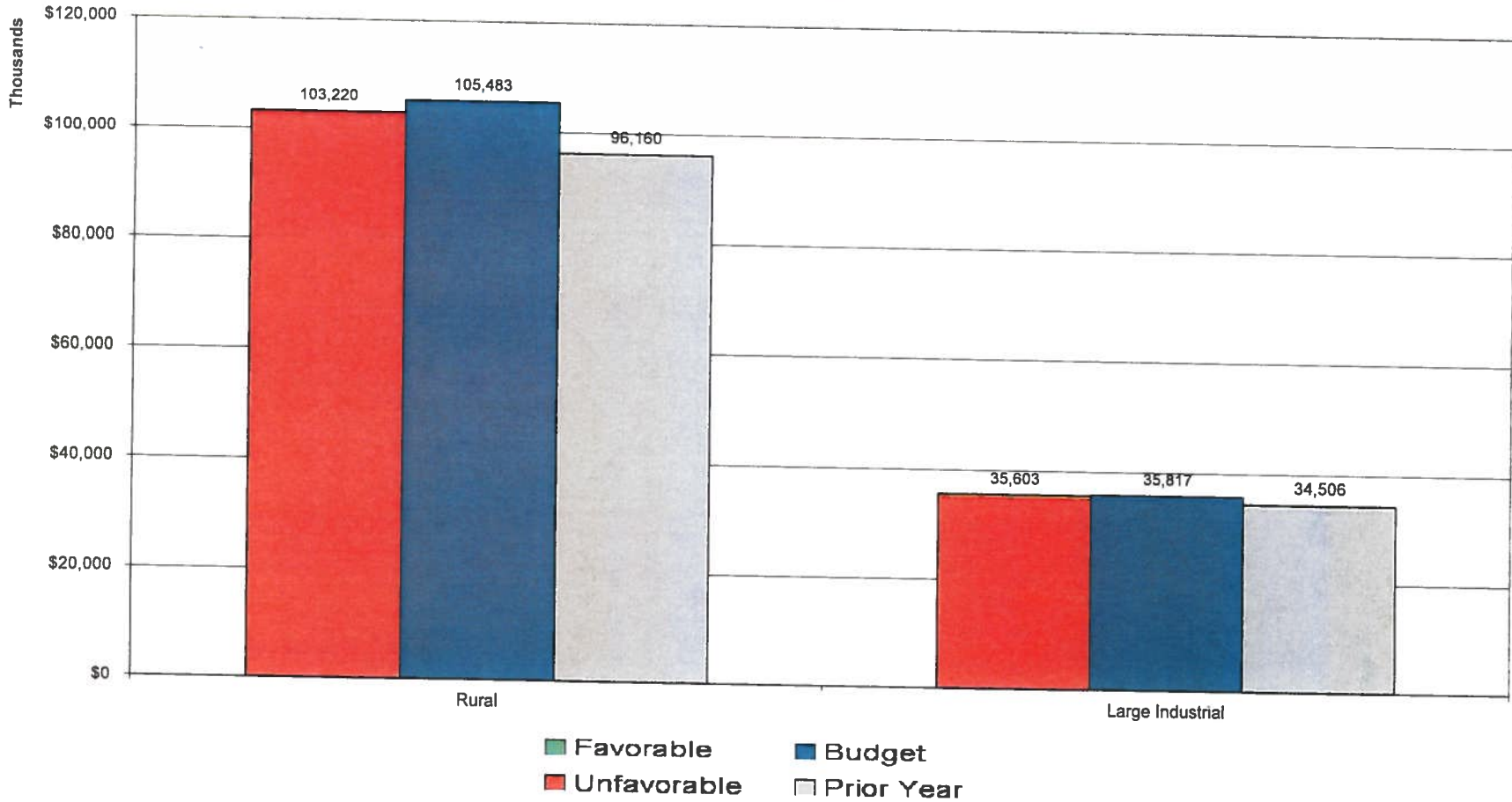
Net Revenue (Excl. MRSM) - \$/MWh YTD - December



Favorable Budget
Unfavorable Prior Year



Net Revenue (Excl. MRSM) YTD - December





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>
December YTD	4,957	4,012	945	3,617	1,340

The favorable current and 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>
December YTD	63,978	67,233	3,255	61,848	(2,130)

Current Year Variances

Power Supply transmission reservation	<u>643</u>
Station II & Plant Operations reductions (Labor & Non-labor)	3,248
Depreciation/Other	<u>(636)</u>
Non-Variable Production and Other Power Supply - Operations	3,255

Prior-Year Variances

Power Supply transmission reservation	<u>(29)</u>
Station-Two O&M [driven by higher outage & labor expense in 2012]	(1,078)
Station-Two [higher depreciation expense]	(1,140)
Other	<u>117</u>
Non-Variable Production and Other Power Supply - Operations	(2,130)



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>
December YTD	10,119	10,723	604	9,183	(936)

Favorable to budget as a larger percentage of labor is being charged to maintenance accounts than was budgeted (see page 30).

Unfavorable variance to prior-year driven by higher TVA transmission and MISO expenses.



Operation Expense – RTO/ISO

	2012	2011	Variance
	<u>Actual</u>	<u>Actual</u>	<u>Fav/(Unfav)</u>
December YTD	2,262	2,530	268

Favorable to prior year due to lower MISO administrative expenses, driven by the year-over-year lower sales volumes.



Operation Expense – Customer Accounts

	2012			2011	
	<u>Actual</u>	<u>Budget</u>	<u>Variance Fav/(Unfav)</u>	<u>2011 Actual</u>	<u>Variance Fav/(Unfav)</u>
December YTD	297	0	(297)	0	(297)

The unfavorable current and prior-year variance is due to the reserve for doubtful accounts.



Operation Expense – Sales

	2012		
	<u>Actual</u>	<u>Budget</u>	<u>Variance</u> <u>Fav/(Unfav)</u>
December YTD	191	1,102	911

Favorable to budget due to spending for energy efficiency/demand side management programs being budgeted to Operation Expense – Sales, but charged to Customer Service & Informational Expense.



Operation Expense – Administrative & General

	2012		
	<u>Actual</u>	<u>Budget</u>	<u>Variance Fav/(Unfav)</u>
December YTD	26,429	25,926	(503)

Unfavorable to budget due to expenses associated with the on-going rate case [KY PSC case # 2011-00036] and higher labor expense charged to the A&G accounts.



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>
December YTD	41,170	58,890	17,720	42,896	1,726

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 2 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 favorable variance to prior-year is driven by the reduced spending during 2012 to offset the lower power market.



Maintenance Expense – Transmission

	2012		
	<u>Actual</u>	<u>Budget</u>	<u>Variance</u> <u>Fav/(Unfav)</u>
December YTD	4,608	3,933	(675)

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	
	<u>Actual</u>	<u>Budget</u>	<u>Variance Fav/(Unfav)</u>	<u>2011 Actual</u>	<u>Variance Fav/(Unfav)</u>
December YTD	41,090	41,911	821	35,407	(5,683)

Favorable to budget due to lower capital spending. This is partially offset by higher depreciation charged to the Station-Two accounts (see page 23).

Unfavorable to prior-year due to the higher depreciation rates that are in effect as a result of the 2010 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>
December YTD	45,033	45,715	682

Interest on long-term debt is lower than prior-year due to using funds from the \$35m Transition Reserve to prepay the RUS Series A Note.



Other Deductions

	2012	2011	Variance
	<u>Actual</u>	<u>Actual</u>	<u>Fav/(Unfav)</u>
December YTD	546	220	(326)

Other deductions are higher than prior-year due to expenses related to higher amortization of debt expense and expenses related to the sales tax payments.



Interest Income

	2012			2011	
	<u>Actual</u>	<u>Budget</u>	<u>Variance Fav/(Unfav)</u>	<u>2011 Actual</u>	<u>Variance Fav/(Unfav)</u>
December YTD	963	62	901	150	813

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 December

	2012			2011	
	Actual	Budget	Fav/(UnFav) Variance	Actual	Fav/(UnFav) Variance
Total Cost of Electric Service	558,090	612,134	54,044	556,657	(1,433)
Other Operating Revenues & Income	(4,957)	(4,012)	945	(3,617)	1,340
Smelter Avoidable Base Charge	(358)	0	358	(2,933)	(2,575)
Off-System Sales/Other	(44,283)	(65,346)	(21,063)	(102,021)	(57,738)
Interest Income	(963)	(62)	901	(151)	812
Other Non-Operating Income	0	0	0	(9)	(9)
Other Capital Credits & Pat. Dividends	(61)	(33)	28	(109)	(48)
	507,468	542,681	35,213	447,817	(59,651)

Member MWh	10,707,249	10,656,577	50,672	10,199,019	508,230
------------	------------	------------	--------	------------	---------

North Star - \$/kWh	0.047395	0.050925	0.003530	0.043908	(0.003487)
---------------------	----------	----------	----------	----------	------------



TIER

	<u>Actual</u>	<u>Budget</u>	<u>Fav/(Unfav)</u>
Interest on Long-Term Debt	45,033	44,647	(386)
Net Margins	11,277	6,697	4,580
TIER - YTD December	1.25	1.15	0.10
TIER (12 months ending 12/31)	1.25	1.15	0.10

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	1,631	2,116	485
Generation	29,826	54,884	25,058
Transmission	9,683	12,459	2,776
Other	1,254	17,481	16,227
Total	42,394	86,940	44,546

Explanation:

IT was favorable \$485 due to the cancellation of the Oracle Extensions project.

Generation was favorable by \$25,058. Coleman Station was favorable \$13,467 due to the C1 and C3 outage deferrals. Wilson Station was favorable \$7,563 primarily due to outage scope reductions/deferrals. Green Station was favorable by \$3,934 due to the G2 outage deferral, as well as the reduction of the FGD project and cancellation of the Coal Sampler project. Station-Two was favorable \$94 due to favorability of the H1 Burner Replacement project.

Transmission was favorable \$2,776 primarily due to deferral of the White Oak Substation project.

Other was favorable \$16,227 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>	<u>2011 Actual</u>	<u>Fav/(Unfav)</u>
December 31st	110,172	32,443	77,729	44,850	65,322

The December 31, 2012 cash balance compared to budget is favorable due to the borrowing that occurred in July and lower capital expenditures due to the cancellation of scheduled outages.

The favorable variance to prior-year is driven by the borrowing this year.

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	\$ 94,625

Monthly Financial Report – November 2012



Your Touchstone Energy® Cooperative 

Financial Report **November 2012** **(\$ in Thousands)**

Board Meeting Date: January 18, 2013



Summary of Statement of Operations YTD - November

	2012			2011	
	Actual	Budget	Fav/(UnFav) Variance	Actual	Fav/(UnFav) Variance
Revenues	520,055	563,846	(43,791)	514,198	5,857
Cost of Electric Service	508,838	562,626	53,788	507,582	(1,256)
Operating Margins	11,217	1,220	9,997	6,616	4,601
Interest Income/Other	808	91	717	258	550
Net Margins - YTD	12,025	1,311	10,714	6,874	5,151



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	50,276	45,309	4,967	515,459	560,168	(44,709)	[A] Pages 7, 9-13, 16-21
OTHER OPERATING REVENUE AND INCOME	328	334	(6)	4,596	3,678	918	[B], [C] Page 22
TOTAL OPER REVENUES & PATRONAGE CAPITAL	50,604	45,643	4,961	520,055	563,846	(43,791)	
OPERATION EXPENSE-PRODUCTION-EXCL FUEL	4,037	4,257	220	44,111	50,420	6,309	[A] Pages 8, 14-15, 23
OPERATION EXPENSE-PRODUCTION-FUEL	21,116	17,939	(3,177)	205,120	217,452	12,342	[A] Pages 8, 14-15
OPERATION EXPENSE-OTHER POWER SUPPLY	7,679	8,555	876	102,820	117,973	15,153	[A] Pages 8, 14-15, 23
OPERATION EXPENSE-TRANSMISSION	818	825	7	9,084	9,818	734	[C] Page 24
OPERATION EXPENSE-RTO/ISO	215	184	(31)	2,069	2,243	174	
CONSUMER SERVICE & INFORMATIONAL EXPENSE	143	58	(85)	631	672	41	
OPERATION EXPENSE-SALES	5	72	67	146	1,029	883	[B] Page 25
OPERATION EXPENSE-ADMINISTRATIVE & GENERAL	2,098	1,867	(231)	23,807	23,960	153	
TOTAL OPERATION EXPENSE	36,111	33,757	(2,354)	387,788	423,577	35,789	
MAINTENANCE EXPENSE-PRODUCTION	3,252	4,468	1,216	37,885	56,251	18,366	[B], [C] Page 26
MAINTENANCE EXPENSE-TRANSMISSION	237	280	43	4,306	3,628	(678)	[B] Page 27
MAINTENANCE EXPENSE-GENERAL PLANT	11	8	(3)	153	94	(59)	
TOTAL MAINTENANCE EXPENSE	3,500	4,756	1,256	42,344	59,973	17,629	
DEPRECIATION & AMORTIZATION EXPENSE	3,417	3,539	122	37,665	38,363	698	
TAXES	0	0	0	4	0	(4)	
INTEREST ON LONG-TERM DEBT	3,706	3,667	(39)	41,234	40,908	(326)	
INTEREST CHARGED TO CONSTRUCTION-CREDIT	(73)	(88)	(15)	(722)	(569)	153	
OTHER INTEREST EXPENSE	45	0	(45)	101	0	(101)	
OTHER DEDUCTIONS	167	43	(124)	424	374	(50)	
TOTAL COST OF ELECTRIC SERVICE	46,873	45,674	(1,199)	508,838	562,626	53,788	
OPERATING MARGINS	3,731	(31)	3,762	11,217	1,220	9,997	
INTEREST INCOME	172	4	168	750	58	692	[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	3,903	(27)	3,930	12,025	1,311	10,714	

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

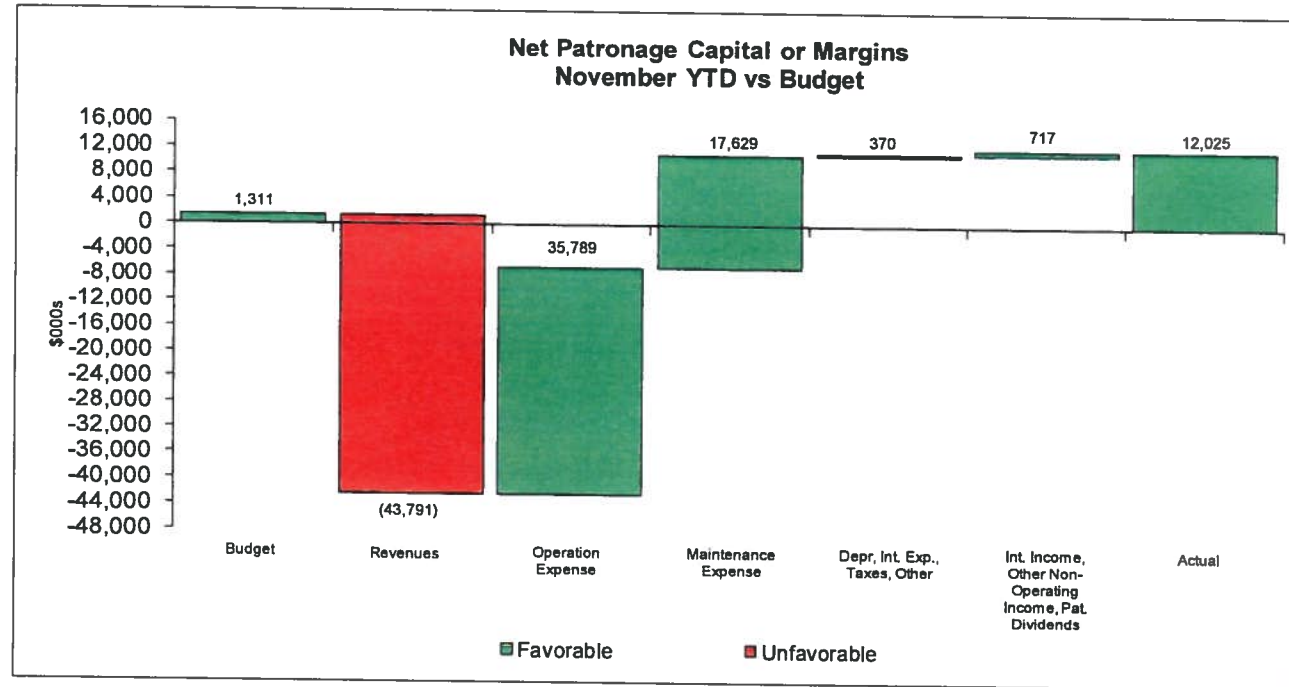


Statement of Operations – November Variance to Prior-Year

	Current Month			Year-to-Date			Explanation
	Actual	Prior Year	Variance Fav/(UnFav)	Actual	Prior Year	Variance Fav/(UnFav)	
ELECTRIC ENERGY REVENUES	50,276	43,974	6,302	515,459	510,961	4,498	[A] Pages 7, 9-13, 16-21
OTHER OPERATING REVENUE AND INCOME	328	255	73	4,596	3,237	1,359	[B], [C] Page 22
TOTAL OPER REVENUES & PATRONAGE CAPITAL	50,604	44,229	6,375	520,055	514,198	5,857	
OPERATION EXPENSE-PRODUCTION-EXCL FUEL	4,037	4,203	166	44,111	45,737	1,626	[A] Pages 8, 14-15, 23
OPERATION EXPENSE-PRODUCTION-FUEL	21,116	16,393	(4,723)	205,120	207,155	2,035	[A] Pages 8, 14-15
OPERATION EXPENSE-OTHER POWER SUPPLY	7,679	10,390	2,711	102,820	102,533	(287)	[A] Pages 8, 14-15, 23
OPERATION EXPENSE-TRANSMISSION	818	704	(114)	9,084	8,342	(742)	[C] Page 24
OPERATION EXPENSE-RTO/ISO	215	262	47	2,069	2,318	249	
CONSUMER SERVICE & INFORMATIONAL EXPENSE	143	67	(76)	631	438	(193)	
OPERATION EXPENSE-SALES	5	11	6	146	141	(5)	
OPERATION EXPENSE-ADMINISTRATIVE & GENERAL	2,098	1,832	(266)	23,807	23,703	(104)	
TOTAL OPERATION EXPENSE	36,111	33,862	(2,249)	387,788	390,367	2,579	
MAINTENANCE EXPENSE-PRODUCTION	3,252	5,780	2,528	37,885	39,002	1,117	[C] Page 26
MAINTENANCE EXPENSE-TRANSMISSION	237	333	96	4,306	4,117	(189)	
MAINTENANCE EXPENSE-GENERAL PLANT	11	16	5	153	134	(19)	
TOTAL MAINTENANCE EXPENSE	3,500	6,129	2,629	42,344	43,253	909	
DEPRECIATION & AMORTIZATION EXPENSE	3,417	3,282	(135)	37,665	32,155	(5,510)	[B], [C] Page 28
TAXES	0	0	0	4	128	124	
INTEREST ON LONG-TERM DEBT	3,706	3,680	(26)	41,234	41,926	692	[C] Page 29
INTEREST CHARGED TO CONSTRUCTION-CREDIT	(73)	(32)	41	(722)	(508)	214	
OTHER INTEREST EXPENSE	45	0	(45)	101	59	(42)	
OTHER DEDUCTIONS	167	30	(137)	424	202	(222)	
TOTAL COST OF ELECTRIC SERVICE	46,873	46,951	78	508,838	507,582	(1,256)	
OPERATING MARGINS	3,731	(2,722)	6,453	11,217	6,616	4,601	
INTEREST INCOME	172	6	166	750	144	606	[B] Page 30
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	3,903	(2,716)	6,619	12,025	6,874	5,151	

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

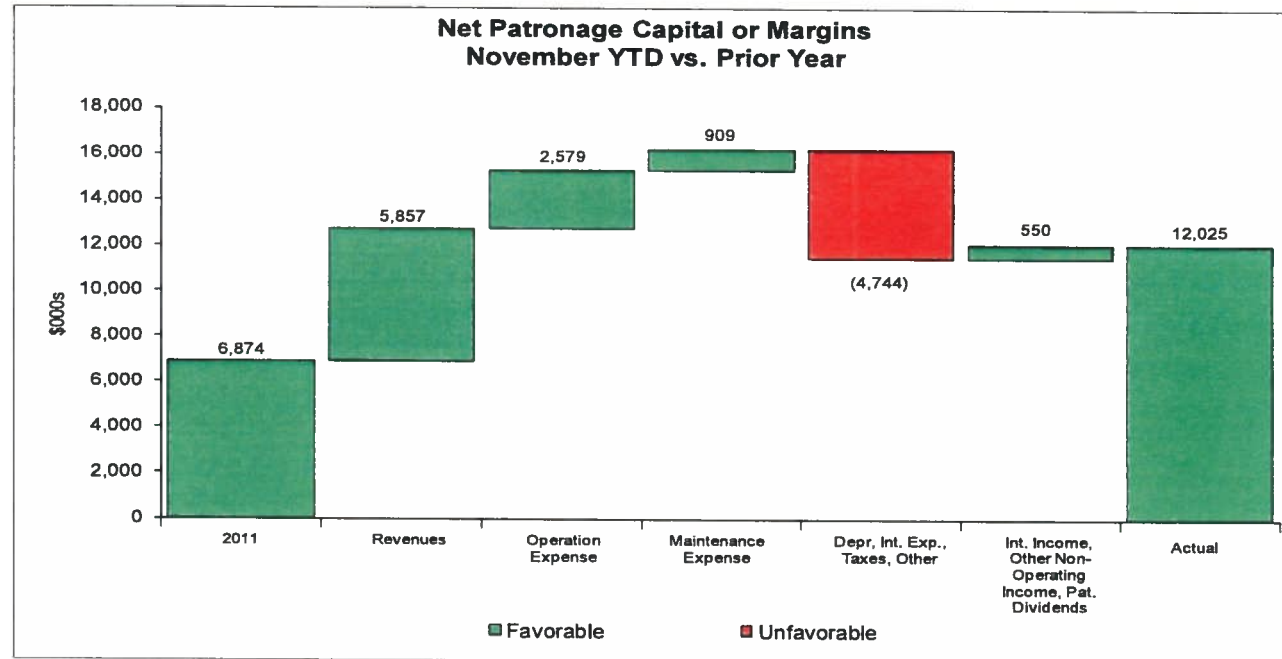


Financial Commentary

Year-to-Date

- November YTD 2012 Margins were \$10,714 favorable to budget.
 - Revenues were unfavorable \$43,791 primarily due to lower off-system price & volume along with lower rural volume and lower rates for all customers (see page 7).
 - Operation Expense was favorable \$35,789 – driven by lower variable costs \$30,356 primarily due to lower pricing (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 \$17,629 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 \$717 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 30).

Variance Analysis Summary



Financial Commentary

Year-to-Date

- November YTD 2012 margins were \$5,151 favorable to 2011.
 - Revenues were favorable \$5,857 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, mostly offset by lower off-system price and volumes (see pages 7 & 22).
 - Operation Expense was favorable \$2,579 – driven by lower variable costs \$6,682, due to volume, partially offset by higher expenses associated with Station-Two and higher Fixed Departmental Expenses (see pages 8 & 23).
 - Maintenance Expense was favorable \$909 due to reduced spending this year to offset the lower off-system market (see page 26).
 - Depreciation, Interest Expense, Taxes & Other combined were higher \$4,744 due to higher depreciation expense, partially offset by lower interest expense (see pages 28-29).
 - Interest income was favorable due to the interest income on the capital term certificates (see page 30).



**Revenue
YTD November**

	Actual 2012	Budget 2012	Variance	Actual 2011	2011 Variance
MWh Sales					
Rural	2,115,337	2,135,624	(20,287)	2,158,327	(42,990)
Large Industrial	883,437	881,390	2,047	896,508	(13,071)
Smelter	6,790,125	6,697,320	92,805	6,231,233	558,892
Off-System/Other	1,326,711	1,432,670	(105,959)	2,859,548	(1,532,837)
Total	11,115,610	11,147,004	(31,394)	12,145,616	(1,030,006)
Revenue - \$/MWh					
Rural	50.79	53.28	(2.49)	46.84	3.95
Large Industrial	43.15	45.88	(2.73)	41.57	1.58
Smelter	48.81	51.89	(3.08)	44.29	4.52
Off-System/Other	29.01	40.79	(11.78)	33.79	(4.78)
Total	46.37	50.25	(3.88)	42.07	4.30
Revenue - Thousands of \$					
Rural	107,438	113,793	(6,355)	101,104	6,334
Large Industrial	38,117	40,436	(2,319)	37,272	845
Smelter	331,415	347,502	(16,087)	275,951	55,464
Off-System/Other	38,489	58,437	(19,948)	96,634	(58,145)
Total	515,459	560,168	(44,709)	510,961	4,498

**Revenue Price / Volume Analysis
November 2012**

	Price / Volume		
	Price	Volume	Total
Rural	(5,274)	(1,081)	(6,355)
Large Industrial	(2,413)	94	(2,319)
Smelter	(20,902)	4,815	(16,087)
Off-System/Other	(15,626)	(4,322)	(19,948)
	(44,215)	(494)	(44,709)



Your Local Energy Cooperative

Variable Operations Cost YTD November

	Actual 2012	Budget 2012	Variance	Actual 2011	2011 Variance
Variable Operations (VO) Cost - \$/MWh					
Rural	25.77	28.29	2.52	25.39	(0.38)
Large Industrial	25.79	28.29	2.50	25.39	(0.40)
Smelter	26.66	29.42	2.76	24.66	(2.00)
Off-System/Other	26.03	28.52	2.49	23.89	(2.14)
Total	26.35	28.99	2.64	24.66	(1.69)
VO Cost - Thousands of \$					
Rural	54,513	60,409	5,896	54,837	324
Large Industrial	22,781	24,931	2,150	22,722	(59)
Smelter	181,010	197,004	15,994	153,639	(27,371)
Off-System/Other	34,539	40,855	6,316	68,327	33,788
Total	292,843	323,199	30,356	299,525	6,682

YTD November 2012 Variable Operations Expense

	Actual	Budget	Fav/(UnFav)	Price Variance		Volume Variance	
				Fav/(UnFav)	Fav/(UnFav)	Fav/(UnFav)	Fav/(UnFav)
Reagent	23,637	29,372	5,735				
Fuel	229,459	244,061	14,602	4,668	1,067	5,735	
Purchased Power	42,327	53,172	10,845	15,921	(1,319)	14,602	
Non-FAC PPA (Non-Smelter)	(2,580)	(3,406)	(826)	6,924	3,921	10,845	
	292,843	323,199	30,356	(806)	(20)	(826)	
				26,707	3,649	30,356	



Your Tomorrow's Energy Cooperative

Net Sales Margin YTD November

	Actual 2012	Budget 2012	Variance	Actual 2011	2011 Variance
Net Sales Margin - \$/MWh					
Rural	25.02	24.99	0.03	21.45	3.57
Large Industrial	17.36	17.59	(0.23)	16.18	1.18
Smelter	22.15	22.47	(0.32)	19.63	2.52
Off-System/Other	2.98	12.27	(9.29)	9.90	(6.92)
Total	20.02	21.26	(1.24)	17.41	2.61
Net Sales Margin - Thousands of \$					
Rural	52,925	53,384	(459)	46,267	6,658
Large Industrial	15,336	15,505	(169)	14,550	786
Smelter	150,405	150,498	(93)	122,312	28,093
Off-System/Other	3,950	17,582	(13,632)	28,307	(24,357)
Total	222,616	236,969	(14,353)	211,436	11,180

Net Sales Margin Price / Volume Analysis November 2012

	Price / Volume		
	Price	Volume	Total
Rural	48	(507)	(459)
Large Industrial	(205)	36	(169)
Smelter	(2,178)	2,085	(93)
Off-System/Other	(12,332)	(1,300)	(13,632)
	(14,667)	314	(14,353)



Your Touchstone Energy Cooperative

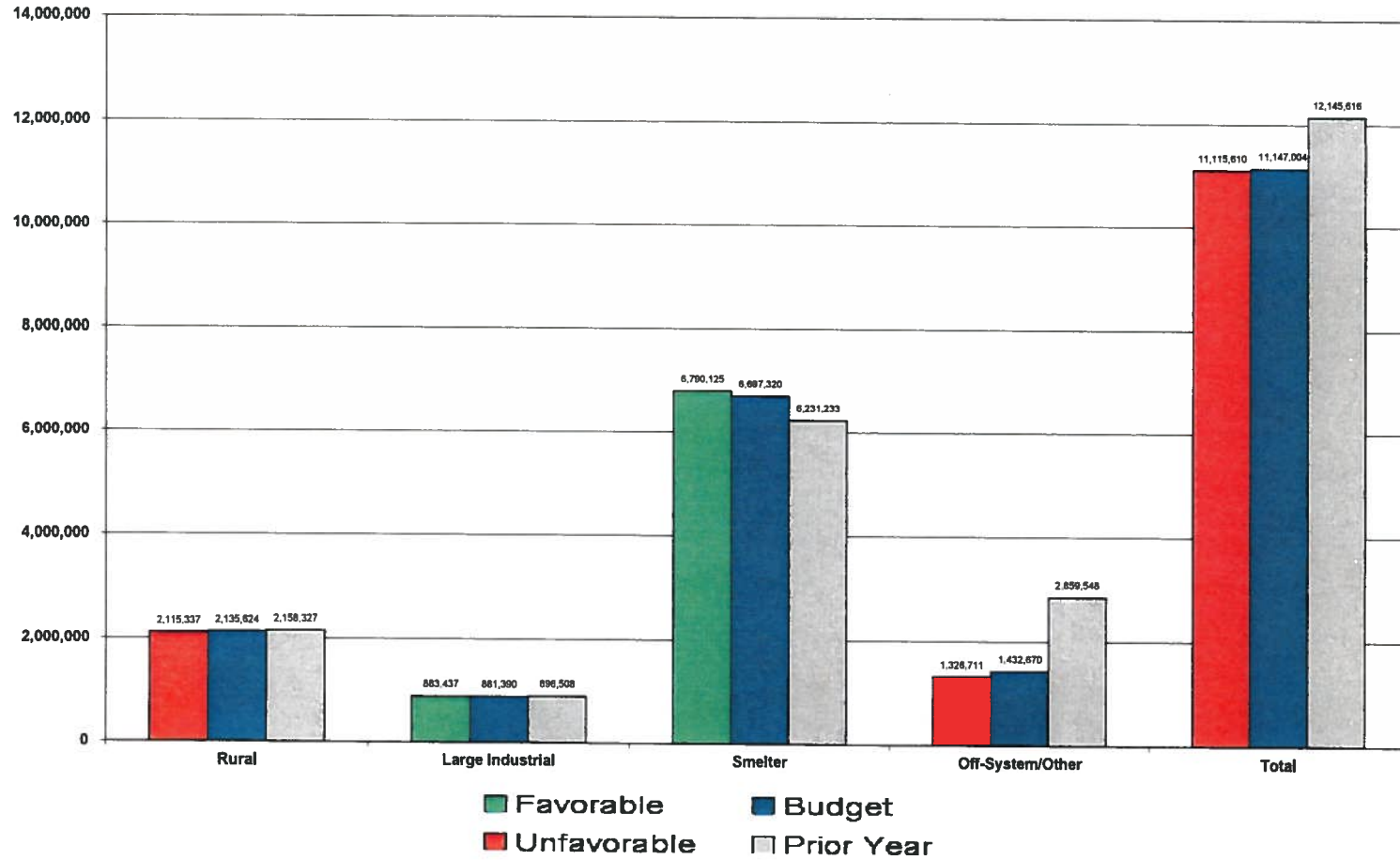
**Member Rate Stability Mechanism
YTD November**

	<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	(6.22)	(8.78)	2.56	(6.67)	0.45	Rural	44.57	44.50	0.07	40.17	4.40
Large Industrial	(6.22)	(8.78)	2.56	(6.67)	0.45	Large Industrial	36.93	37.10	(0.17)	34.90	2.03
Total	(6.22)	(8.78)	2.56	(6.67)	0.45	Total	42.32	42.34	(0.02)	38.63	3.69
<u>MRSM - Thousands of \$</u>						<u>Net Revenue - Thousands of \$</u>					
Rural	(13,156)	(18,820)	5,664	(14,383)	1,227	Rural	94,282	94,973	(691)	86,721	7,561
Large Industrial	(5,502)	(7,659)	2,157	(5,979)	477	Large Industrial	32,615	32,777	(162)	31,293	1,322
Total	(18,658)	(26,479)	7,821	(20,362)	1,704	Total	126,897	127,750	(853)	118,014	8,883

<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	3,173		
Withdrawals	(77,979)		
Ending Balance 11/30/2012	\$ 82,194	\$ 74,628	\$ 7,566
<u>YTD November 2012</u>			
Beg. Balance 1/1/2012	\$ 100,601		
Interest Earnings	409		
Withdrawals	(18,816)		
Ending Balance 11/30/2012	\$ 82,194	\$ 74,628	\$ 7,566

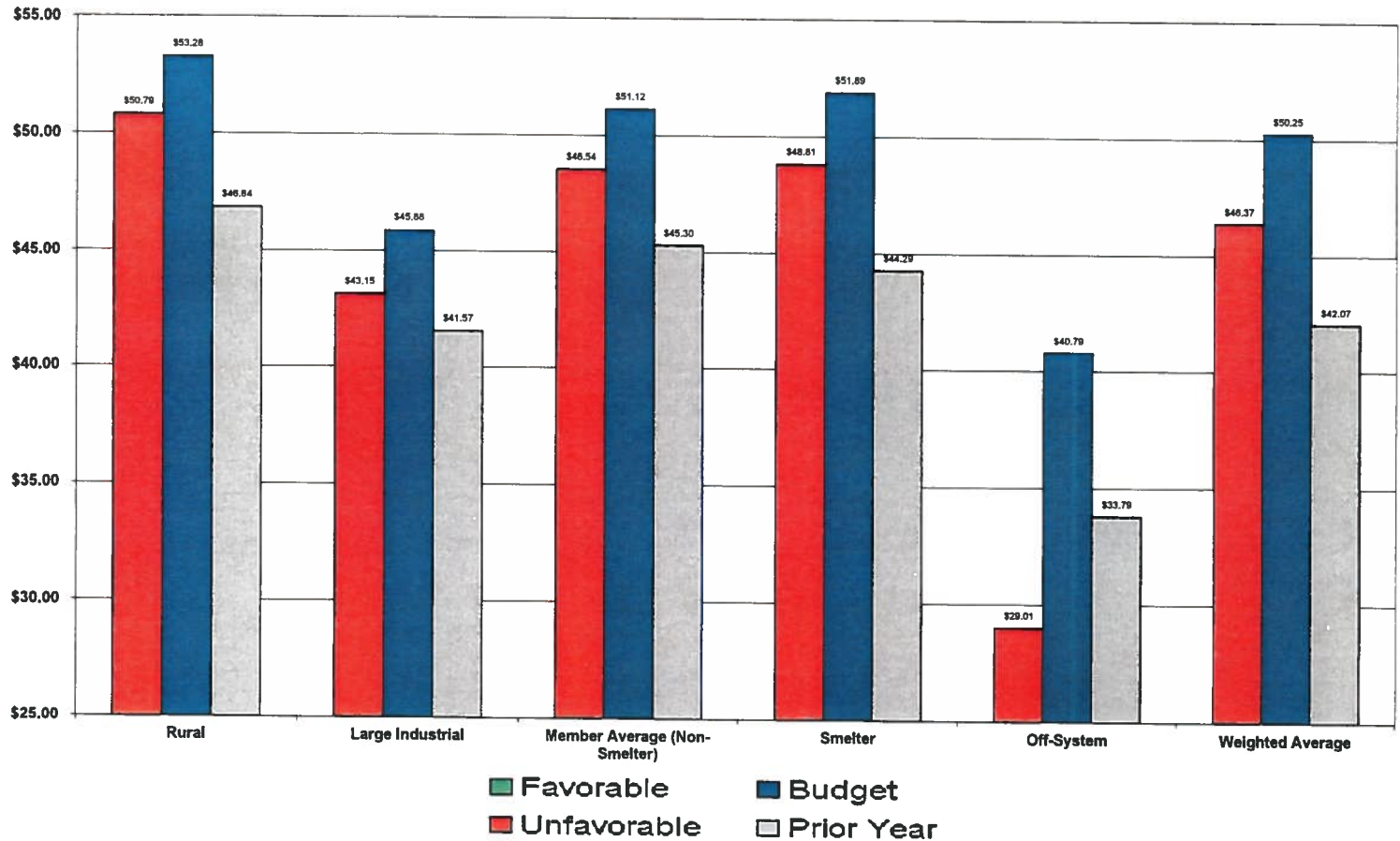


MWH Sales YTD - November

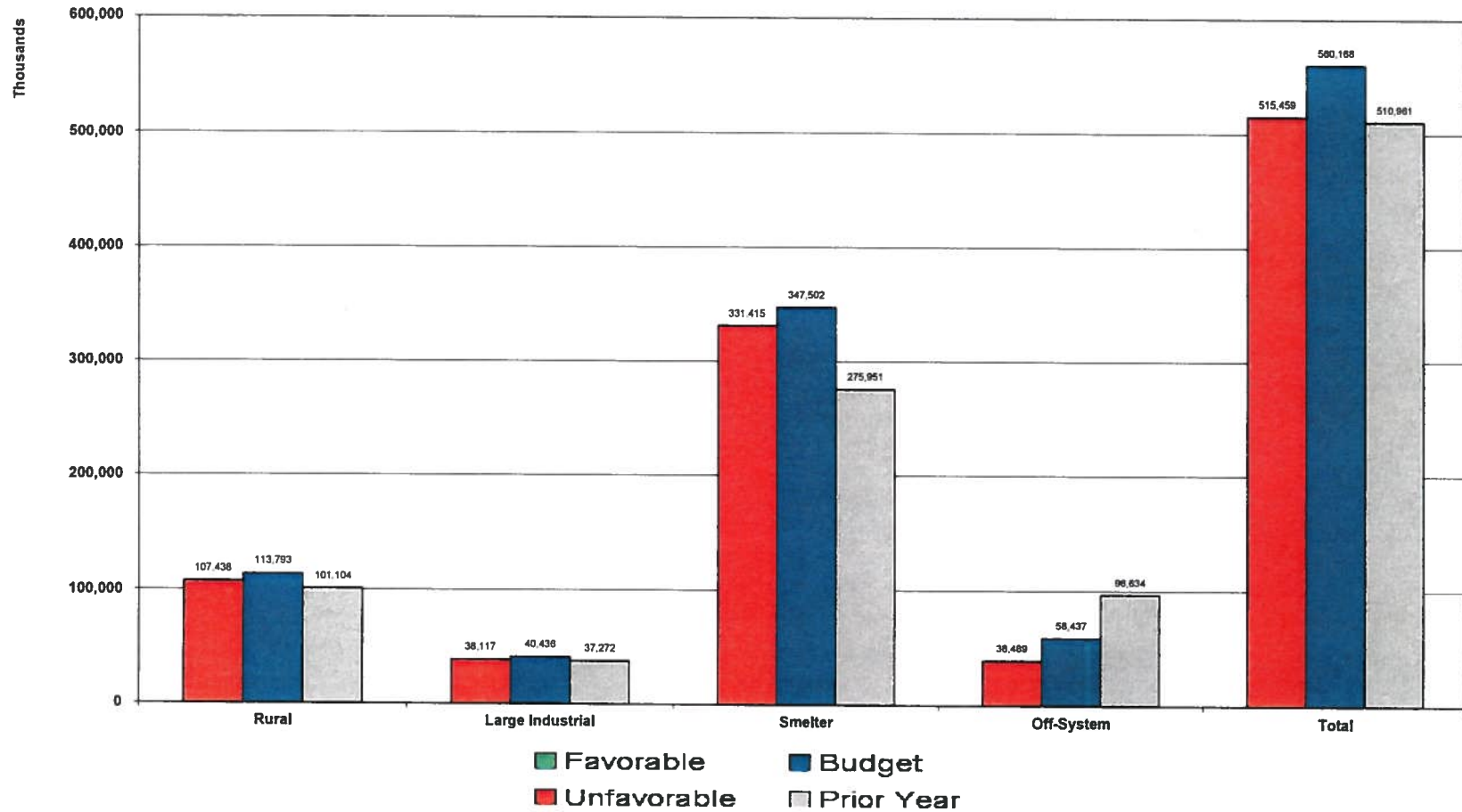




Revenue - \$/MWh Sold YTD - November

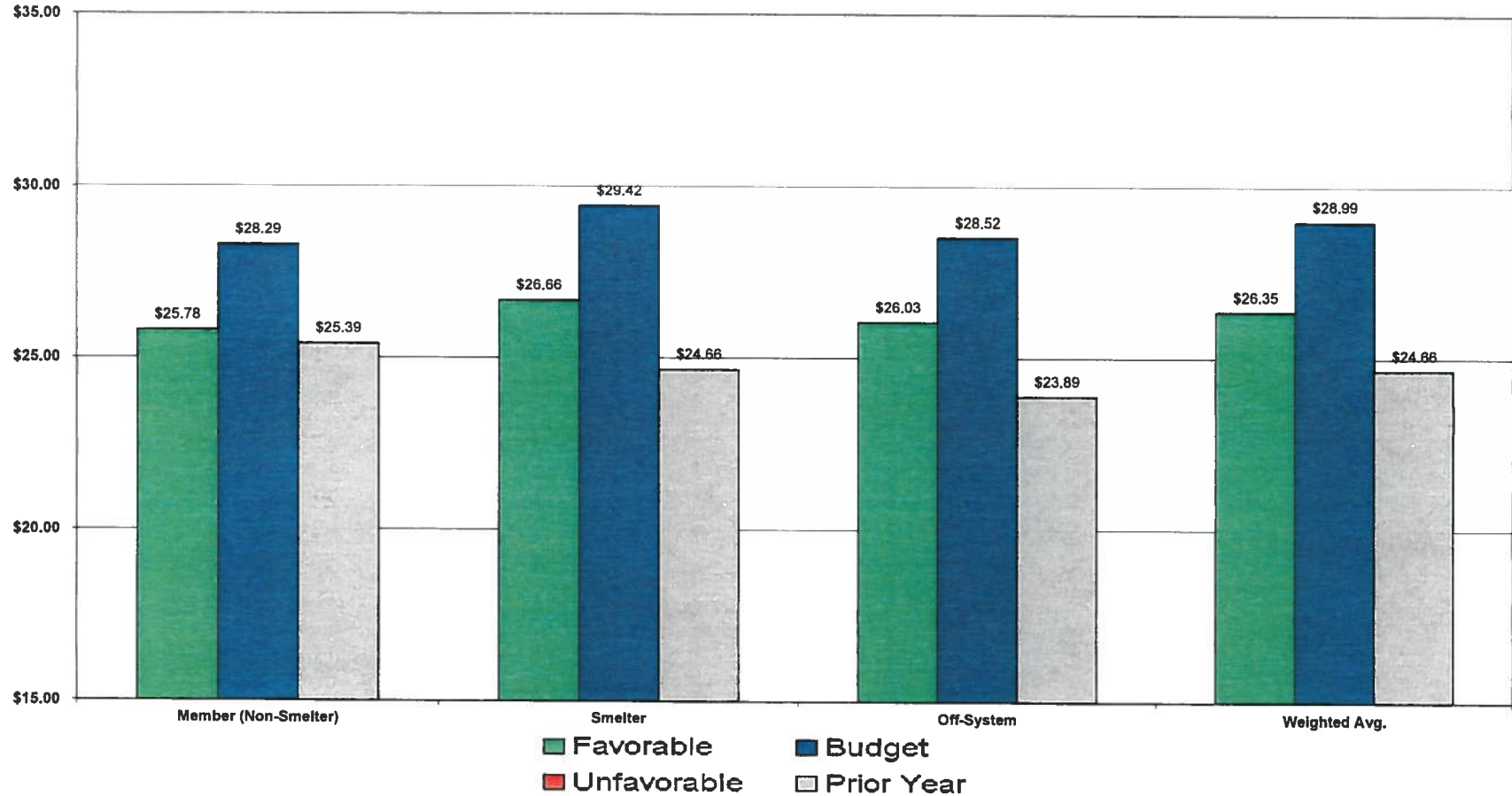


Revenue YTD - November

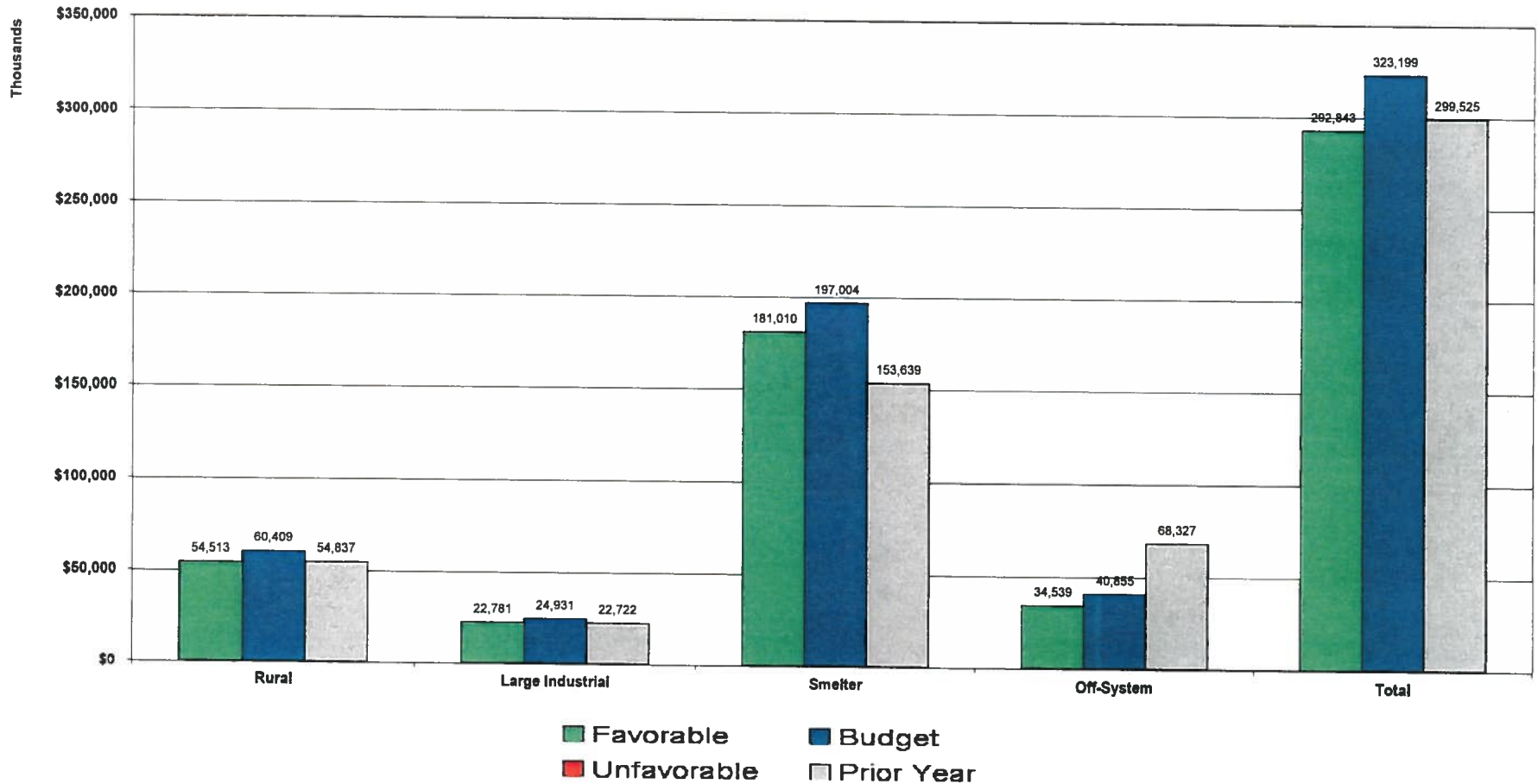




Variable Operations - \$/MWh Sold YTD - November

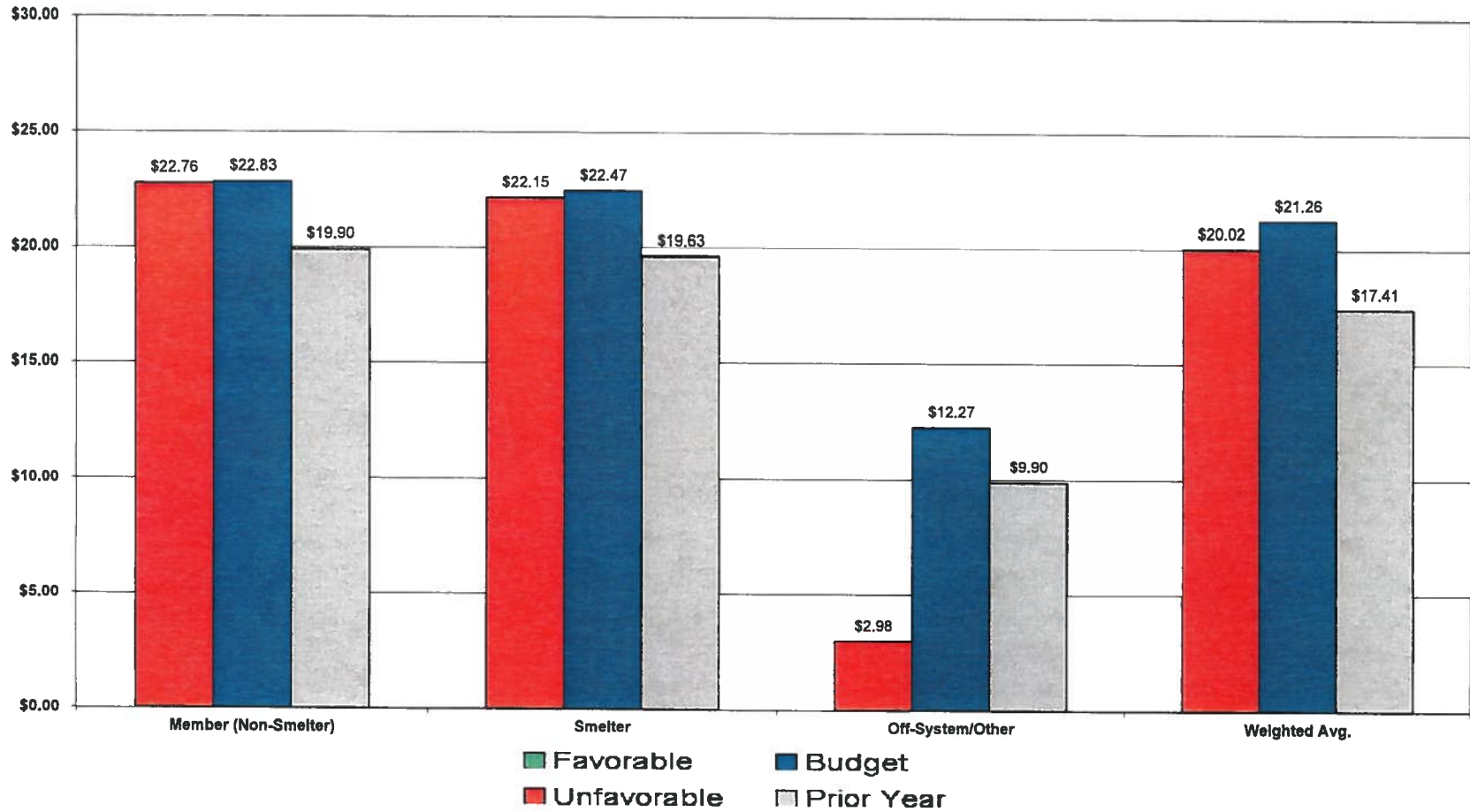


Variable Operations Cost YTD - November



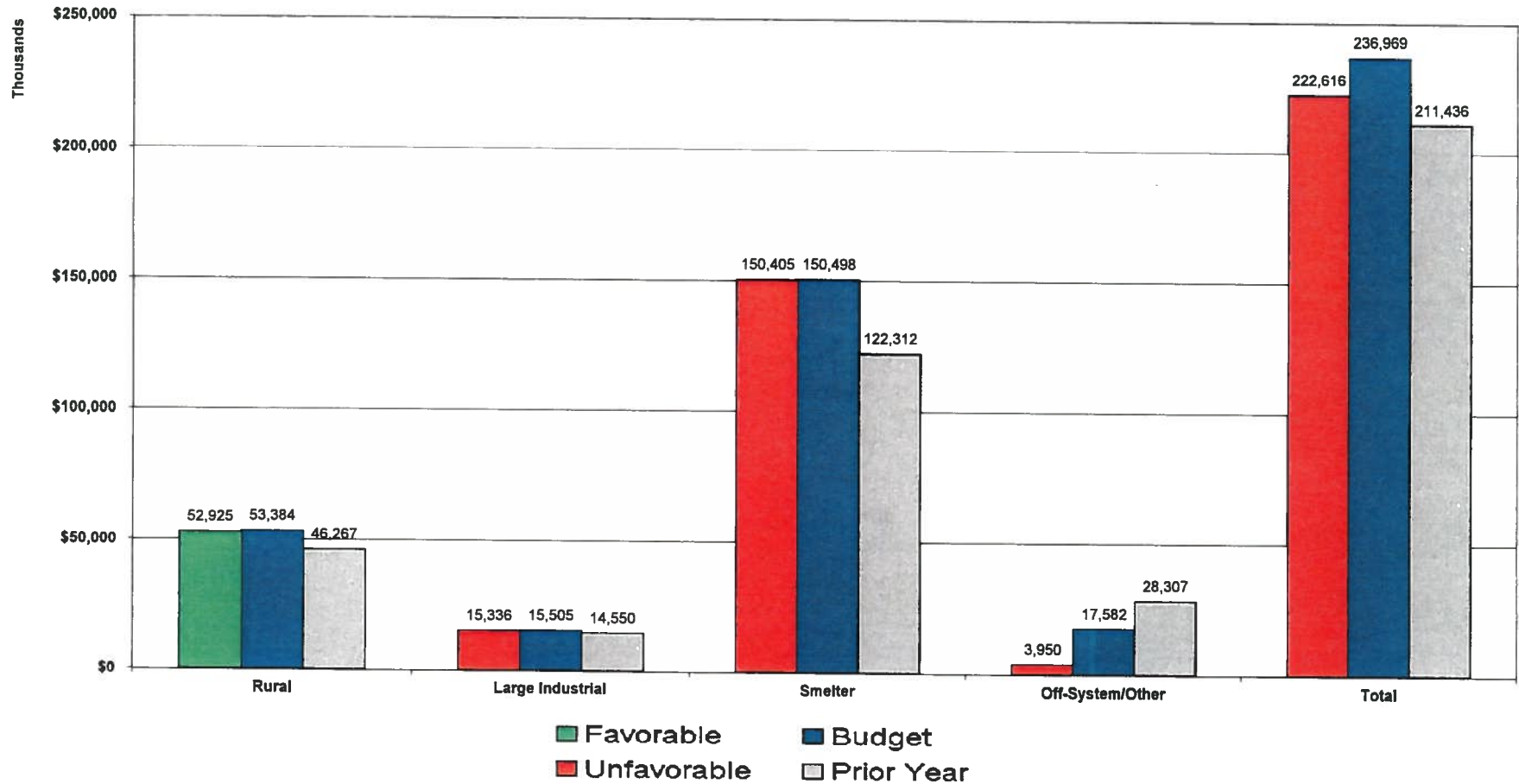


Net Sales Margin - \$/MWh YTD – November



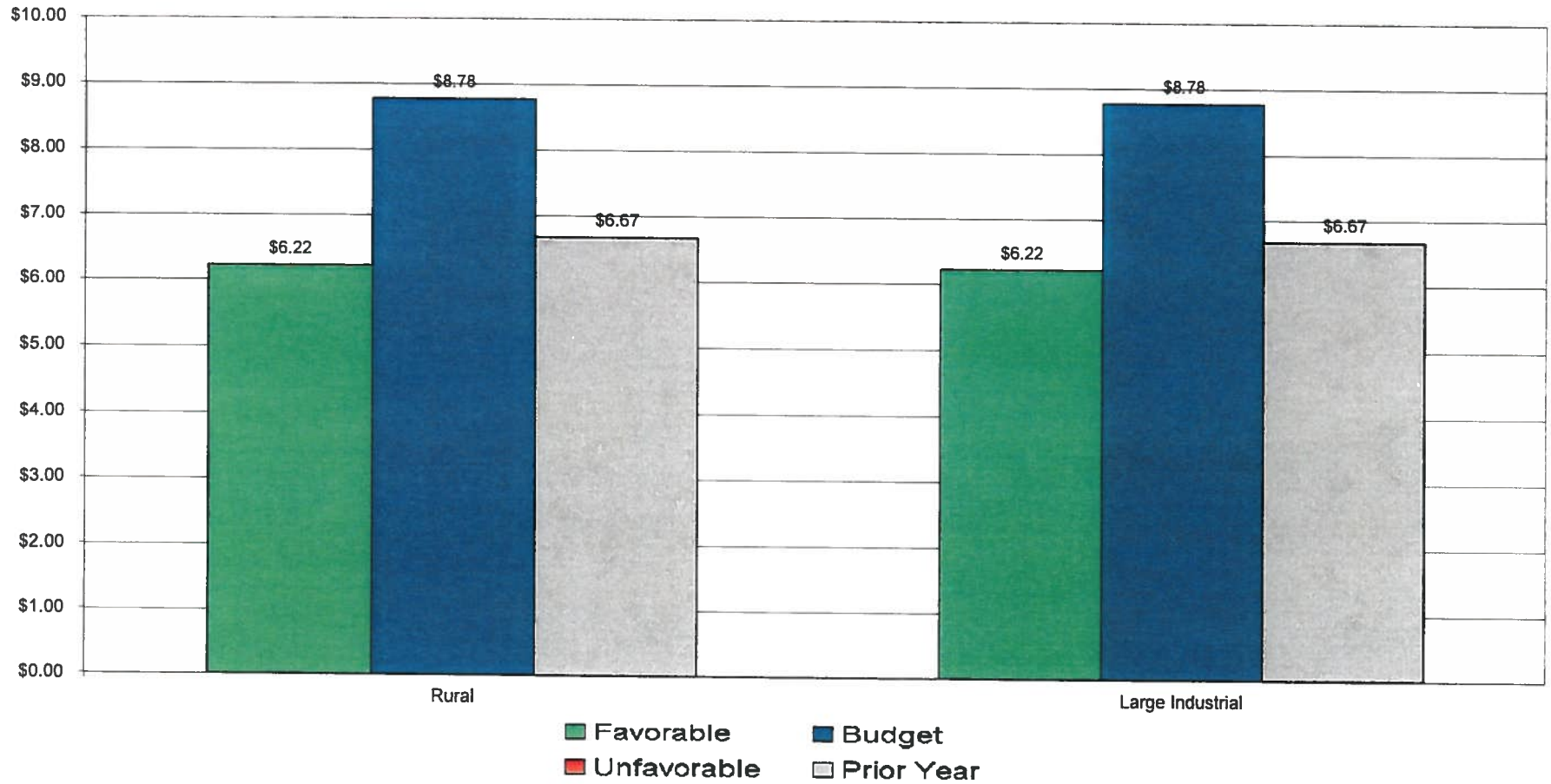


Net Sales Margin YTD – November

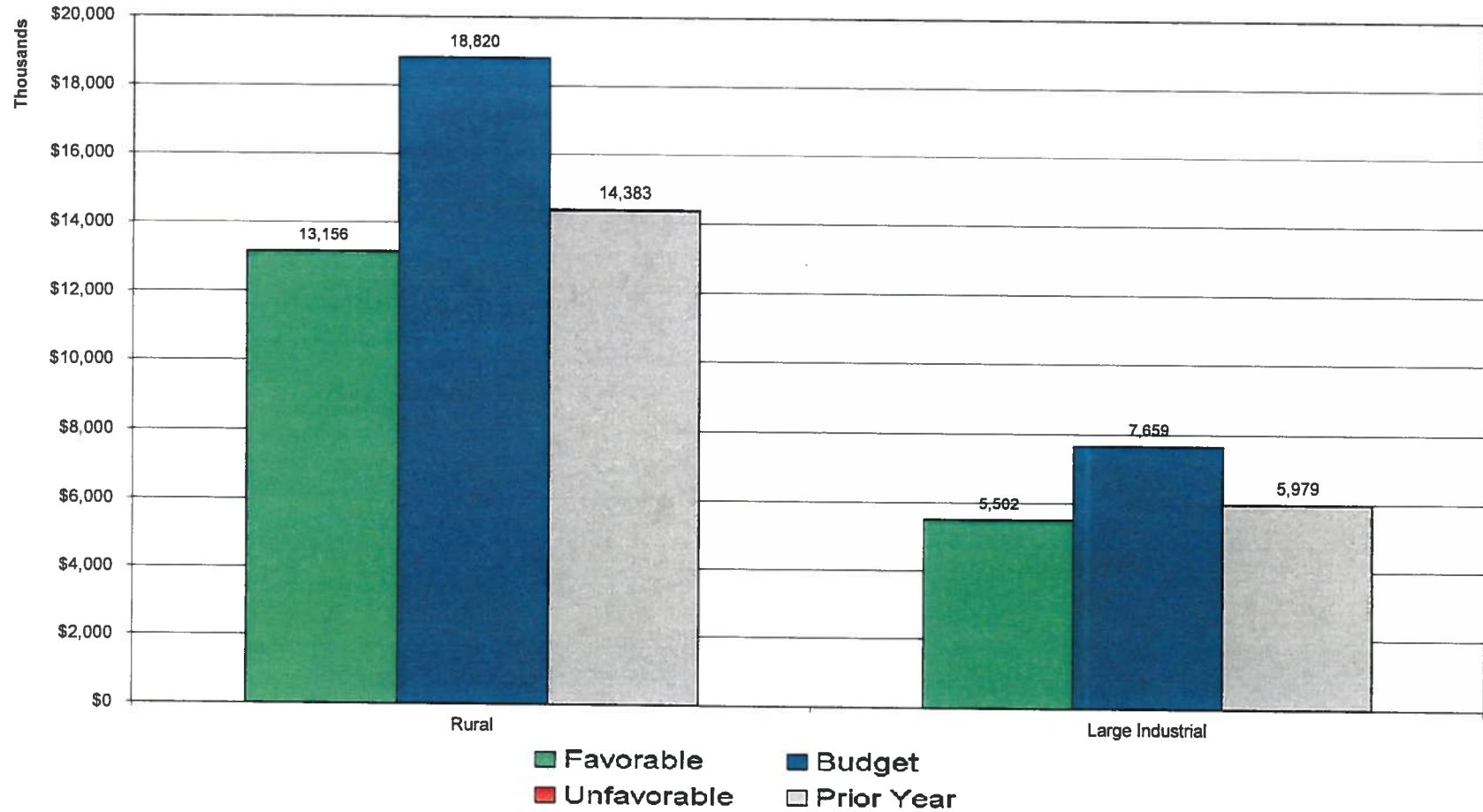




MRSM - \$/MWh YTD - November

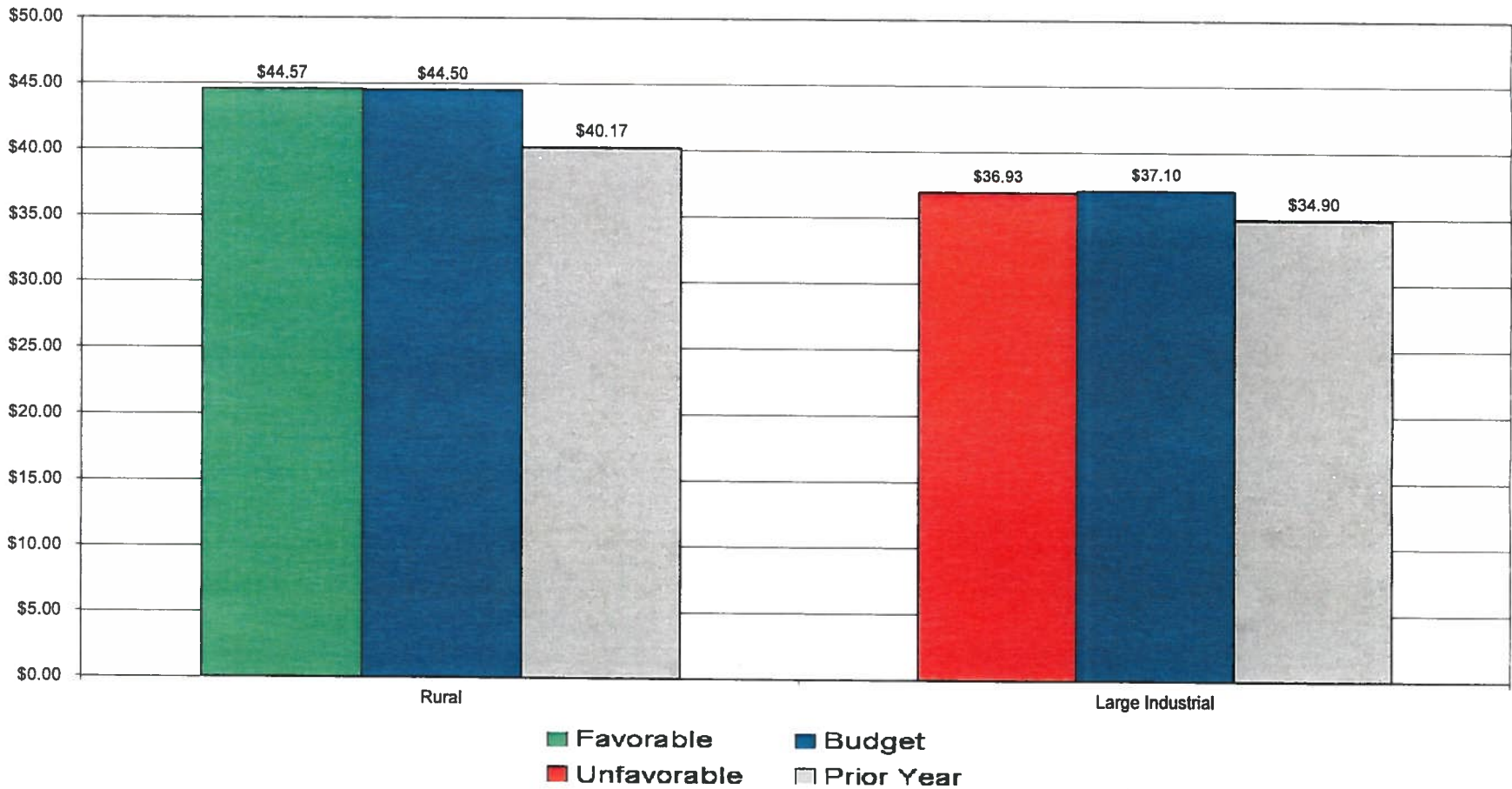


MRSM YTD - November



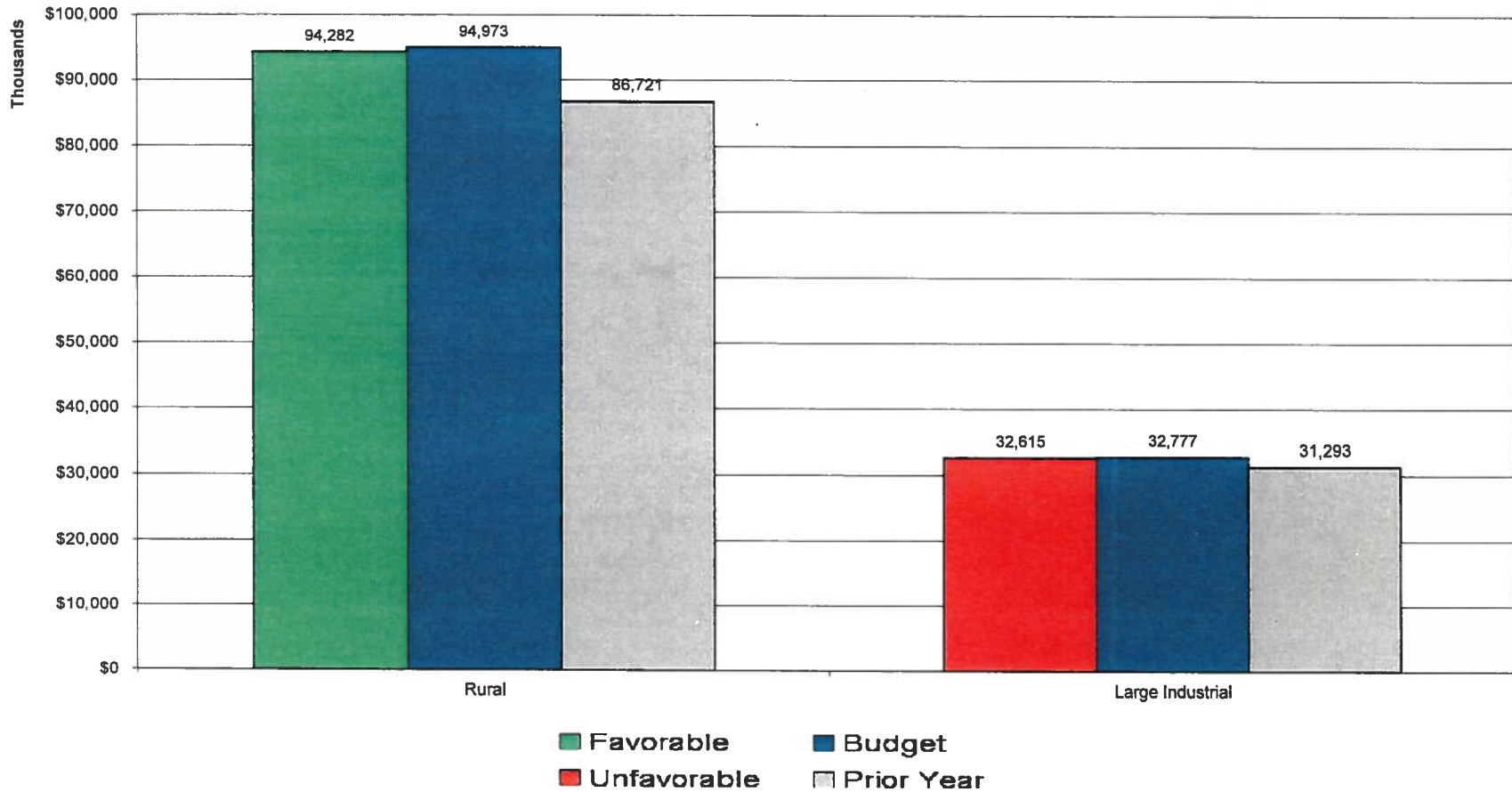


Net Revenue (Excl. MRSM) - \$/MWh YTD - November





Net Revenue (Excl. MRSM) YTD - November





Other Operating Revenue and Income

	2012			2011	
	<u>Actual</u>	<u>Budget</u>	<u>Variance Fav/(Unfav)</u>	<u>2011 Actual</u>	<u>Variance Fav/(Unfav)</u>
November YTD	4,596	3,678	918	3,237	1,359

The favorable current and 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>
November YTD	59,208	62,656	3,448	55,900	(3,308)

Current Year Variances

Power Supply transmission reservation	643
Station II & Plant Operations reductions (Labor & Non-labor)	3,355
Depreciation/Other	(550)
Non-Variable Production and Other Power Supply - Operations	3,448

Prior-Year Variances

Power Supply transmission reservation	(74)
Station-Two O&M [driven by higher outage & labor expense in 2012]	(1,824)
Station-Two [higher depreciation expense]	(1,149)
Other	(261)
Non-Variable Production and Other Power Supply - Operations	(3,308)



Operation Expense – Transmission

	2012		
	<u>Actual</u>	<u>Budget</u>	<u>Variance Fav/(Unfav)</u>
November YTD	9,084	9,818	734

Favorable to budget as a larger percentage of labor is being charged to maintenance accounts than was budgeted (see page 27).



Operation Expense – Sales

	2012		
			Variance
	<u>Actual</u>	<u>Budget</u>	<u>Fav/(Unfav)</u>
November YTD	146	1,029	883

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>
November YTD	37,885	56,251	18,366	39,002	1,117

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 2 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 favorable variance to prior-year is driven by the reduced spending this year to offset the lower power market.



Maintenance Expense – Transmission

	2012		
	<u>Actual</u>	<u>Budget</u>	<u>Variance</u> <u>Fav/(Unfav)</u>
November YTD	4,306	3,628	(678)

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>
November YTD	37,665	32,155	(5,510)

Unfavorable to prior-year due to the higher depreciation rates that are in effect as a result of the 2010 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>
November YTD	41,234	41,926	692

Interest on long-term debt is lower than prior-year due to using funds from the \$35m Transition Reserve to prepay the RUS Series A Note.



Interest Income

	2012			2011	
			Variance	2011	Variance
	<u>Actual</u>	<u>Budget</u>	<u>Fav/(Unfav)</u>	<u>Actual</u>	<u>Fav/(Unfav)</u>
November YTD	750	58	692	144	606

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 November

	2012			2011	
	Actual	Budget	Fav/(UnFav) Variance	Actual	Fav/(UnFav) Variance
Total Cost of Electric Service	508,838	562,626	53,788	507,582	(1,256)
Other Operating Revenues & Income	(4,596)	(3,678)	918	(3,237)	1,359
Smelter Avoidable Base Charge	(358)	0	358	(2,792)	(2,434)
Off-System Sales/Other	(38,489)	(58,437)	(19,948)	(96,634)	(58,145)
Interest Income	(750)	(58)	692	(144)	606
Other Non-Operating Income	0	0	0	(9)	(9)
Other Capital Credits & Pat. Dividends	(58)	(33)	25	(105)	(47)
	464,587	500,420	35,833	404,661	(59,926)

Member MWh	9,788,899	9,714,334	74,565	9,286,069	502,830
------------	-----------	-----------	--------	-----------	---------

North Star - \$/kWh	0.047461	0.051514	0.004053	0.043577	(0.003884)
---------------------	----------	----------	----------	----------	------------



TIER

	<u>Actual</u>	<u>Budget</u>	<u>Fav/(Unfav)</u>
Interest on Long-Term Debt	41,234	40,908	(326)
Net Margins	12,025	1,311	10,714
TIER - YTD November	1.29	1.03	0.26
TIER (12 months ending 11/30)	1.24	1.14	0.10

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	1,421	2,116	695
Generation	28,349	54,457	26,108
Transmission	7,330	11,390	4,060
Other	1,132	14,914	13,782
Total	38,232	82,877	44,645

Explanation:

IT was favorable \$695 largely due to the favorability of the Oracle Extensions project.

Generation was favorable by \$26,108. Coleman Station was favorable \$13,640 due to the C1 and C3 outage deferrals. Wilson Station was favorable \$7,893 primarily due to outage scope reductions/deferrals. Green Station was favorable by \$4,302 due to the G2 outage deferral, as well as the reduction of the FGD project and cancellation of the Coal Sampler project. Station-Two was favorable \$273 due to favorability of the H1 Burner Replacement project.

Transmission was favorable \$4,060 primarily due to deferral of the White Oak Substation project.

Other was favorable \$13,782 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>
November 30th	112,024	51,386	60,638	55,165	56,859

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

The favorable variance to prior-year is driven by the borrowing this year.

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

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.

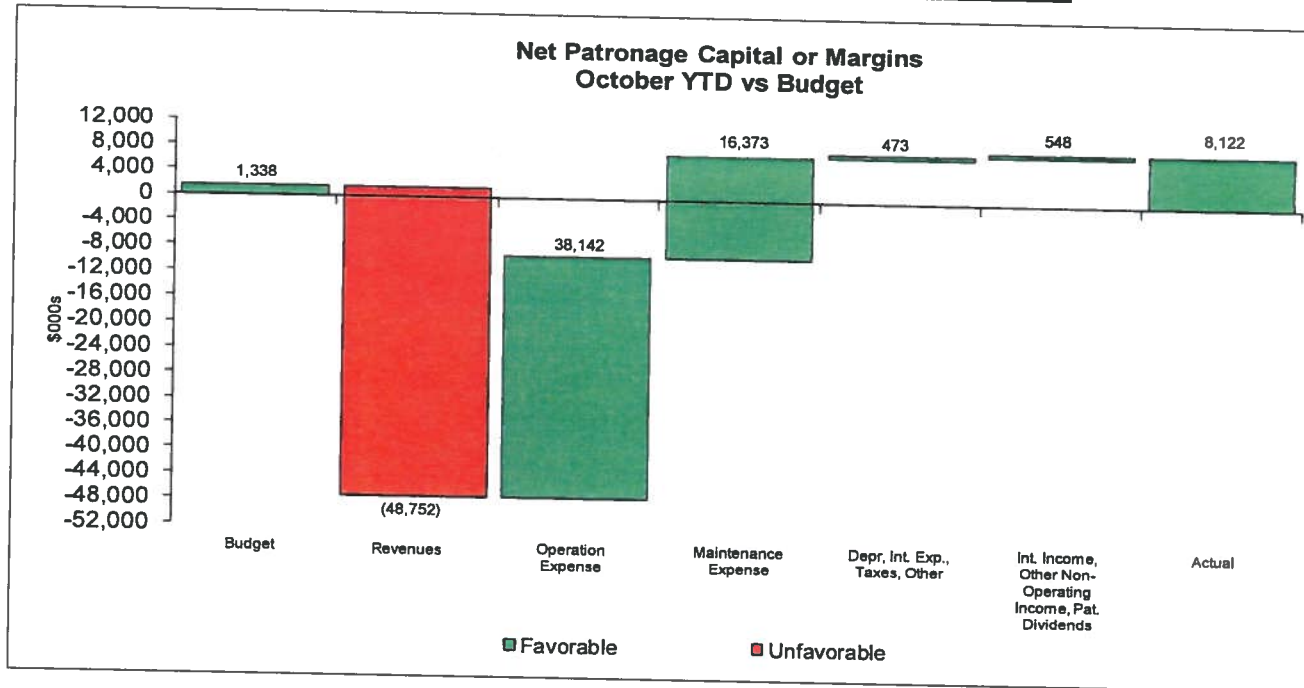


Statement of Operations – October Variance to Prior-Year

	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

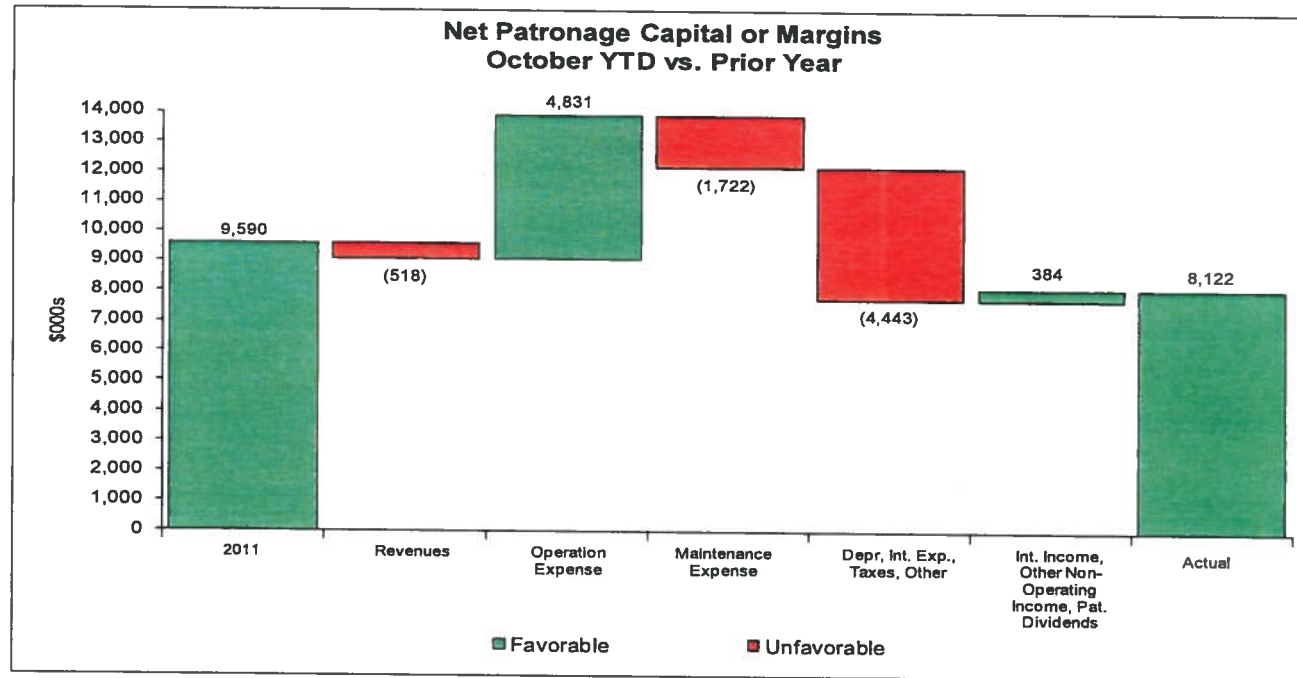


Financial Commentary

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 Touchstone Energy Cooperative

Revenue YTD October

	Actual 2012	Budget 2012	Variance	Actual 2011	2011 Variance
MWh Sales					
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	1,096,643	1,407,670	(311,027)	2,668,634	(1,571,991)
Total	10,013,404	10,266,238	(252,834)	11,115,442	(1,102,038)

Revenue - \$/MWh					
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	28.84	40.80	(11.96)	34.04	(5.20)
Total	46.46	50.15	(3.69)	42.01	4.45

Revenue - Thousands of \$					
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	31,628	57,432	(25,804)	90,831	(59,203)
Total	465,184	514,859	(49,675)	466,987	(1,803)

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	(13,115)	(12,689)	(25,804)
	(39,934)	(9,741)	(49,675)



Your Touchstone Energy Cooperative

Variable Operations Cost YTD October

	Actual 2012	Budget 2012	Variance	Actual 2011	2011 Variance
Variable Operations (VO) Cost - \$/MWh					
Rural	25.95	28.27	2.32	25.45	(0.50)
Large Industrial	25.97	28.27	2.30	25.45	(0.52)
Smelter	26.74	29.39	2.65	24.55	(2.19)
Off-System/Other	26.15	28.47	2.32	23.85	(2.30)
Total	26.46	28.96	2.50	27.27	0.81
VO Cost - Thousands of \$					
Rural	50,125	55,377	5,252	50,649	524
Large Industrial	20,951	22,682	1,731	20,866	(85)
Smelter	165,226	179,218	13,992	138,383	(26,843)
Off-System/Other	28,673	40,071	11,398	63,658	34,985
Total	264,975	297,348	32,373	273,556	8,581

YTD October 2012 Variable Operations Expense

	Actual	Budget	Fav/(UnFav)	Price Variance		Volume Variance	
				Fav/(UnFav)	Fav/(UnFav)	Fav/(UnFav)	Fav/(UnFav)
Reagent	21,272	26,765	5,493				
Fuel	205,472	223,212	17,740	3,904	1,589		5,493
Purchased Power	40,314	50,462	10,148	13,404	4,336		17,740
Non-FAC PPA (Non-Smelter)	(2,083)	(3,091)	(1,008)	6,314	3,834		10,148
	<u>264,975</u>	<u>297,348</u>	<u>32,373</u>	<u>(983)</u>	<u>(25)</u>		<u>(1,008)</u>
				22,639	9,734		32,373



Your Eschscholtz Energy Cooperative

Net Sales Margin YTD Margin

	Actual 2012	Budget 2012	Variance	Actual 2011	2011 Variance
Net Sales Margin - \$/MWh					
Rural	24.84	25.11	(0.27)	21.31	3.53
Large Industrial	17.06	17.58	(0.52)	16.05	1.01
Smelter	21.93	22.45	(0.52)	19.64	2.29
Off-System/Other	2.69	12.33	(9.64)	10.19	(7.50)
Total	20.00	21.19	(1.19)	17.37	2.63
Net Sales Margin - Thousands of \$					
Rural	47,992	49,181	(1,189)	42,352	5,640
Large Industrial	13,768	14,105	(337)	13,218	550
Smelter	135,494	136,864	(1,370)	110,688	24,806
Off-System/Other	2,955	17,361	(14,406)	27,173	(24,218)
Total	200,209	217,511	(17,302)	193,431	6,778

Net Sales Margin Price / Volume Analysis October 2012

	Price / Volume		
	Price	Volume	Total
Rural	(510)	(679)	(1,189)
Large Industrial	(417)	80	(337)
Smelter	(3,182)	1,812	(1,370)
Off-System/Other	(10,570)	(3,836)	(14,406)
	(14,679)	(2,623)	(17,302)



Your Touchstone Energy Cooperative

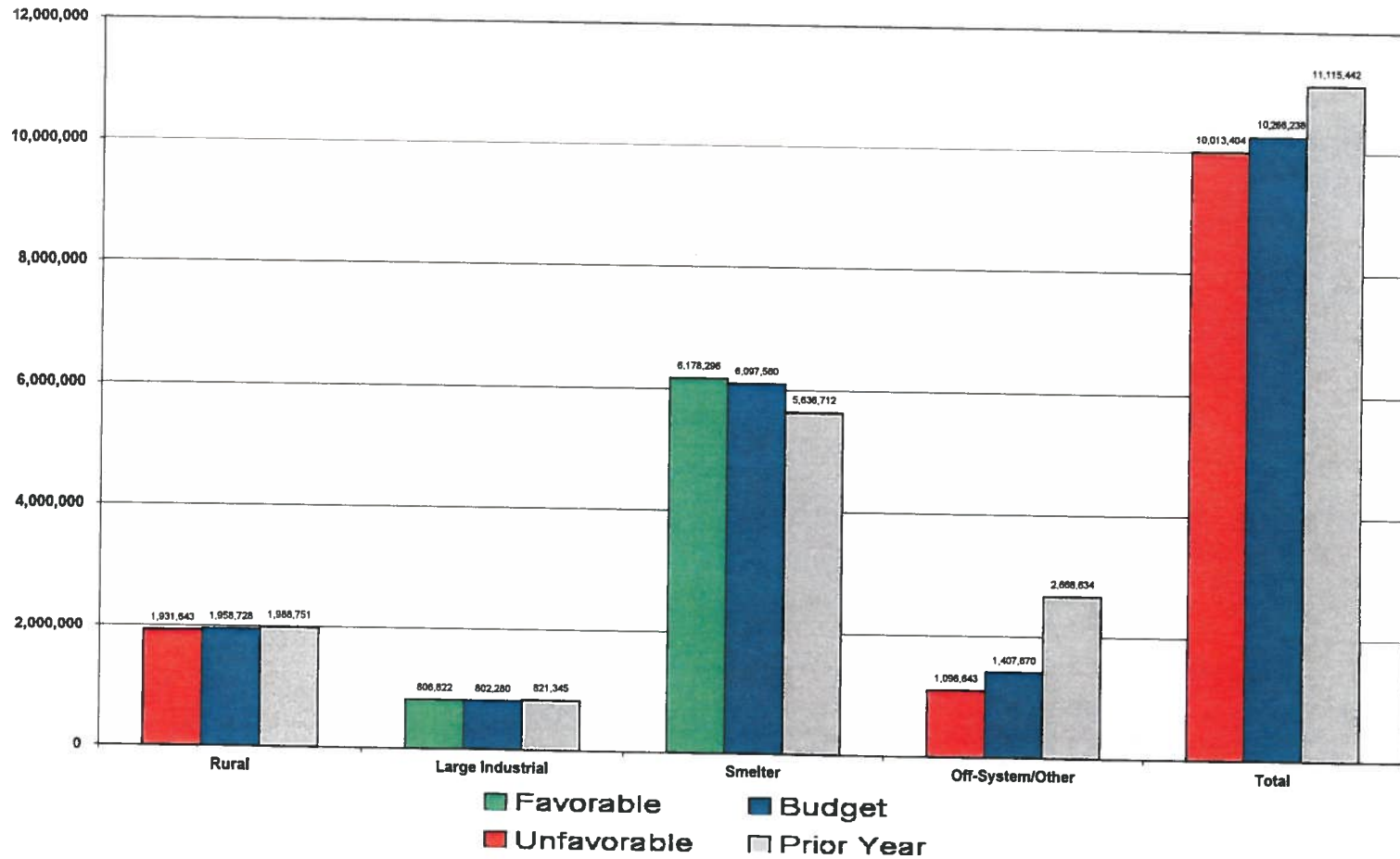
Member Rate Stability Mechanism YTD October

	<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>
MRSM - \$/MWh						Net Revenue - \$/MWh					
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
MRSM - Thousands of \$						Net Revenue - Thousands of \$					
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

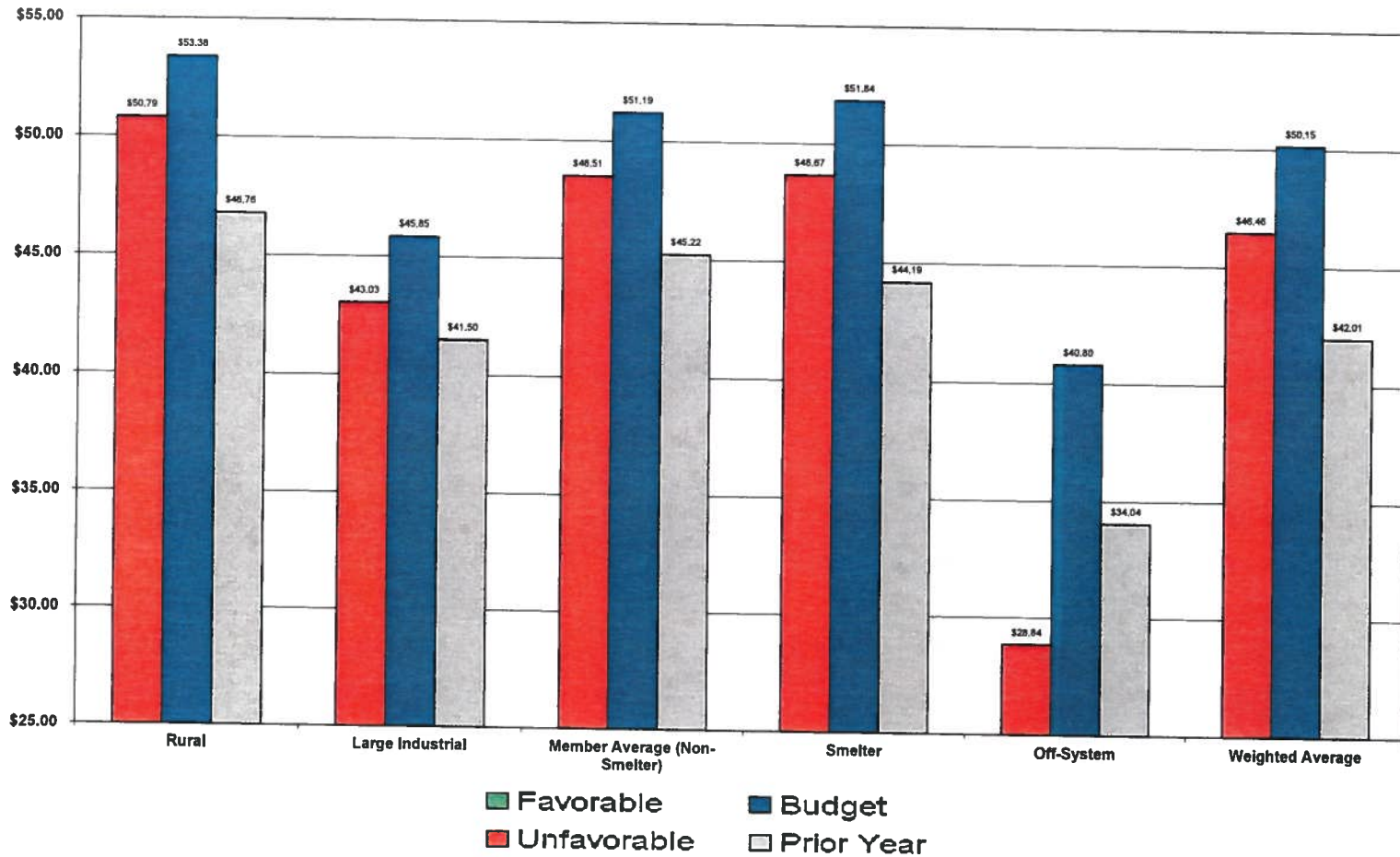
<u>Economic Reserve Balance</u>			
<u>Cumulative-to-Date</u>	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
Original Deposit	\$ 157,000		
Interest Earnings	3,142		
Withdrawals	(76,538)		
Ending Balance 10/31/2012	\$ 83,604	\$ 76,627	\$ 6,977
<u>YTD October 2012</u>			
Beg. Balance 1/1/2012	\$ 100,601		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



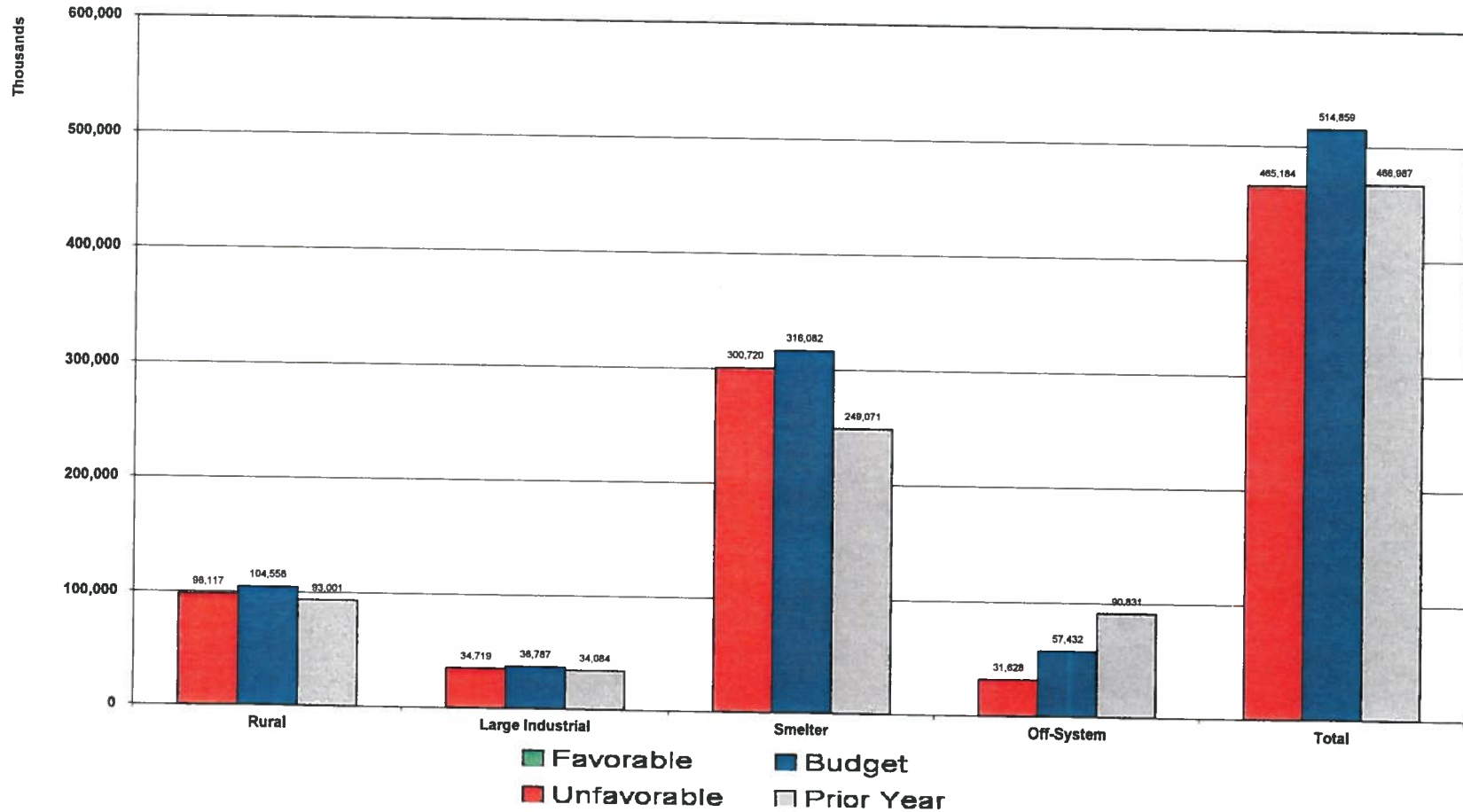
MWH Sales YTD - October



Revenue - \$/MWh Sold YTD - October

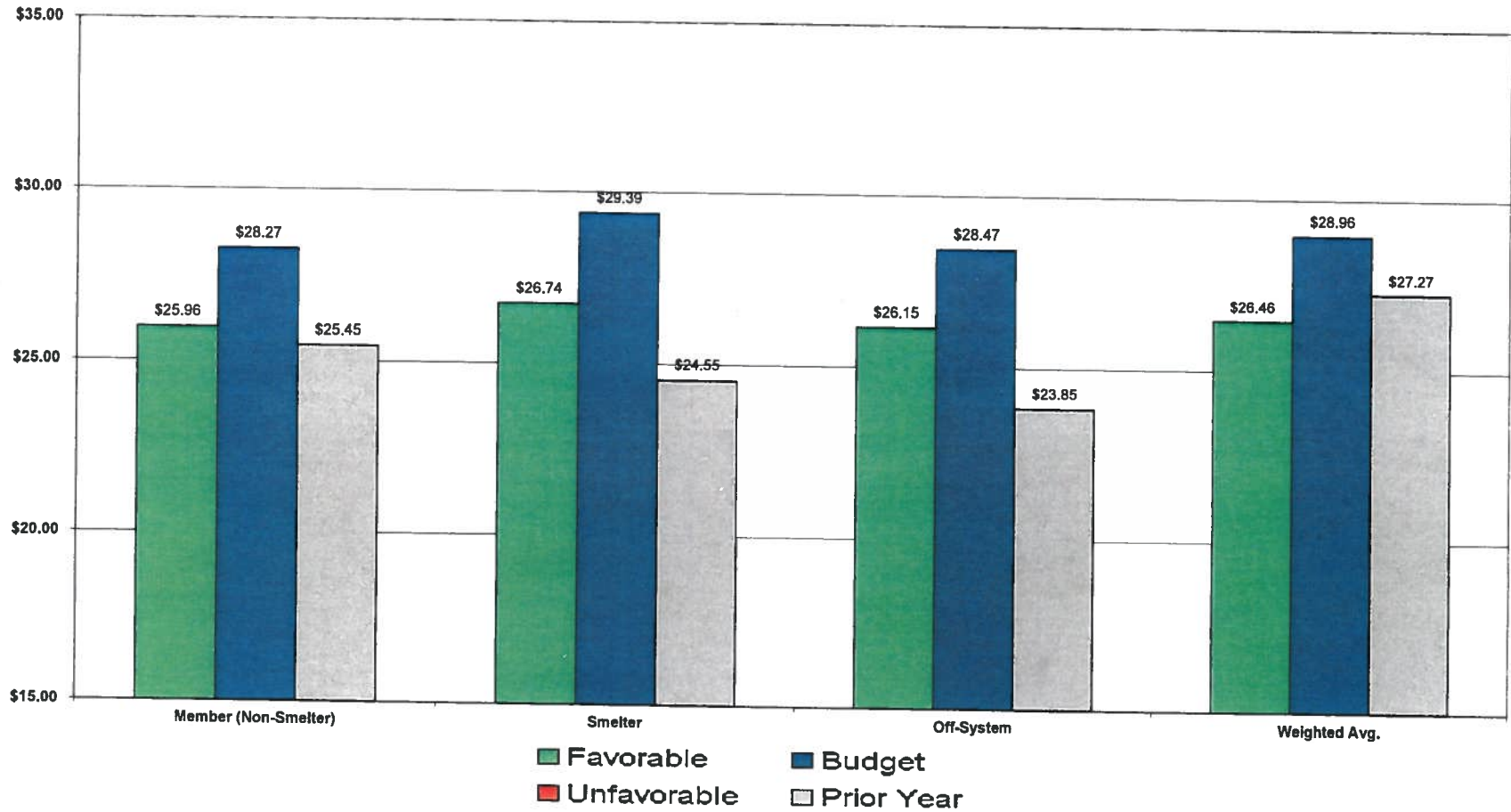


Revenue YTD - October



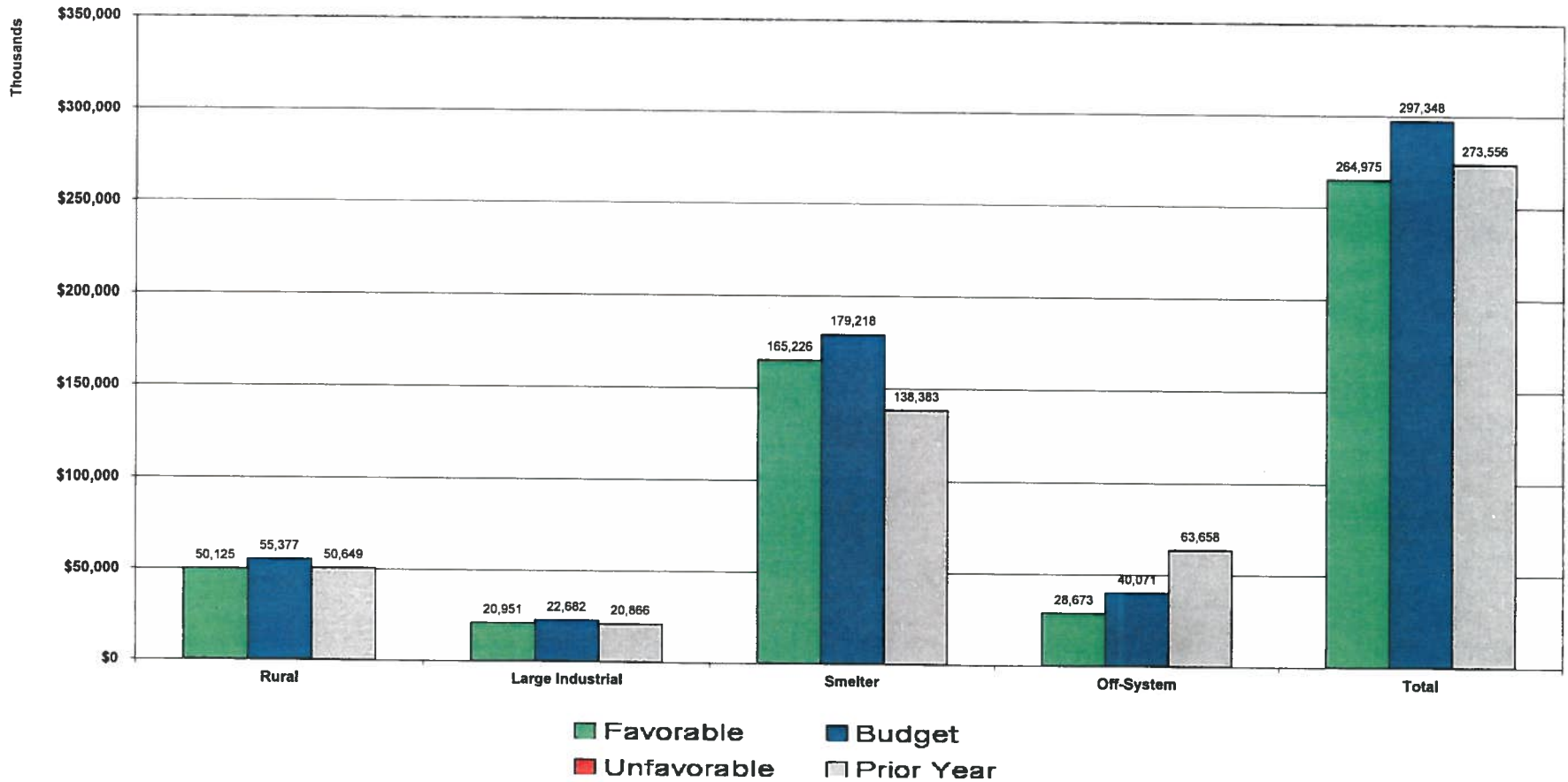


Variable Operations - \$/MWh Sold YTD - October



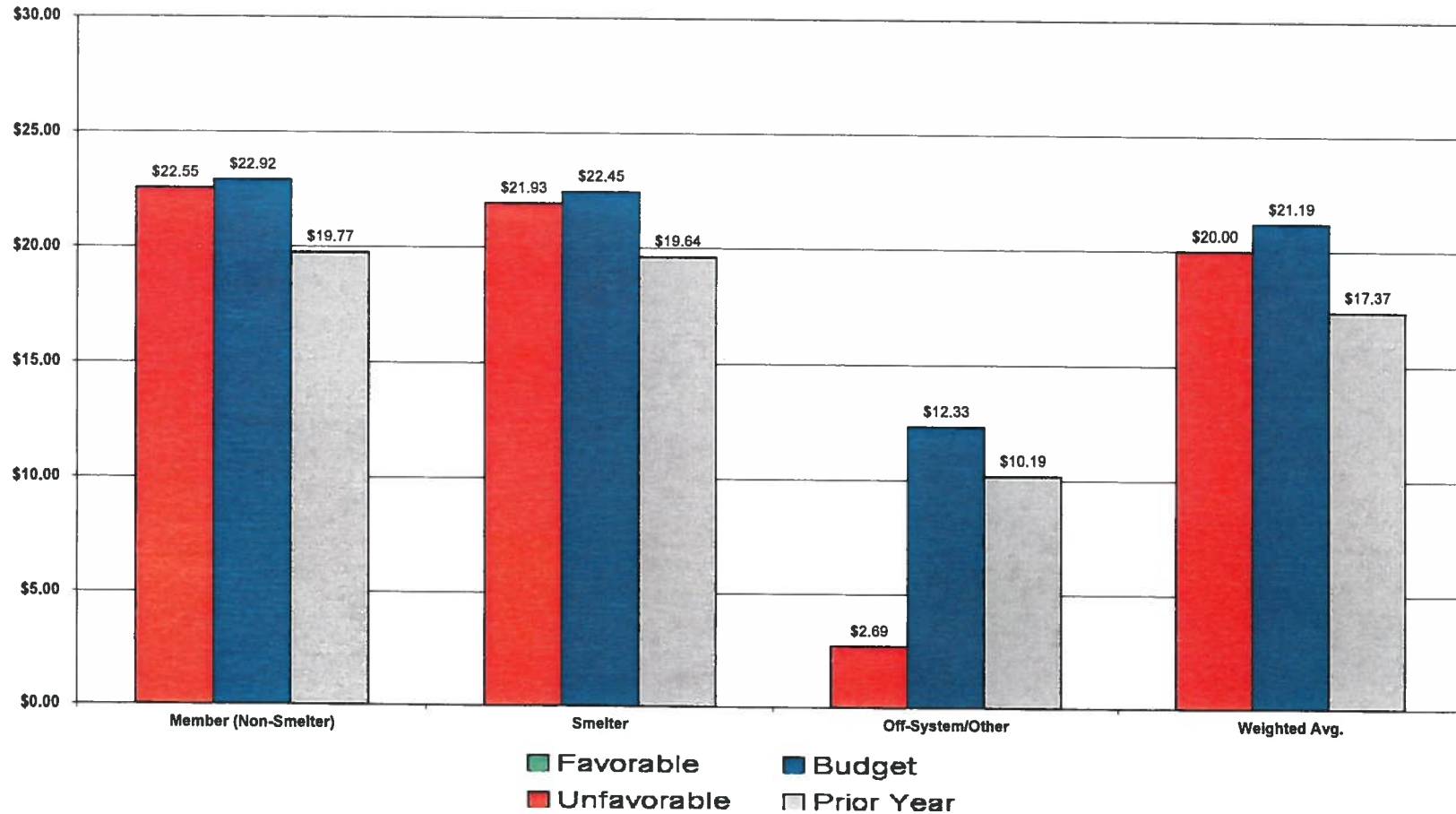


Variable Operations Cost YTD - October

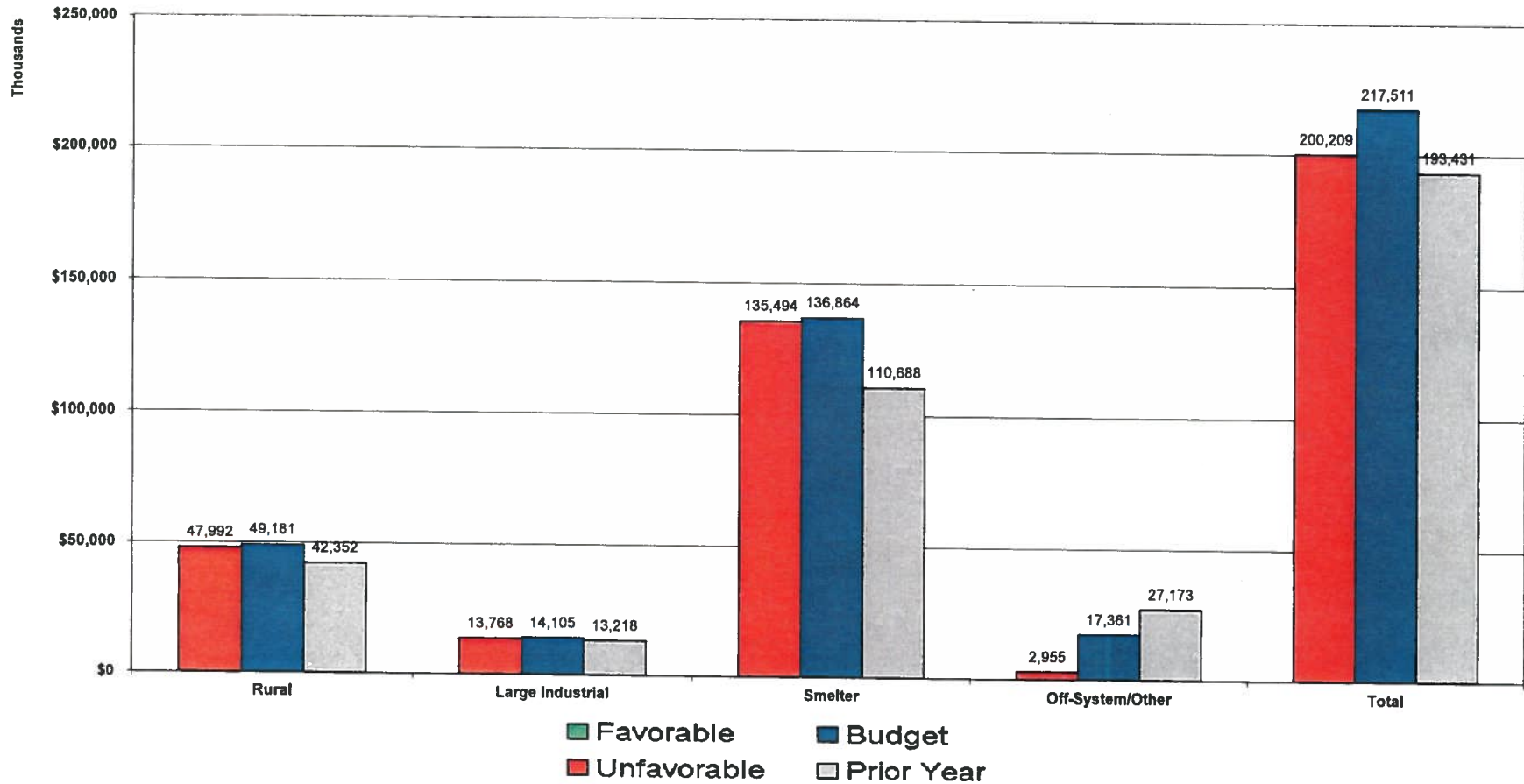




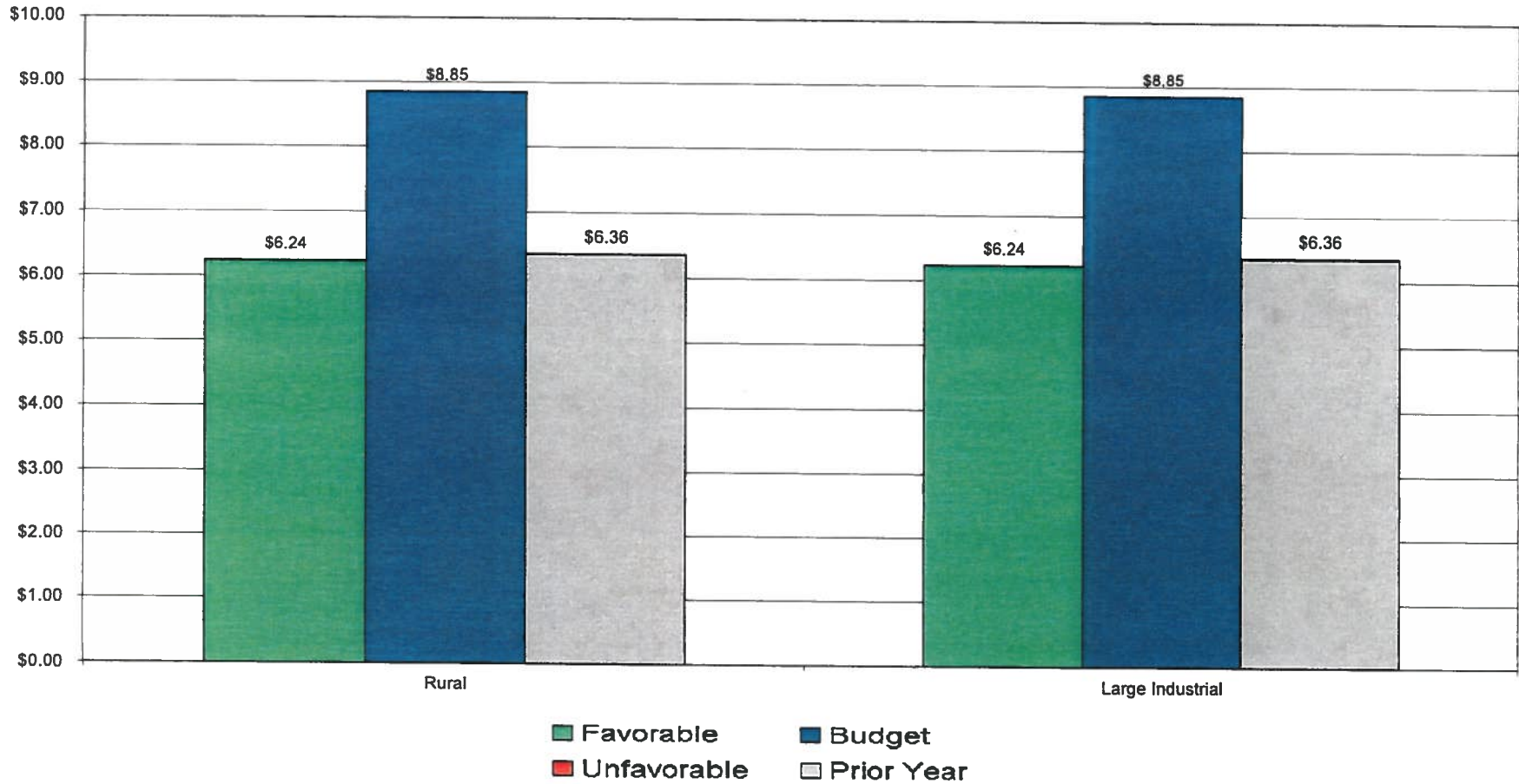
Net Sales Margin - \$/MWh YTD – October



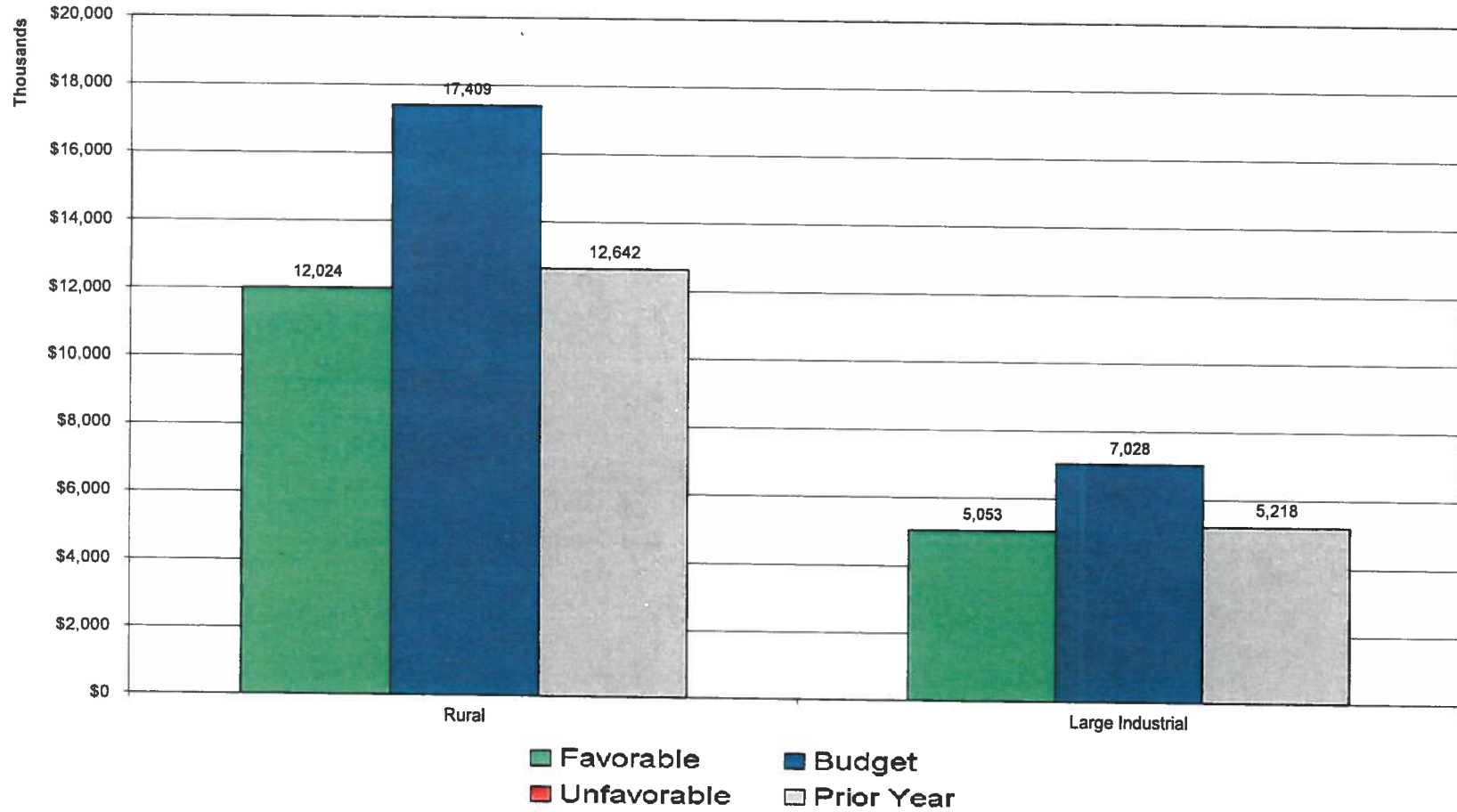
Net Sales Margin YTD – October



MRSM - \$/MWh YTD - October

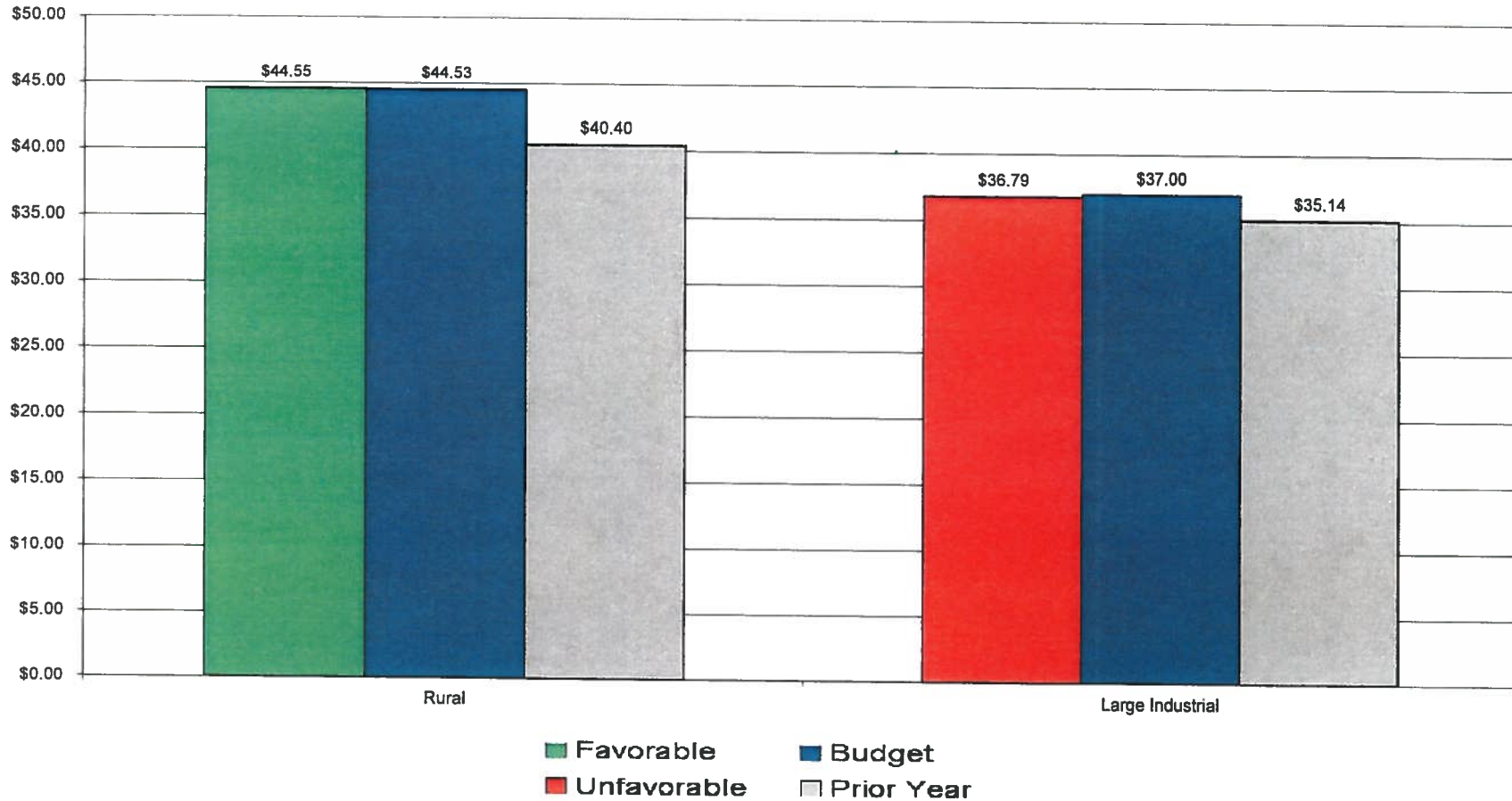


MRSM YTD - October



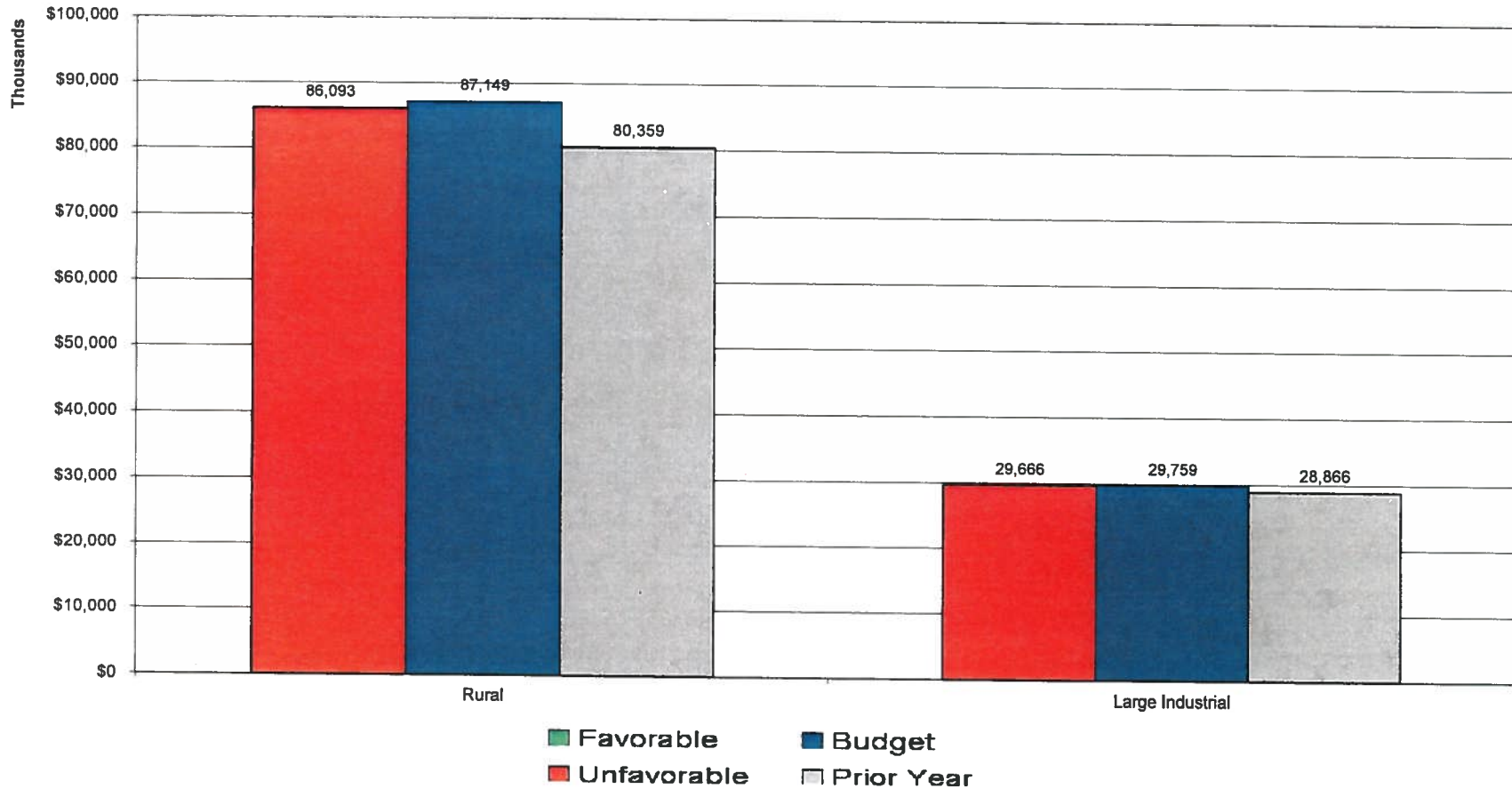


Net Revenue (Excl. MRSM) - \$/MWh YTD - October





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	54,244	57,756	3,512	50,884	(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		
			Variance
	<u>Actual</u>	<u>Budget</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	34,633	51,783	17,150	33,221	(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	461,965	516,953	54,988	460,631	(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	(31,628)	(57,432)	(25,804)	(90,830)	(59,202)
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)
	425,076	456,089	31,013	363,973	(61,103)
Member MWh	8,916,761	8,858,568	58,193	8,446,810	469,951
North Star - \$/kWh	0.047672	0.051486	0.003814	0.043090	(0.004582)



TIER

	<u>Actual</u>	<u>Budget</u>	<u>Fav/(Unfav)</u>
Interest on Long-Term Debt	37,528	37,241	(287)
Net Margins	8,122	1,338	6,784
TIER - YTD October	1.22	1.04	0.18
TIER (12 months ending 10/31)	1.09	1.08	0.01

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>Actual</u>	<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.

<u>Lines of Credit</u> <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	
CONSUMER SERVICE & INFORMATIONAL EXPENSE	61	56	(5)	391	551	160	
OPERATION EXPENSE-SALES	5	175	170	102	871	769	[B] Page 25
OPERATION EXPENSE-ADMINISTRATIVE & GENERAL	2,107	1,908	(199)	20,378	19,871	(507)	[C] Page 26
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.

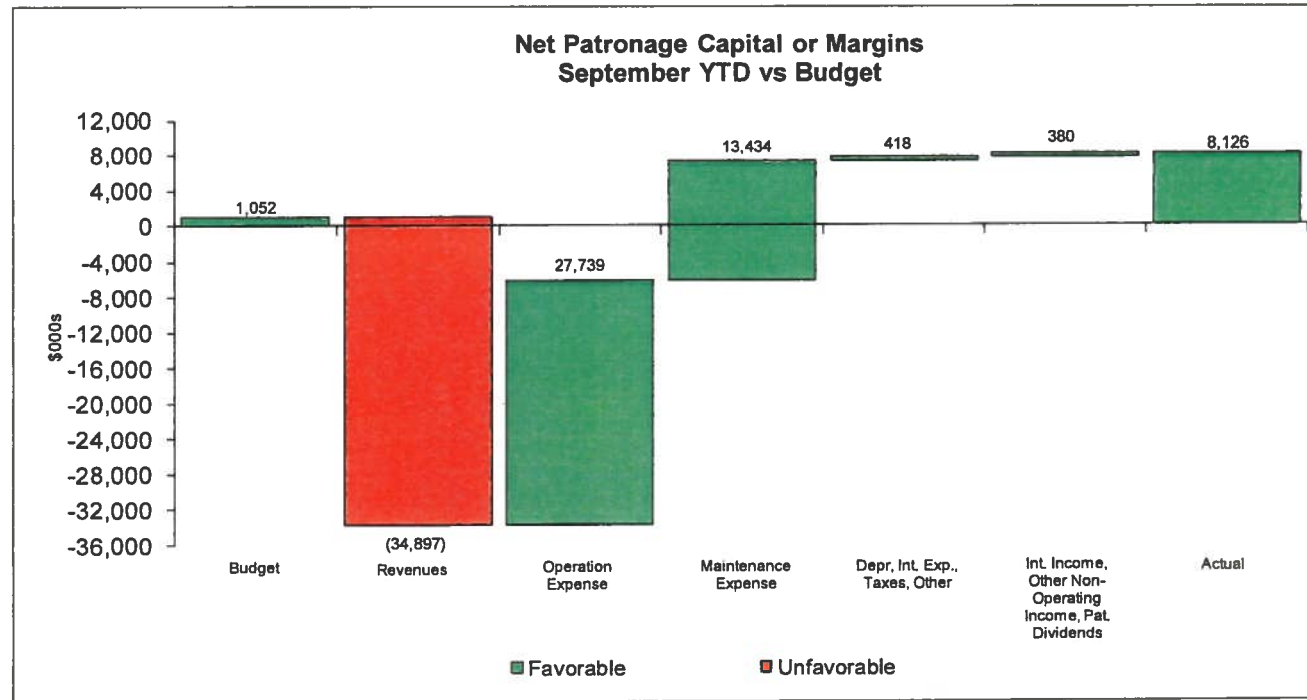


Statement of Operations – September Variance to Prior-Year

	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

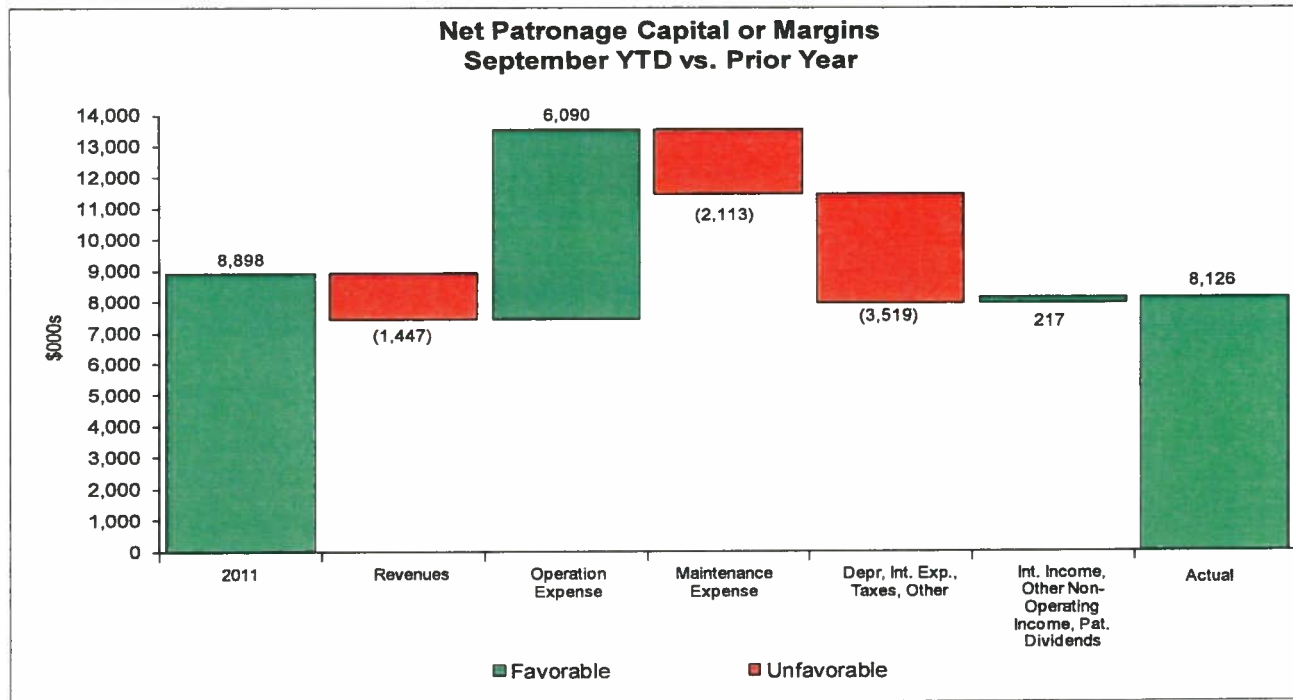


Financial Commentary

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	971,890	1,011,434	(39,544)	2,425,986	(1,454,096)
Total	9,025,098	9,019,749	5,349	10,032,927	(1,007,829)
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	28.57	41.23	(12.66)	34.44	(5.87)
Total	46.45	50.44	(3.99)	42.09	4.36
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	27,766	41,706	(13,940)	83,556	(55,790)
Total	419,183	454,929	(35,746)	422,321	(3,138)

**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	(12,309)	(1,631)	(13,940)
	(36,366)	620	(35,746)



**Variable Operations Cost
YTD September**

	Actual 2012	Budget 2012	Variance	Actual 2011	2011 Variance
Variable Operations (VO) Cost - \$/MWh					
Rural	25.85	28.33	2.48	25.65	(0.20)
Large Industrial	25.84	28.33	2.49	25.65	(0.19)
Smelter	26.59	29.24	2.65	24.63	(1.96)
Off-System/Other	26.07	28.51	2.44	23.93	(2.14)
Total	26.33	28.91	2.58	24.72	(1.61)
VO Cost - Thousands of \$					
Rural	45,864	51,187	5,323	46,946	1,082
Large Industrial	18,750	20,503	1,753	18,859	109
Smelter	147,633	160,193	12,560	124,161	(23,472)
Off-System/Other	25,340	28,840	3,500	58,063	32,723
Total	237,587	260,723	23,136	248,029	10,442

**YTD September 2012
Variable Operations Expense**

	Actual	Budget	Fav/(UnFav)	Price Variance Fav/(UnFav)	Volume Variance Fav/(UnFav)	Fav/(UnFav)
Reagent	19,360	23,915	4,555	3,221	1,334	4,555
Fuel	184,728	202,205	17,477	12,653	4,824	17,477
Purchased Power	35,346	36,914	1,568	6,035	(4,467)	1,568
Non-FAC PPA (Non-Smelter)	(1,848)	(2,312)	(464)	(436)	(28)	(464)
	237,586	260,722	23,136	21,473	1,663	23,136



Your Touchstone Energy Cooperative

Net Sales Margin YTD September

	Actual 2012	Budget 2012	Variance	Actual 2011	2011 Variance
Net Sales Margin - \$/MWh					
Rural	25.03	25.21	(0.18)	21.31	3.72
Large Industrial	17.18	17.65	(0.47)	15.97	1.21
Smelter	22.02	22.46	(0.44)	19.45	2.57
Off-System/Other	2.50	12.72	(10.22)	10.51	(8.01)
Total	20.12	21.53	(1.41)	17.37	2.75
Net Sales Margin - Thousands of \$					
Rural	44,419	45,554	(1,135)	39,009	5,410
Large Industrial	12,470	12,773	(303)	11,757	713
Smelter	122,281	123,013	(732)	98,033	24,248
Off-System/Other	2,426	12,866	(10,440)	25,493	(23,067)
Total	181,596	194,206	(12,610)	174,292	7,304

Net Sales Margin Price / Volume Analysis September 2012

	Price / Volume		
	Price	Volume	Total
Rural	(323)	(812)	(1,135)
Large Industrial	(339)	36	(303)
Smelter	(2,419)	1,687	(732)
Off-System/Other	(9,937)	(503)	(10,440)
	(13,018)	408	(12,610)



Your Touchline Energy Company

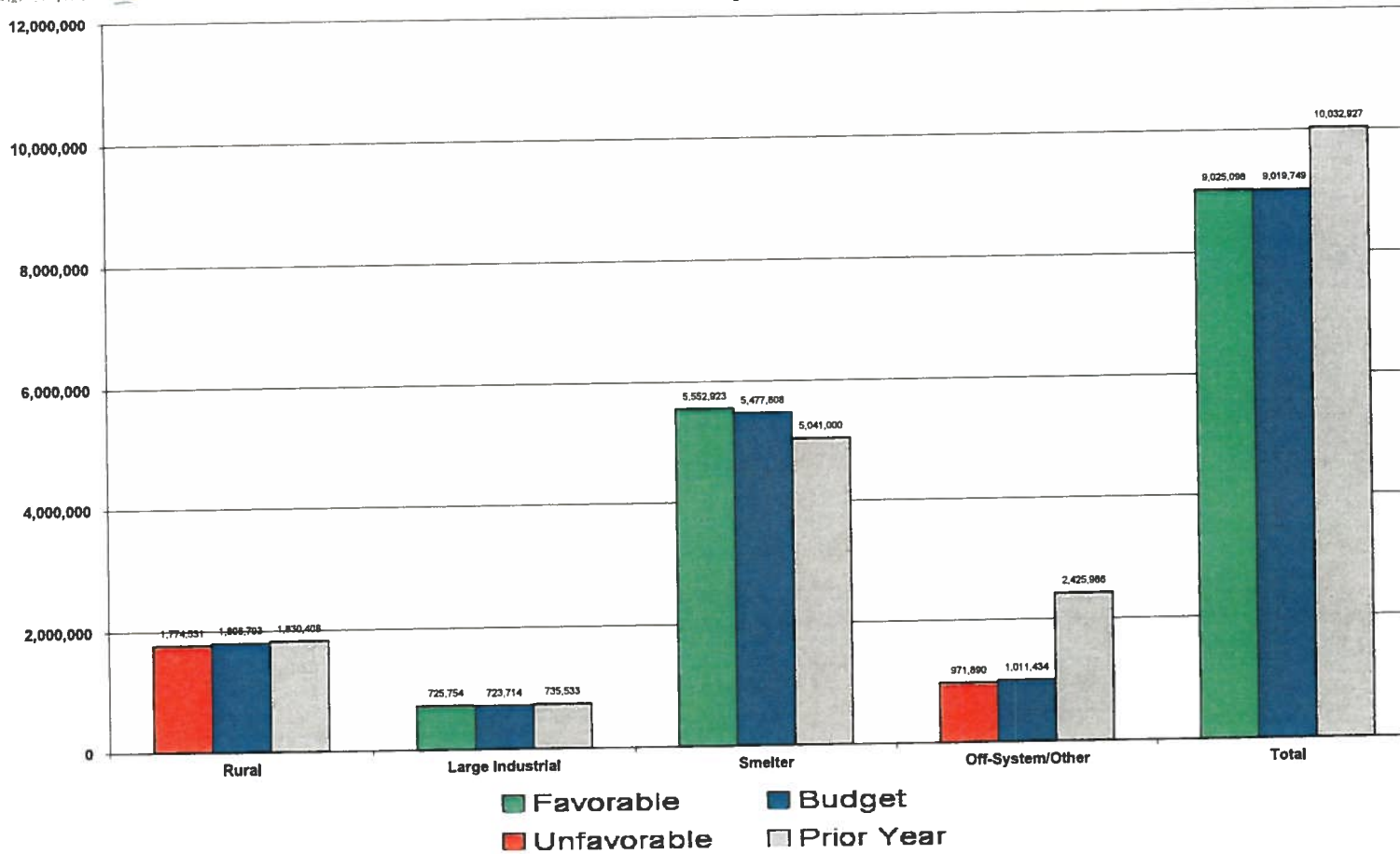
Member Rate Stability Mechanism YTD September

	<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>
MRSM - \$/MWh						Net Revenue - \$/MWh					
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
MRSM - Thousands of \$						Net Revenue - Thousands of \$					
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

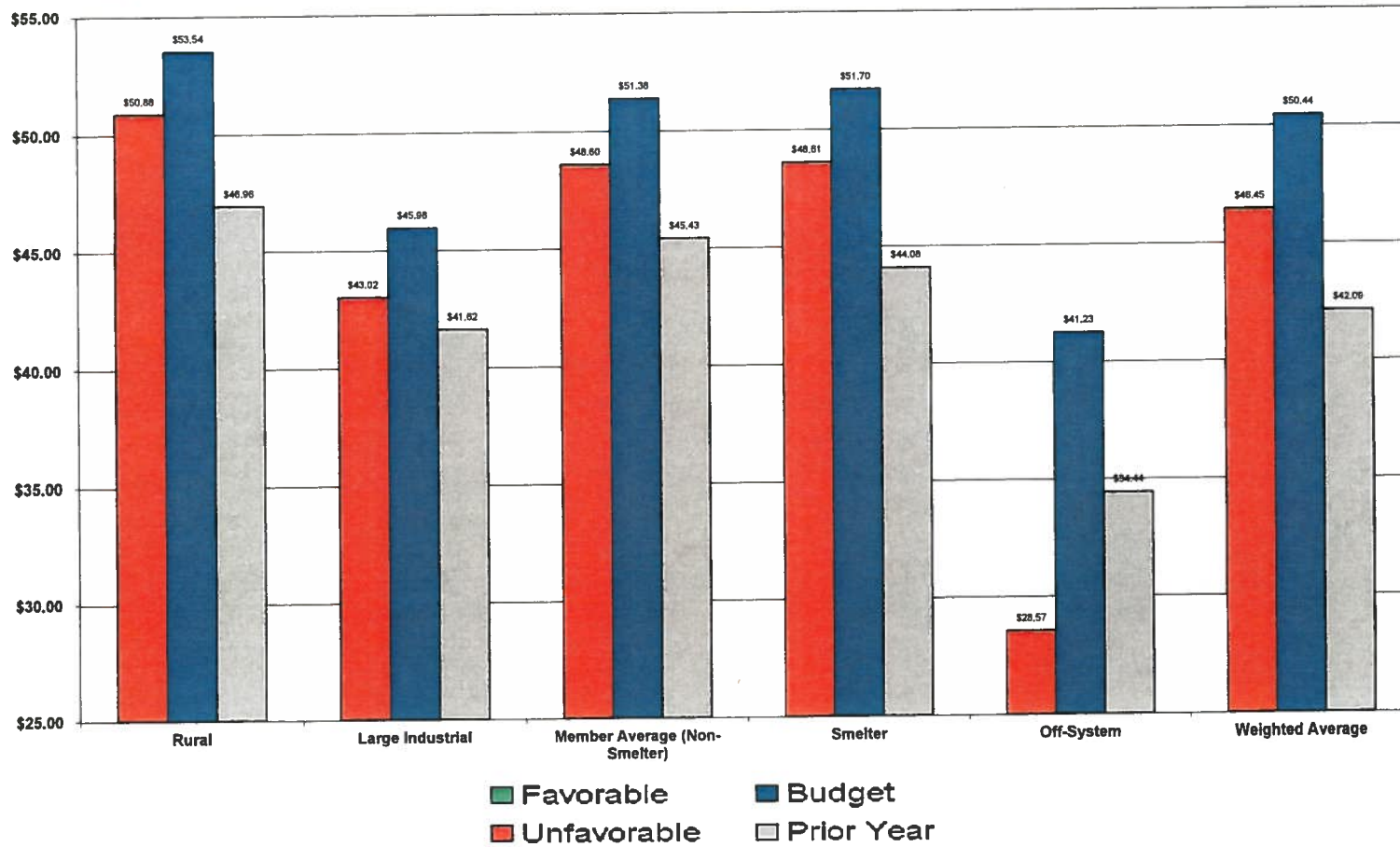
<u>Economic Reserve Balance</u>			
<u>Cumulative-to-Date</u>	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
Original Deposit	\$ 157,000		
Interest Earnings	3,111		
Withdrawals	(75,194)		
Ending Balance 9/30/2012	\$ 84,917	\$ 78,056	\$ 6,861
<u>YTD September 2012</u>			
Beg. Balance 1/1/2012	\$ 100,601	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



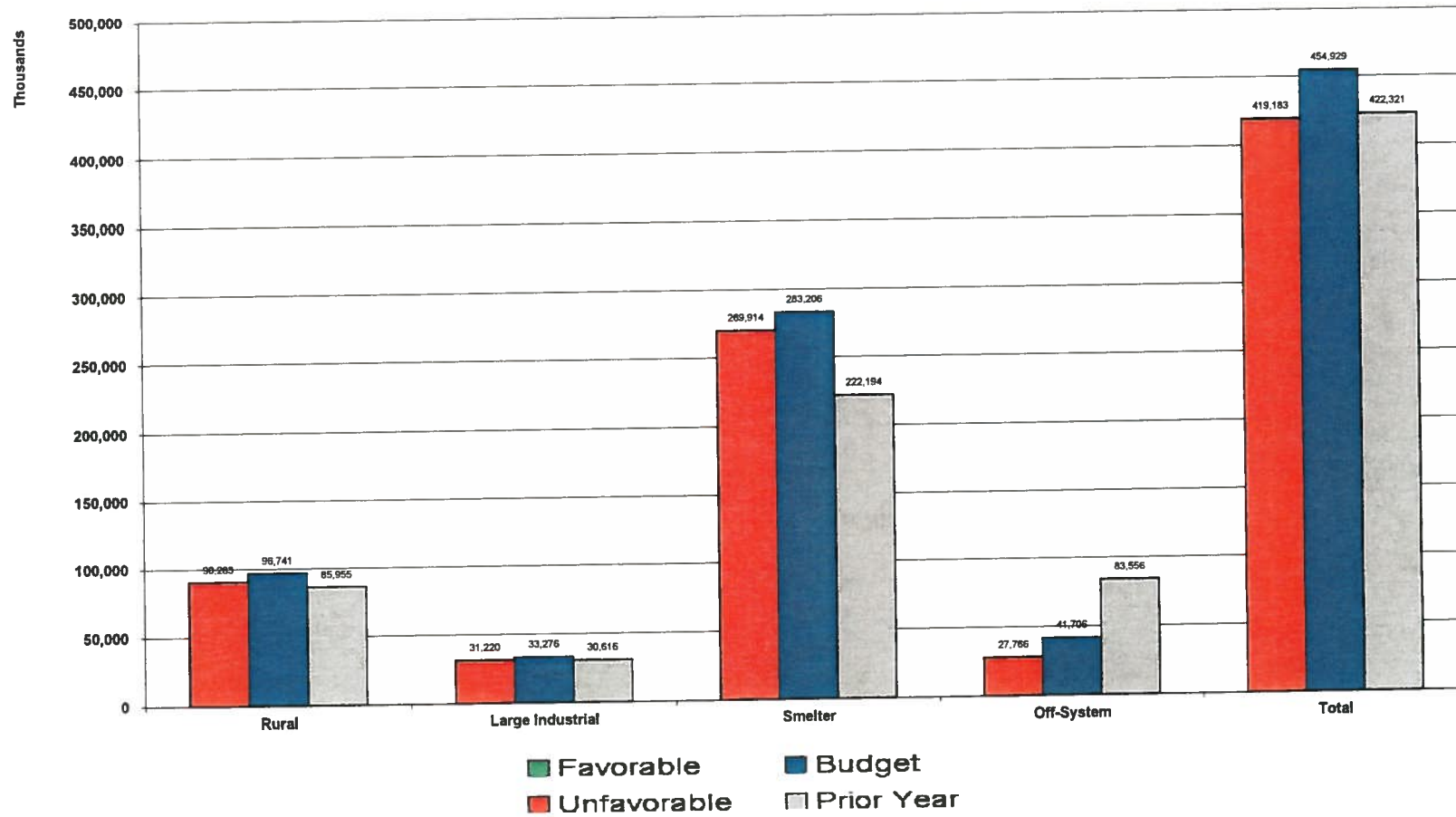
MWH Sales YTD - September



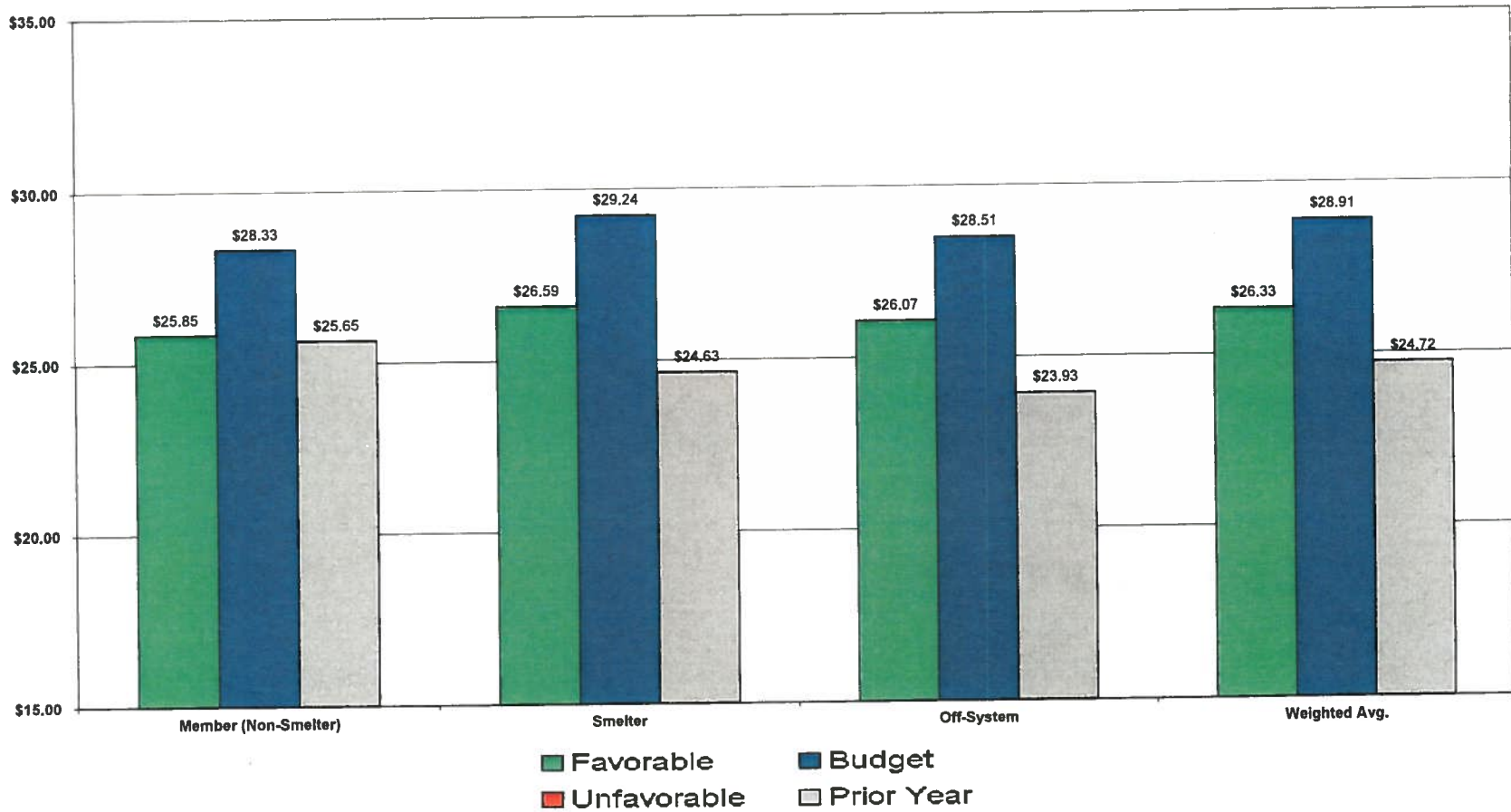
Revenue - \$/MWh Sold YTD - September



Revenue YTD - September

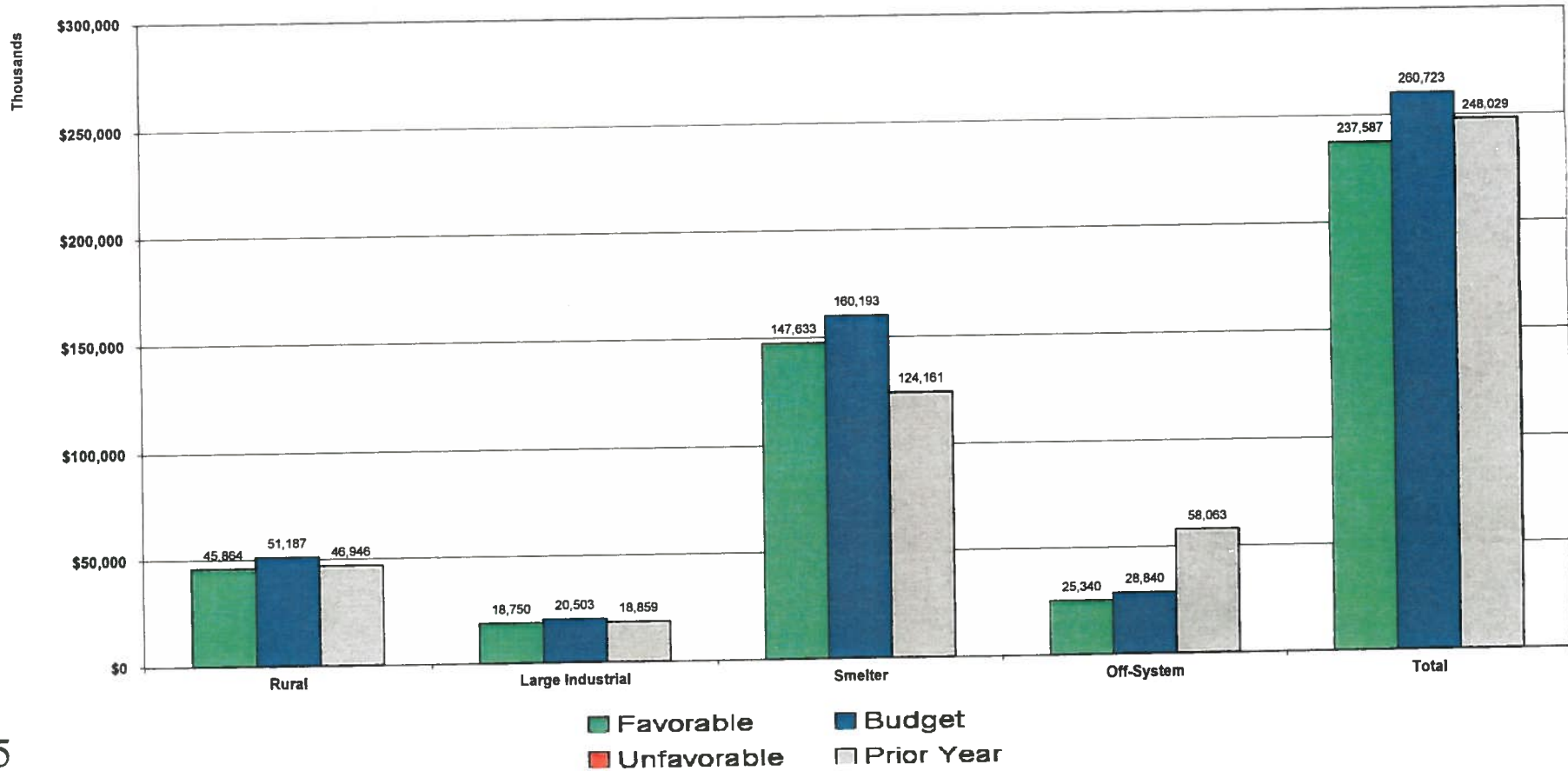


Variable Operations - \$/MWh Sold YTD - September



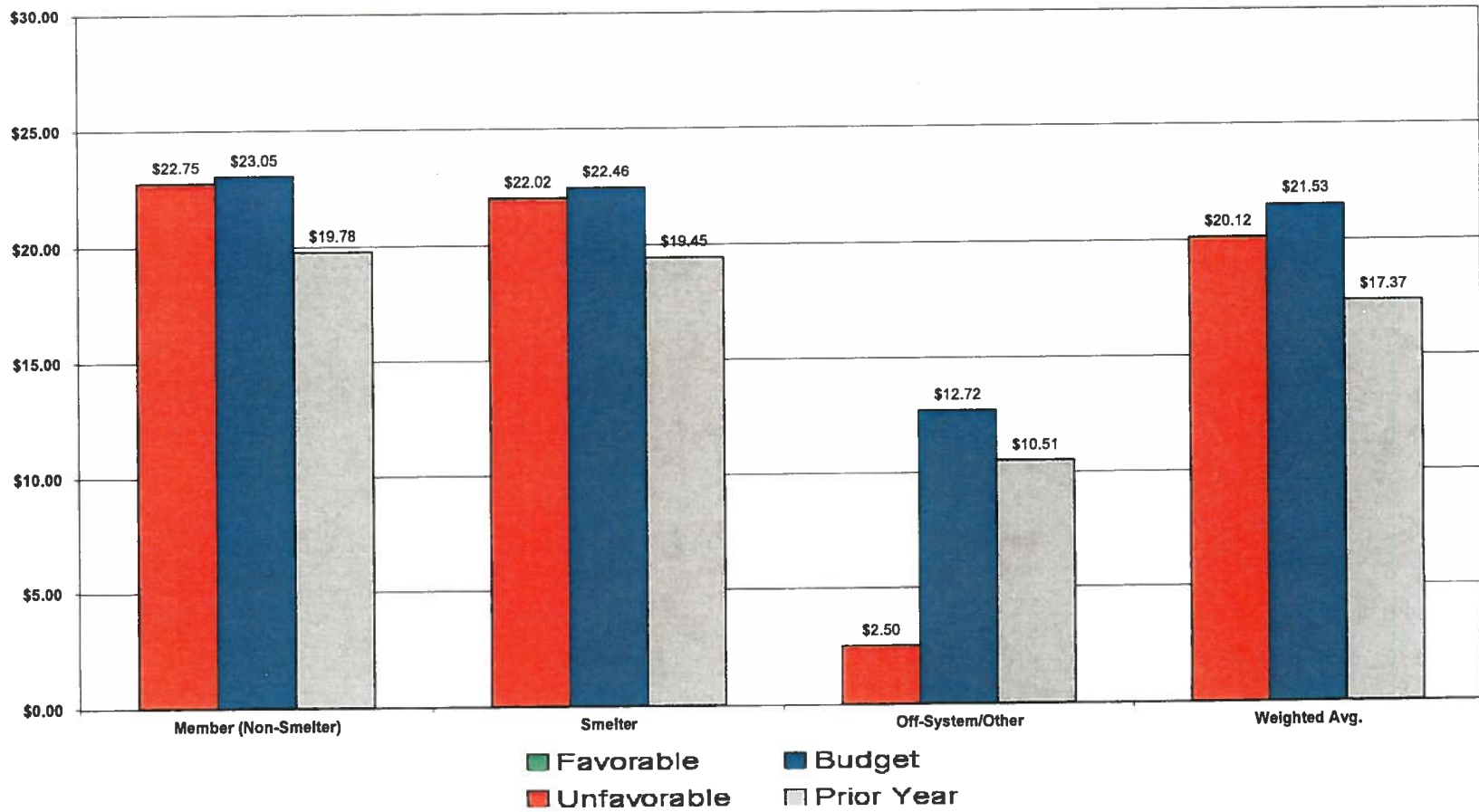


Variable Operations Cost YTD - September



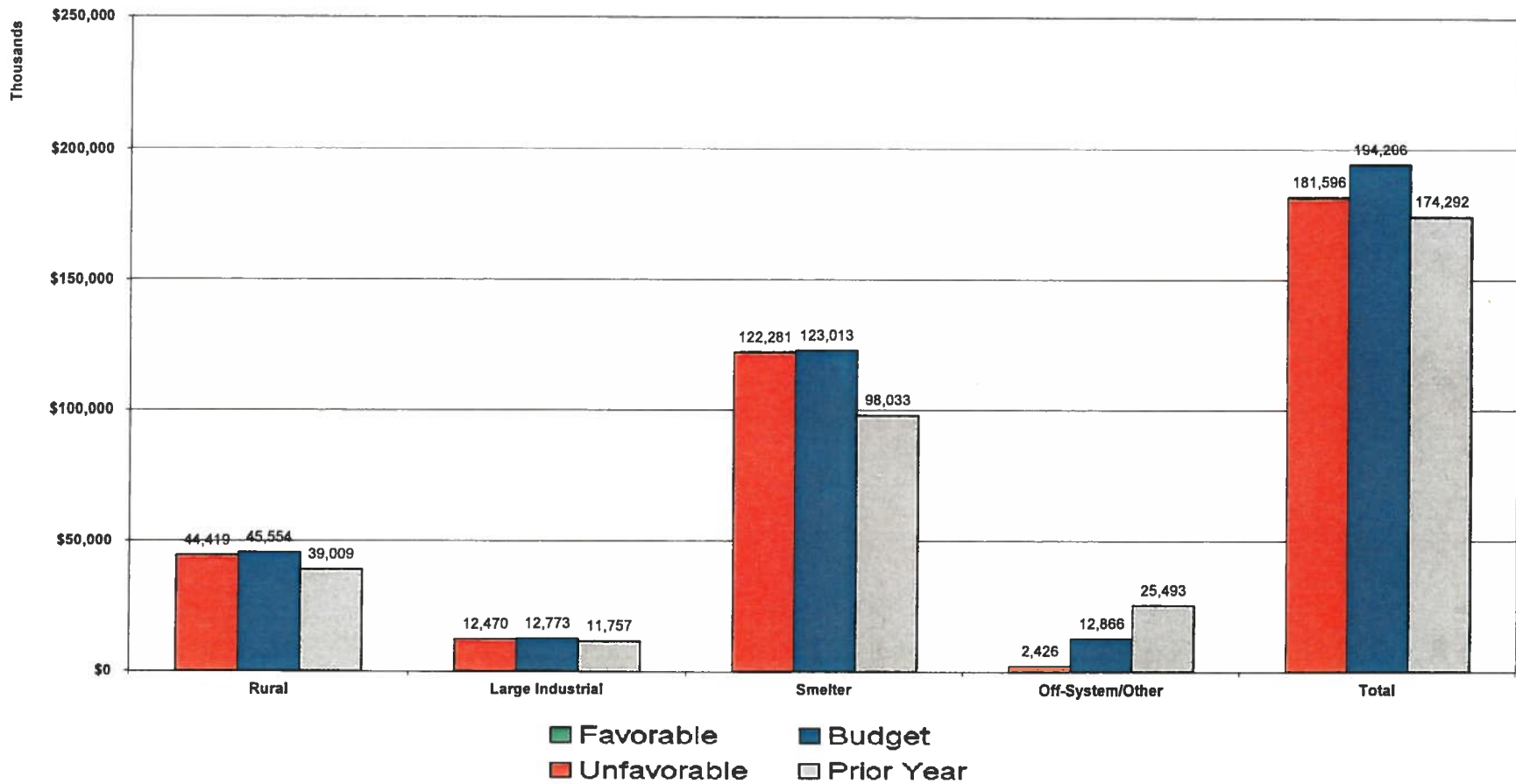


Net Sales Margin - \$/MWh YTD – September



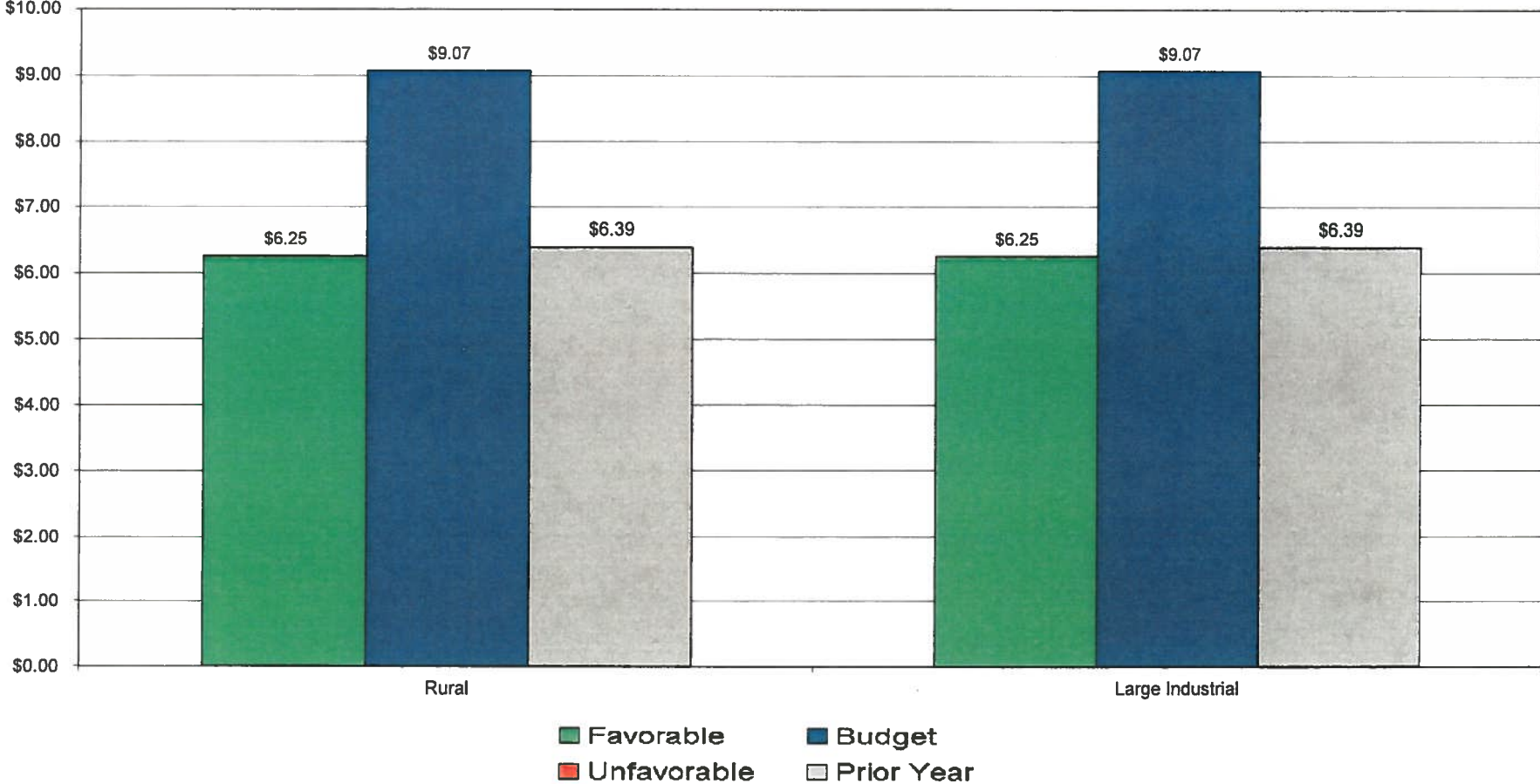


Net Sales Margin YTD – September



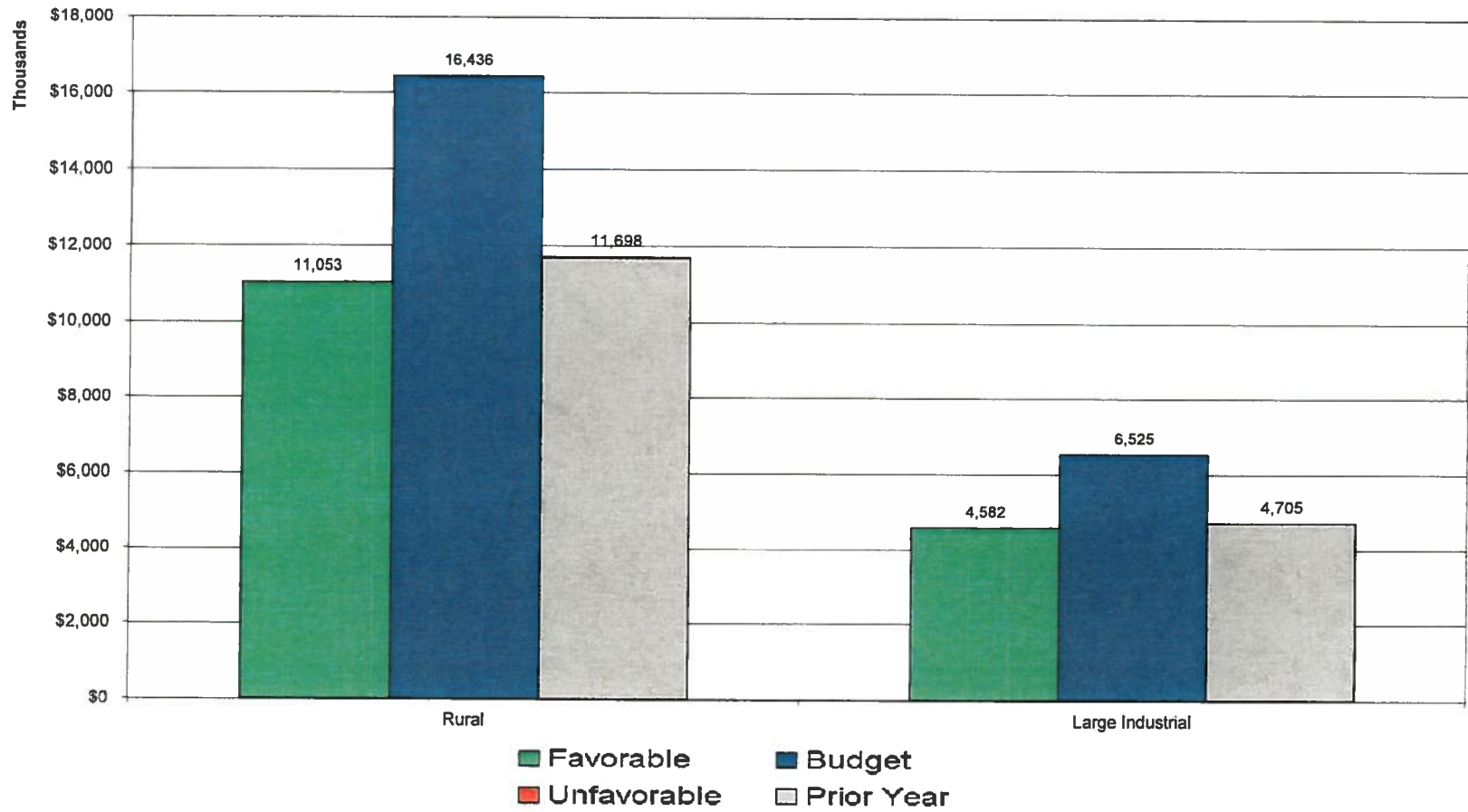


MRSM - \$/MWh YTD - September



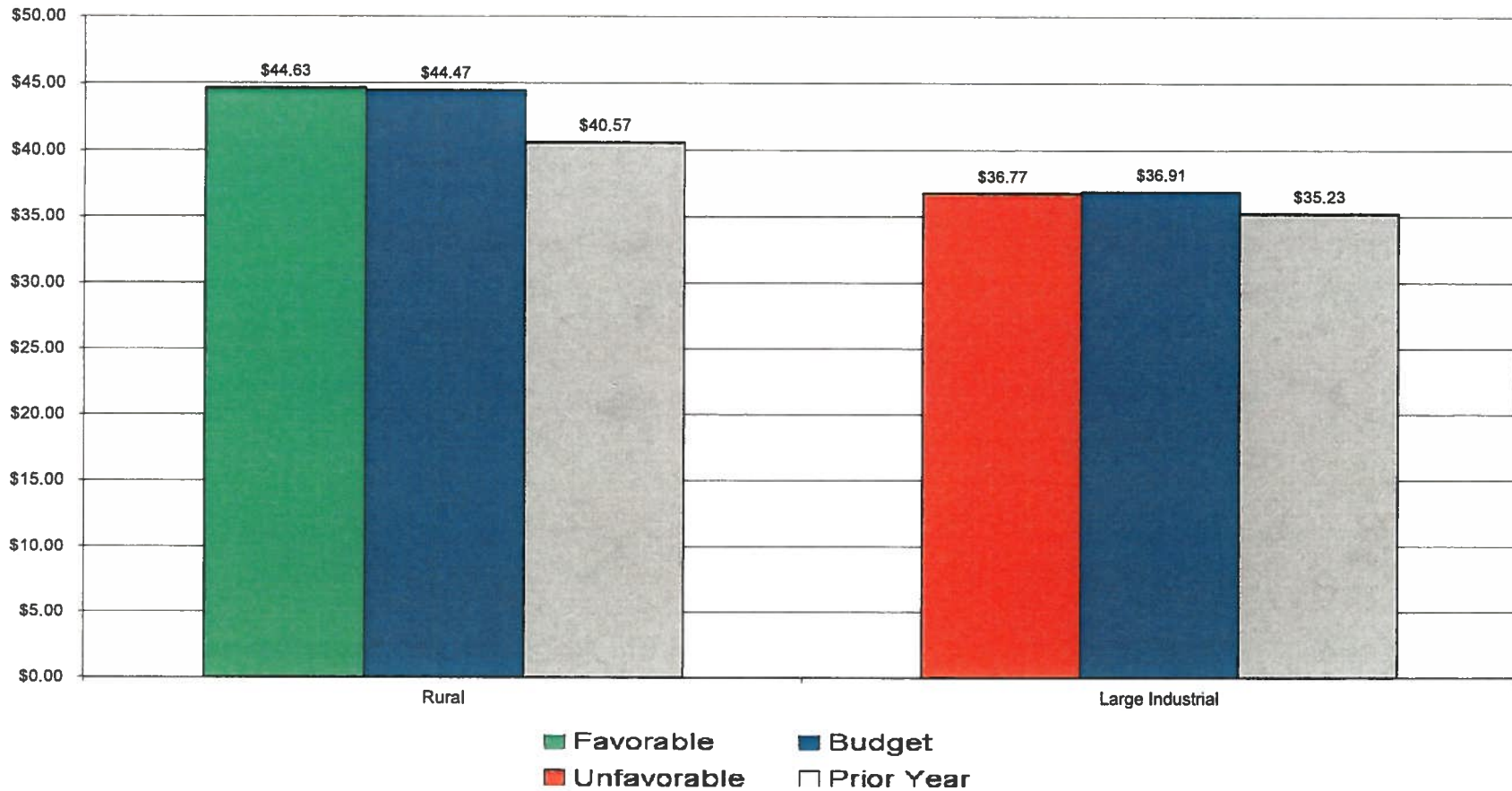


MRSM YTD - September



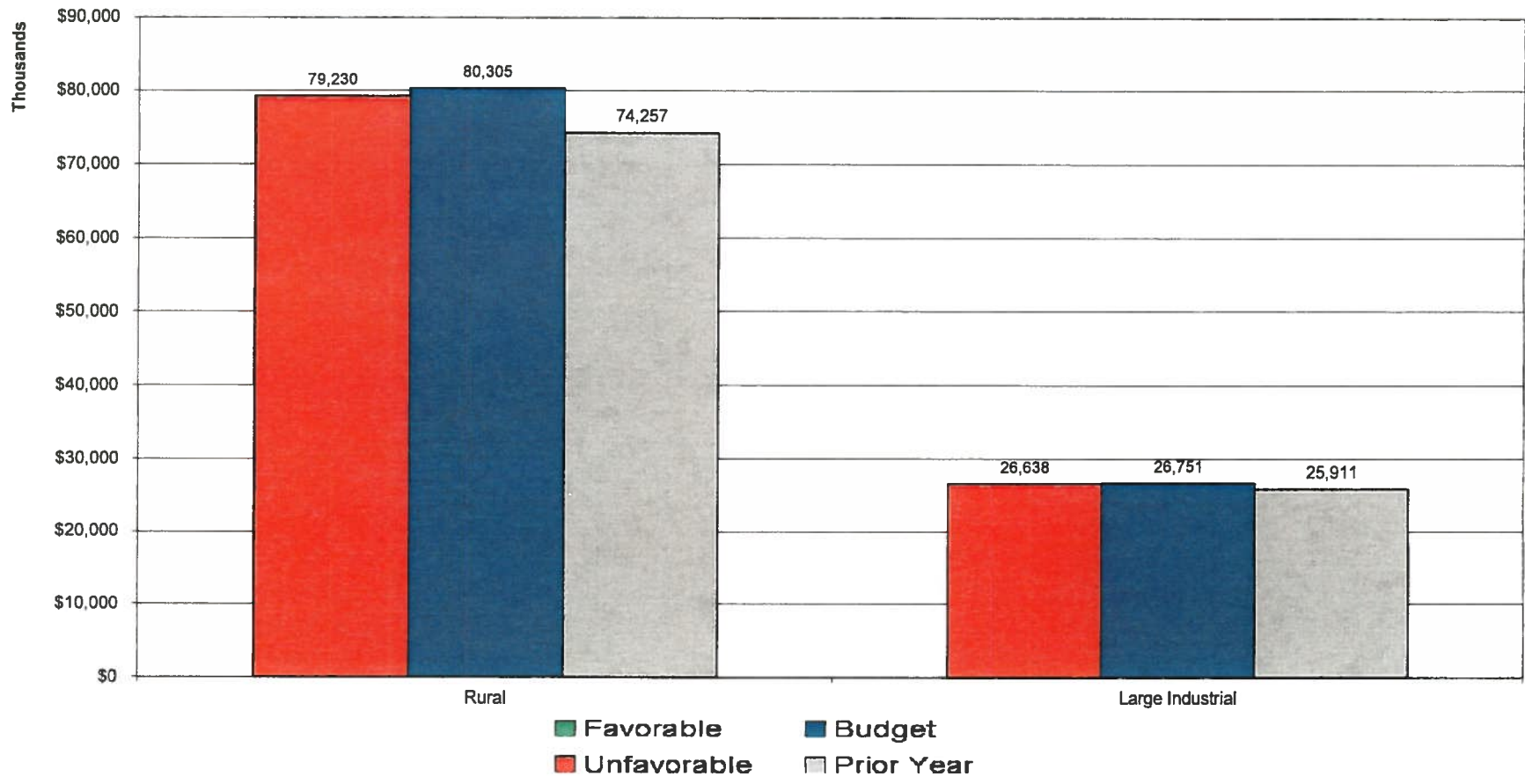


Net Revenue (Excl. MRSM) - \$/MWh YTD - September





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>	<u>Variance Fav/(Unfav)</u>	<u>2011 Actual</u>	<u>Variance Fav/(Unfav)</u>
September YTD	48,919	52,160	3,241	45,258	(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	30,872	45,097	14,225	29,182	(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	
	<u>Actual</u>	<u>Budget</u>	<u>Variance Fav/(Unfav)</u>	<u>2011 Actual</u>	<u>Variance 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	415,378	456,969	41,591	415,836	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	(27,766)	(41,706)	(13,940)	(83,555)	(55,789)
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)
	382,933	412,171	29,238	327,731	(55,202)

Member MWh	8,053,207	8,008,315	44,892	7,606,943	446,264
------------	-----------	-----------	--------	-----------	---------

North Star - \$/kWh	0.047550	0.051468	0.003918	0.043083	(0.004467)
---------------------	----------	----------	----------	----------	------------



TIER

	<u>Actual</u>	<u>Budget</u>	<u>Fav/(Unfav)</u>
Interest on Long-Term Debt	33,719	33,473	(246)
Net Margins	8,126	1,052	7,074
TIER - YTD September	1.24	1.03	0.21
TIER (12 months ending 9/30)	1.11	1.05	0.06

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.



Cash & Temporary Investments

	<u>Actual</u>	<u>Budget</u>	<u>Fav/(Unfav)</u>	2011 <u>Actual</u>	<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)



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	23,891	4,508	147,863	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	897	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.

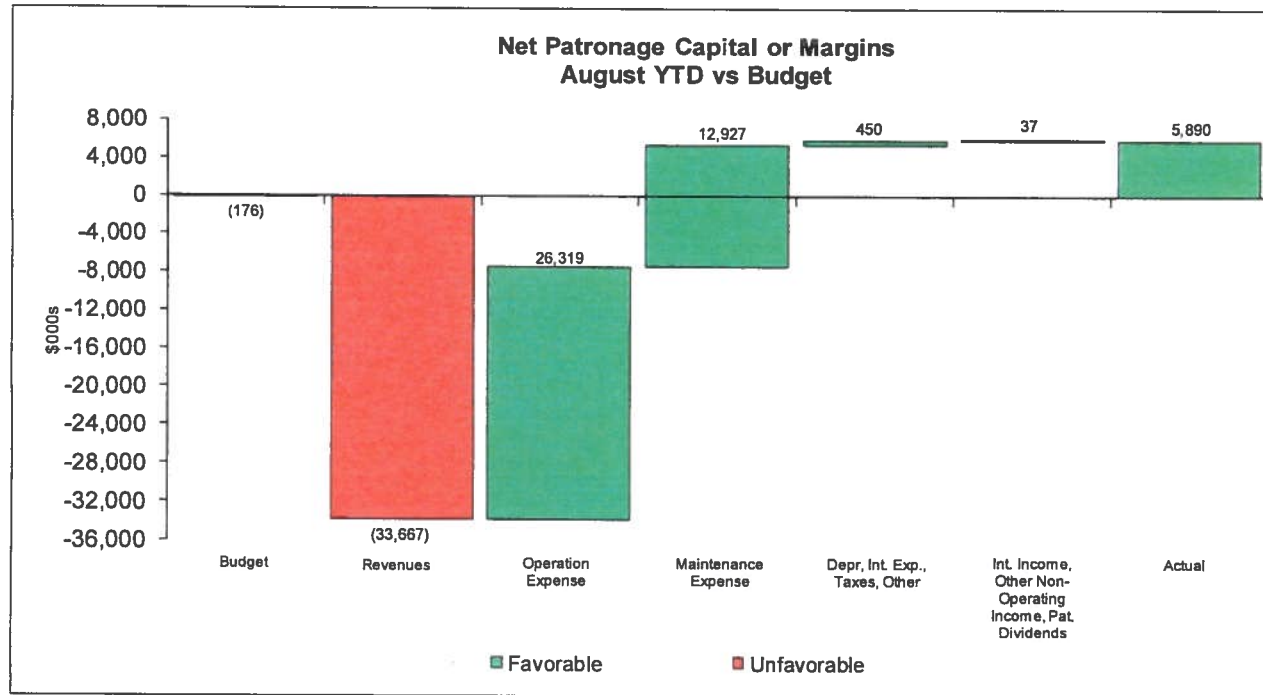


Statement of Operations – August Variance to Prior-Year

	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)	5,880	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

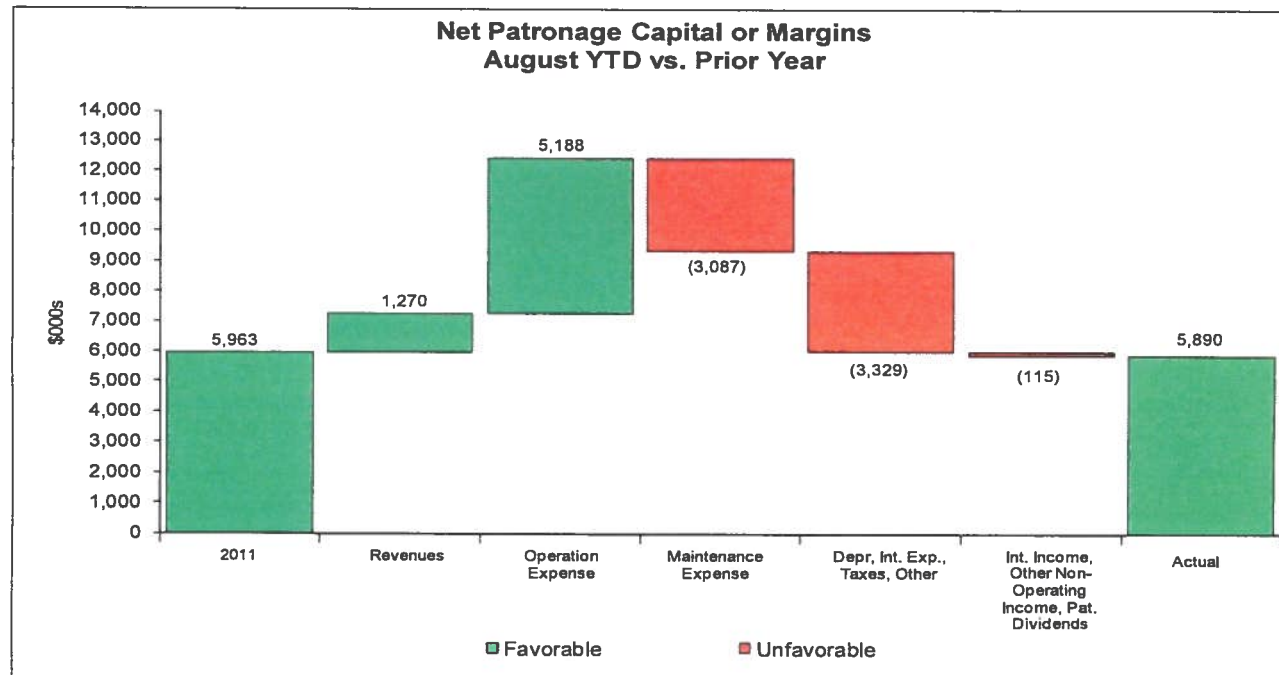


Financial Commentary

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	837,887	909,164	(71,277)	2,162,862	(1,324,975)
Total	8,040,199	8,061,462	(21,263)	8,952,431	(912,232)
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	28.27	41.46	(13.19)	34.83	(6.56)
Total	46.38	50.54	(4.16)	41.69	4.69
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	23,687	37,696	(14,009)	75,326	(51,639)
Total	372,919	407,418	(34,499)	373,264	(345)

**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	(11,054)	(2,955)	(14,009)
	(34,065)	(434)	(34,499)



**Variable Operations Cost
YTD August**

	Actual 2012	Budget 2012	Variance	Actual 2011	2011 Variance
Variable Operations (VO) Cost - \$/MWh					
Rural	25.83	28.45	2.62	25.79	(0.04)
Large Industrial	25.81	28.45	2.64	25.79	(0.02)
Smelter	26.56	29.36	2.80	24.61	(1.95)
Off-System/Other	26.04	28.58	2.54	23.87	(2.17)
Total	26.30	29.01	2.71	24.74	(1.56)
VO Cost - Thousands of \$					
Rural	41,433	46,376	4,943	42,958	1,525
Large Industrial	16,728	18,319	1,591	16,796	68
Smelter	131,484	143,214	11,730	110,082	(21,402)
Off-System/Other	21,817	25,983	4,166	51,635	29,818
Total	211,462	233,892	22,430	221,471	10,009

**YTD August 2012
Variable Operations Expense**

	Actual	Budget	Fav/(UnFav)	Price Variance Fav/(UnFav)	Volume Variance Fav/(UnFav)	Fav/(UnFav)
Reagent	17,101	21,091	3,990	2,728	1,262	3,990
Fuel	163,933	180,282	16,349	11,052	5,297	16,349
Purchased Power	32,079	34,594	2,515	5,903	(3,388)	2,515
Non-FAC PPA (Non-Smelter)	(1,652)	(2,076)	(424)	(402)	(22)	(424)
	211,461	233,891	22,430	19,281	3,149	22,430



**Net Sales Margin
YTD August**

	Actual 2012	Budget 2012	Variance	Actual 2011	2011 Variance
Net Sales Margin - \$/MWh					
Rural	24.68	25.13	(0.45)	19.87	4.81
Large Industrial	17.12	17.70	(0.58)	15.59	1.53
Smelter	22.00	22.43	(0.43)	18.97	3.03
Off-System/Other	2.23	12.88	(10.65)	10.96	(8.73)
Total	20.08	21.53	(1.45)	16.95	3.13
Net Sales Margin - Thousands of \$					
Rural	39,587	40,971	(1,384)	33,139	6,448
Large Industrial	11,093	11,402	(309)	10,131	962
Smelter	108,907	109,440	(533)	84,832	24,075
Off-System/Other	1,870	11,713	(9,843)	23,691	(21,821)
Total	161,457	173,526	(12,069)	151,793	9,664

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

	Price / Volume		
	Price	Volume	Total
Rural	(727)	(657)	(1,384)
Large Industrial	(380)	71	(309)
Smelter	(2,151)	1,618	(533)
Off-System/Other	(8,925)	(918)	(9,843)
	(12,183)	114	(12,069)



Your Sustainable Energy Cooperative

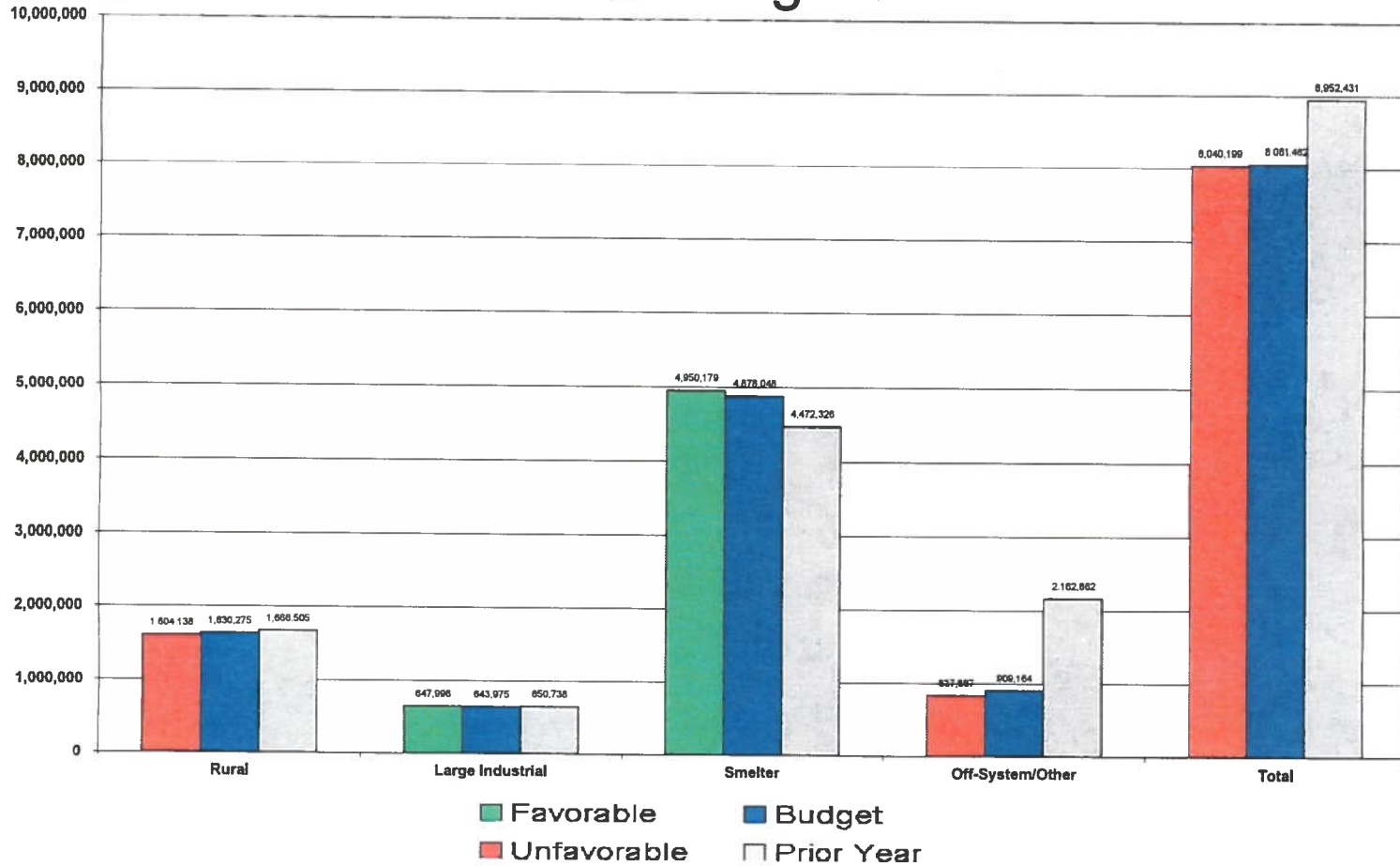
**Member Rate Stability Mechanism
YTD August**

	<u>Actual 2012</u>	<u>Budget 2012</u>	<u>2012 Variance</u>	<u>Actual 2011</u>	<u>2011 Variance</u>		<u>Actual 2012</u>	<u>Budget 2012</u>	<u>2012 Variance</u>	<u>Actual 2011</u>	<u>2011 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

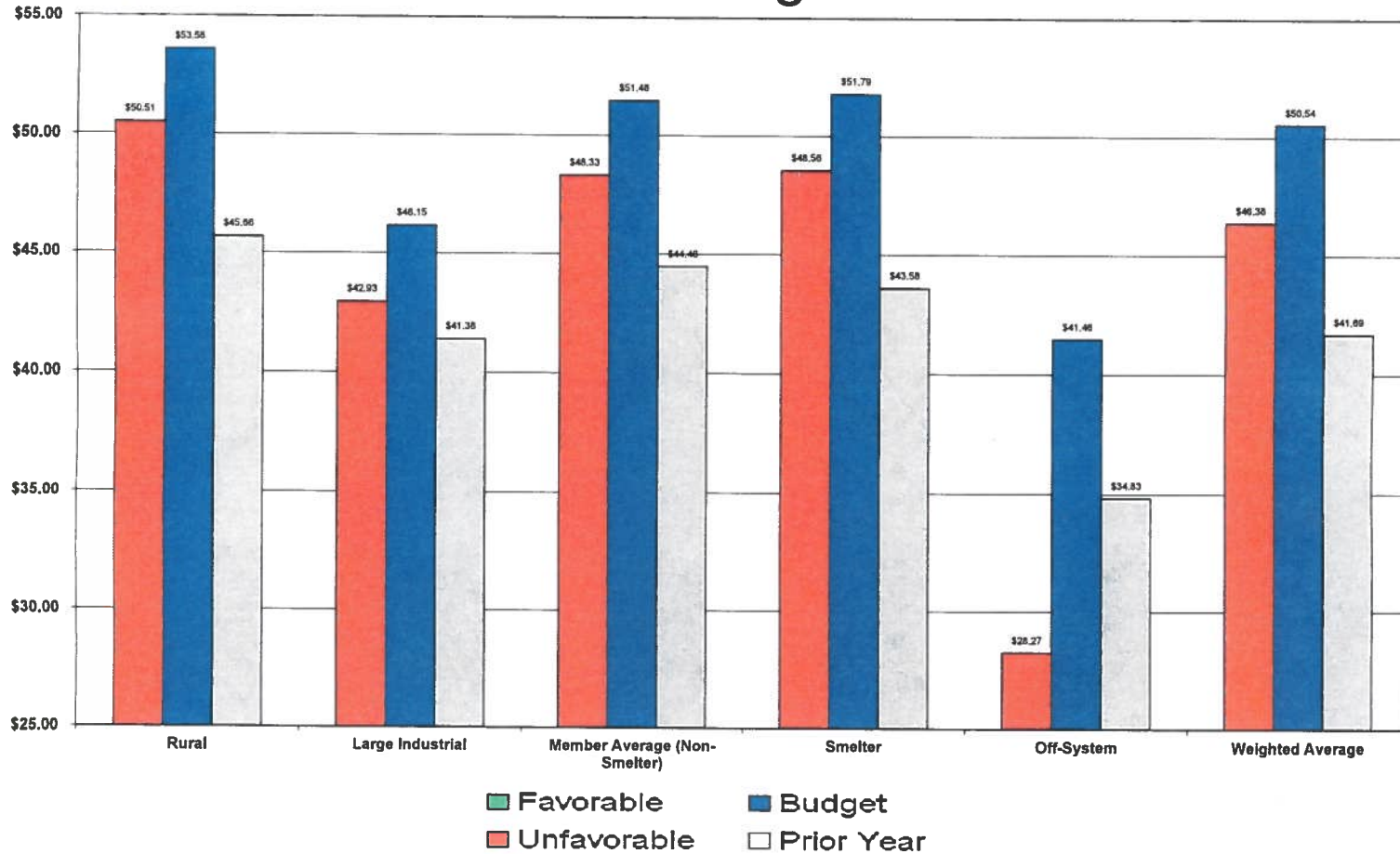
<u>Economic Reserve Balance</u>			
<u>Cumulative-to-Date</u>	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
Original Deposit	\$ 157,000		
Interest Earnings	3,080		
Withdrawals	(73,403)		
Ending Balance 8/31/2012	\$ 86,677	\$ 79,763	\$ 6,914
<u>YTD August 2012</u>			
Beg. Balance 1/1/2012	\$ 100,601		
Interest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



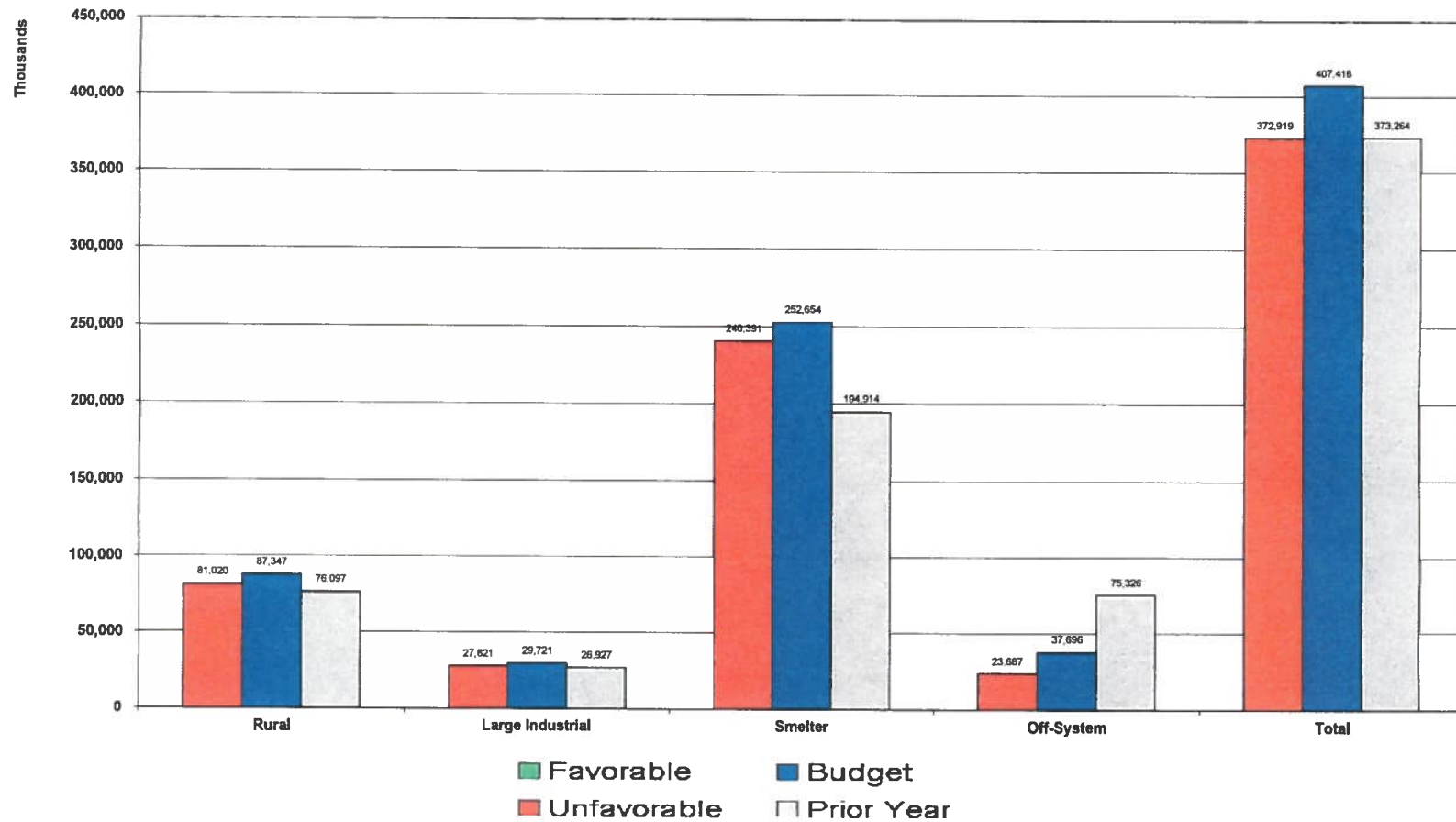
MWH Sales YTD - August



Revenue - \$/MWh Sold YTD - August

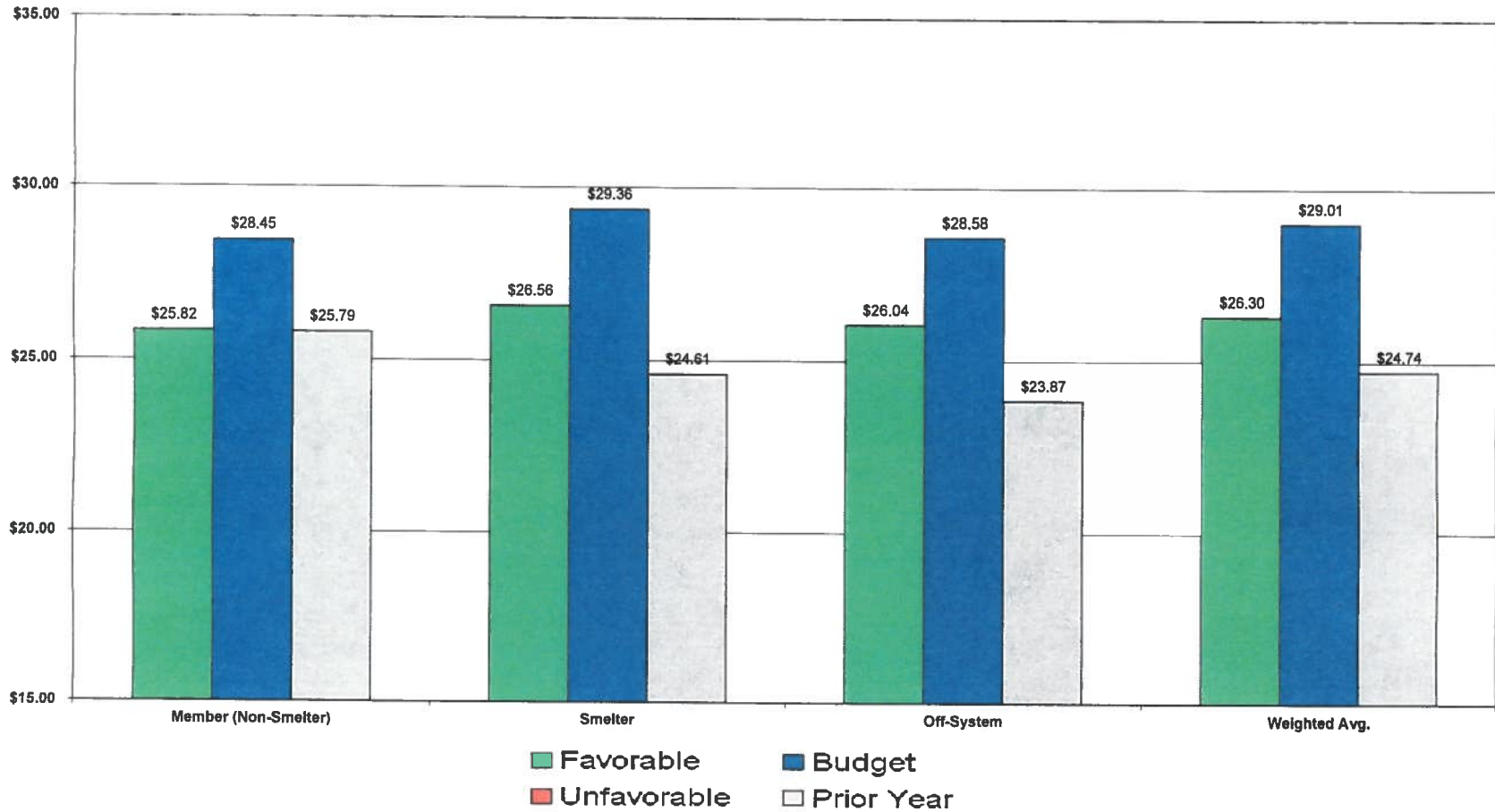


Revenue YTD - August



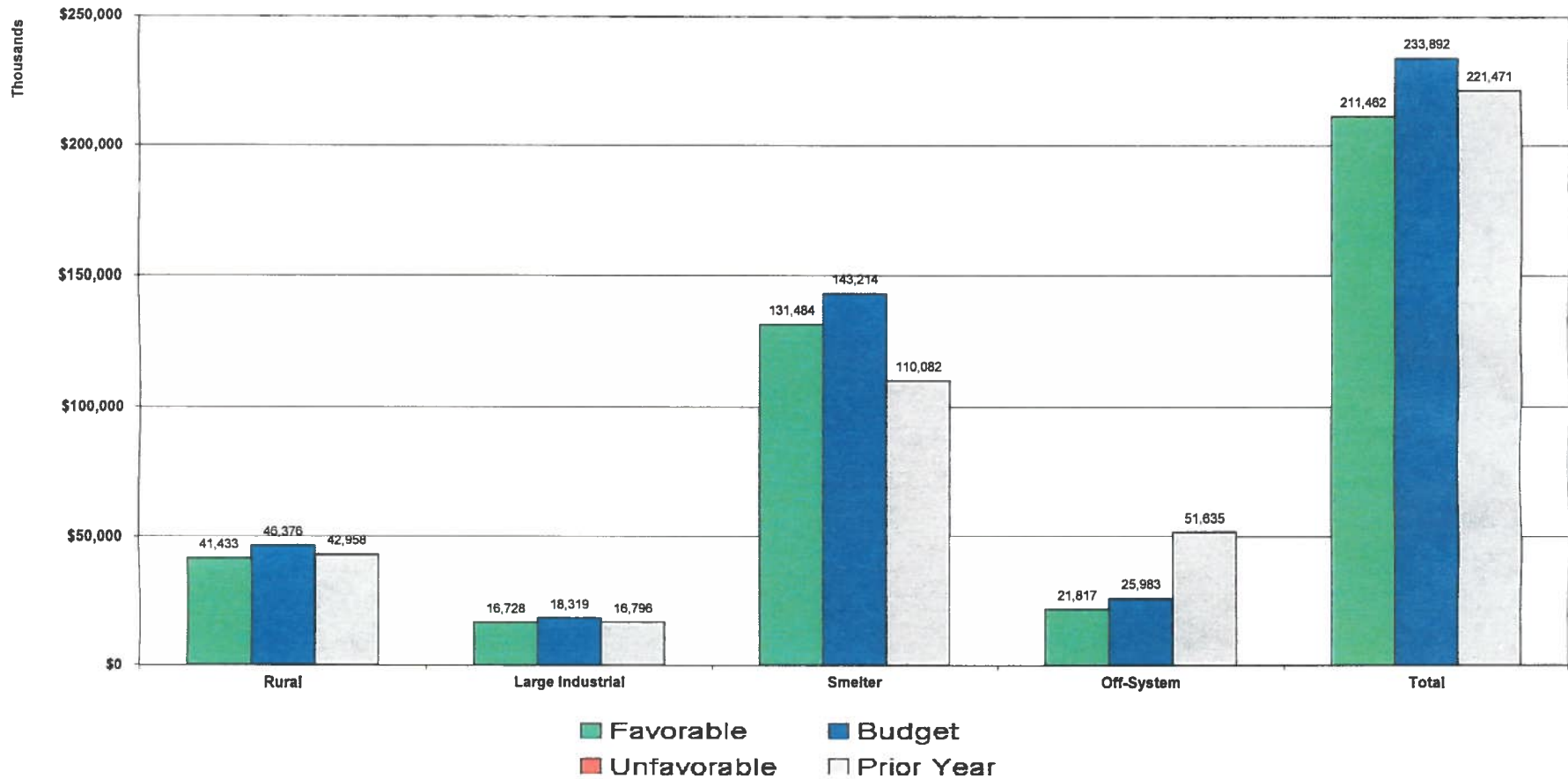


Variable Operations - \$/MWh Sold YTD - August



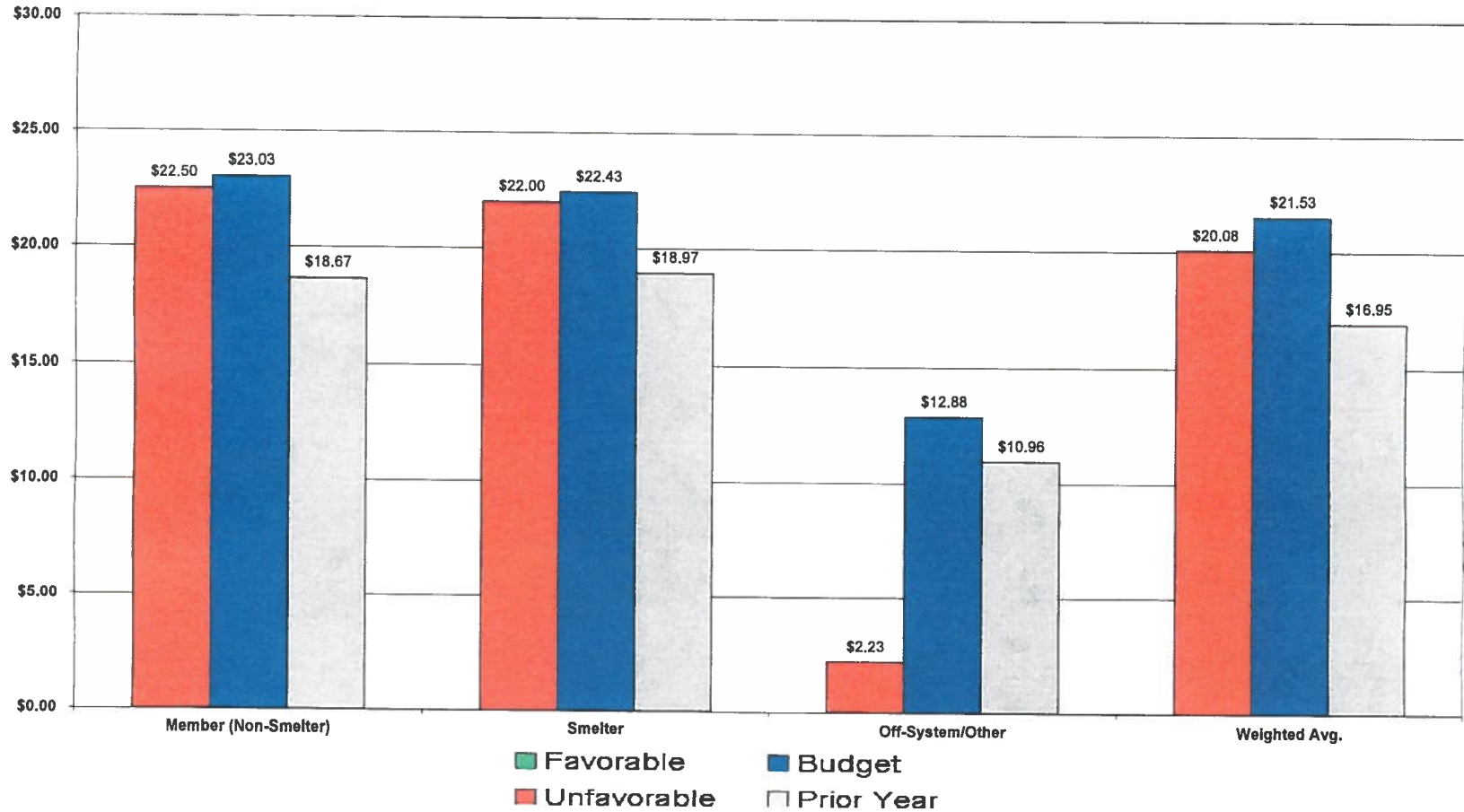


Variable Operations Cost YTD - August



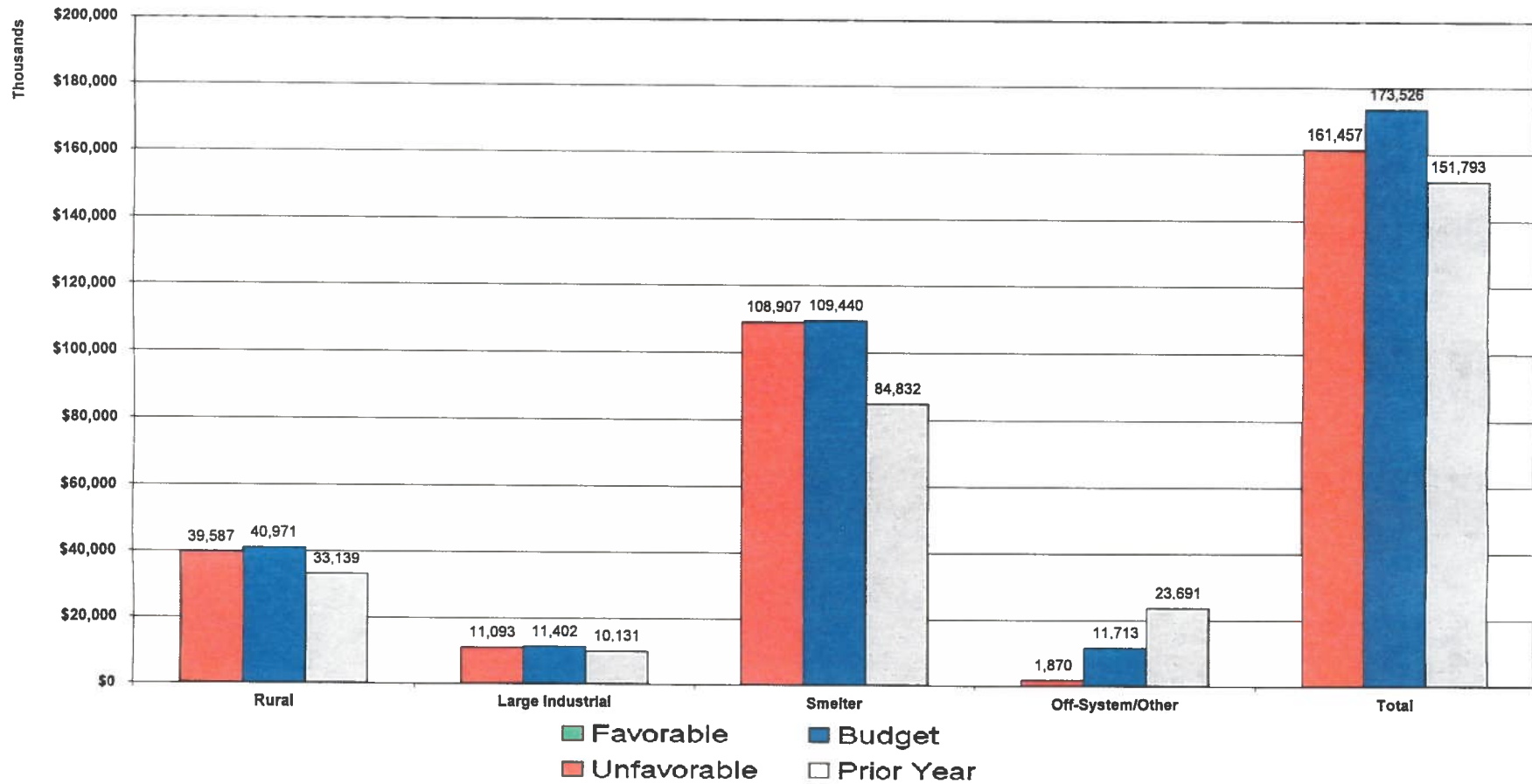


Net Sales Margin - \$/MWh YTD – August



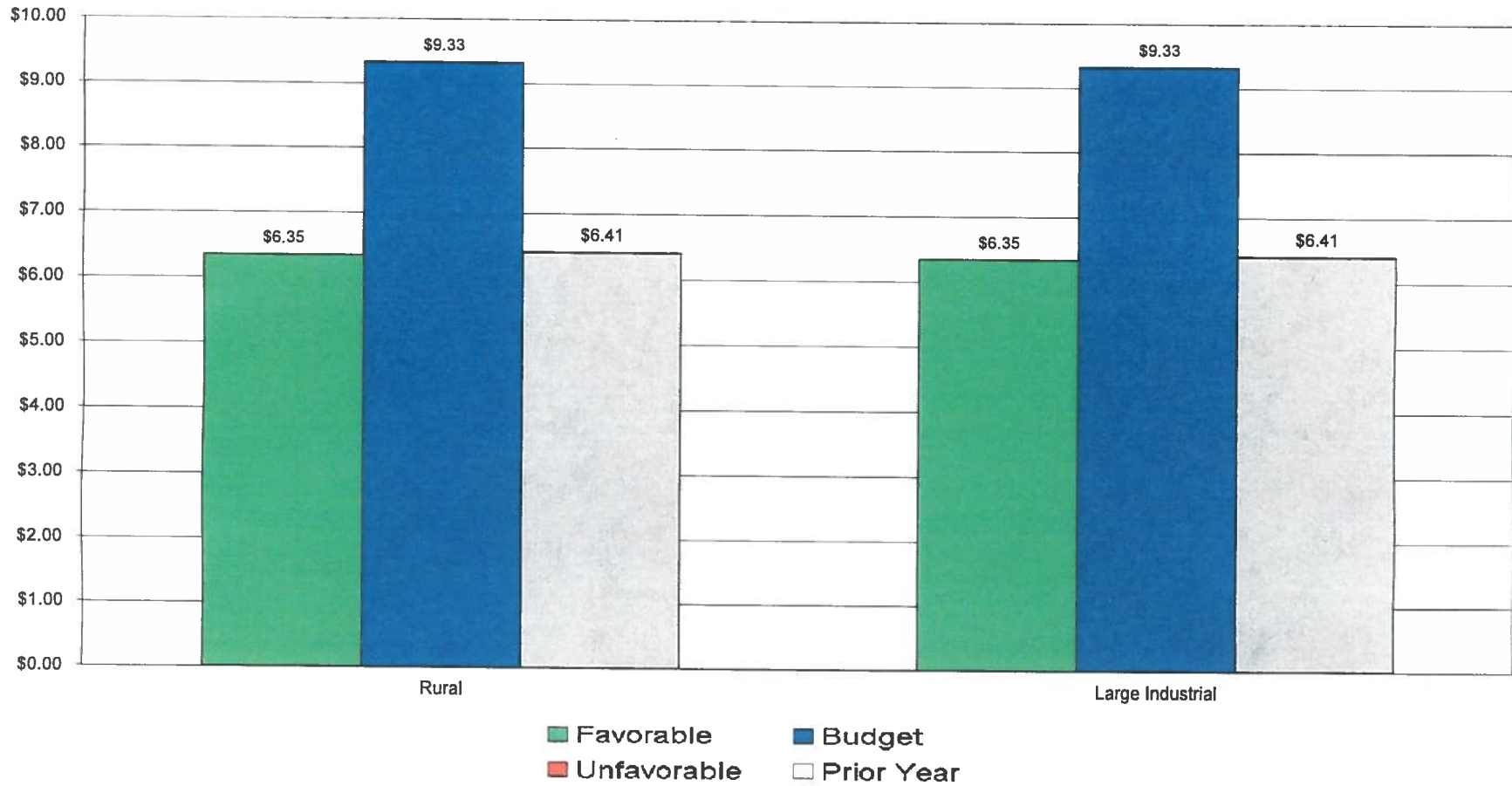


Net Sales Margin YTD – August

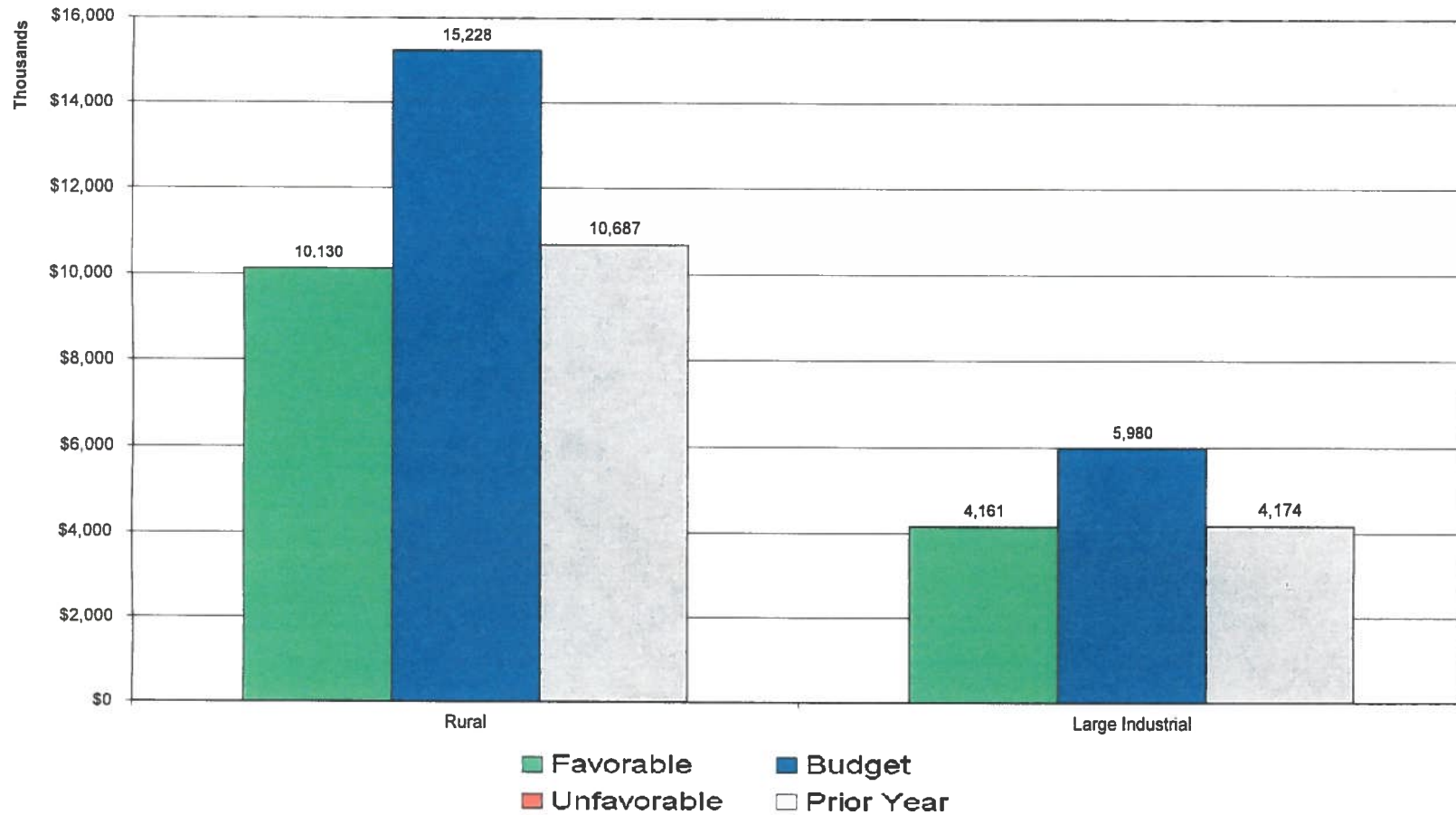




MRSM - \$/MWh YTD - August

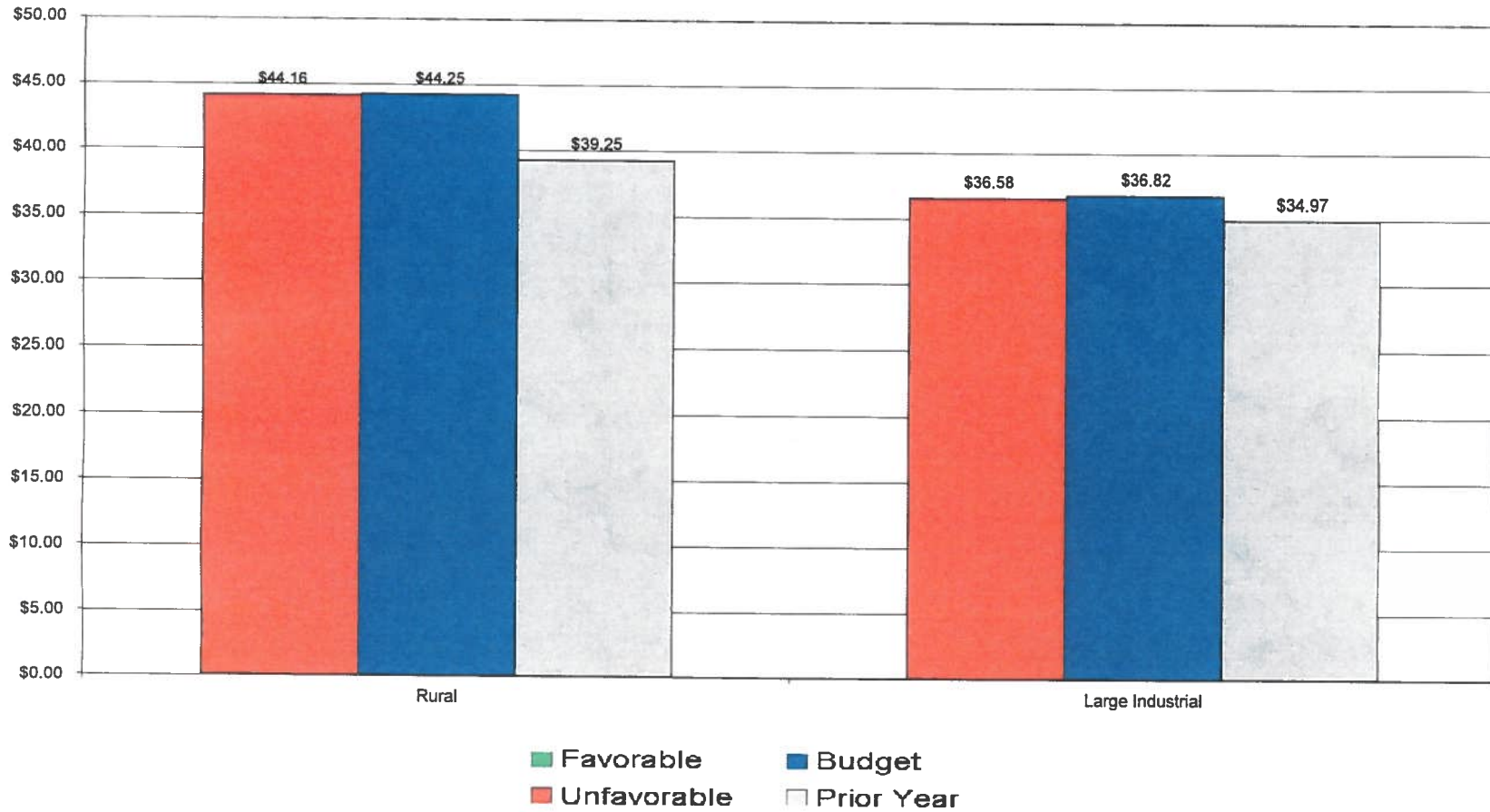


MRSM YTD - August



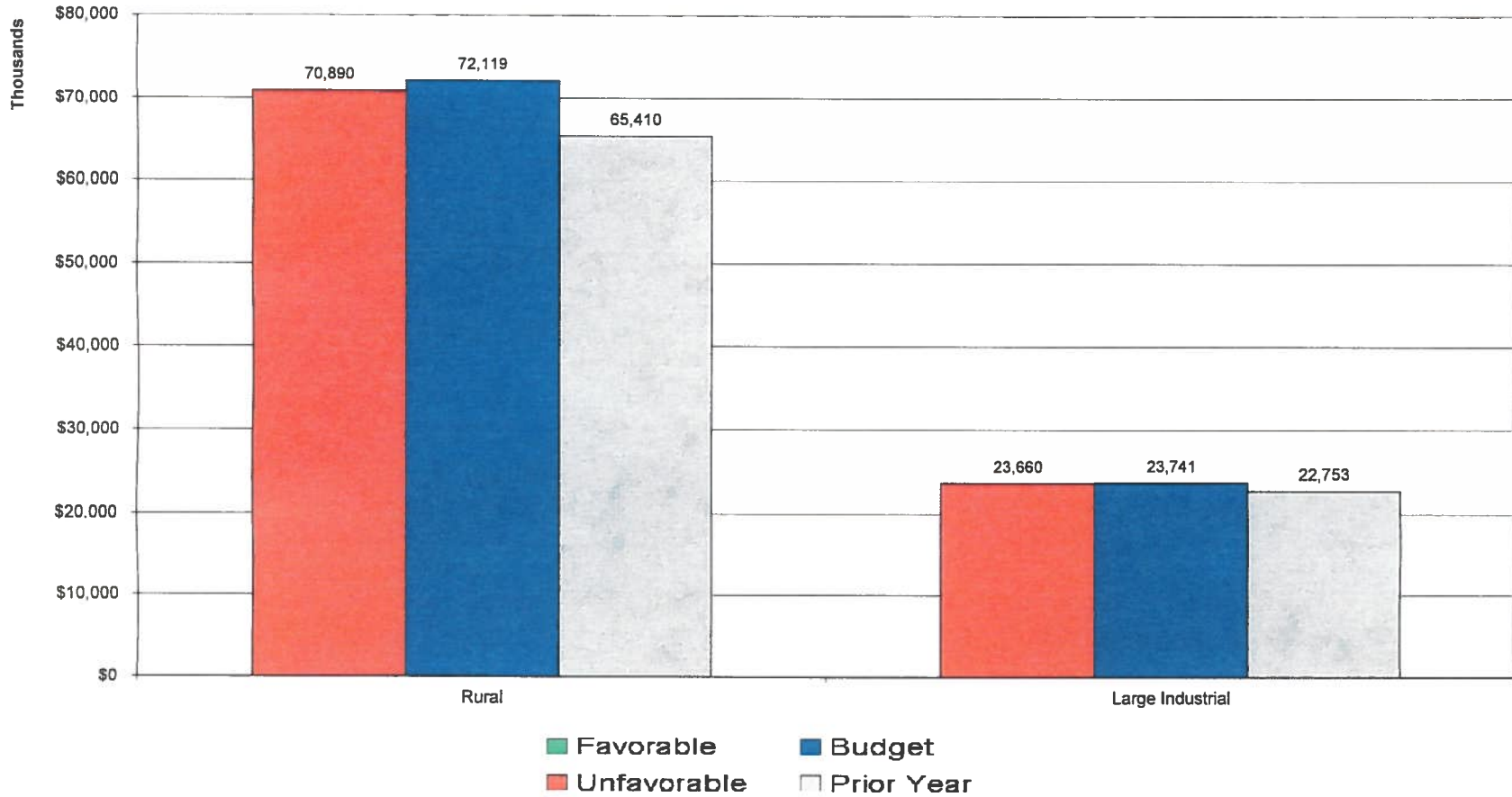


Net Revenue (Excl. MRSM) - \$/MWh YTD - August





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>Variance Fav/(Unfav)</u>	<u>2011 Actual</u>	<u>Variance Fav/(Unfav)</u>
August YTD	43,862	46,597	2,735	40,216	(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		
			Variance
	<u>Actual</u>	<u>Budget</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	
			Variance	2011	Variance
	<u>Actual</u>	<u>Budget</u>	<u>Fav/(Unfav)</u>	<u>Actual</u>	<u>Fav/(Unfav)</u>
August YTD	27,872	41,541	13,669	25,355	(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	370,652	410,348	39,696	369,424	(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	(23,687)	(37,696)	(14,009)	(75,326)	(51,639)
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)
	343,056	369,898	26,842	290,380	(52,676)

Member MWh	7,202,313	7,152,298	50,015	6,789,571	412,742
------------	-----------	-----------	--------	-----------	---------

North Star - \$/kWh	0.047631	0.051717	0.004086	0.042769	(0.004862)
---------------------	----------	----------	----------	----------	------------



TIER

	<u>Actual</u>	<u>Budget</u>	<u>Fav/(Unfav)</u>
Interest on Long-Term Debt	30,015	29,797	(218)
Net Margins	5,890	(176)	6,066
TIER - YTD August	1.20	0.99	0.21
TIER (12 months ending 8/31)	1.12	1.04	0.08

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	<u>\$ 94,625</u>

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)



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.



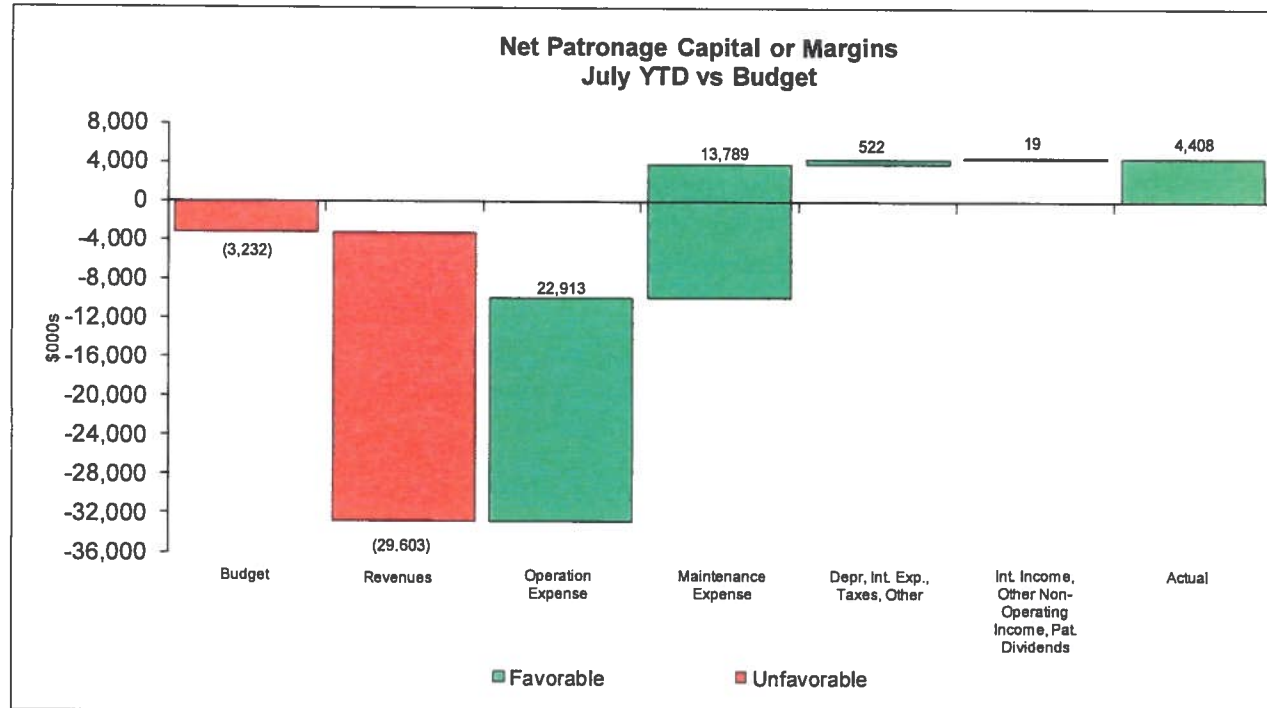
Your Time, Your Energy.™

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 Page 22
OTHER OPERATING REVENUE AND INCOME	567	188	379	2,975	1,708	1,267	
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	322,267	(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

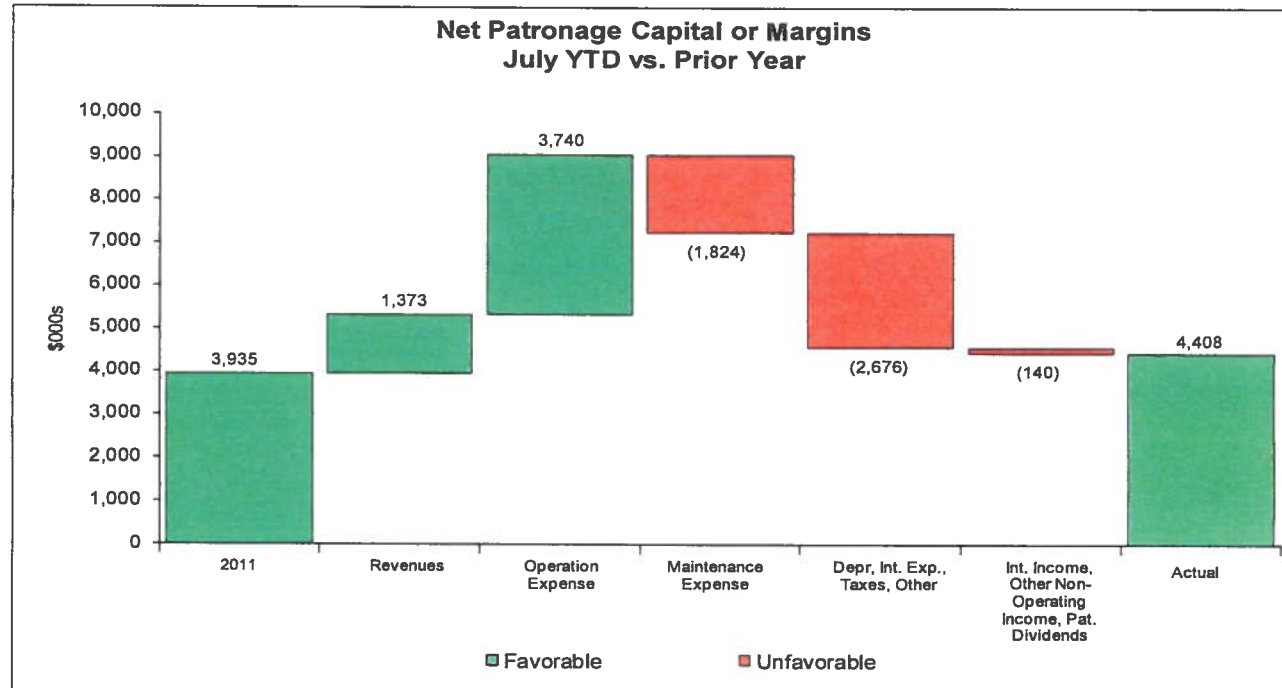


Financial Commentary

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	750,583	810,719	(60,136)	1,906,763	(1,156,180)
Total	7,026,126	7,030,134	(4,008)	7,803,728	(777,602)
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	28.22	41.14	(12.92)	34.86	(6.64)
Total	46.17	50.44	(4.27)	41.56	4.61
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	21,182	33,356	(12,174)	66,466	(45,284)
Total	324,398	354,634	(30,236)	324,292	106

**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	(9,700)	(2,474)	(12,174)
	(30,621)	385	(30,236)



**Variable Operations Cost
YTD July**

	Actual 2012	Budget 2012	Variance	Actual 2011	2011 Variance
Variable Operations (VO) Cost - \$/MWh					
Rural	25.85	28.38	2.53	26.78	0.93
Large Industrial	25.83	28.38	2.55	26.78	0.95
Smelter	26.58	29.36	2.78	24.50	(2.08)
Off-System/Other	26.04	28.51	2.47	23.72	(2.32)
Total	26.32	28.99	2.67	24.60	(1.72)
VO Cost - Thousands of \$					
Rural	35,698	39,708	4,010	36,725	1,027
Large Industrial	14,621	15,946	1,325	14,493	(128)
Smelter	115,036	125,041	10,005	95,500	(19,536)
Off-System/Other	19,548	23,114	3,566	45,236	25,688
Total	184,903	203,809	18,906	191,954	7,051

**YTD July 2012
Variable Operations Expense**

	Actual	Budget	Fav/(UnFav)	Price Variance Fav/(UnFav)	Volume Variance Fav/(UnFav)	Fav/(UnFav)
Reagent	14,813	17,864	3,051	2,184	867	3,051
Fuel	142,503	154,024	11,521	9,647	1,874	11,521
Purchased Power	29,016	33,854	4,838	5,085	(247)	4,838
Non-FAC PPA (Non-Smelter)	(1,429)	(1,933)	(504)	(489)	(15)	(504)
	184,903	203,809	18,906	16,427	2,479	18,906



Your Touchstone Energy Cooperative

Net Sales Margin YTD July

	Actual 2012	Budget 2012	Variance	Actual 2011	2011 Variance
Net Sales Margin - \$/MWh					
Rural	24.42	24.96	(0.54)	18.62	5.80
Large Industrial	17.01	17.71	(0.70)	14.56	2.45
Smelter	21.83	22.48	(0.65)	18.95	2.88
Off-System/Other	2.18	12.63	(10.45)	11.14	(8.96)
Total	19.85	21.45	(1.60)	16.96	2.89
Net Sales Margin - Thousands of \$					
Rural	33,738	34,930	(1,192)	28,368	5,370
Large Industrial	9,632	9,953	(321)	8,853	779
Smelter	94,491	95,700	(1,209)	73,887	20,604
Off-System/Other	1,634	10,242	(8,608)	21,230	(19,596)
Total	139,495	150,825	(11,330)	132,338	7,157

Net Sales Margin Price / Volume Analysis July 2012

	Price / Volume		
	Price	Volume	Total
Rural	(742)	(450)	(1,192)
Large Industrial	(395)	74	(321)
Smelter	(2,782)	1,573	(1,209)
Off-System/Other	(7,848)	(760)	(8,608)
	(11,767)	437	(11,330)



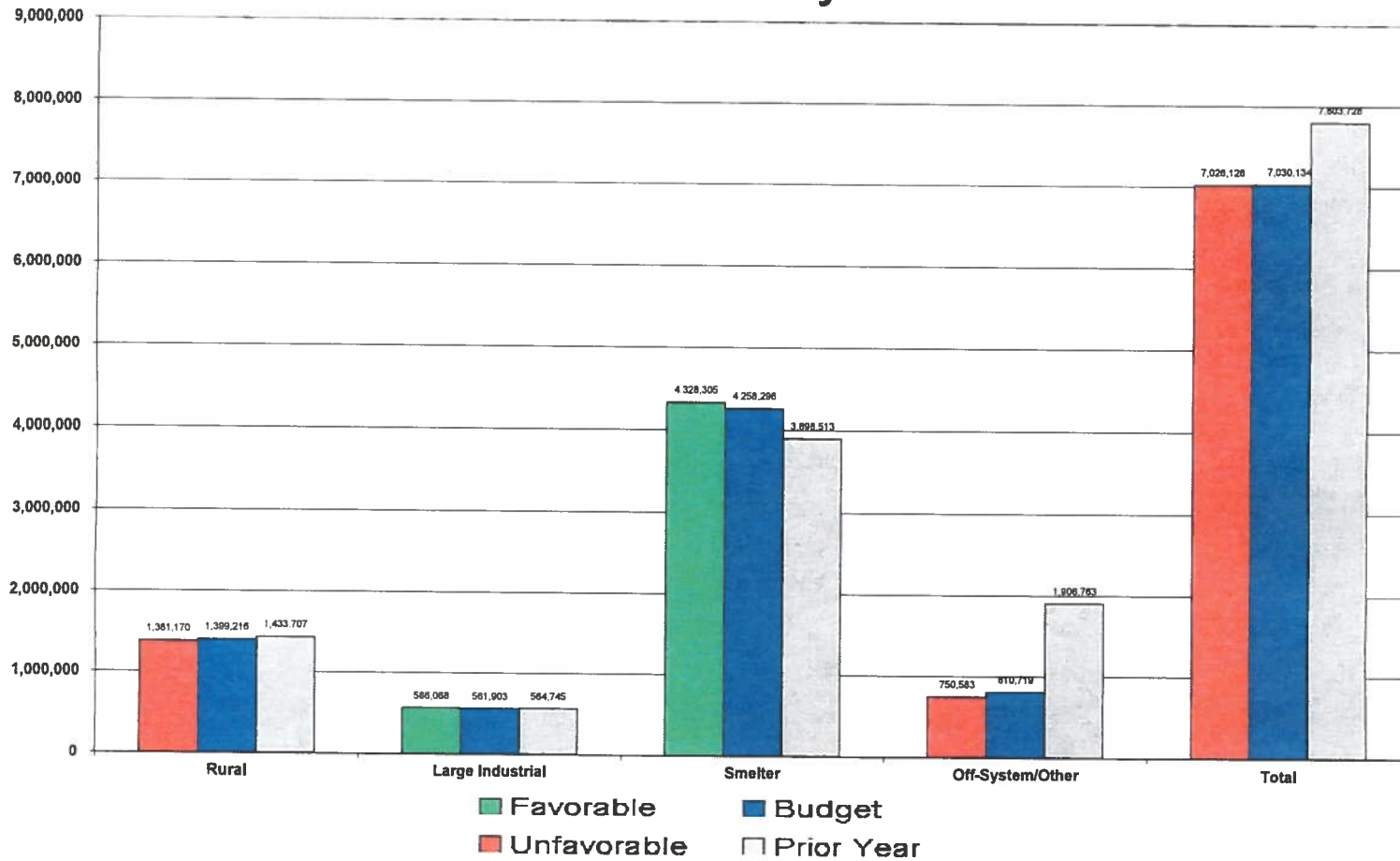
Small text below logo: Aerial Transmission Energy Cooperative

**Member Rate Stability Mechanism
YTD July**

	<u>Actual 2012</u>	<u>Budget 2012</u>	<u>2012 Variance</u>	<u>Actual 2011</u>	<u>2011 Variance</u>		<u>Actual 2012</u>	<u>Budget 2012</u>	<u>2012 Variance</u>	<u>Actual 2011</u>	<u>2011 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

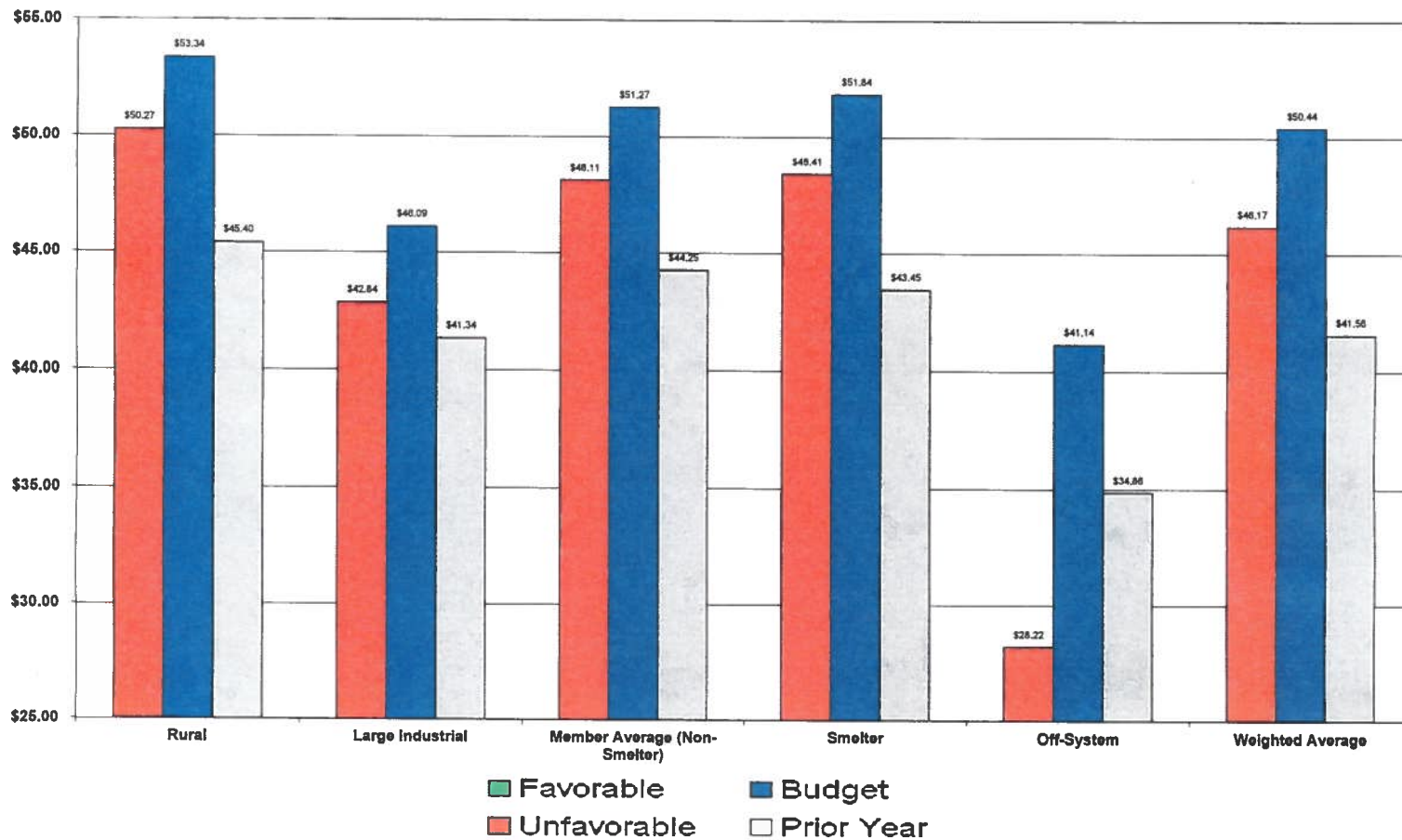
<u>Economic Reserve Balance</u>			
<u>Cumulative-to-Date</u>	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
Original Deposit	\$ 157,000		
Interest Earnings	3,049		
Withdrawals	(71,648)		
Ending Balance 7/31/2012	\$ 88,401	\$ 82,422	\$ 5,979
<u>YTD July 2012</u>			
Beg. Balance 1/1/2012	\$ 100,601		
Interest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

MWH Sales YTD - July

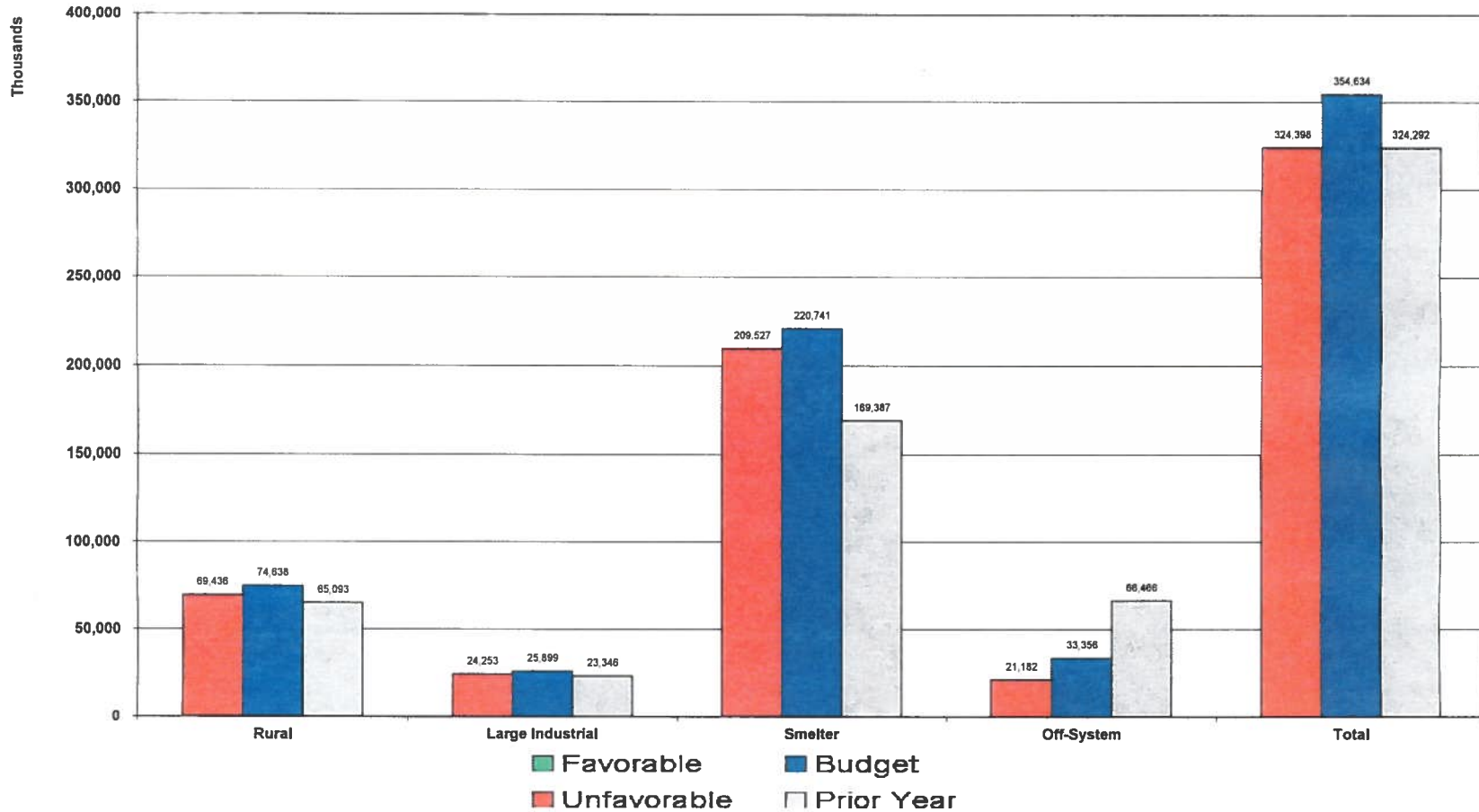




Revenue - \$/MWh Sold YTD - July

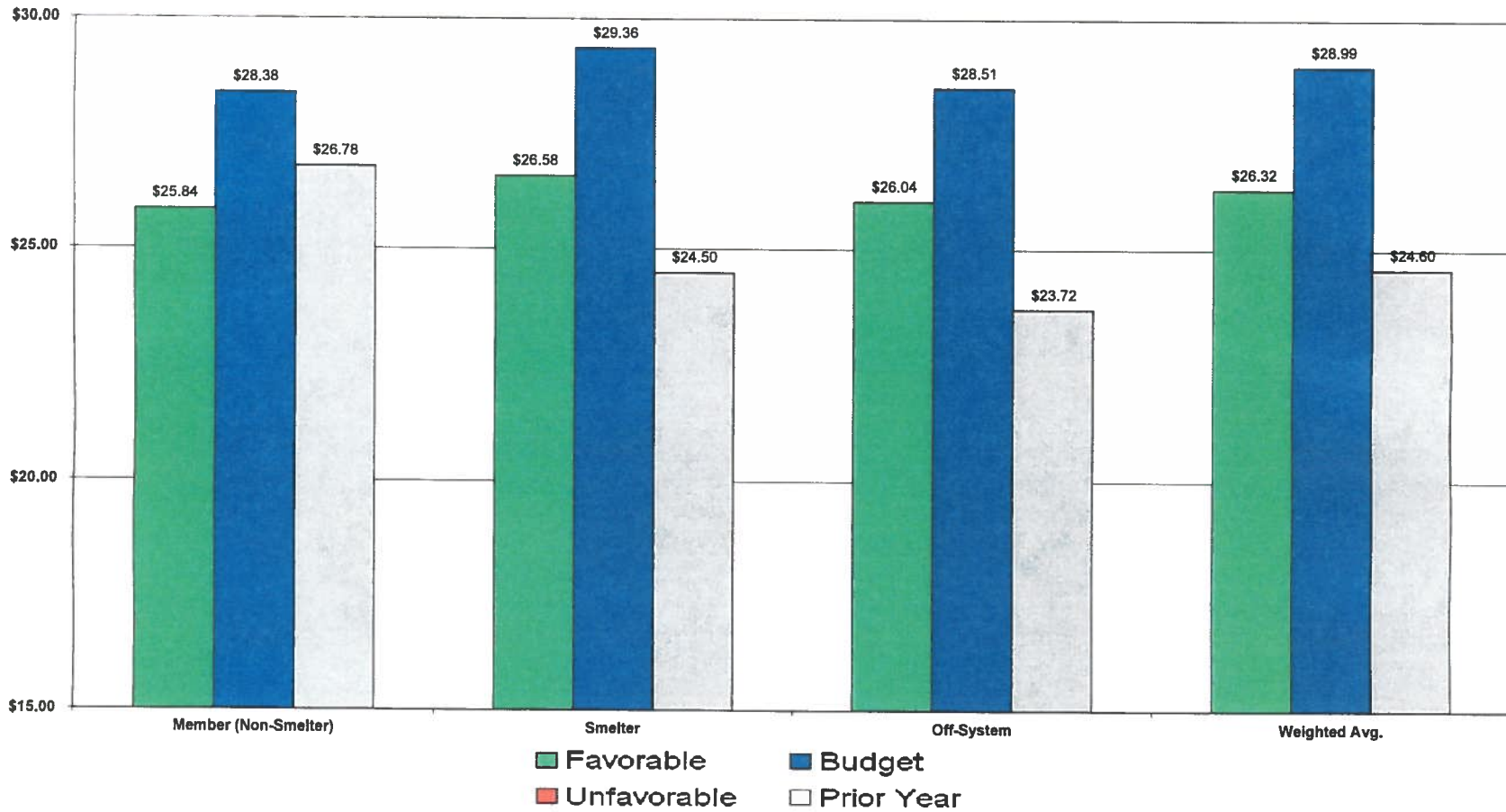


Revenue YTD - July



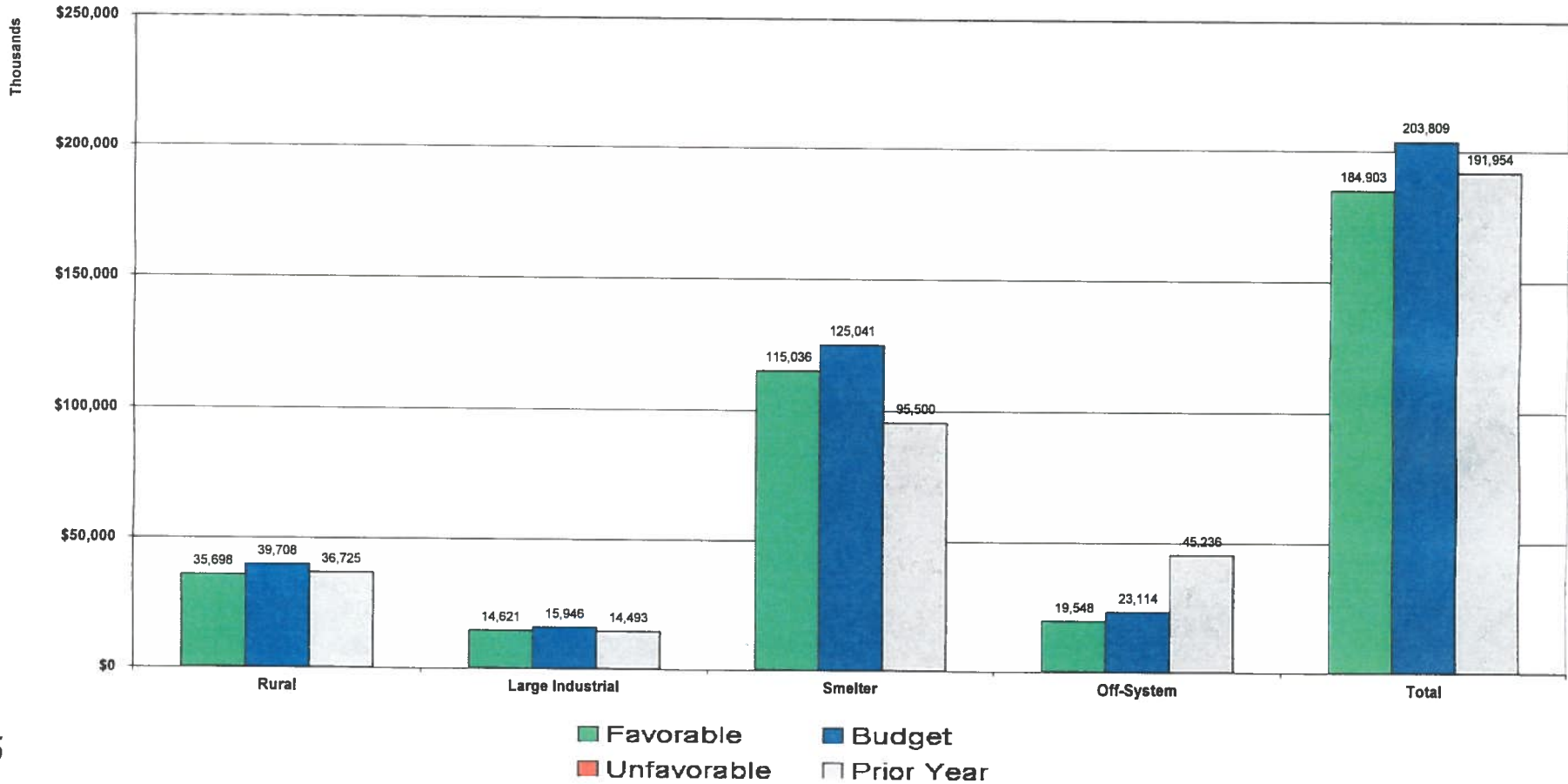


Variable Operations - \$/MWh Sold YTD - July



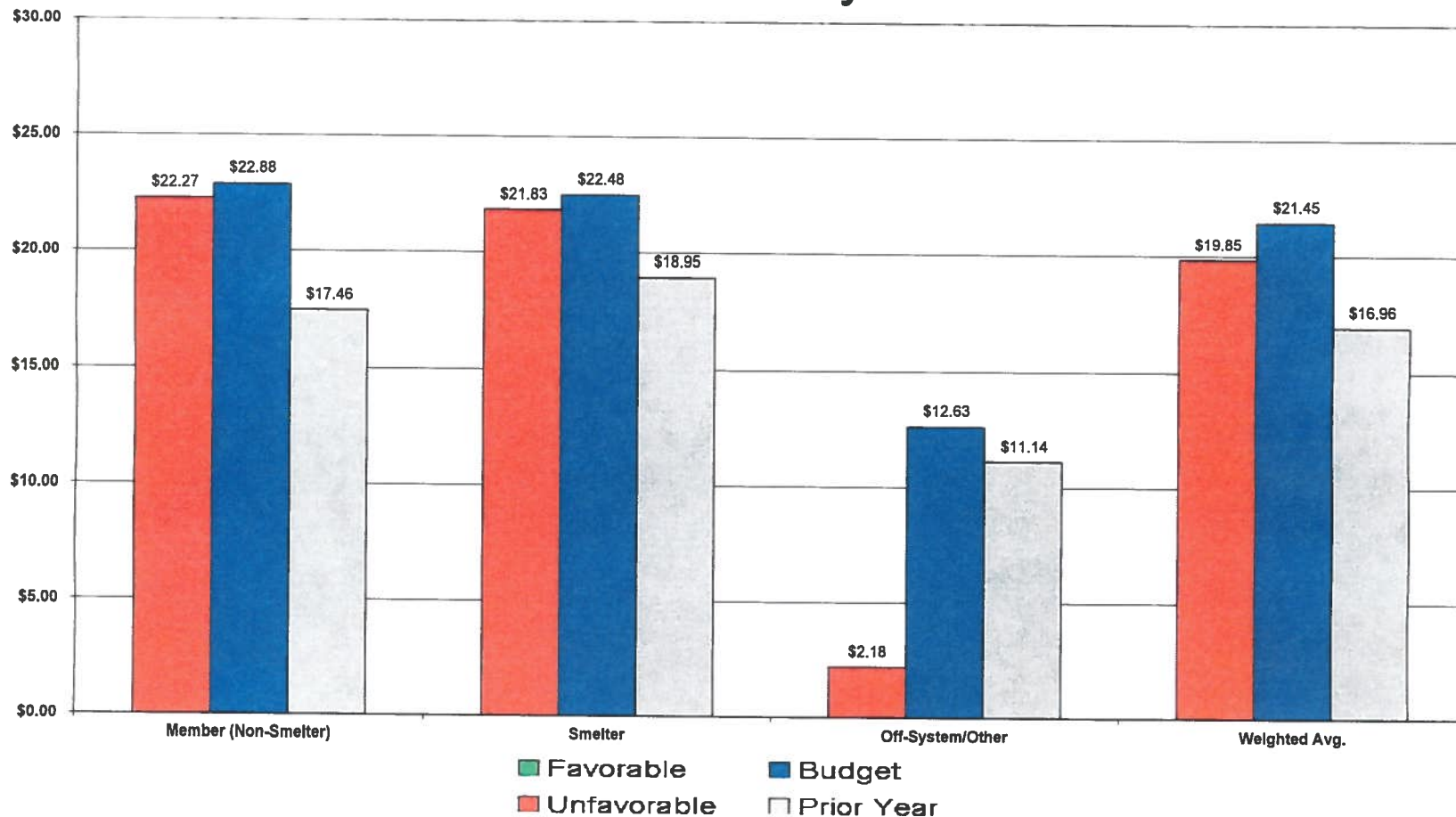


Variable Operations Cost YTD - July



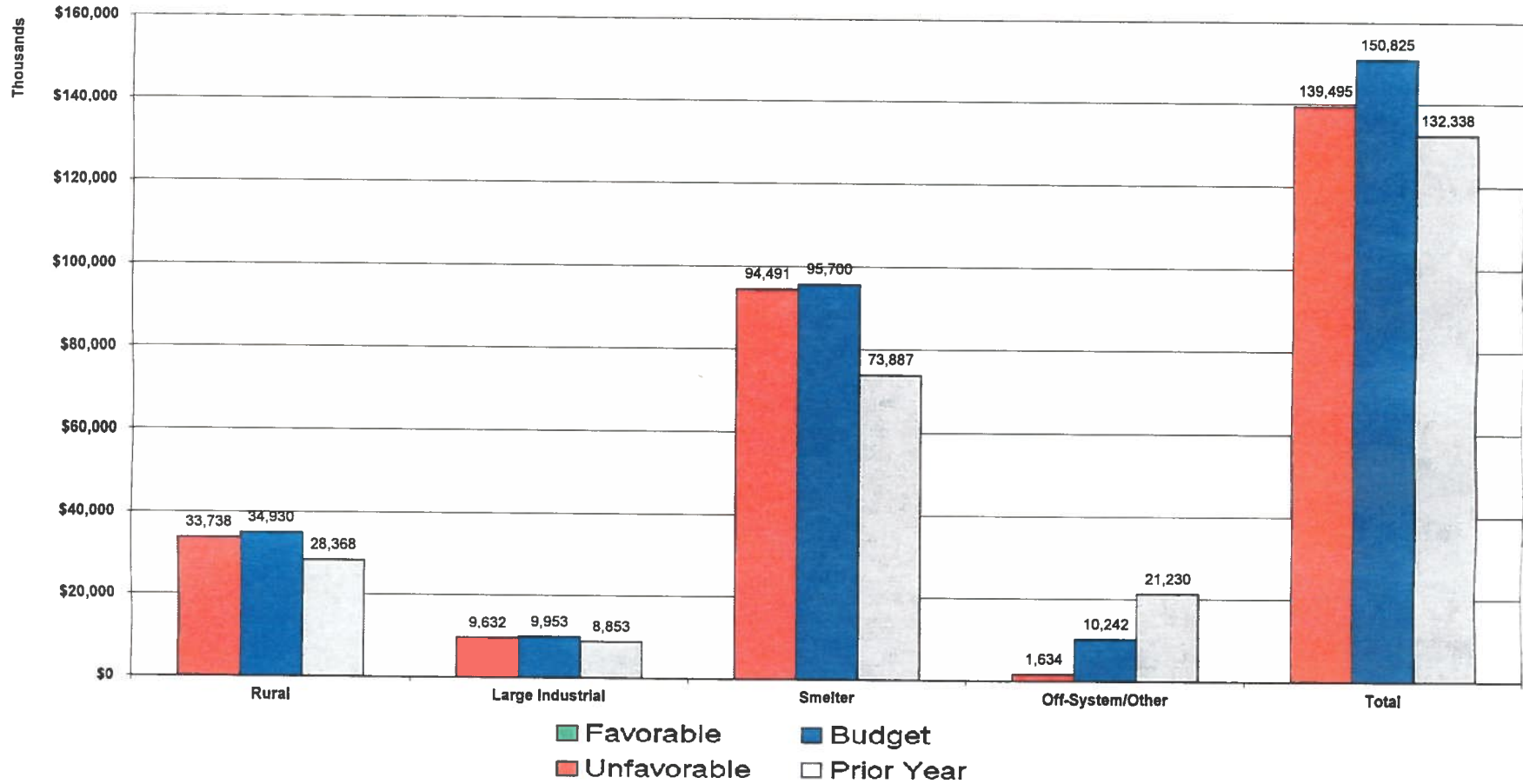


Net Sales Margin - \$/MWh YTD - July



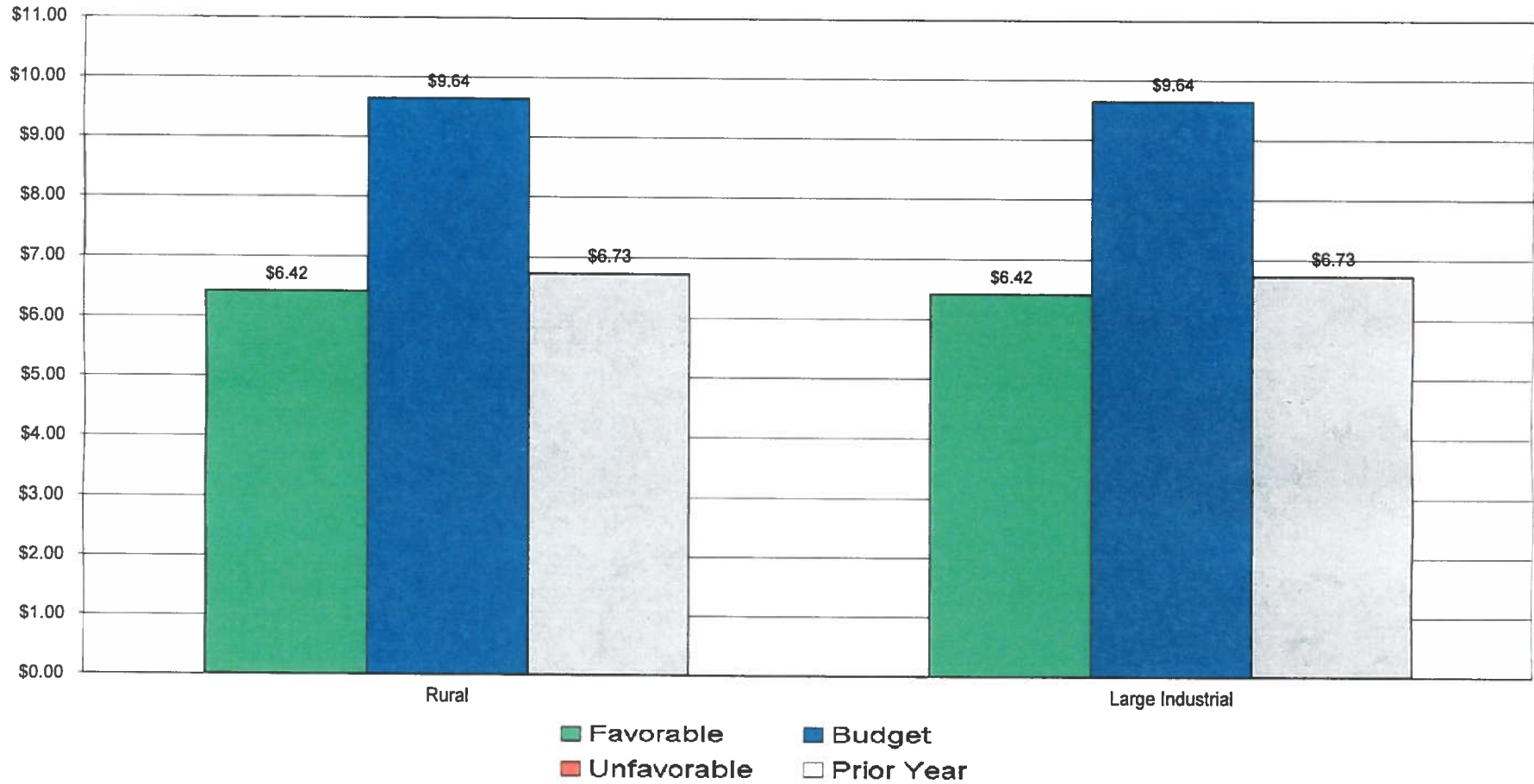


Net Sales Margin YTD – July

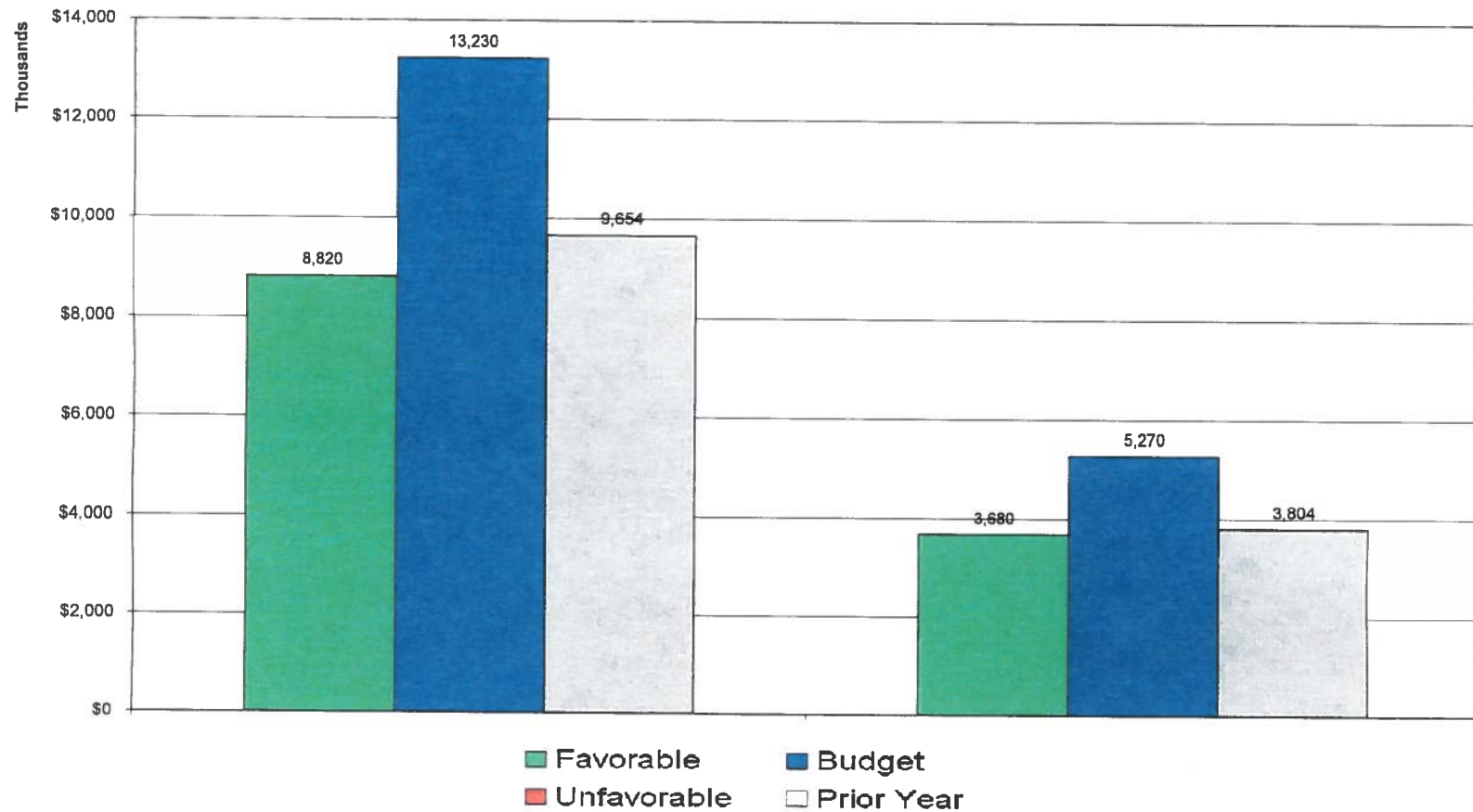




MRSM - \$/MWh YTD - July

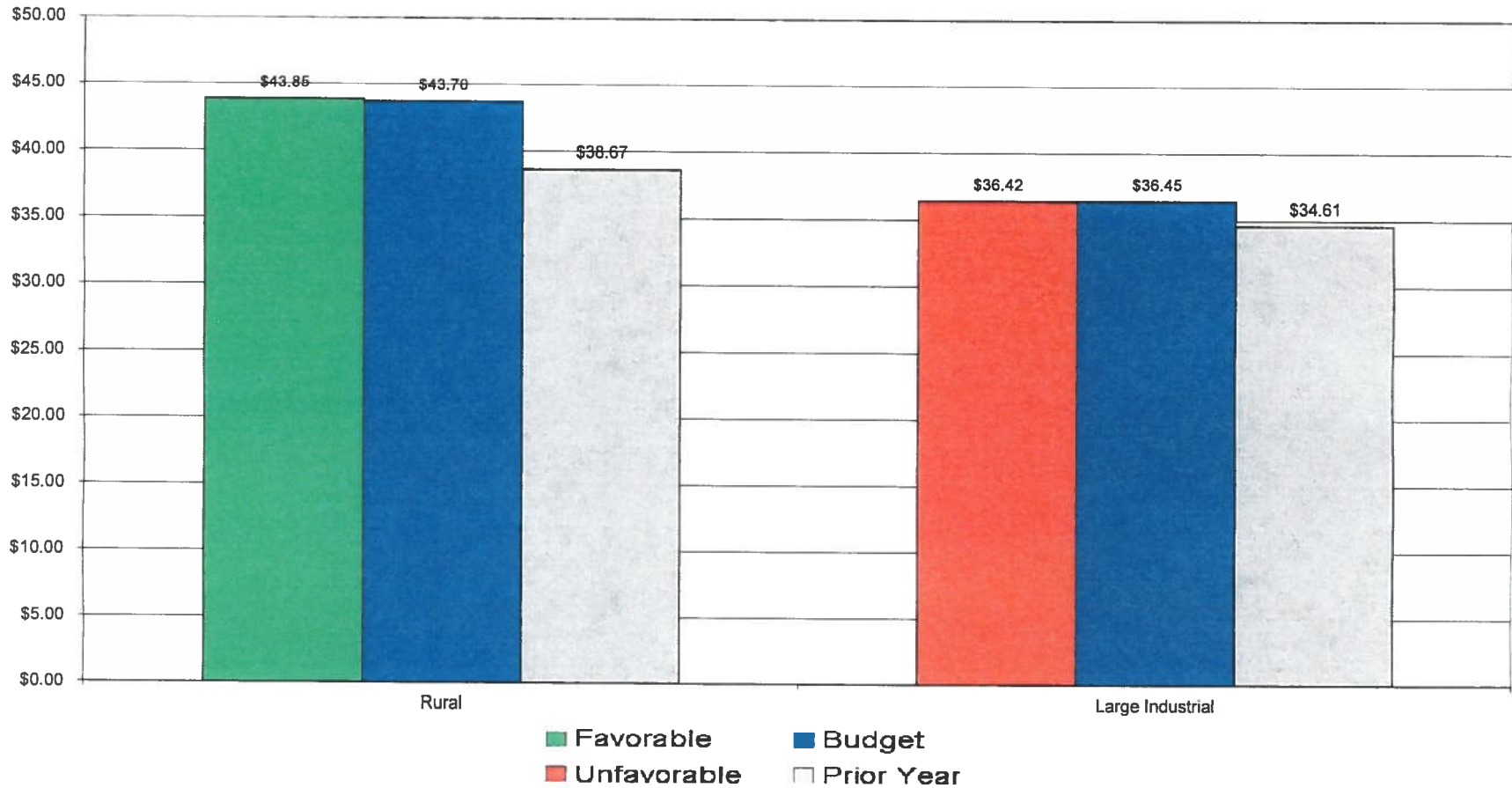


MRSM YTD - July



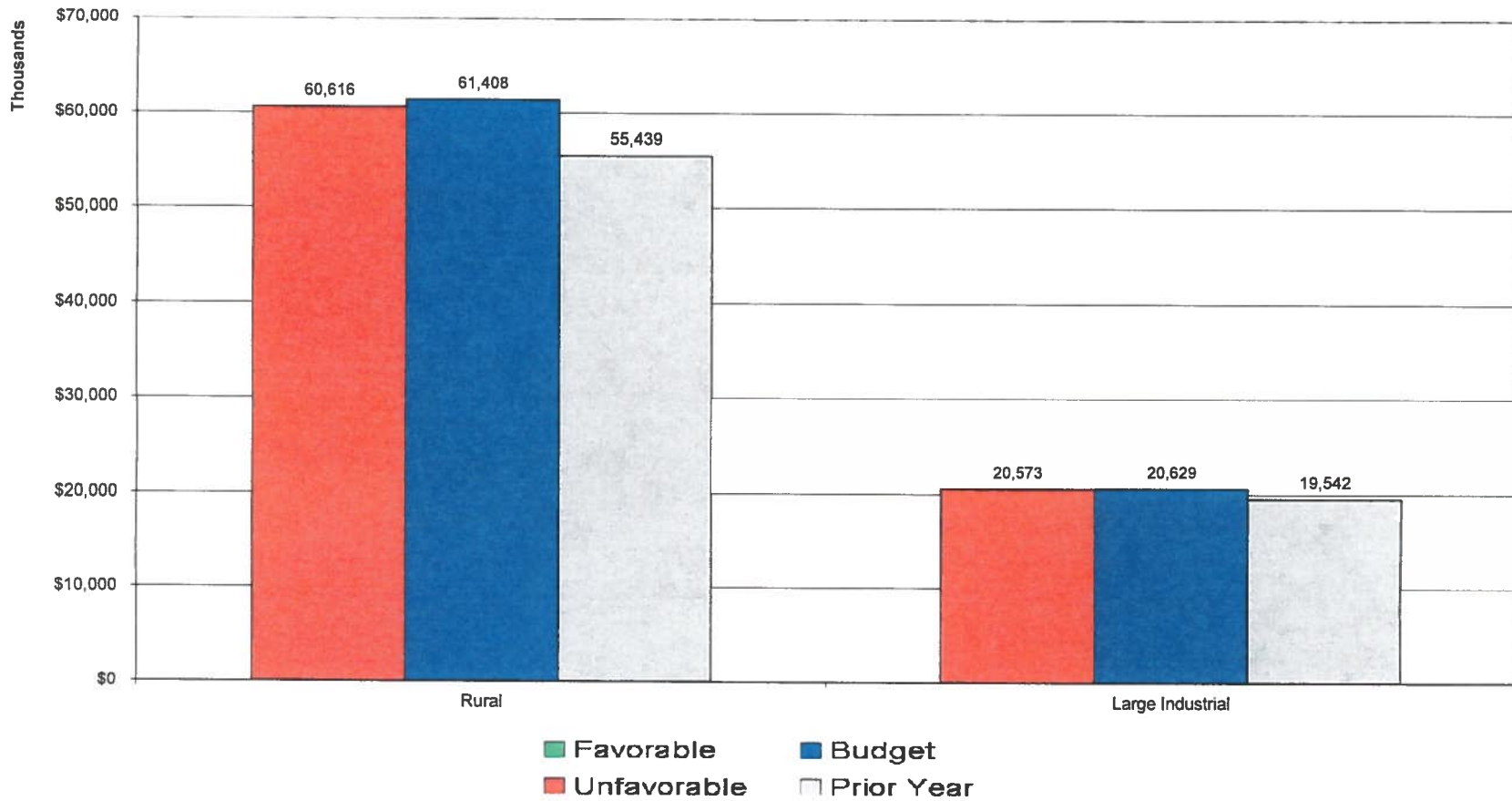


Net Revenue (Excl. MRSM) - \$/MWh YTD - July





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

	2012			2011	
	<u>Actual</u>	<u>Budget</u>	<u>Variance Fav/(Unfav)</u>	<u>2011 Actual</u>	<u>Variance Fav/(Unfav)</u>
July YTD	38,443	41,218	2,775	35,490	(2,953)

Current Year Variances

Power Supply transmission reservation	441
Plant Operations reductions	1,713
Station Two O&M (timing/reductions)	561
Other	60

Non-Variable Production and Other Power Supply - Operations 2,775

Prior-Year Variances

Power Supply transmission reservation	(34)
Station-Two O&M [driven by higher outage expense in 2012]	(2,075)
Station-Two [higher depreciation expense]	(755)
Other	(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

	2012			2011	
	<u>Actual</u>	<u>Budget</u>	<u>Variance Fav/(Unfav)</u>	<u>2011 Actual</u>	<u>Variance Fav/(Unfav)</u>
July YTD	23,776	38,072	14,296	22,273	(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	323,047	360,271	37,224	322,288	(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	(21,182)	(33,356)	(12,174)	(66,466)	(45,284)
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)
	298,574	324,509	25,935	252,541	(46,033)

Member MWh	6,275,544	6,219,415	56,129	5,896,968	378,576
------------	-----------	-----------	--------	-----------	---------

North Star - \$/kWh	0.047577	0.052177	0.004600	0.042826	(0.004751)
---------------------	----------	----------	----------	----------	------------



TIER

	<u>Actual</u>	<u>Budget</u>	<u>Fav/(Unfav)</u>
Interest on Long-Term Debt	26,164	26,019	(145)
Net Margins	4,408	(3,231)	7,639
TIER - YTD July	1.17	0.88	0.29
TIER (12 months ending 7/31)	1.13	1.04	0.09

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

	<u>Actual</u>	<u>Budget</u>	<u>Fav/(Unfav)</u>	2011	<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 Touchstone 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.

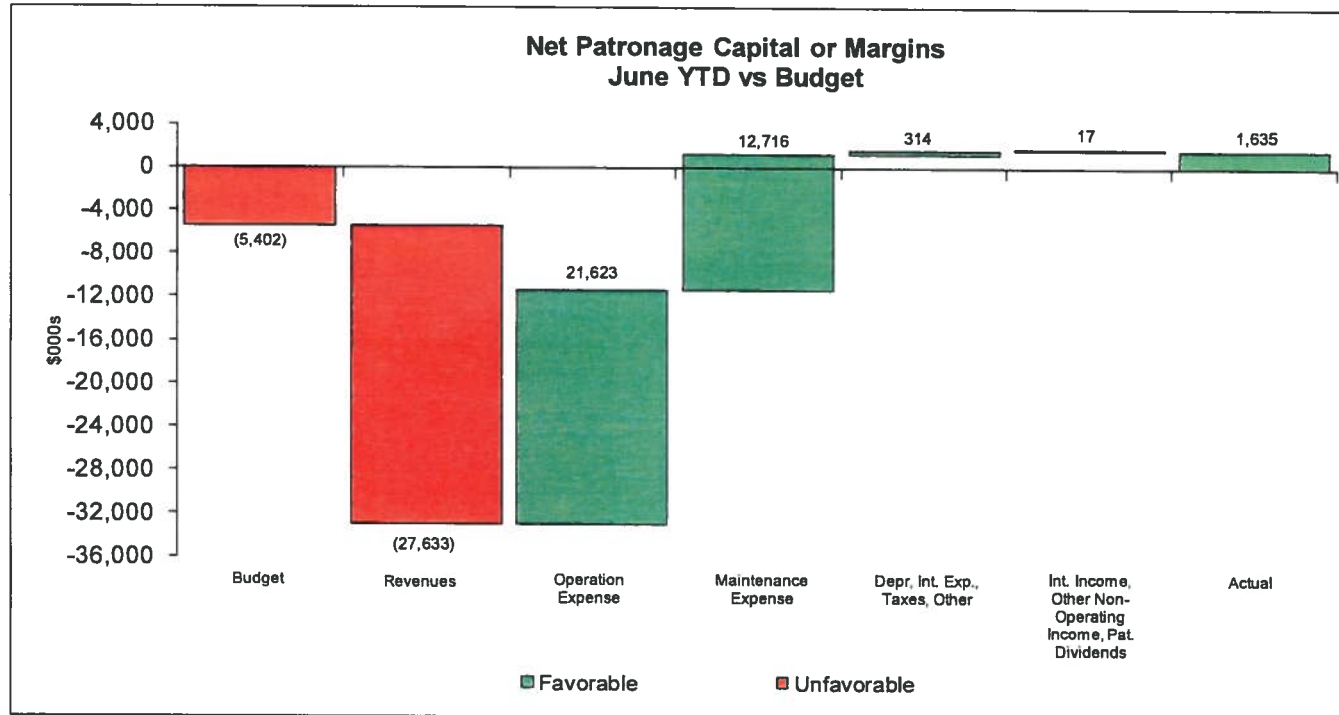


Statement of Operations – June Variance to Prior-Year

	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	
CONSUMER SERVICE & INFORMATIONAL EXPENSE	47	29	(18)	199	190	(9)	
OPERATION EXPENSE-SALES	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

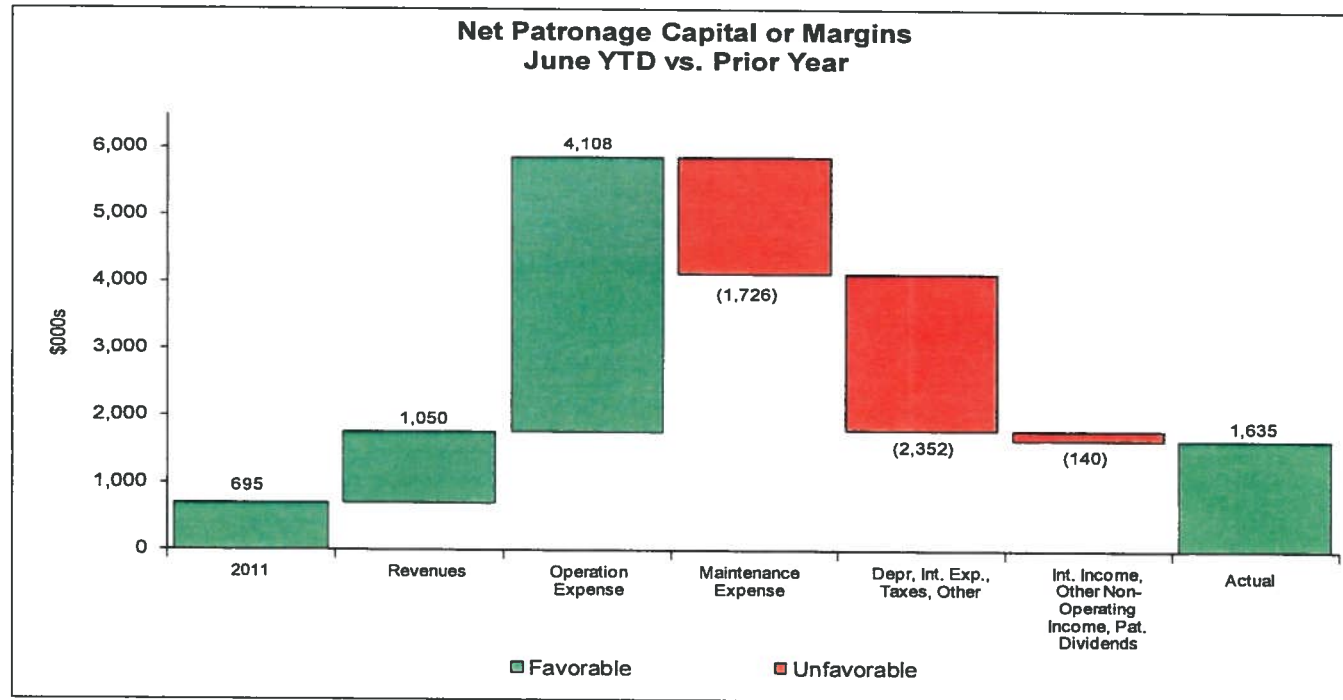


Financial Commentary

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	643,126	705,561	(62,435)	1,638,126	(995,000)
Total	5,941,761	5,980,449	(38,688)	6,616,843	(675,082)
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	27.11	40.47	(13.36)	34.37	(7.26)
Total	46.07	50.46	(4.39)	41.34	4.73
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	17,435	28,553	(11,118)	56,297	(38,862)
Total	273,712	301,746	(28,034)	273,551	161

**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	(8,592)	(2,526)	(11,118)
	(26,652)	(1,382)	(28,034)



Variable Operations Cost
YTD June

	Actual 2012	Budget 2012	Variance	Actual 2011	2011 Variance
Variable Operations (VO) Cost - \$/MWh					
Rural	25.61	28.35	2.74	25.82	0.21
Large Industrial	25.65	28.35	2.70	25.82	0.17
Smelter	26.44	29.44	3.00	24.47	(1.97)
Off-System/Other	25.91	28.49	2.58	23.63	(2.28)
Total	26.16	29.03	2.87	24.60	(1.56)
VO Cost - Thousands of \$					
Rural	28,634	32,866	4,232	30,251	1,617
Large Industrial	12,350	13,528	1,178	12,365	15
Smelter	97,787	107,132	9,345	81,432	(16,355)
Off-System/Other	16,663	20,100	3,437	38,713	22,050
Total	155,434	173,626	18,192	162,761	7,327

YTD June 2012
Variable Operations Expense

	Actual	Budget	Fav/(UnFav)	Price Variance Fav/(UnFav)	Volume Variance Fav/(UnFav)	Fav/(UnFav)
Reagent	12,372	14,782	2,410	1,733	677	2,410
Fuel	118,235	127,880	9,645	9,057	588	9,645
Purchased Power	26,061	32,748	6,687	5,265	1,422	6,687
Non-FAC PPA (Non-Smelter)	(1,234)	(1,784)	(550)	(510)	(40)	(550)
	155,434	173,626	18,192	15,545	2,647	18,192



Your Northwest Energy Cooperative

Net Sales Margin YTD June

	Actual 2012	Budget 2012	Variance	Actual 2011	2011 Variance
Net Sales Margin - \$/MWh					
Rural	25.01	25.20	(0.19)	19.75	5.26
Large Industrial	17.25	17.82	(0.57)	15.66	1.59
Smelter	21.96	22.53	(0.57)	18.80	3.16
Off-System/Other	1.20	11.98	(10.78)	10.74	(9.54)
Total	19.91	21.43	(1.52)	16.74	3.17
Net Sales Margin - Thousands of \$					
Rural	27,967	29,213	(1,246)	23,145	4,822
Large Industrial	8,305	8,502	(197)	7,487	818
Smelter	81,234	81,952	(718)	62,574	18,660
Off-System/Other	772	8,453	(7,681)	17,584	(16,812)
Total	118,278	128,120	(9,842)	110,790	7,488

Net Sales Margin Price / Volume Analysis June 2012

	Price / Volume		
	Price	Volume	Total
Rural	(210)	(1,036)	(1,246)
Large Industrial	(275)	78	(197)
Smelter	(2,081)	1,363	(718)
Off-System/Other	(6,933)	(748)	(7,681)
	(9,499)	(343)	(9,842)

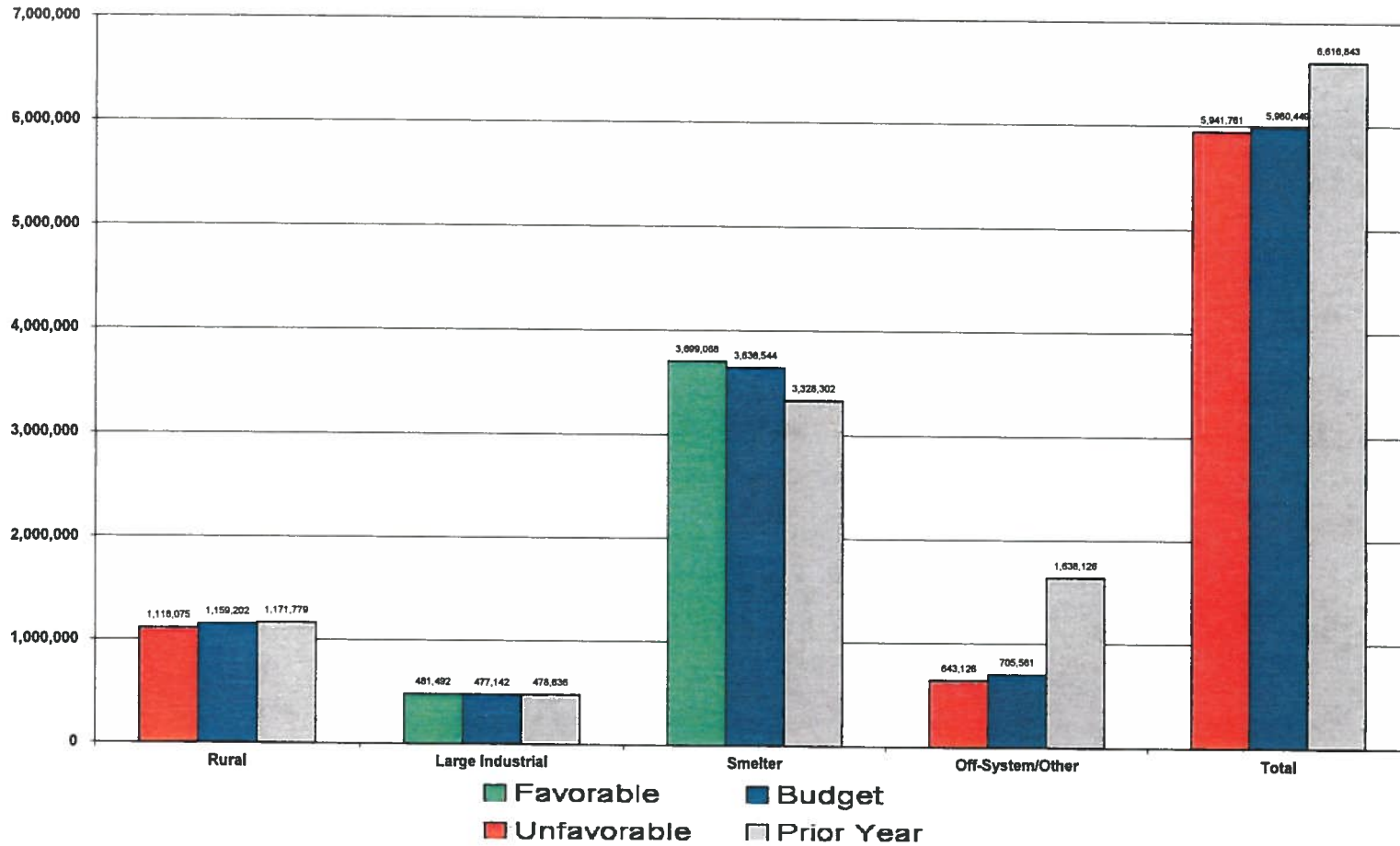


**Member Rate Stability Mechanism
YTD June**

	<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

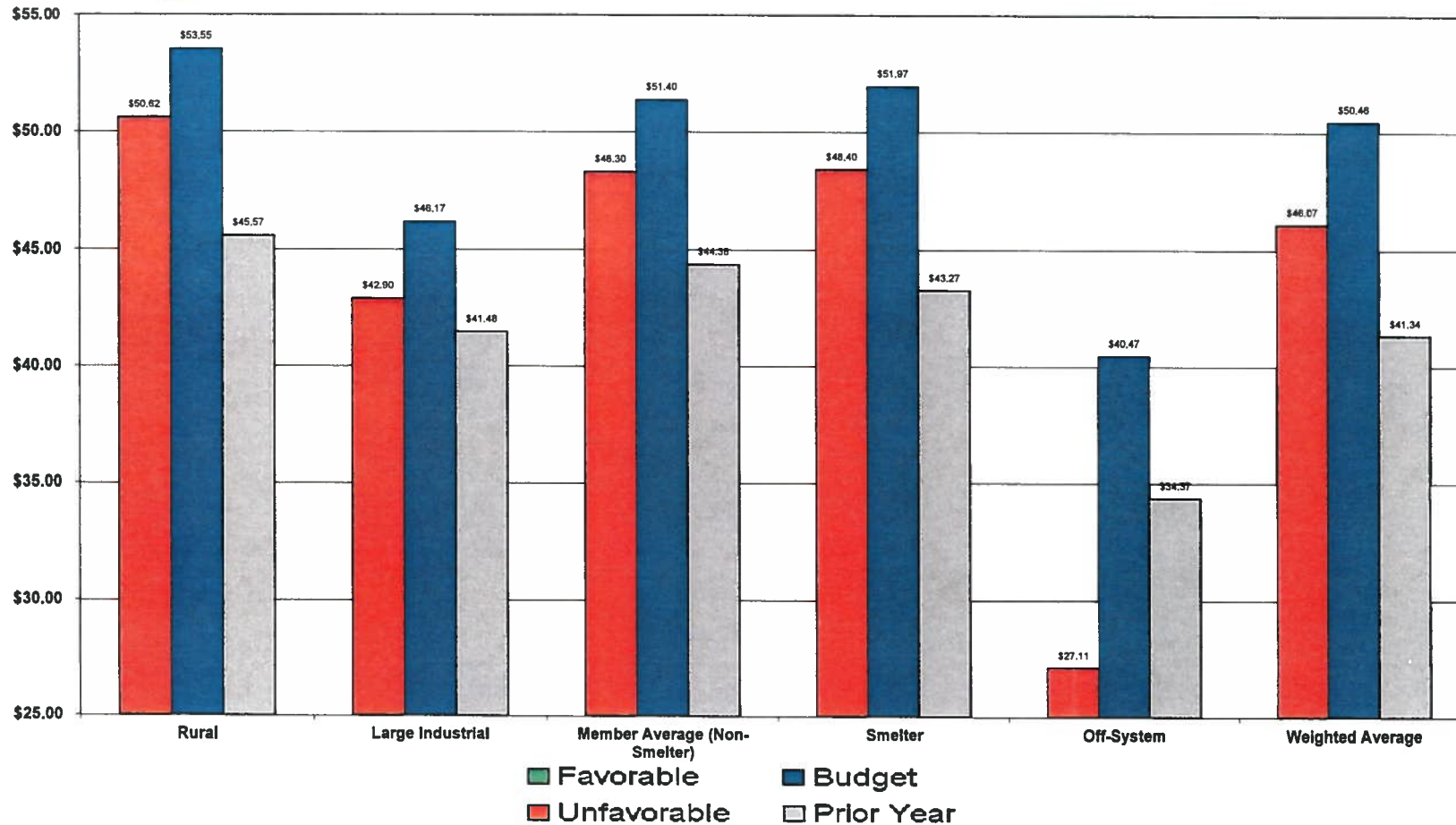
MWH Sales YTD - June



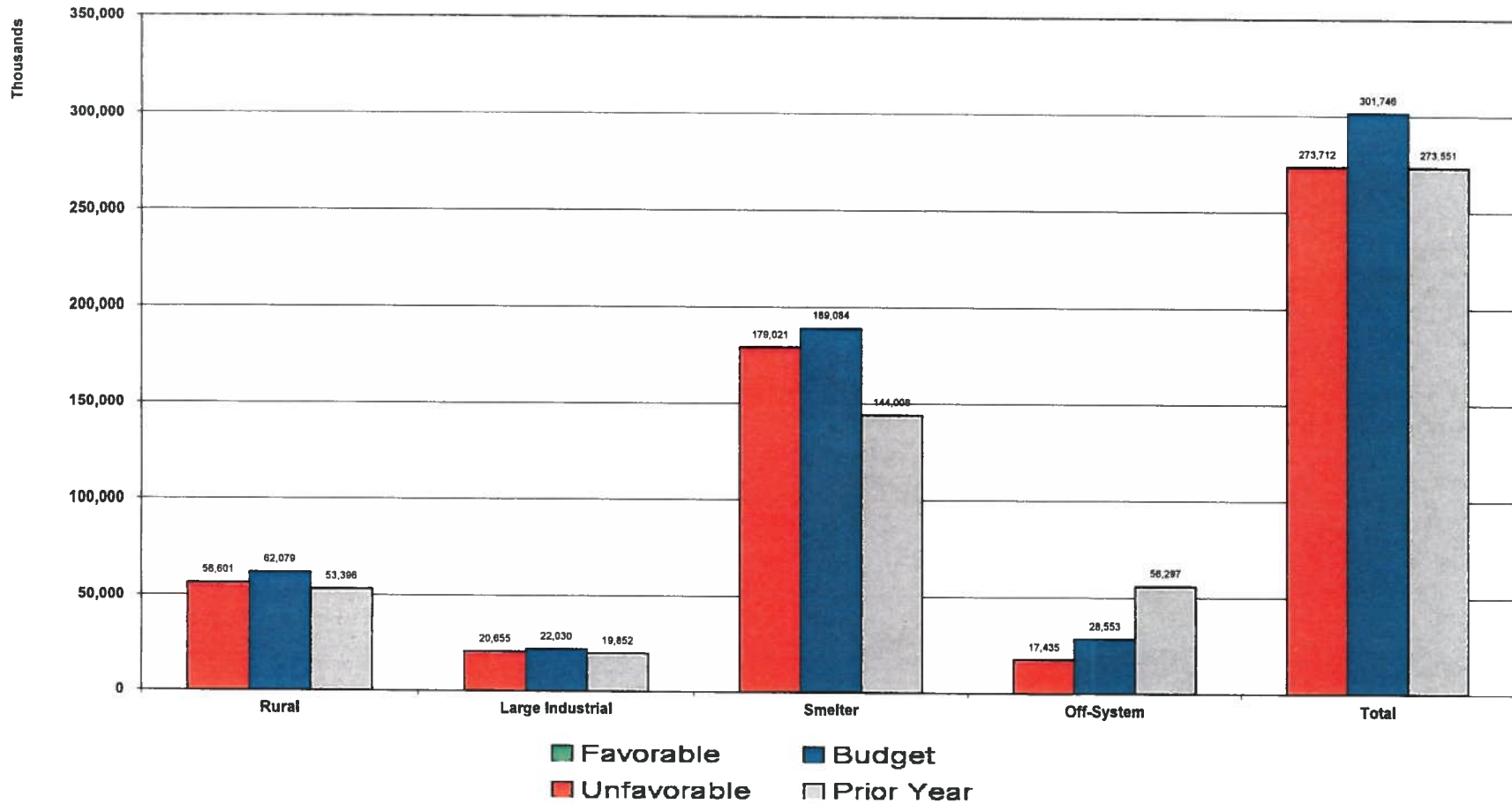


Your Sustainable Energy Cooperative

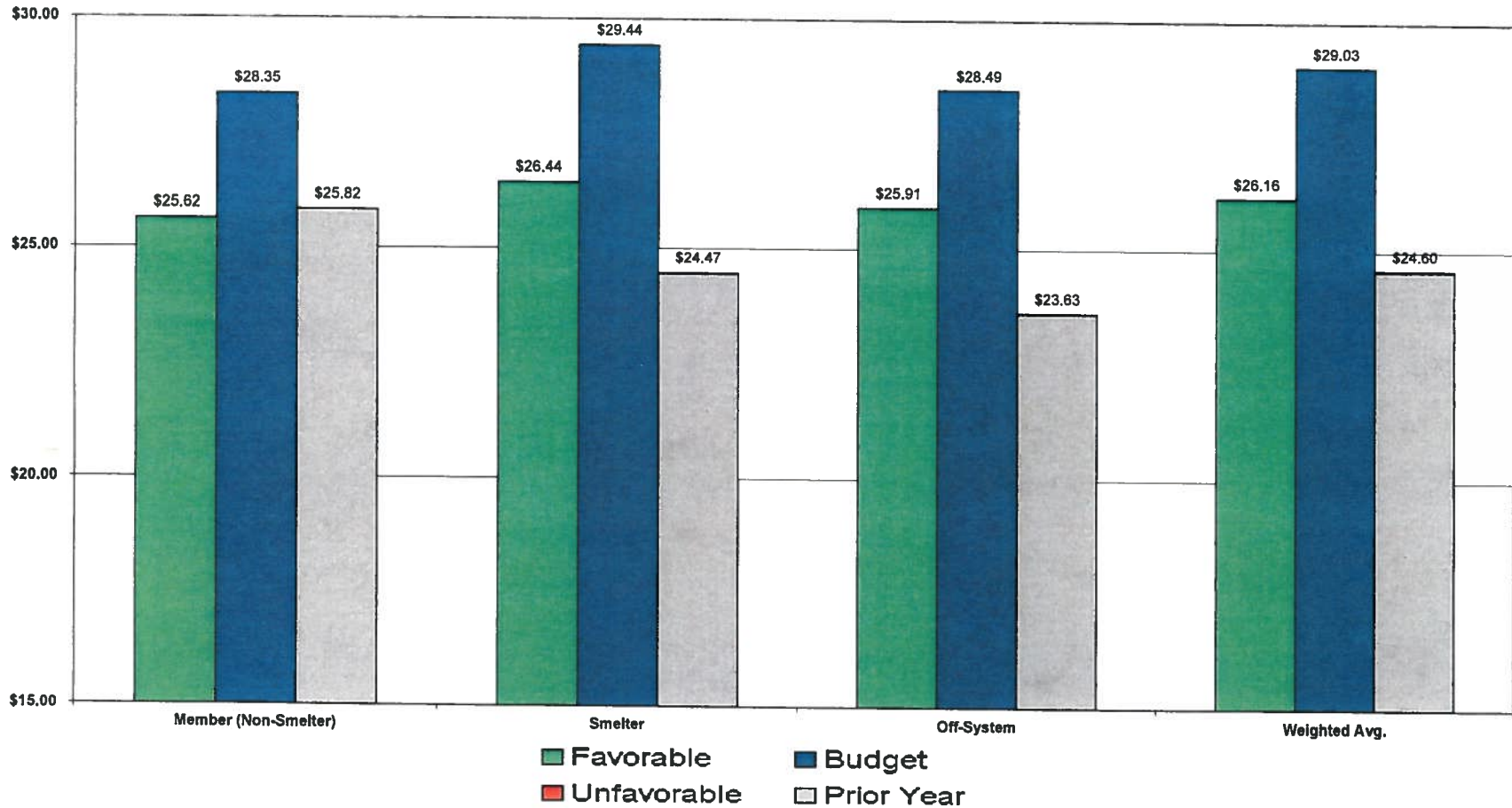
Revenue - \$/MWh Sold YTD - June



Revenue YTD - June

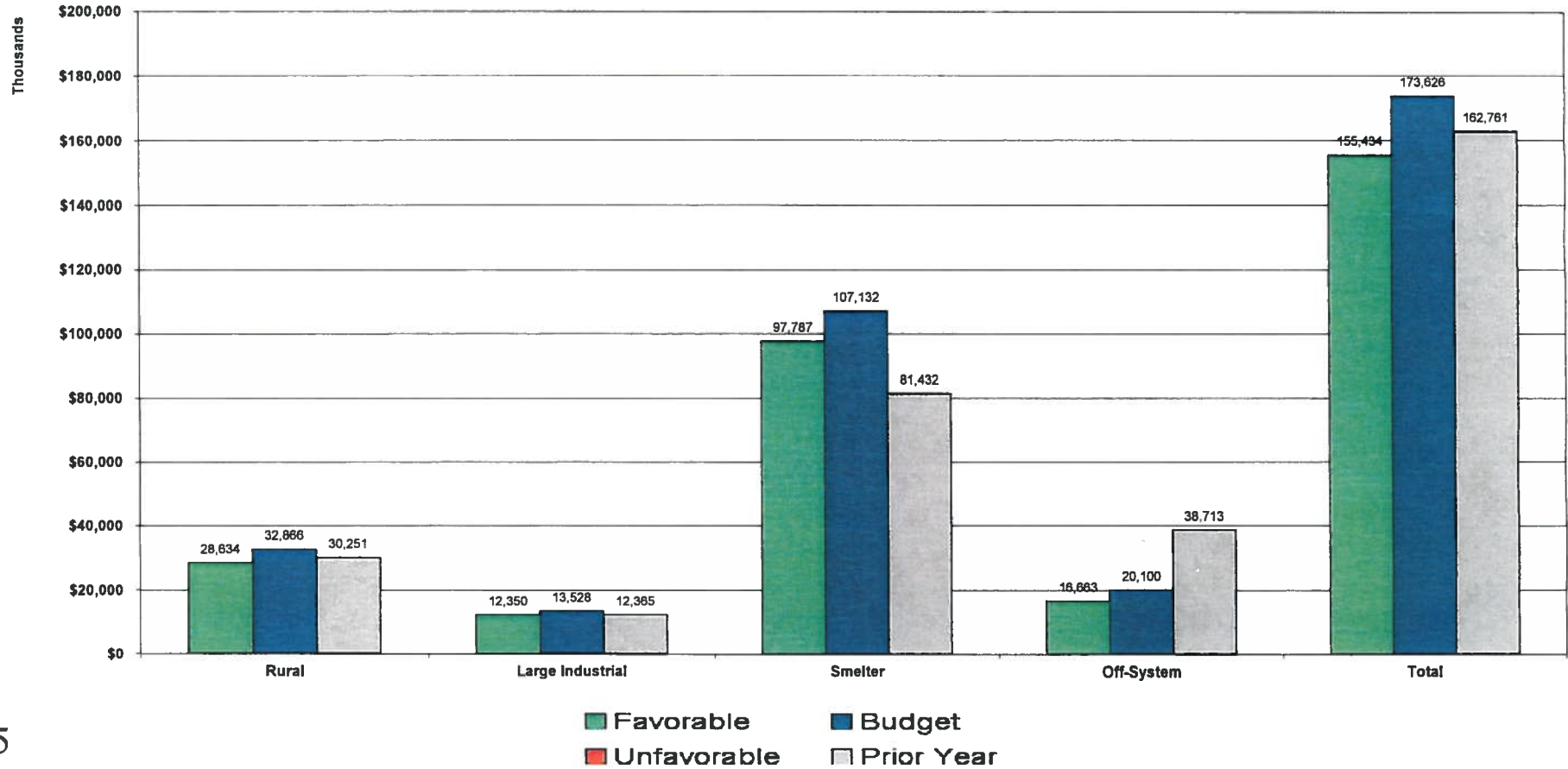


Variable Operations - \$/MWh Sold YTD - June



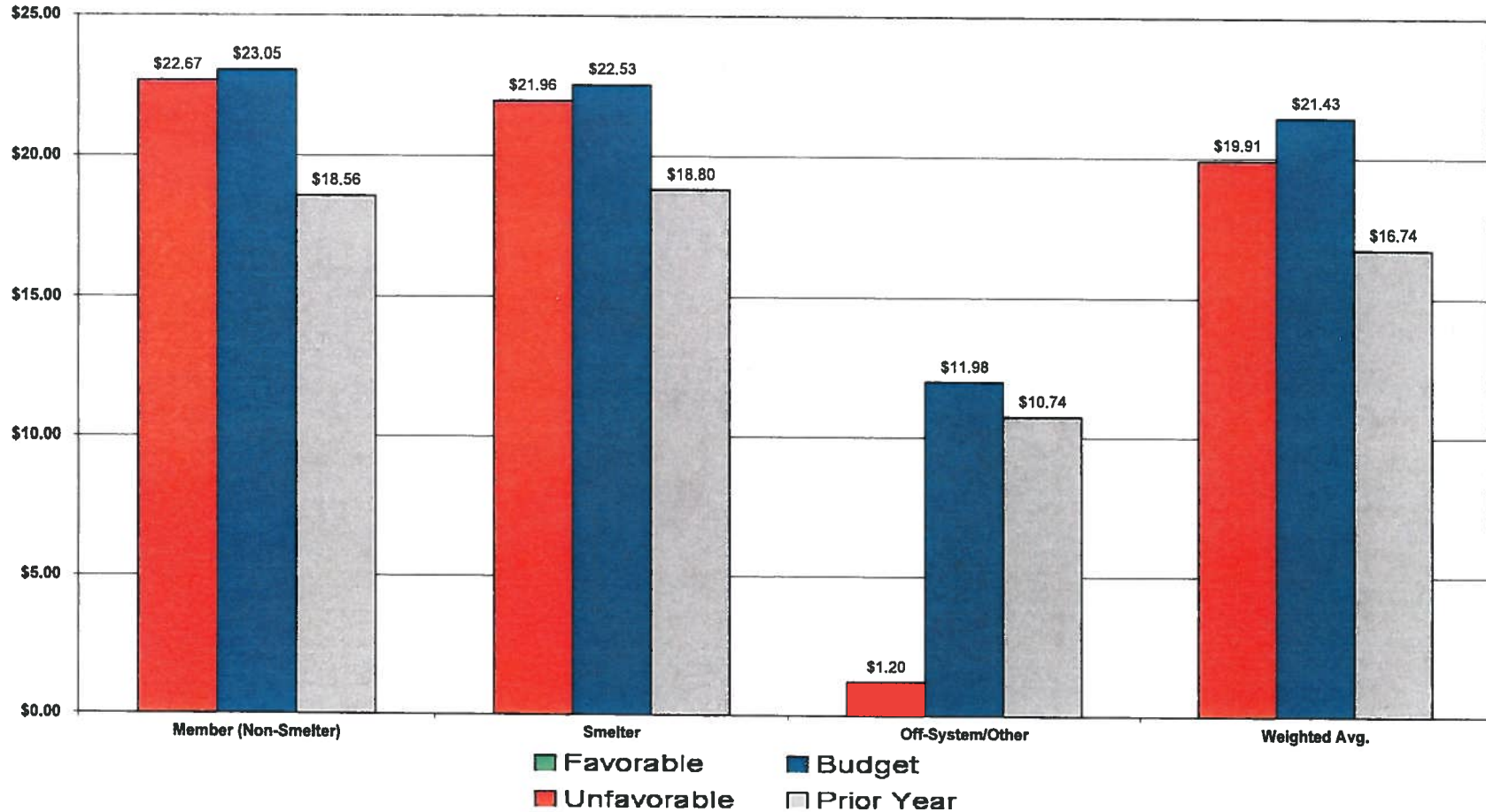


Variable Operations Cost YTD - June

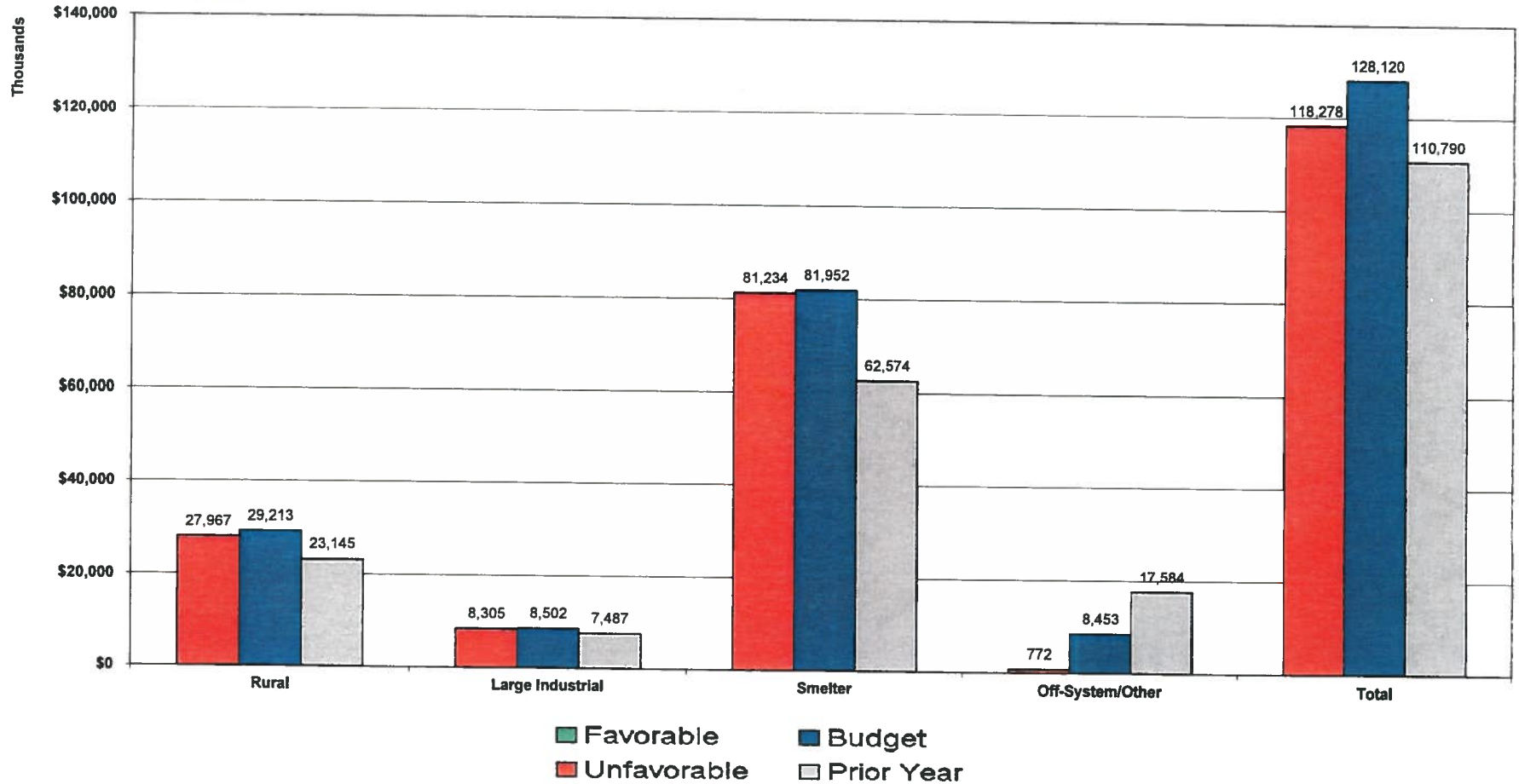




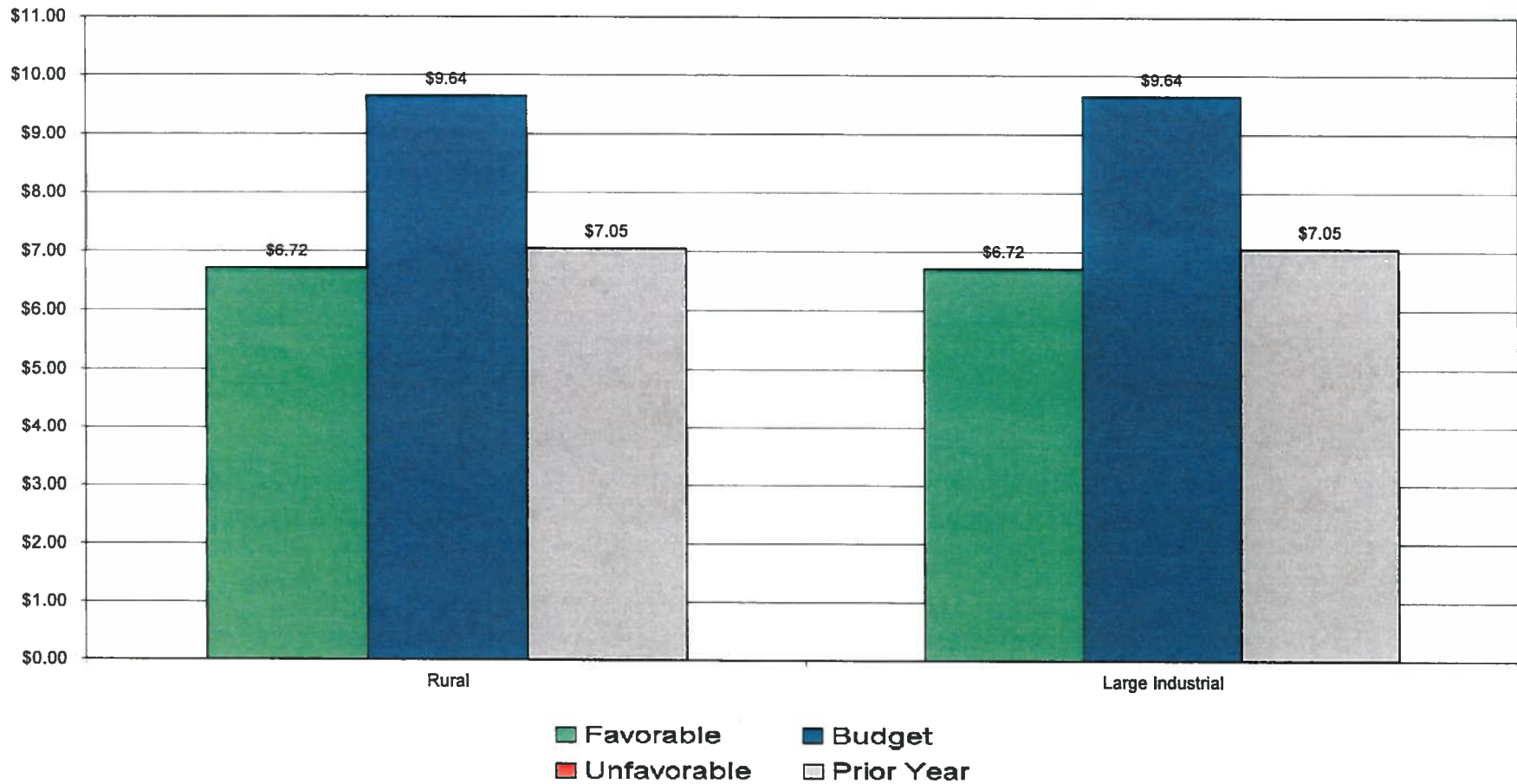
Net Sales Margin - \$/MWh YTD - June



Net Sales Margin YTD – June



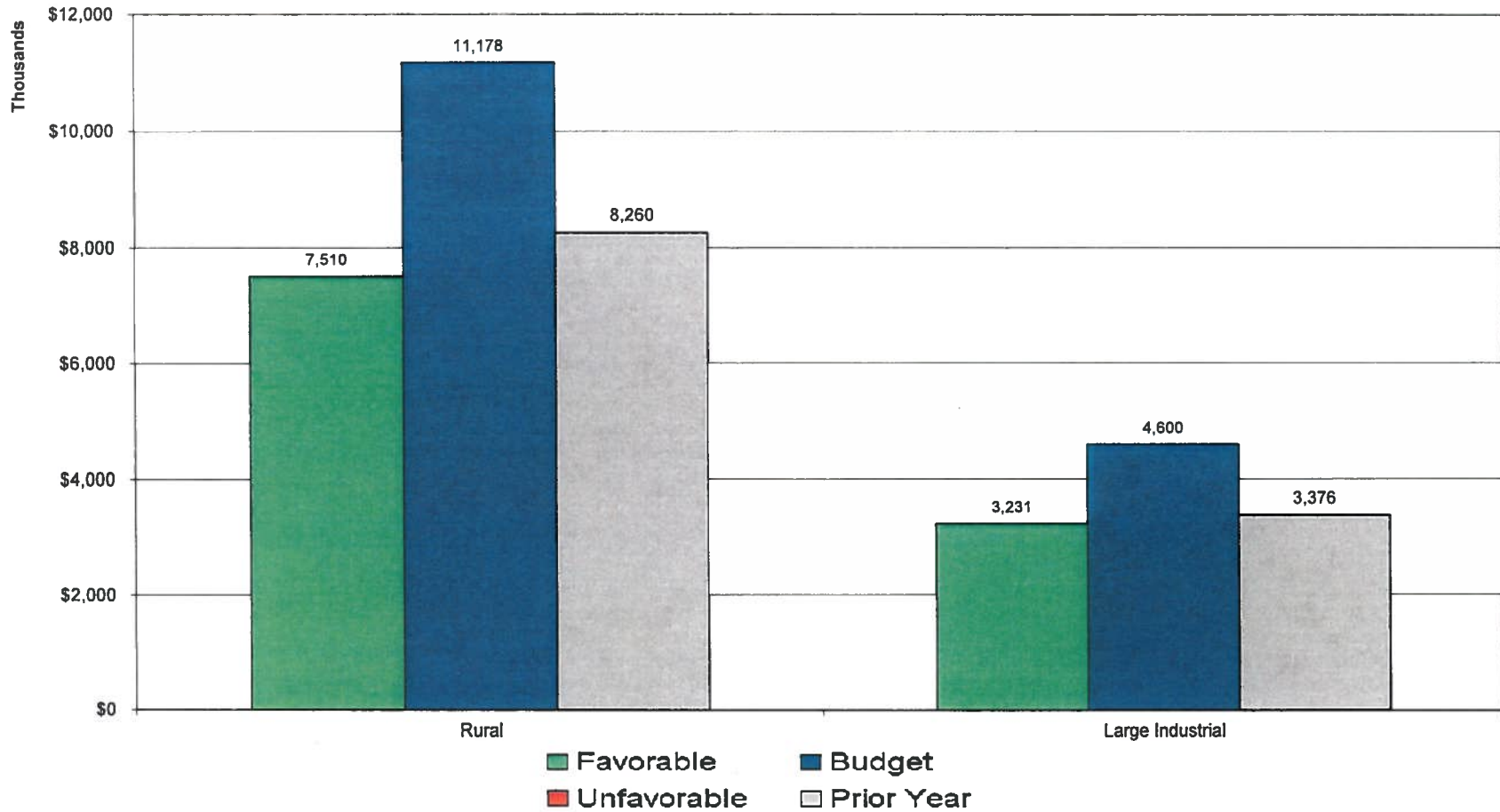
MRSM - \$/MWh YTD - June





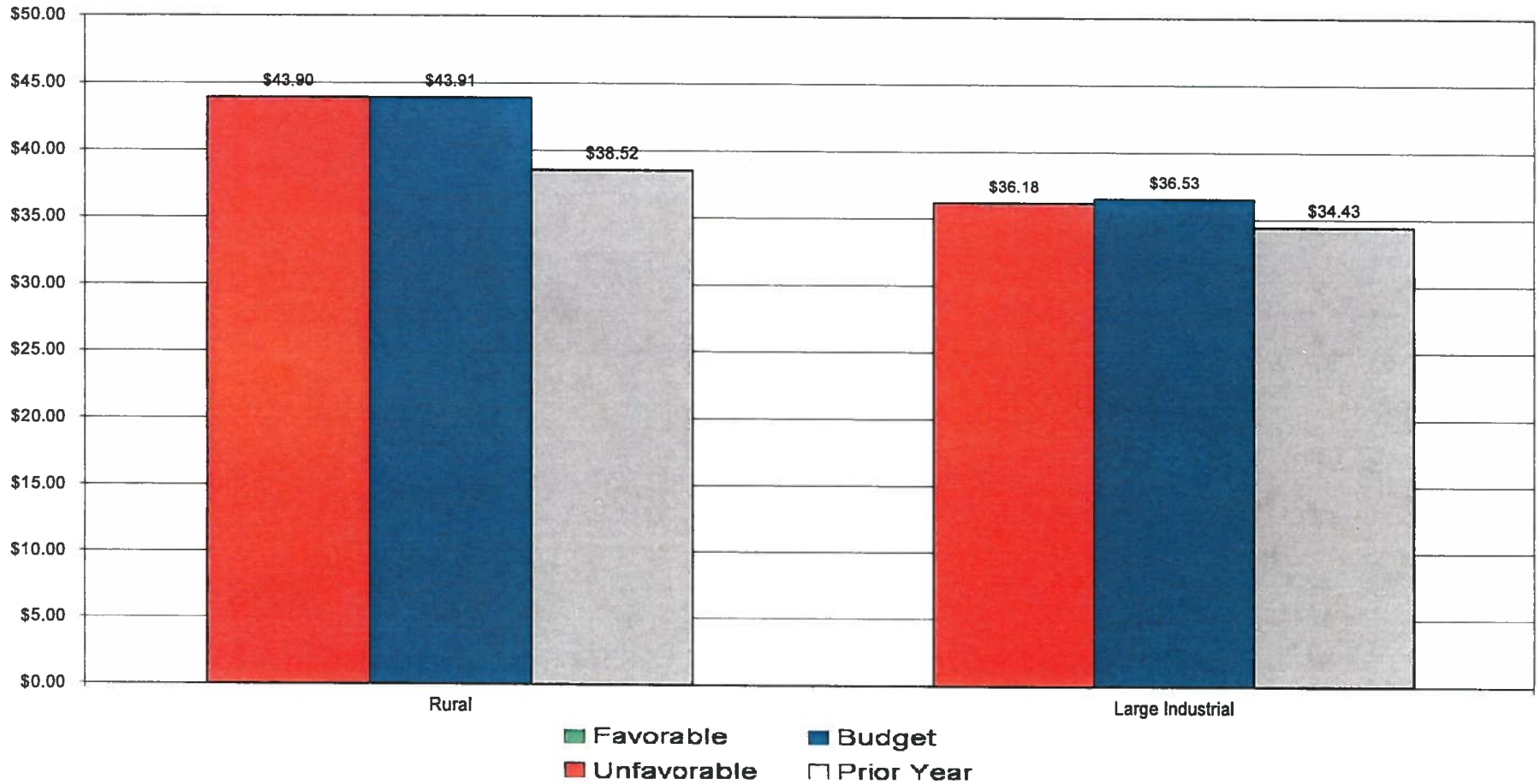
You. We. Power. Energy. Cooperative.

MRSM YTD - June





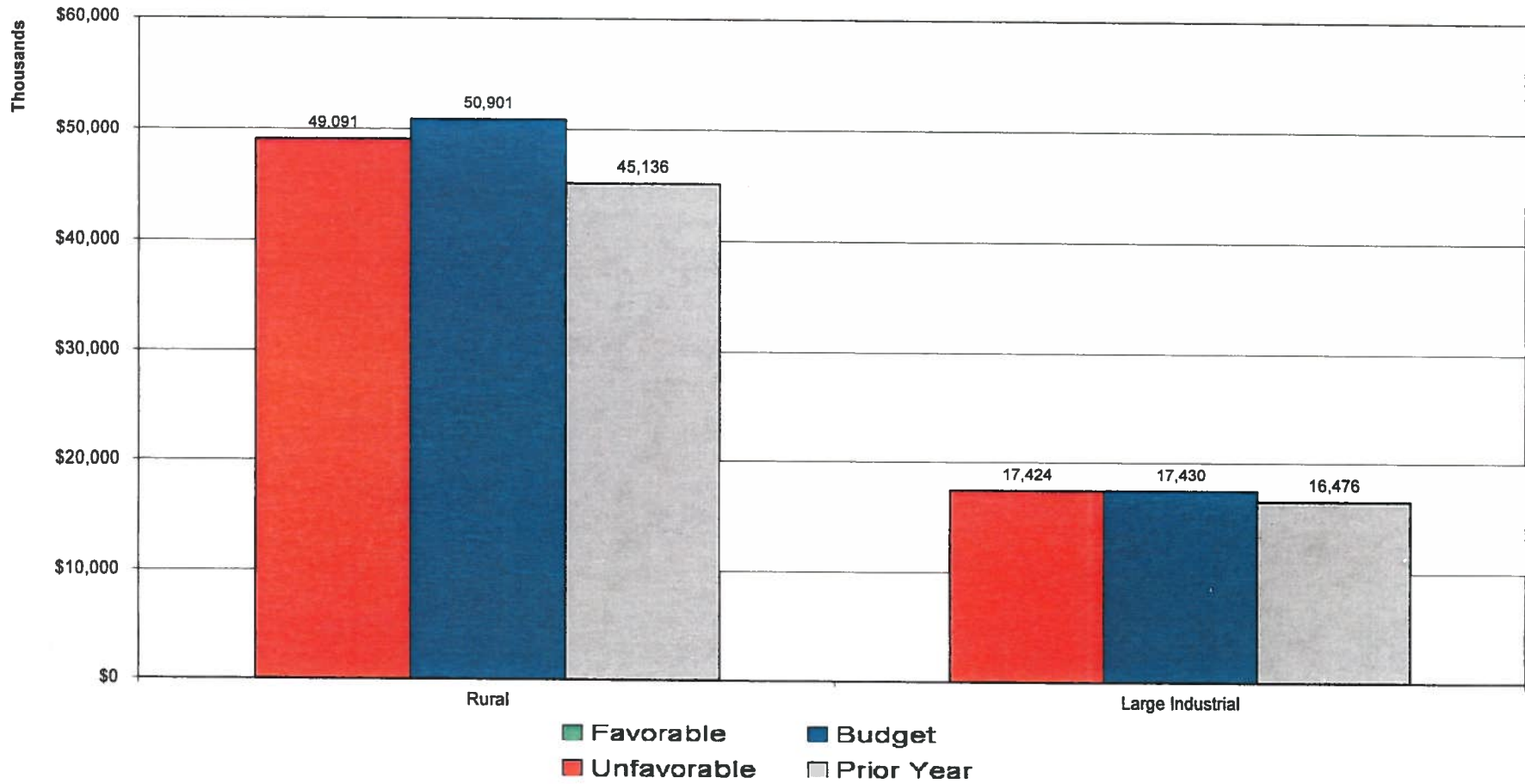
Net Revenue (Excl. MRSM) - \$/MWh YTD - June





Your Touchline Energy Cooperative

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	33,468	35,732	2,264	30,662	(2,806)

Current Year Variances

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

Prior-Year Variances

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		
			Variance
	<u>Actual</u>	<u>Budget</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>
June YTD	20,426	33,556	13,130	18,929	(1,497)

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		
			Variance
	<u>Actual</u>	<u>Budget</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	274,562	309,214	34,652	274,592	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	(17,435)	(28,553)	(11,118)	(56,296)	(38,861)
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)
	254,407	278,594	24,187	215,209	(39,198)
Member MWh	5,298,635	5,274,888	23,747	4,978,719	319,916
North Star - \$/kWh	0.048014	0.052815	0.004801	0.043226	(0.004788)



TIER

	<u>Actual</u>	<u>Budget</u>	<u>Fav/(Unfav)</u>
Interest on Long-Term Debt	22,484	22,243	(241)
Net Margins	1,635	(5,402)	7,037
TIER - YTD June	1.07	0.76	0.31
TIER (12 months ending 6/30)	1.14	1.03	0.11

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	\$ 93,225

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			
	Actual	Budget	Variance Fav(UnFav)	Actual	Budget	Variance Fav(UnFav)	Explanation
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	
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	17,260	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.

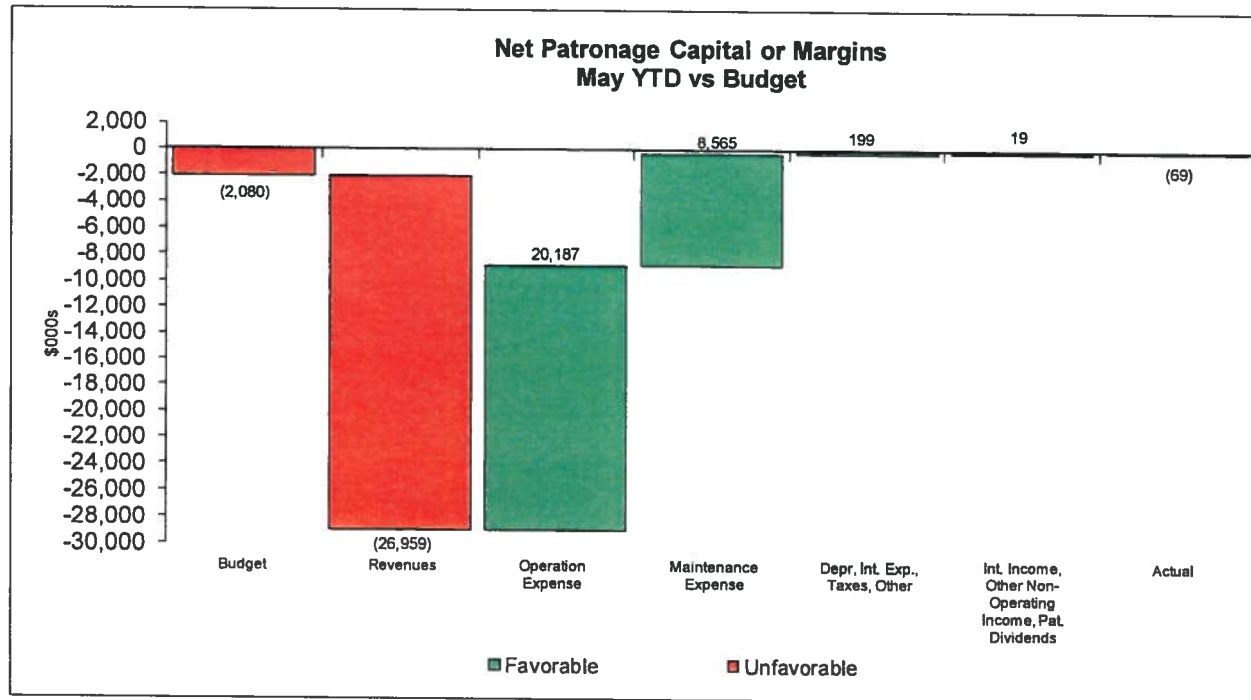


Statement of Operations – May Variance to Prior-Year

	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 Page 22
OTHER OPERATING REVENUE AND INCOME	380	319	61	1,907	1,314	593	
TOTAL OPER REVENUES & PATRONAGE CAPITAL	48,690	50,712	(2,022)	228,651	229,377	(726)	
OPERATION EXPENSE-PRODUCTION-EXCL FUEL	4,063	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	
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)	
OPERATION EXPENSE-RTO/ISO	196	206	10	1,044	1,003	(41)	Page 24
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	228,940	(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

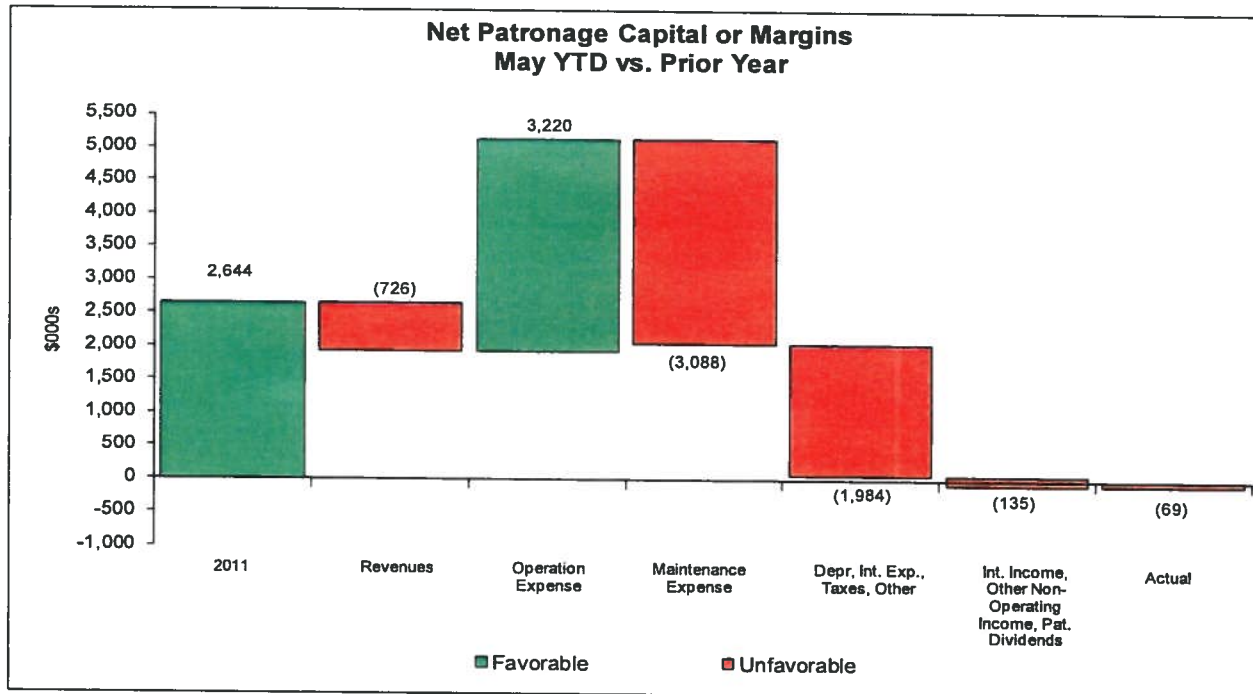


Financial Commentary

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 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).



**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	539,916	668,987	(129,071)	1,392,000	(852,084)
Total	4,942,124	5,048,464	(106,340)	5,516,601	(574,477)
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	26.95	40.43	(13.48)	34.08	(7.13)
Total	45.88	50.30	(4.42)	41.34	4.54
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	14,553	27,045	(12,492)	47,433	(32,880)
Total	226,744	253,936	(27,192)	228,063	(1,319)

**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	(7,274)	(5,218)	(12,492)
	(23,056)	(4,136)	(27,192)



**Variable Operations Cost
YTD May**

	Actual 2012	Budget 2012	Variance	Actual 2011	2011 Variance
Variable Operations (VO) Cost - \$/MWh					
Rural	25.54	28.31	2.77	25.74	0.20
Large Industrial	25.59	28.31	2.72	25.74	0.15
Smelter	26.41	29.51	3.10	24.32	(2.09)
Off-System/Other	25.86	28.45	2.59	23.67	(2.19)
Total	26.12	29.05	2.93	24.51	(1.61)
VO Cost - Thousands of \$					
Rural	23,244	26,762	3,518	24,742	1,498
Large Industrial	10,322	11,193	871	10,167	(155)
Smelter	81,580	89,676	8,096	67,337	(14,243)
Off-System/Other	13,963	19,031	5,068	32,952	18,989
Total	129,109	146,662	17,553	135,198	6,089

**YTD May 2012
Variable Operations Expense**

	Actual	Budget	Fav/(UnFav)	Price Variance Fav/(UnFav)	Volume Variance Fav/(UnFav)	Fav/(UnFav)
Reagent	10,190	12,163	1,973	1,206	767	1,973
Fuel	96,383	105,148	8,765	7,587	1,178	8,765
Purchased Power	23,594	30,960	7,366	4,596	2,770	7,366
Non-FAC PPA (Non-Smelter)	(1,058)	(1,609)	(551)	(518)	(33)	(551)
	129,109	146,662	17,553	12,871	4,682	17,553



Your Trusted Energy Cooperative

Net Sales Margin YTD May

	Actual 2012	Budget 2012	Variance	Actual 2011	2011 Variance
Net Sales Margin - \$/MWh					
Rural	24.36	25.24	(0.88)	19.90	4.46
Large Industrial	17.23	17.86	(0.63)	16.10	1.13
Smelter	21.99	22.49	(0.50)	19.11	2.88
Off-System/Other	1.09	11.98	(10.89)	10.41	(9.32)
Total	19.76	21.25	(1.49)	16.83	2.93
Net Sales Margin - Thousands of \$					
Rural	22,176	23,857	(1,681)	19,147	3,029
Large Industrial	6,947	7,063	(116)	6,351	596
Smelter	67,922	68,340	(418)	52,886	15,036
Off-System/Other	590	8,014	(7,424)	14,481	(13,891)
Total	97,635	107,274	(9,639)	92,865	4,770

Net Sales Margin Price / Volume Analysis May 2012

	Price / Volume		
	Price	Volume	Total
Rural	(796)	(885)	(1,681)
Large Industrial	(258)	142	(116)
Smelter	(1,540)	1,122	(418)
Off-System/Other	(5,878)	(1,546)	(7,424)
	(8,472)	(1,167)	(9,639)



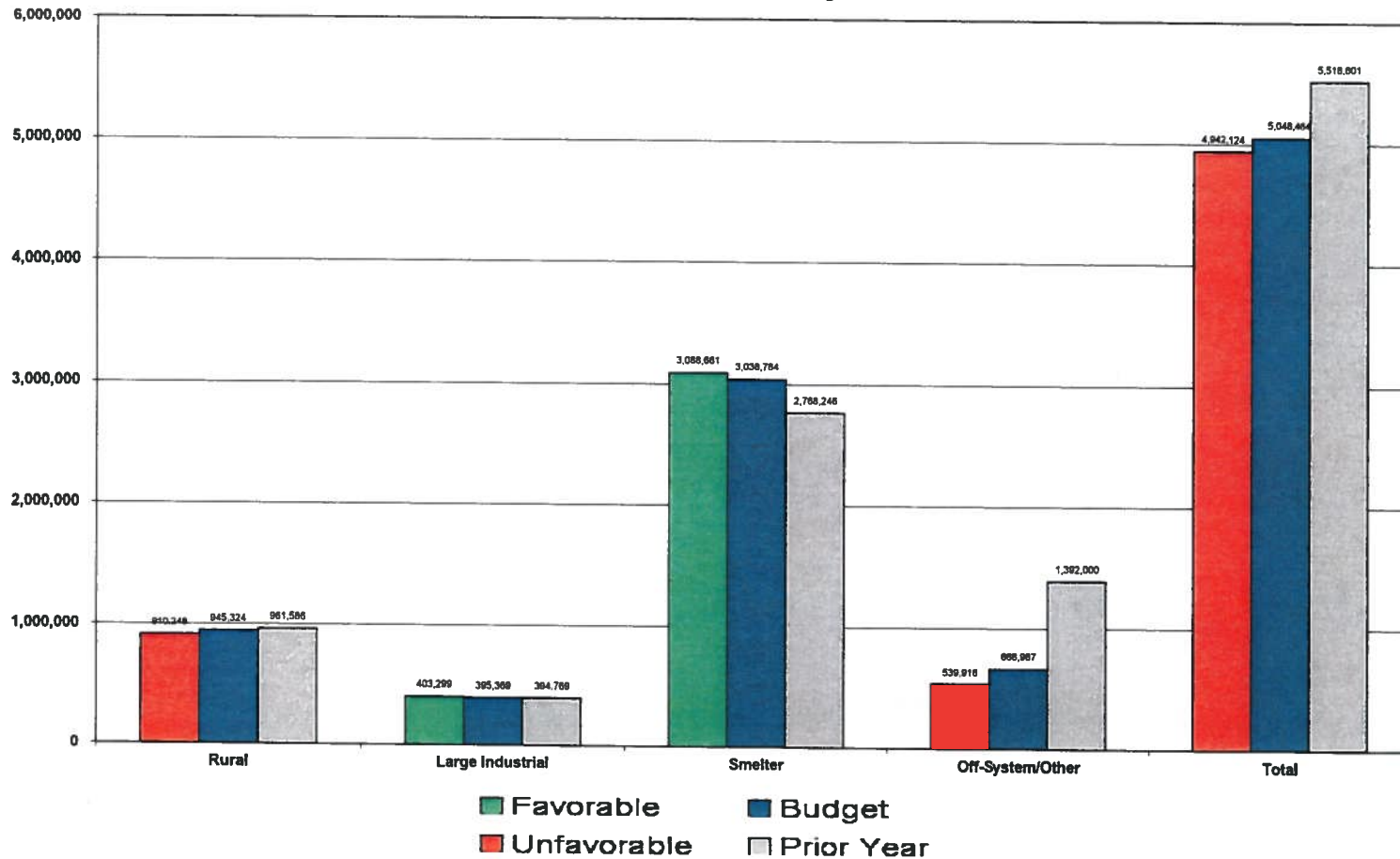
Your Town. Your Energy. Cooperative

Member Rate Stability Mechanism YTD May

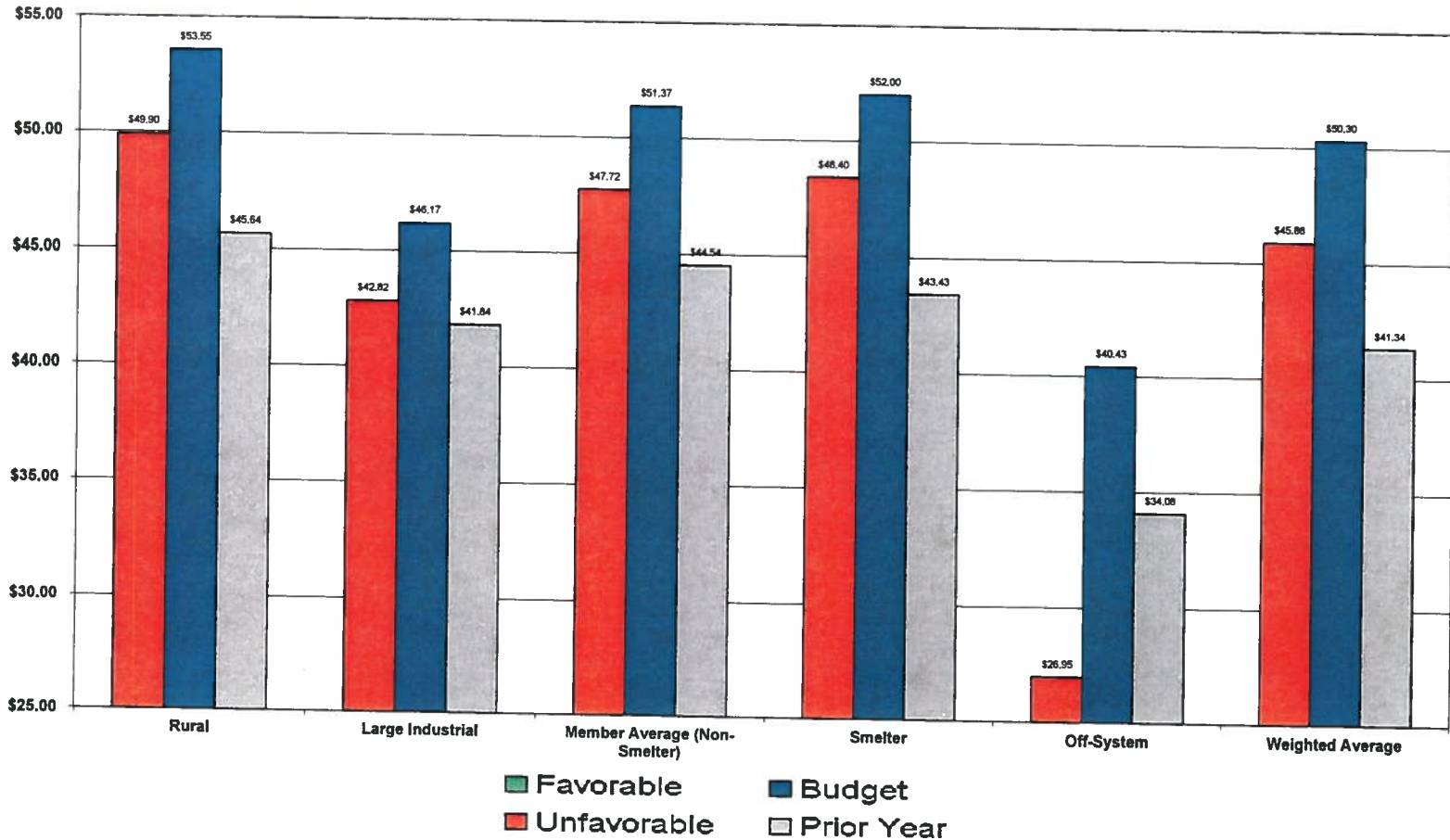
	<u>Actual</u> <u>2012</u>	<u>Budget</u> <u>2012</u>	<u>2012</u> <u>Variance</u>	<u>Actual</u> <u>2011</u>	<u>2011</u> <u>Variance</u>		<u>Actual</u> <u>2012</u>	<u>Budget</u> <u>2012</u>	<u>2012</u> <u>Variance</u>	<u>Actual</u> <u>2011</u>	<u>2011</u> <u>Variance</u>
<u>MRSM - \$/MWh</u>						<u>Net 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	(67,730)		
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	(8,567)		
Ending Balance 5/31/2012	\$ 92,253	\$ 88,047	\$ 4,206

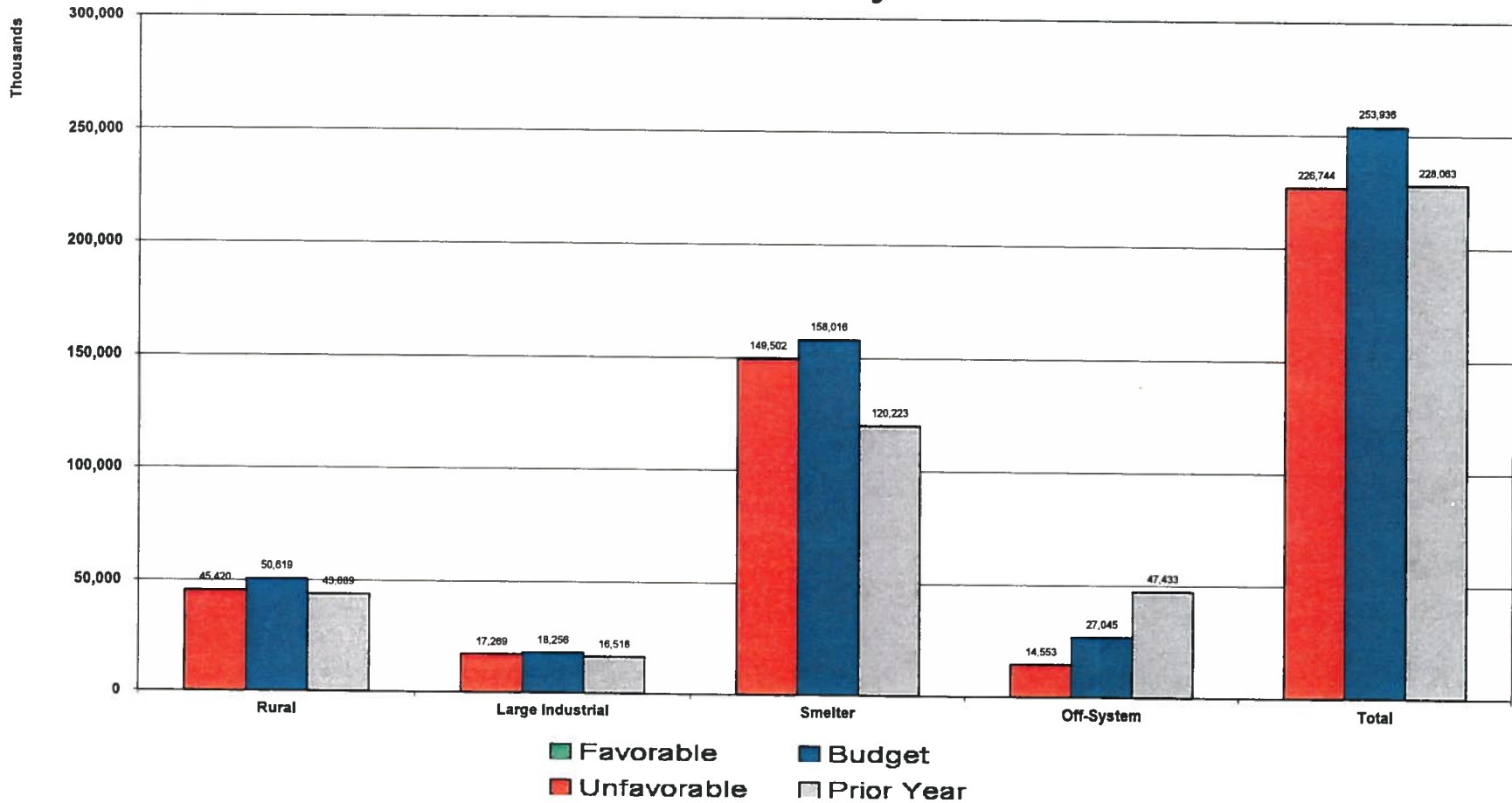
MWH Sales YTD - May



Revenue - \$/MWh Sold YTD - May

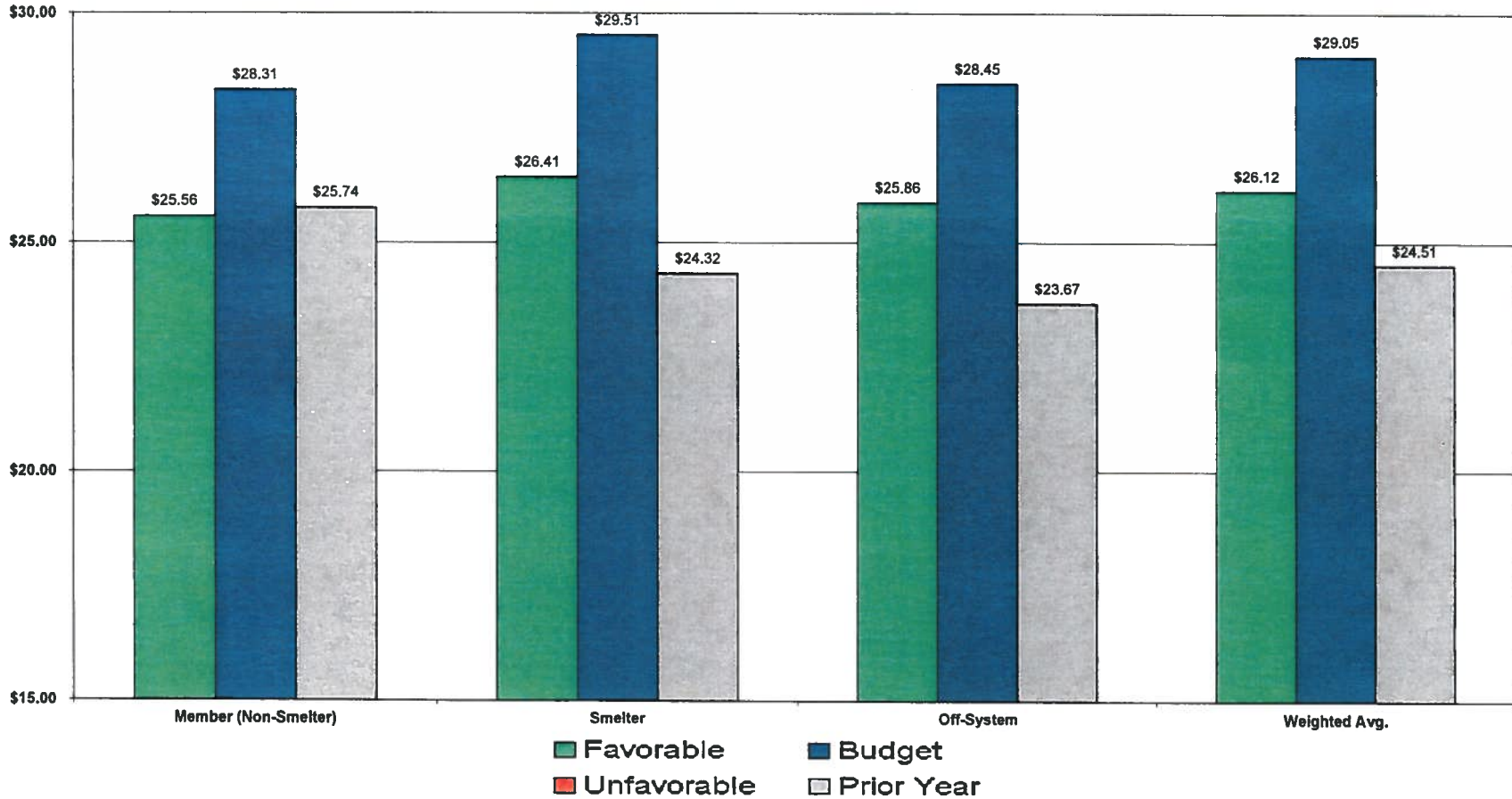


Revenue YTD - May





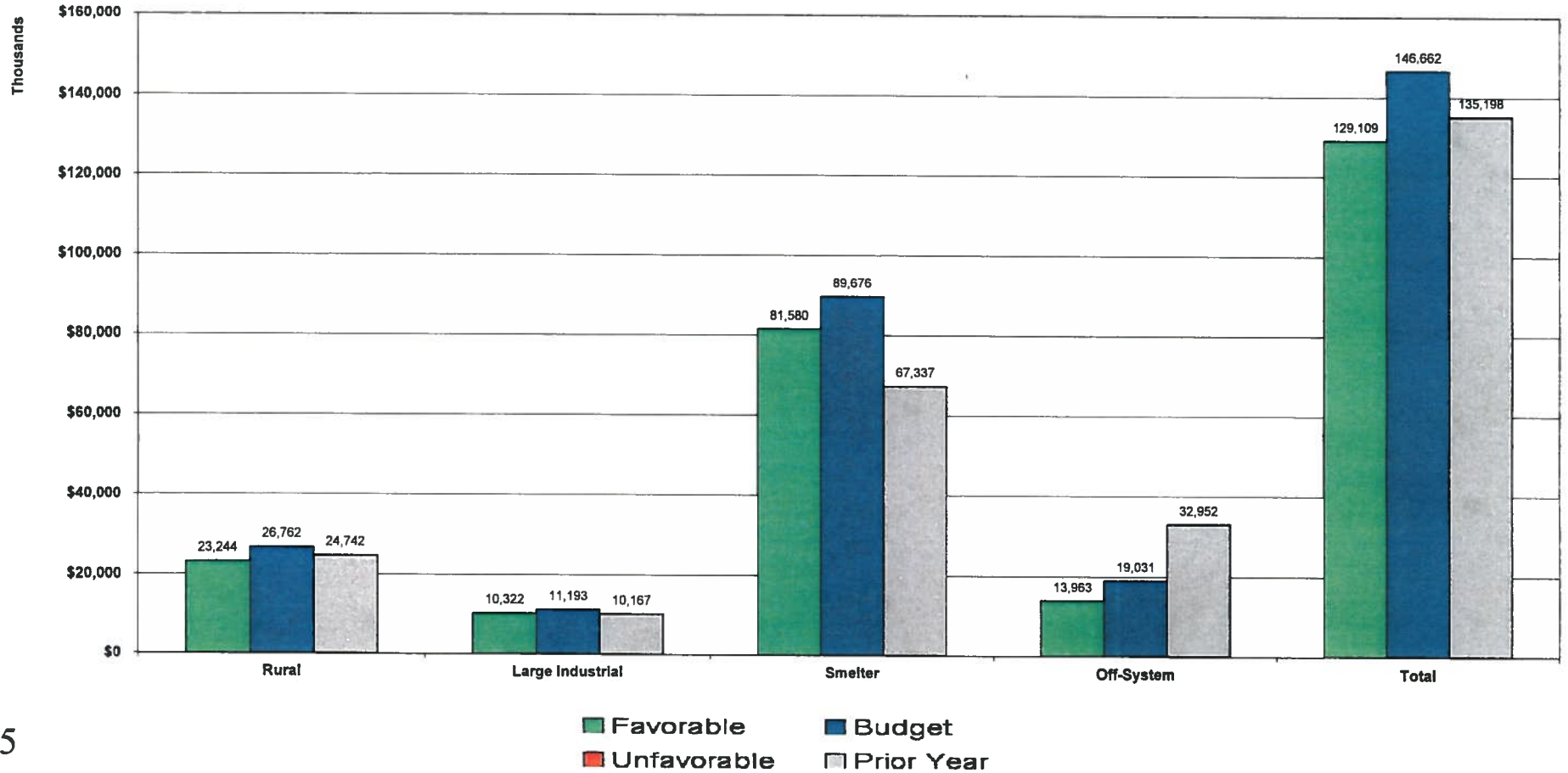
Variable Operations - \$/MWh Sold YTD - May





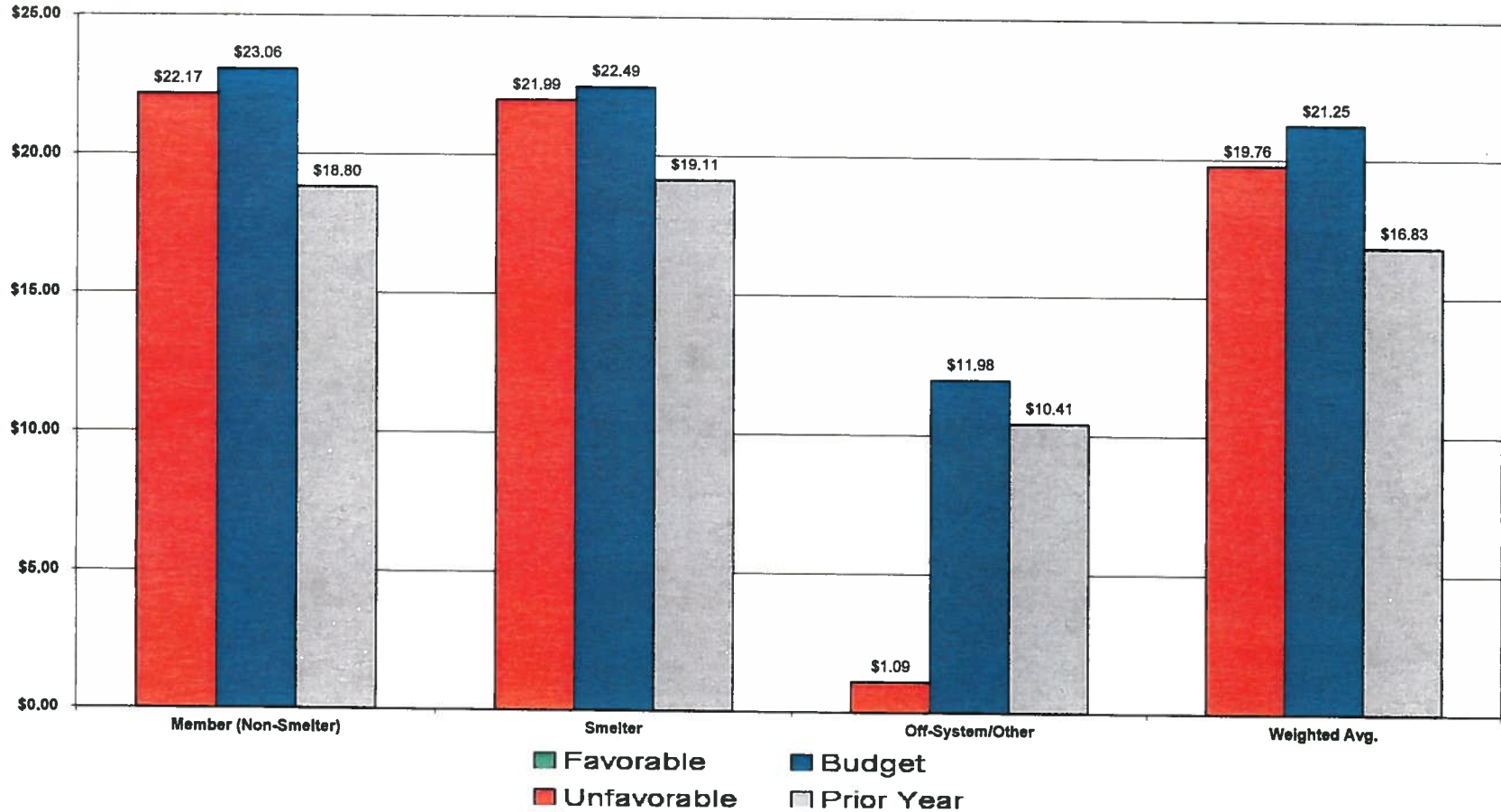
Your Tomorrow's Energy Cooperative

Variable Operations Cost YTD - May



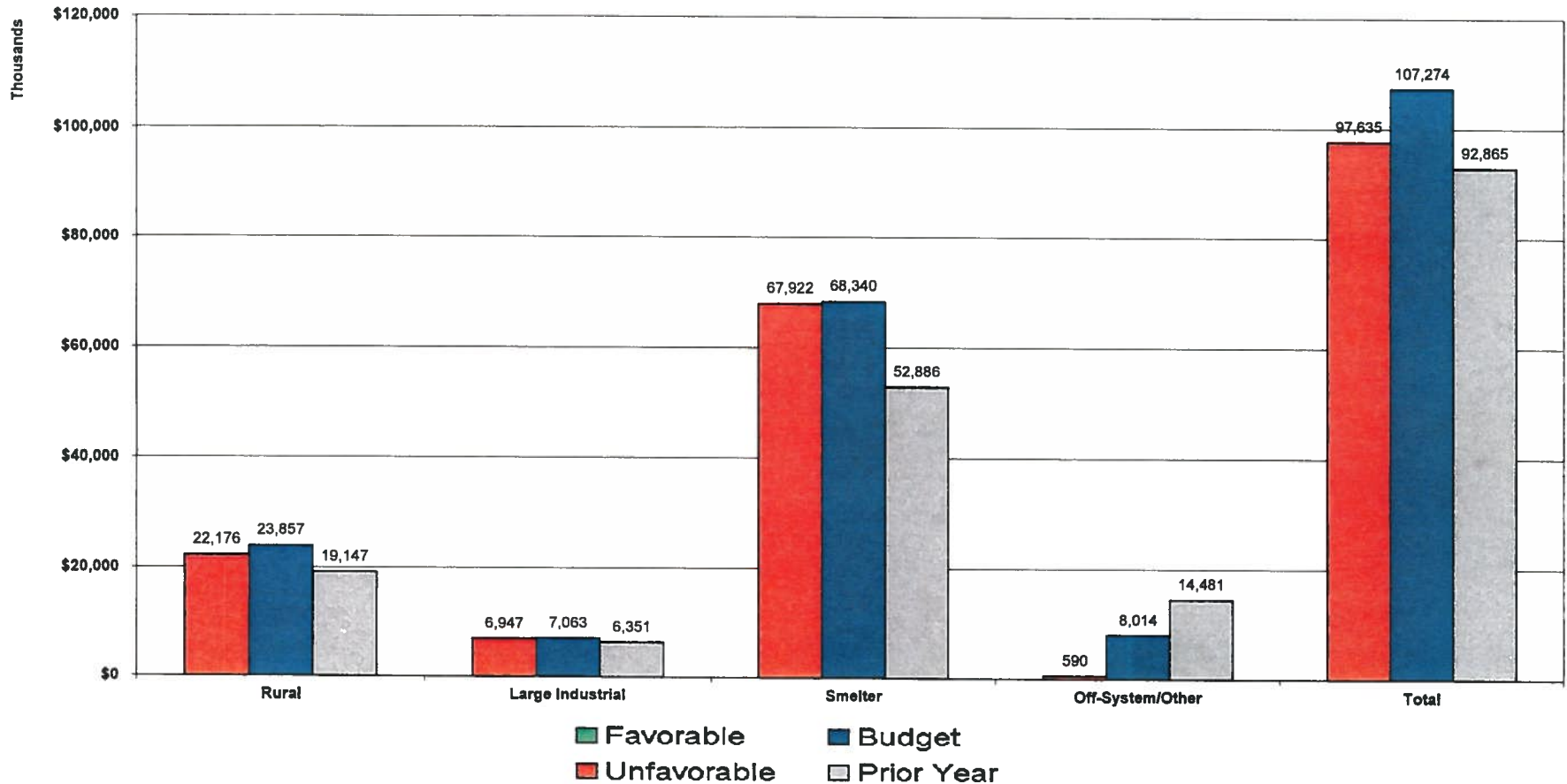


Net Sales Margin - \$/MWh YTD - May



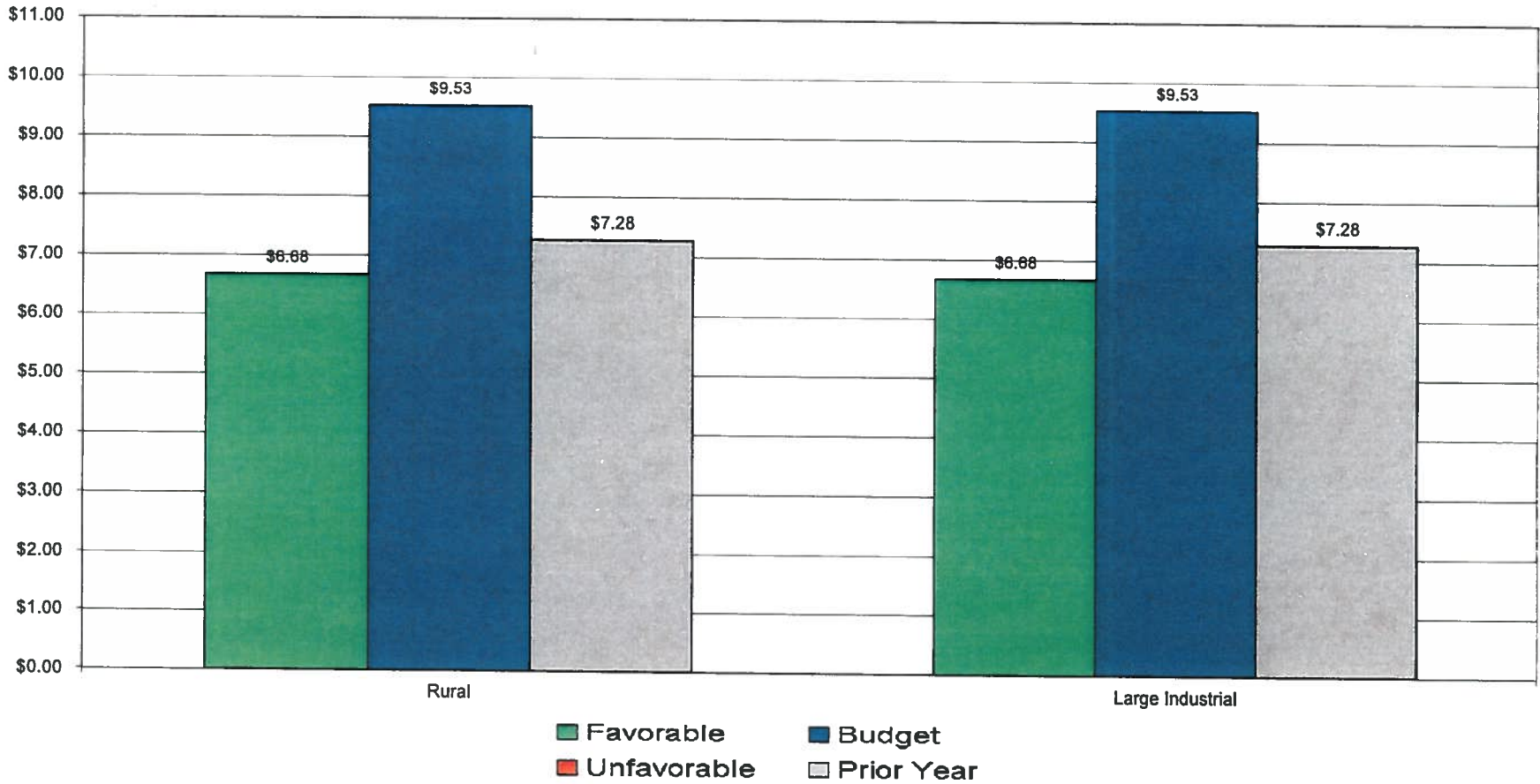


Net Sales Margin YTD – May

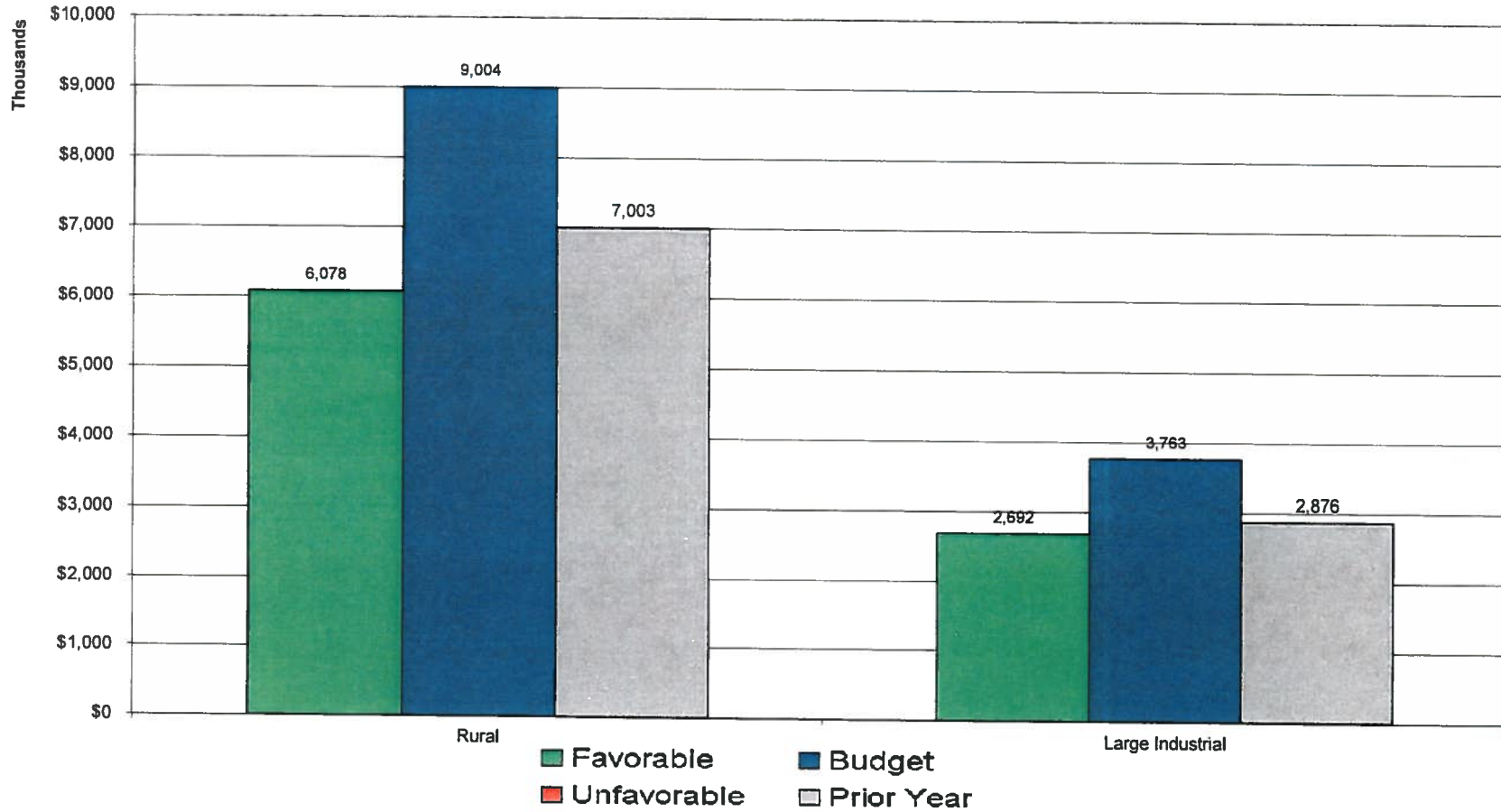




MRSM - \$/MWh YTD - May

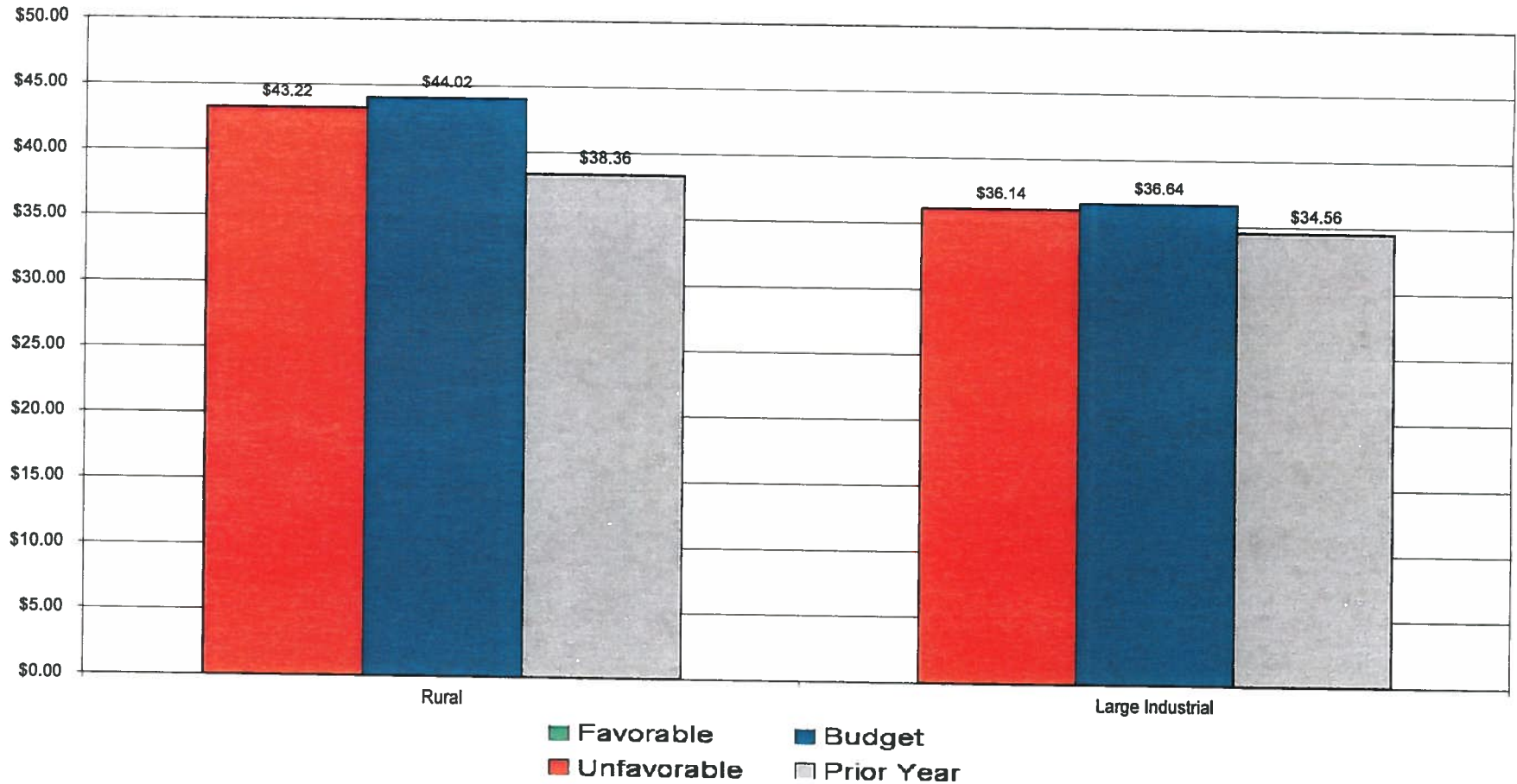


MRSM YTD - May



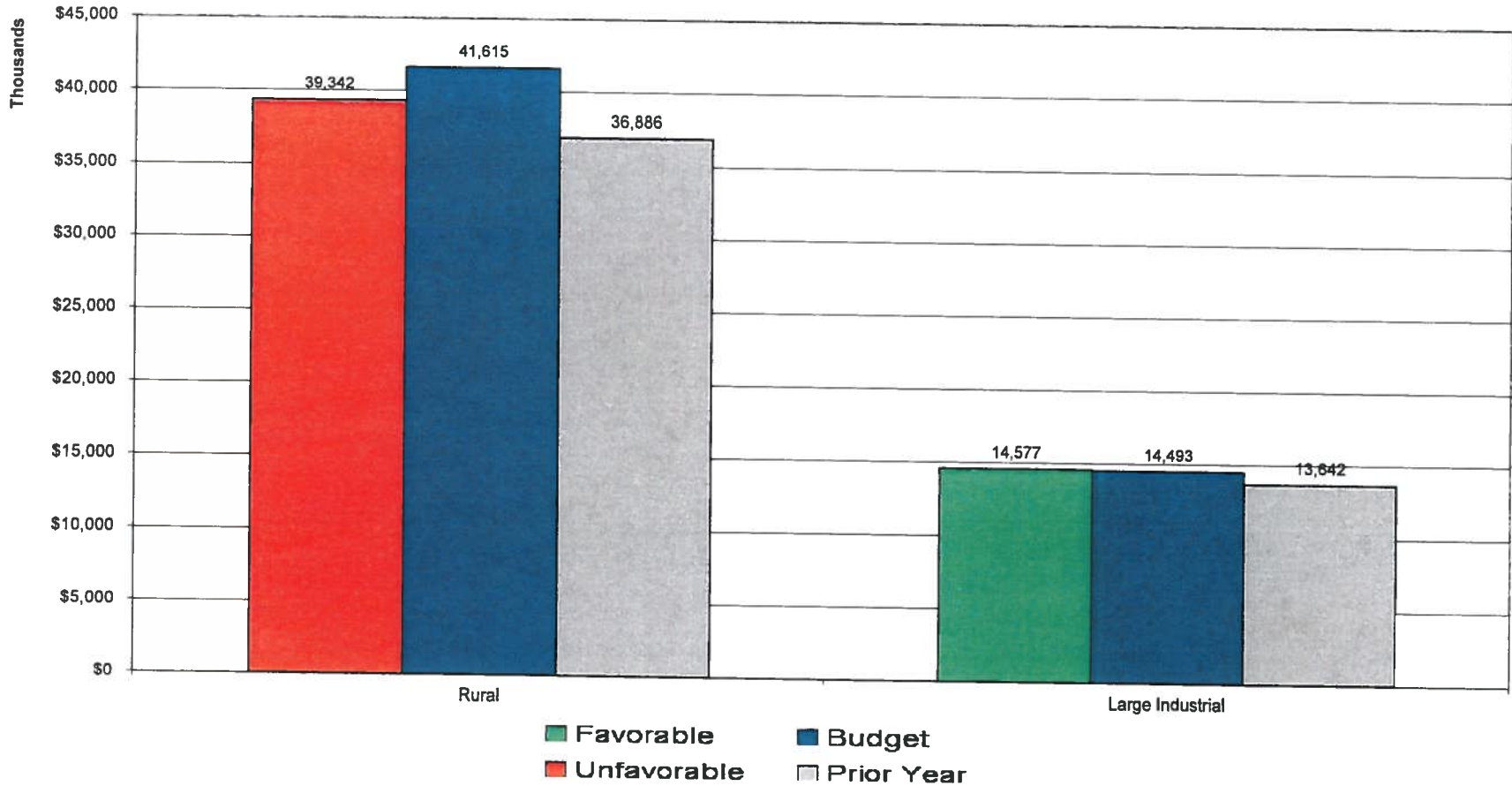


Net Revenue (Excl. MRSM) - \$/MWh YTD - May





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

	2012			2011	
	<u>Actual</u>	<u>Budget</u>	<u>Variance Fav/(Unfav)</u>	<u>2011 Actual</u>	<u>Variance Fav/(Unfav)</u>
May YTD	28,459	29,709	1,250	25,915	(2,544)

Current Year Variances

Power Supply transmission reservation	<u>314</u>
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	<u>(33)</u>
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		
			Variance
	<u>Actual</u>	<u>Budget</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	
	<u>Actual</u>	<u>Budget</u>	<u>Variance Fav/(Unfav)</u>	<u>2011 Actual</u>	<u>Variance Fav/(Unfav)</u>
May YTD	17,747	26,524	8,777	14,774	(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	228,792	257,743	28,951	226,940	(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	(14,553)	(27,045)	(12,492)	(47,433)	(32,880)
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)
	212,027	228,971	16,944	176,745	(35,282)

Member MWh	4,402,208	4,379,477	22,731	4,124,603	277,605
------------	-----------	-----------	--------	-----------	---------

North Star - \$/kWh	0.048164	0.052283	0.004119	0.042851	(0.005313)
---------------------	----------	----------	----------	----------	------------



TIER

	<u>Actual</u>	<u>Budget</u>	<u>Fav/(Unfav)</u>
Interest on Long-Term Debt	18,779	18,558	(221)
Net Margins	(69)	(2,080)	2,011
TIER - YTD May	1.00	0.89	0.11
TIER (12 months ending 5/31)	1.06	1.09	(0.03)

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.

* 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>
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	
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)	3,256	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.

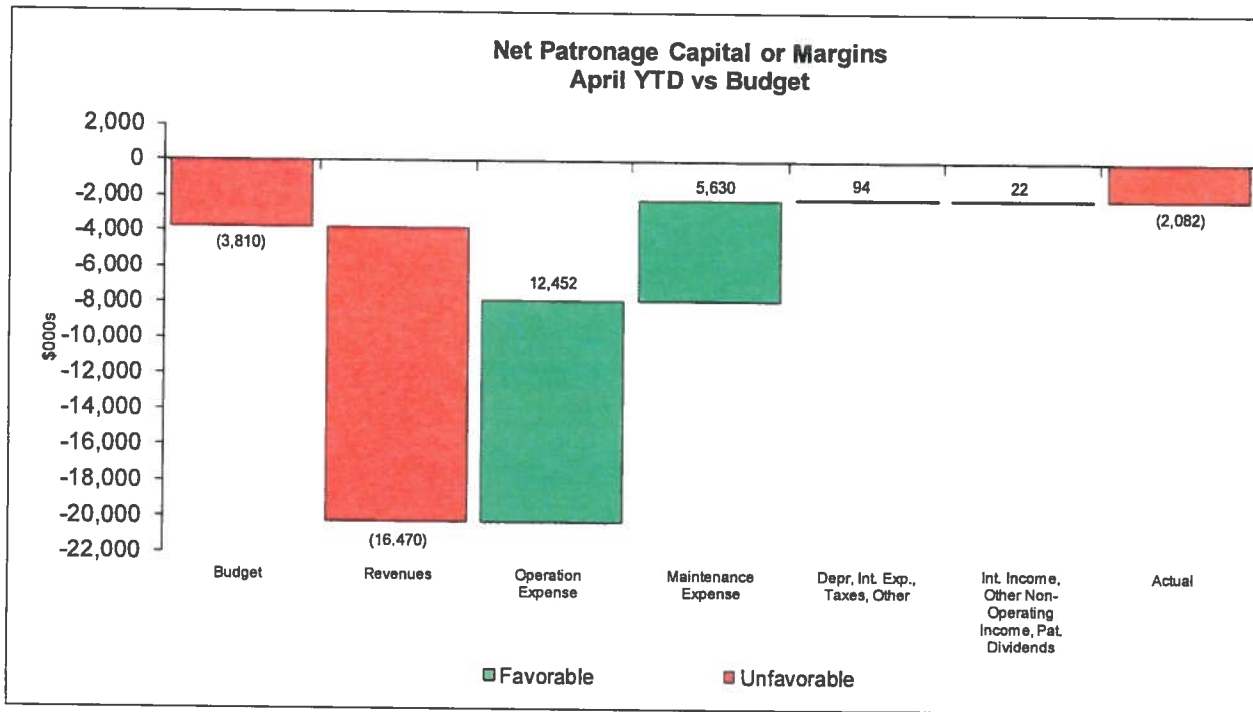


Statement of Operations – April Variance to Prior-Year

	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

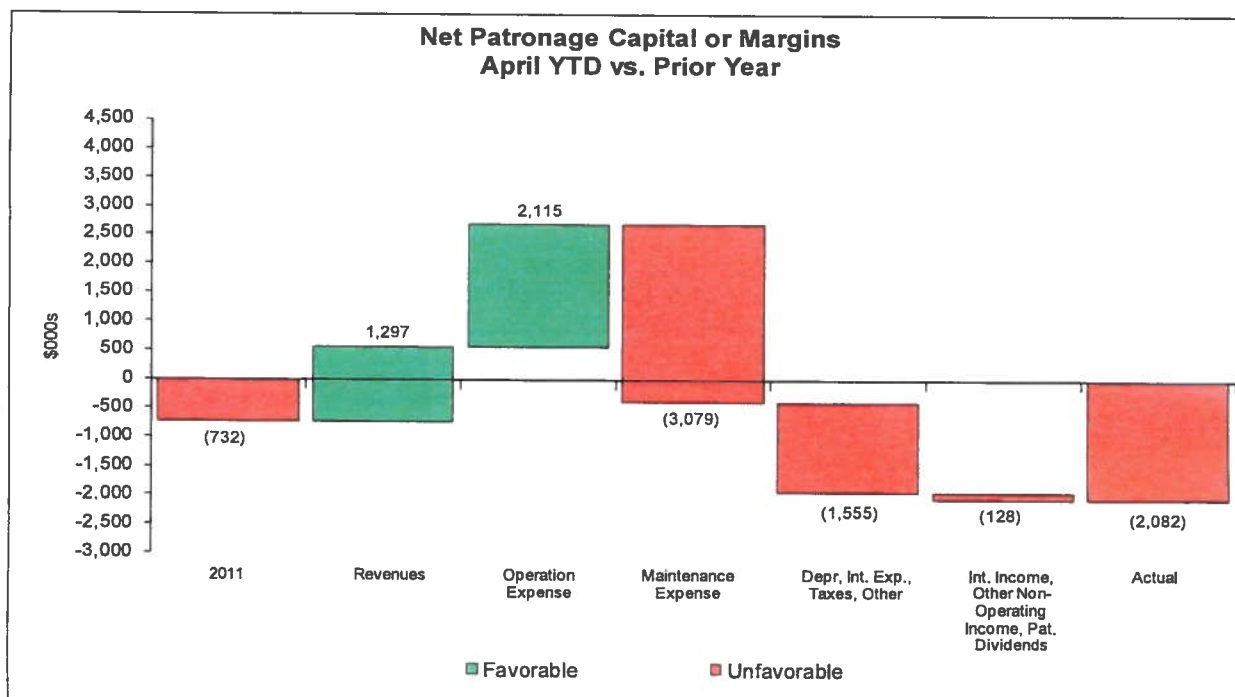


Financial Commentary

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	383,834	318,131	65,703	1,032,842	(649,008)
Total	3,884,794	3,832,693	52,101	4,312,845	(428,051)

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	26.23	40.26	(14.03)	33.92	(7.69)
Total	45.93	50.90	(4.97)	41.20	4.73

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	10,067	12,807	(2,740)	35,035	(24,968)
Total	178,434	195,091	(16,657)	177,670	764

**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	(5,385)	2,645	(2,740)
	(18,436)	1,779	(16,657)



Variable Operations Cost YTD April

	Actual 2012	Budget 2012	Variance	Actual 2011	2011 Variance
Variable Operations (VO) Cost - \$/MWh					
Rural	25.38	28.47	3.09	25.84	0.46
Large Industrial	25.46	28.47	3.01	25.90	0.44
Smelter	26.34	29.41	3.07	24.45	(1.89)
Off-System/Other	25.71	28.63	2.92	23.26	(2.45)
Total	26.03	29.08	3.05	24.52	(1.51)
VO Cost - Thousands of \$					
Rural	18,344	22,273	3,929	20,481	2,137
Large Industrial	8,234	8,917	683	8,056	(178)
Smelter	64,672	71,153	6,481	53,206	(11,466)
Off-System/Other	9,869	9,107	(762)	24,021	14,152
Total	101,119	111,450	10,331	105,764	4,645

YTD April 2012 Variable Operations Expense

	Actual	Budget	Fav/(UnFav)	Price Variance	Volume Variance	Fav/(UnFav)
				Fav/(UnFav)	Fav/(UnFav)	
Reagent	7,930	9,852	1,922	437	1,485	1,922
Fuel	74,025	84,856	10,831	5,865	4,966	10,831
Purchased Power	20,074	17,776	(2,298)	12,634	(14,932)	(2,298)
Non-FAC PPA (Non-Smelter)	(910)	(1,034)	(124)	(77)	(47)	(124)
	101,119	111,450	10,331	18,859	(8,528)	10,331



Northwest Energy Cooperative

Net Sales Margin YTD April

	Actual 2012	Budget 2012	Variance	Actual 2011	2011 Variance
Net Sales Margin - \$/MWh					
Rural	24.10	25.24	(1.14)	18.89	5.21
Large Industrial	17.26	18.19	(0.93)	16.02	1.24
Smelter	22.05	22.53	(0.48)	18.81	3.24
Off-System/Other	0.52	11.63	(11.11)	10.66	(10.14)
Total	19.90	21.82	(1.92)	16.68	3.22
Net Sales Margin - Thousands of \$					
Rural	17,418	19,749	(2,331)	14,976	2,442
Large Industrial	5,580	5,695	(115)	4,981	599
Smelter	54,119	54,497	(378)	40,934	13,185
Off-System/Other	198	3,700	(3,502)	11,015	(10,817)
Total	77,315	83,641	(6,326)	71,906	5,409

Net Sales Margin Price / Volume Analysis April 2012

	Price / Volume		
	Price	Volume	Total
Rural	(826)	(1,505)	(2,331)
Large Industrial	(300)	185	(115)
Smelter	(1,186)	808	(378)
Off-System/Other	(4,266)	764	(3,502)
	(6,578)	252	(6,326)



Your Eco-Friendly Energy Cooperative

**Member Rate Stability Mechanism
YTD April**

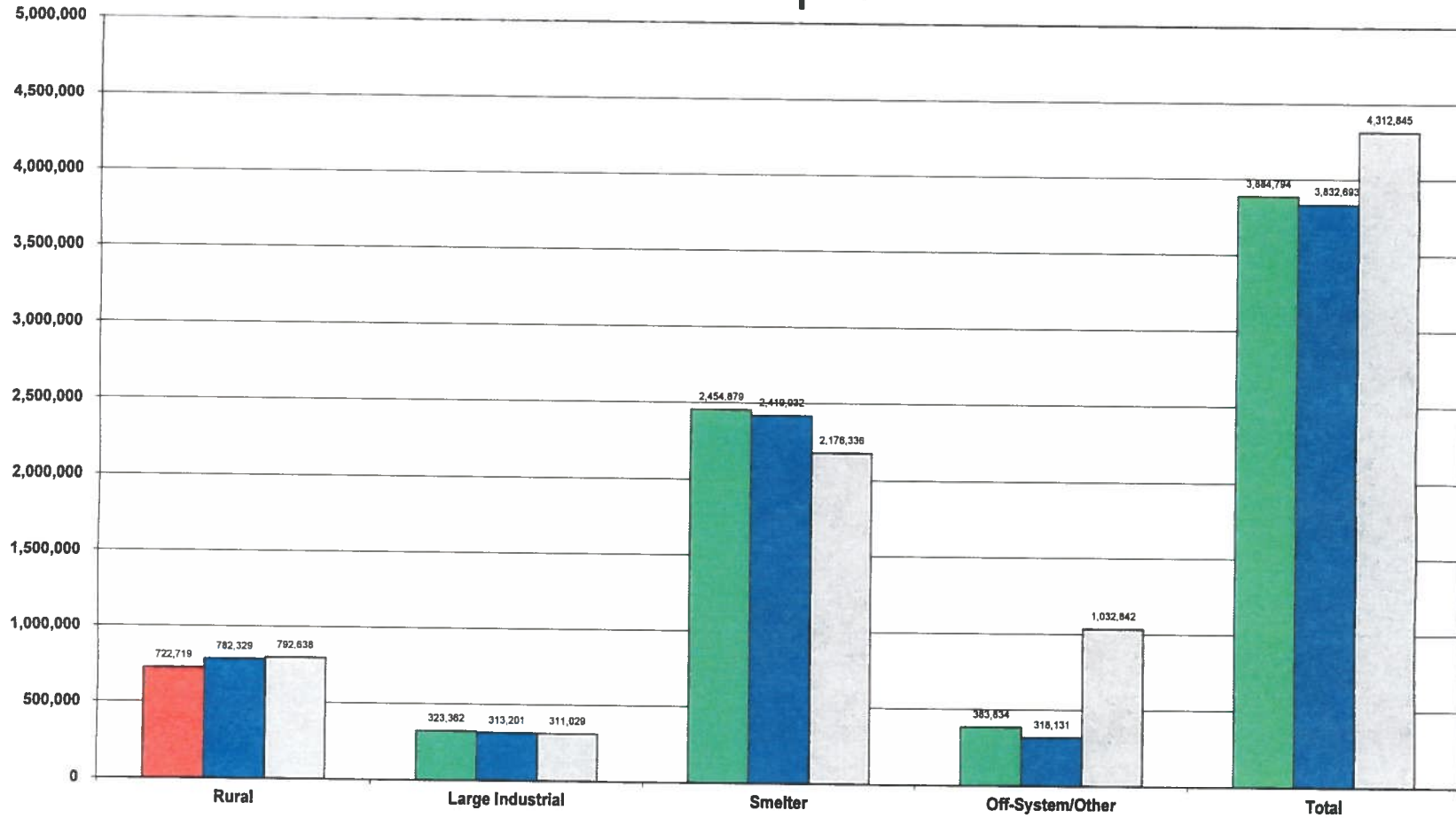
	<u>Actual 2012</u>	<u>Budget 2012</u>	<u>2012 Variance</u>	<u>Actual 2011</u>	<u>2011 Variance</u>		<u>Actual 2012</u>	<u>Budget 2012</u>	<u>2012 Variance</u>	<u>Actual 2011</u>	<u>2011 Variance</u>
<u>MRSM - \$/MWh</u>						<u>Net Revenue - \$/MWh</u>					
Rural	(6.53)	(9.77)	3.24	(7.14)	0.61	Rural	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



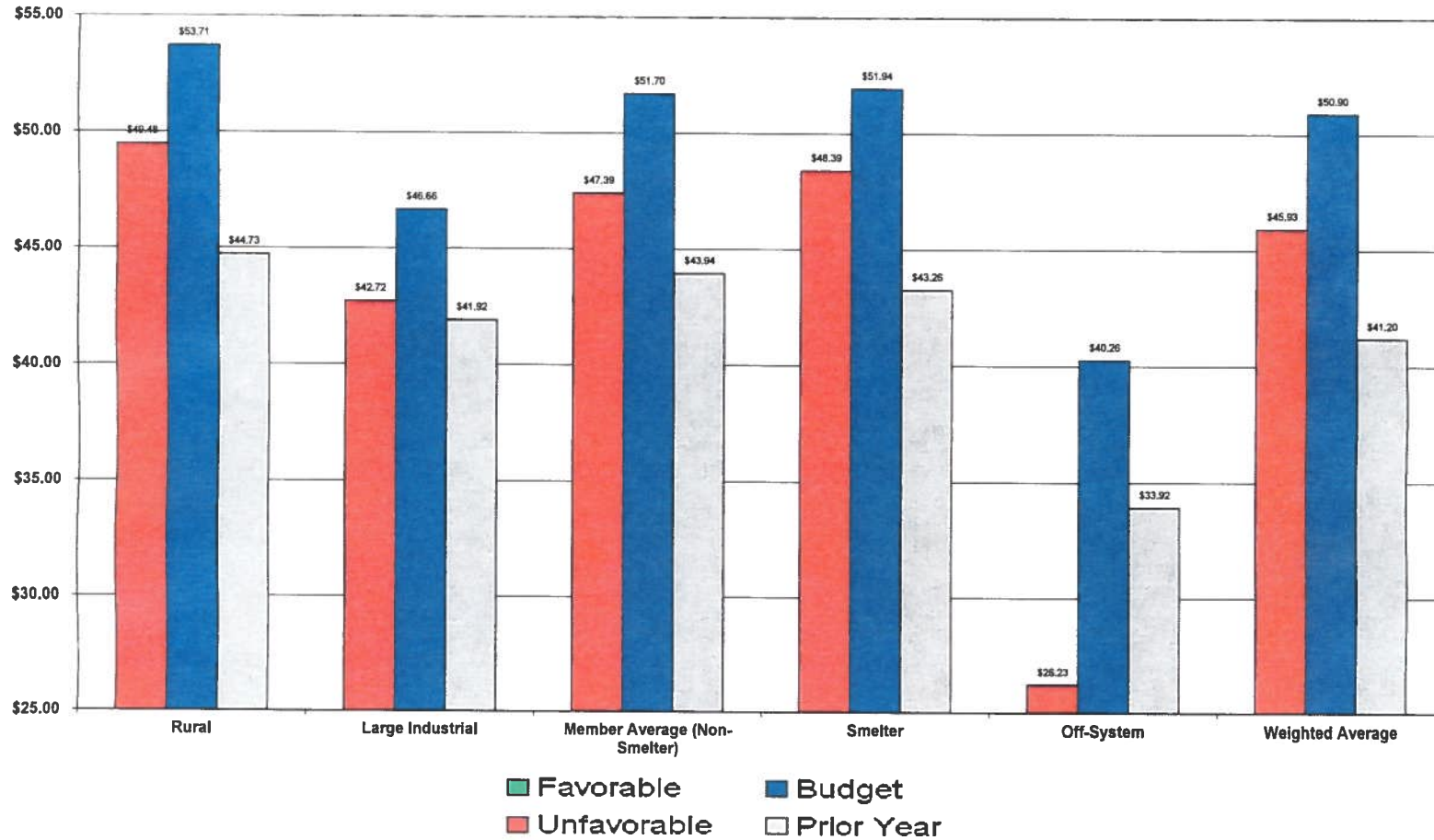
Your Technology Energy Cooperative

MWH Sales YTD - April

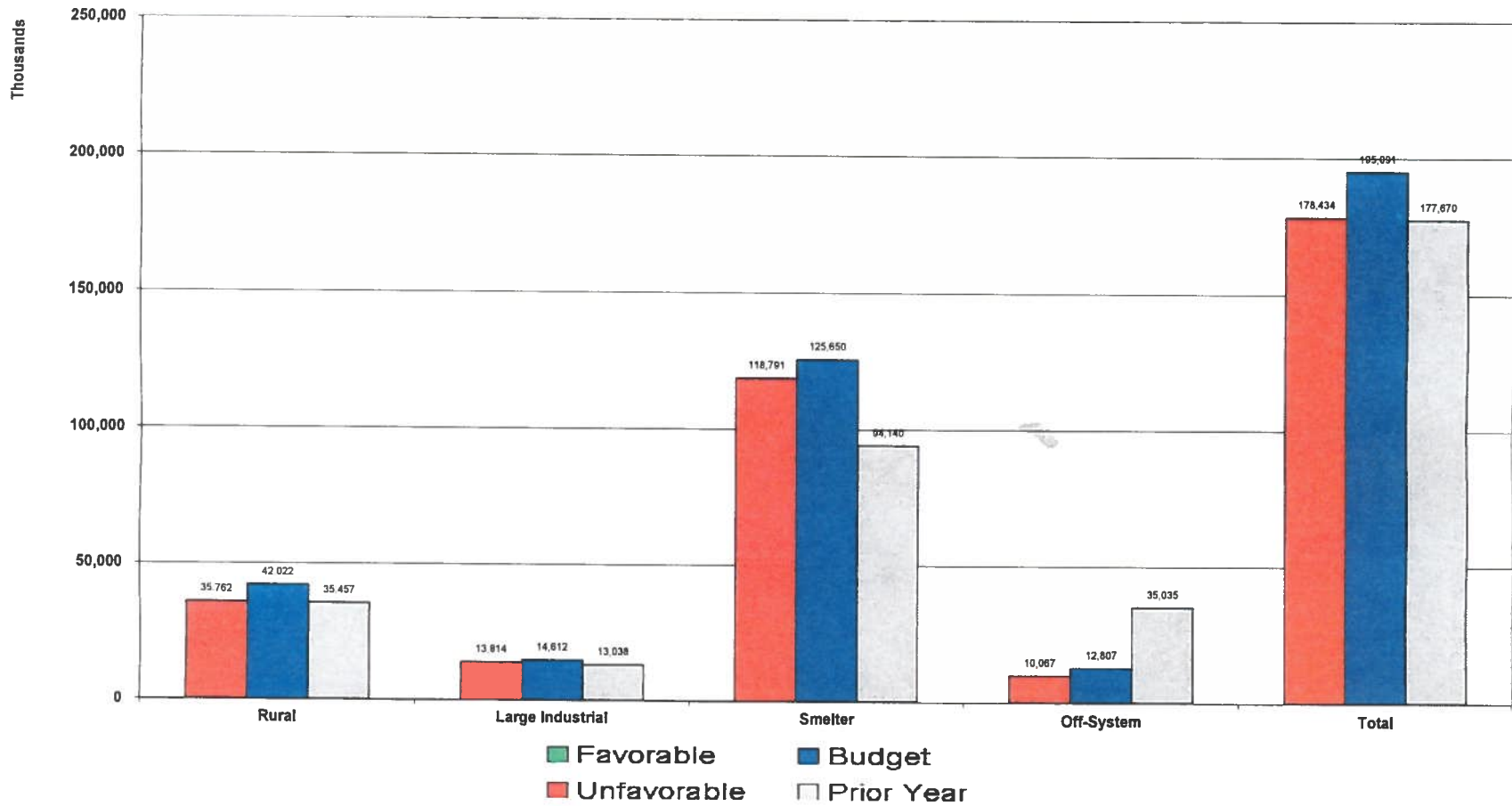




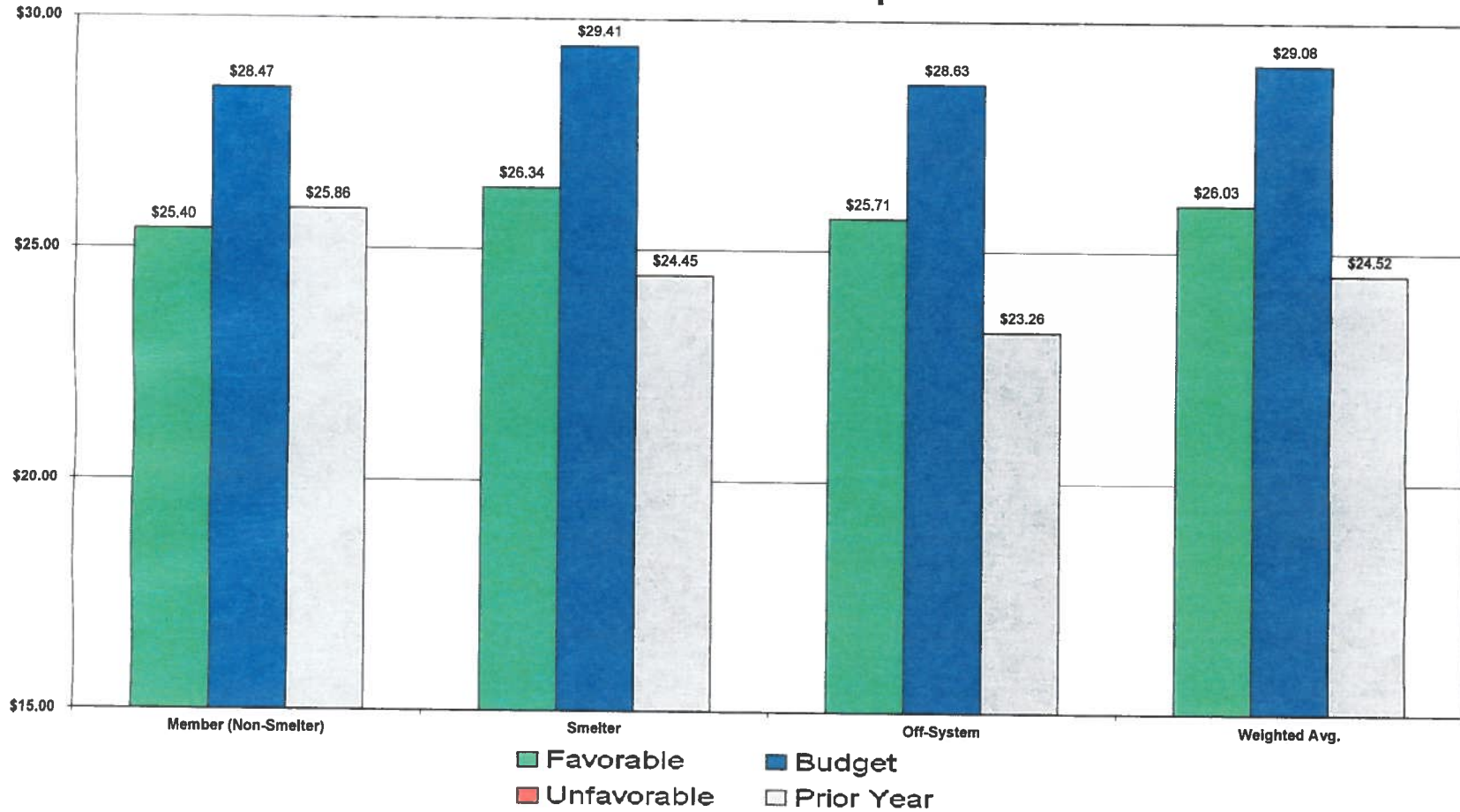
Revenue - \$/MWh Sold YTD - April



Revenue YTD - April

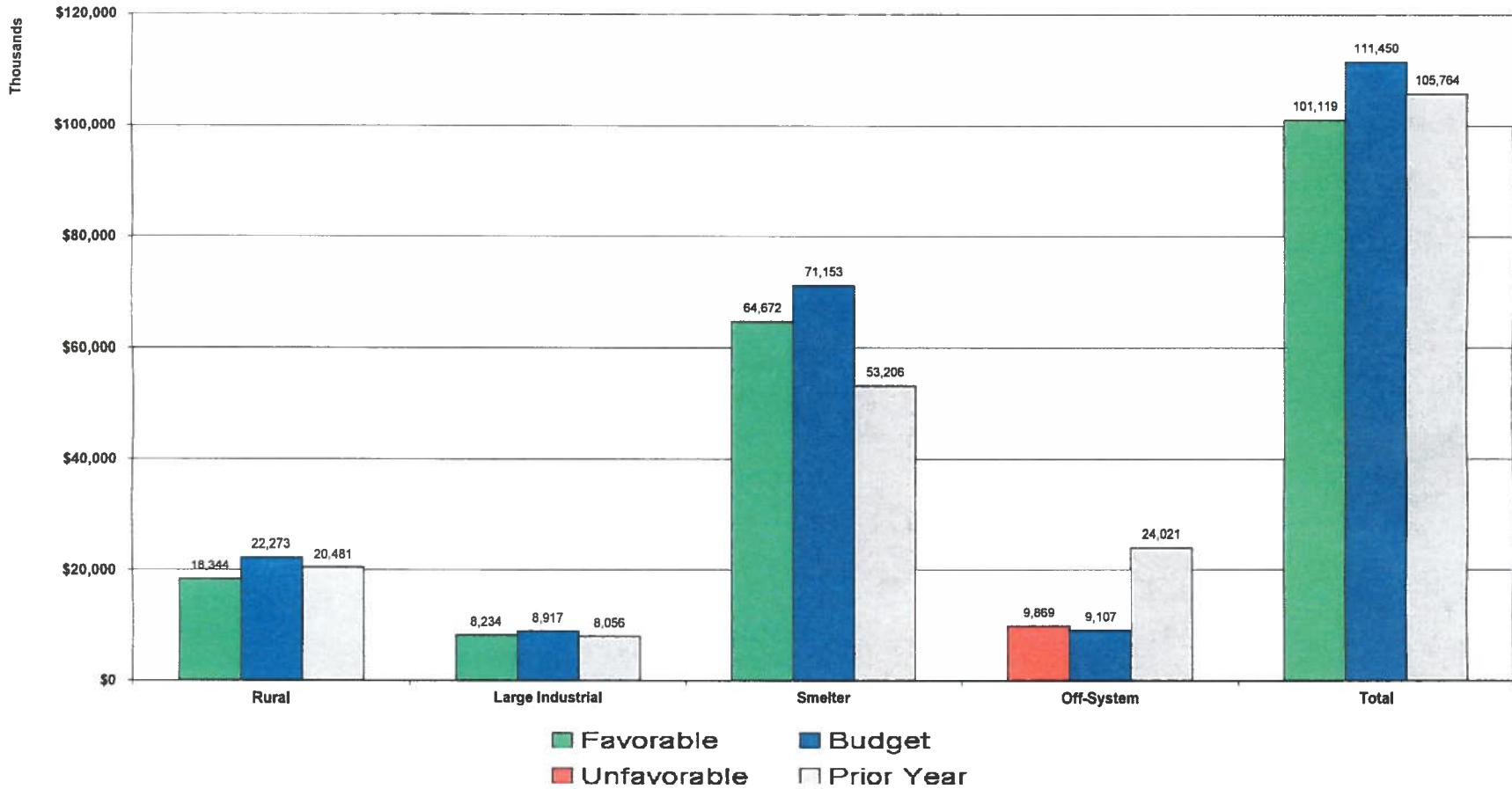


Variable Operations - \$/MWh Sold YTD - April

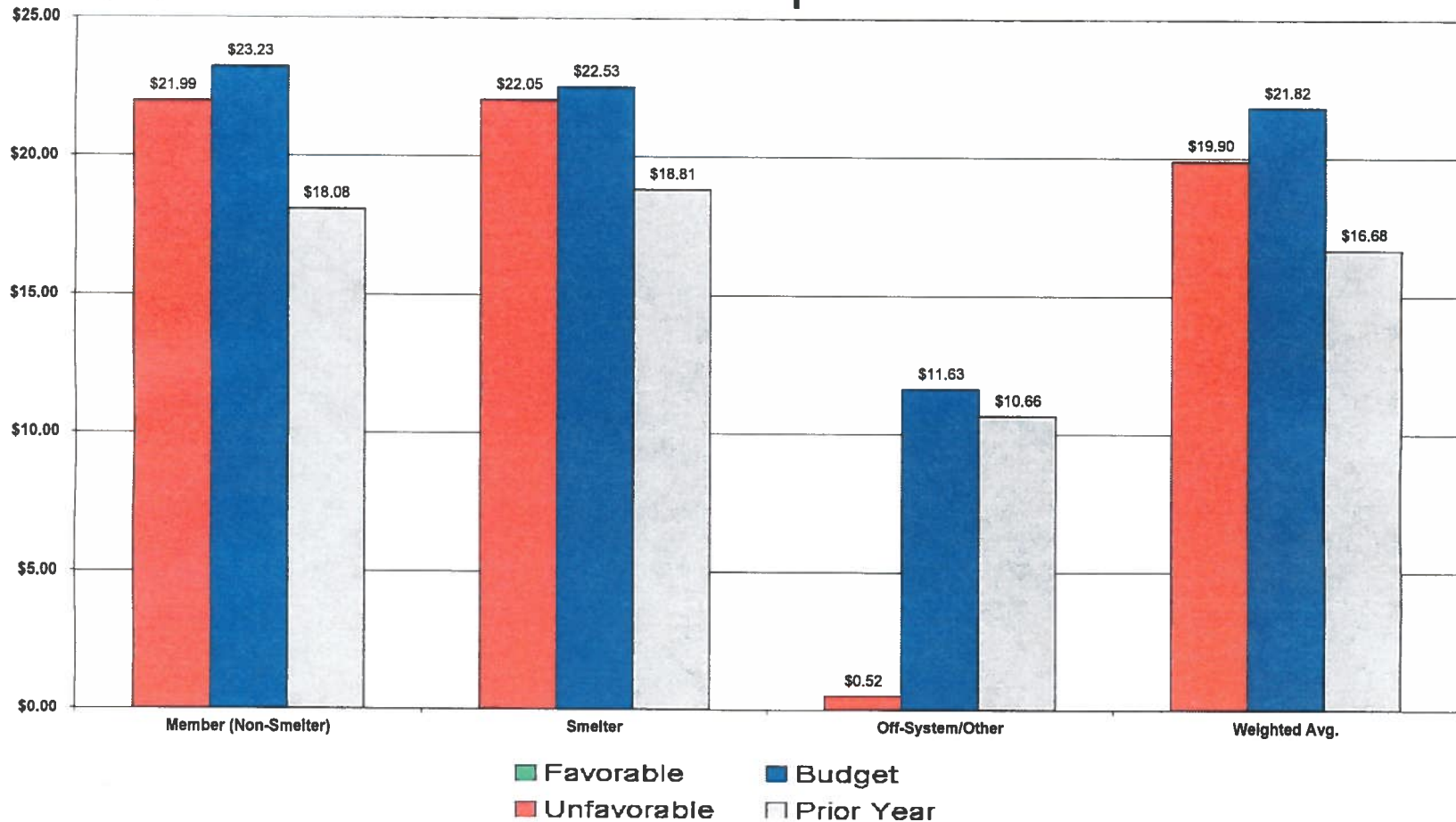




Variable Operations Cost YTD - April

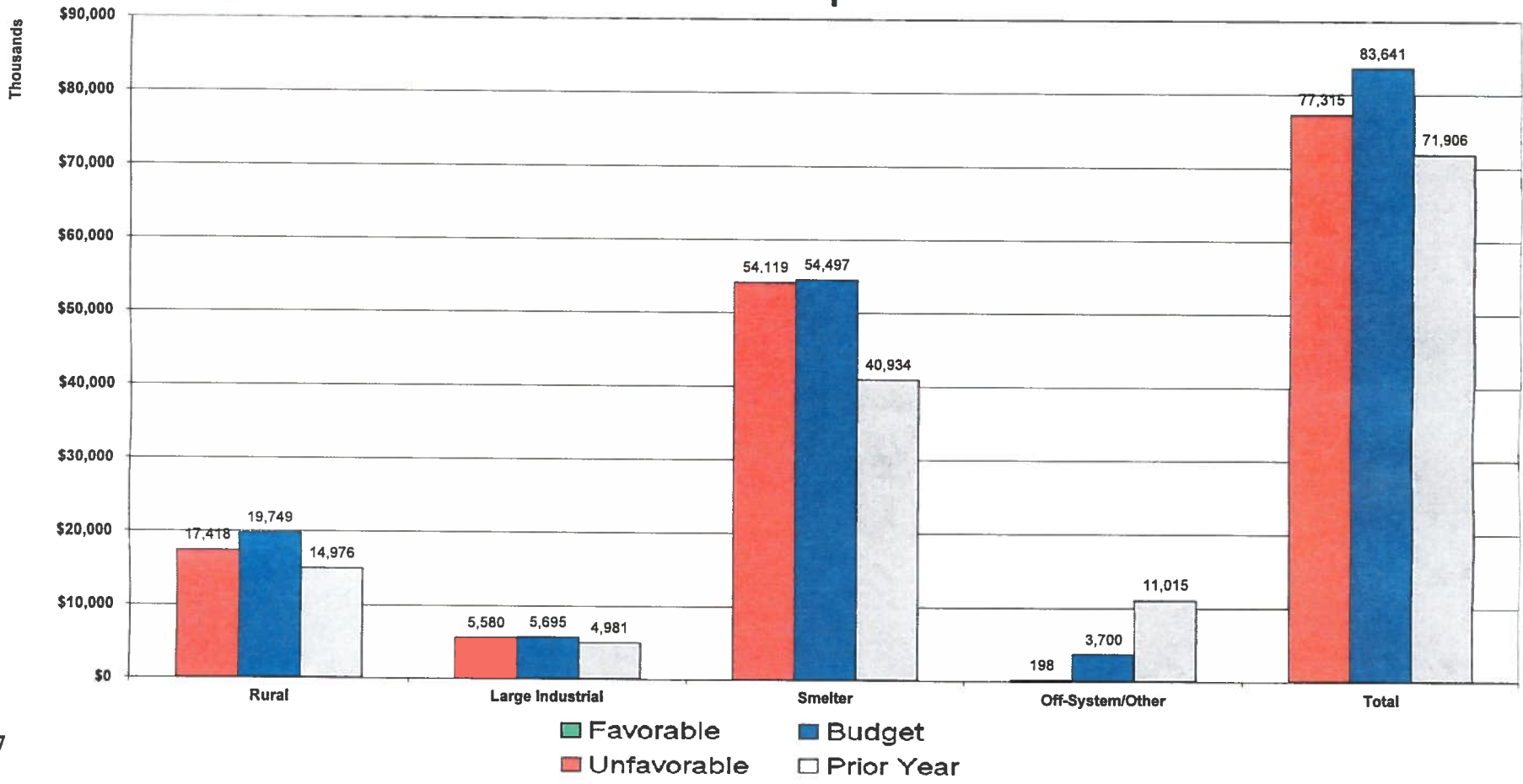


Net Sales Margin - \$/MWh YTD - April



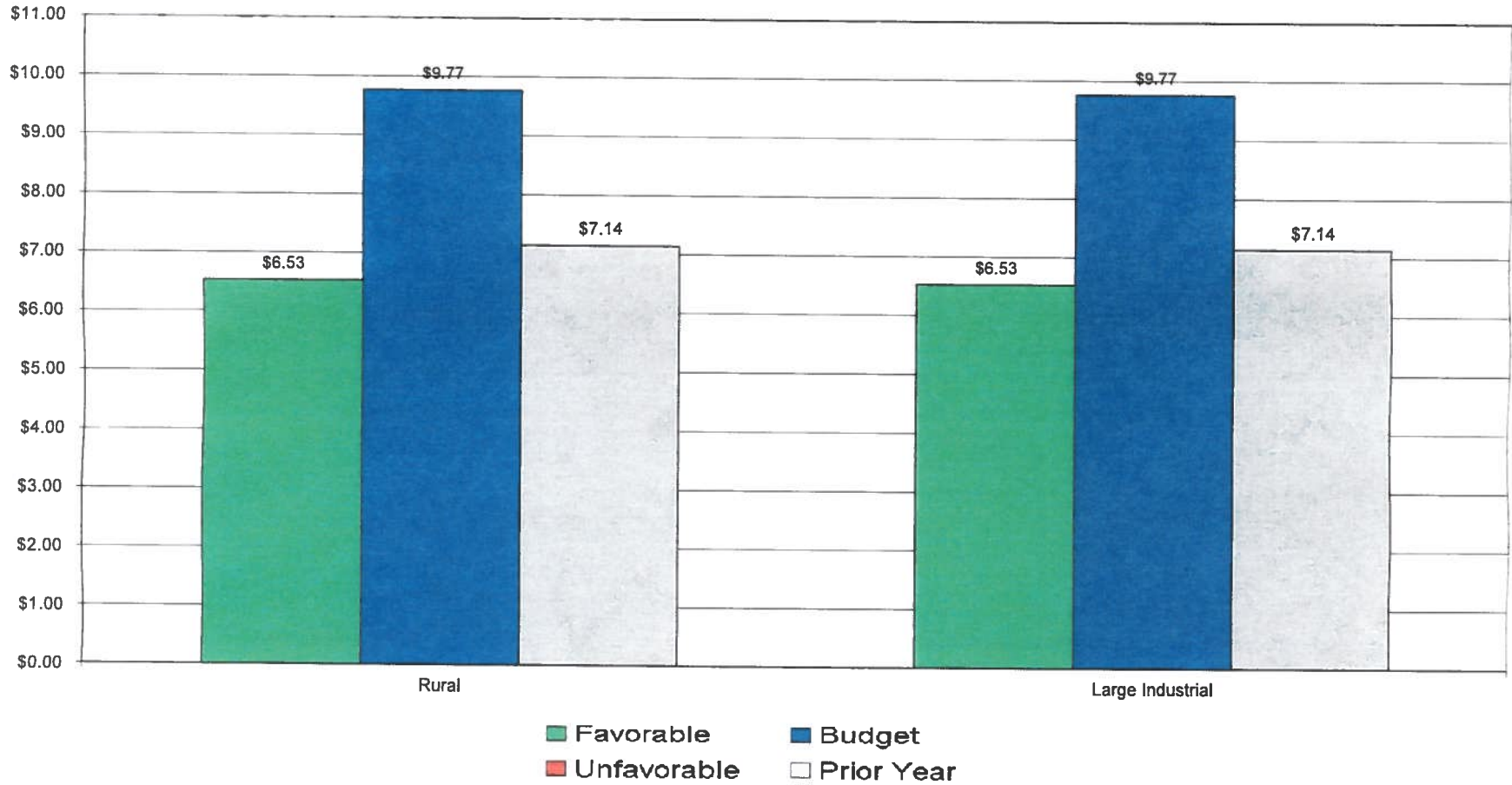


Net Sales Margin YTD – April

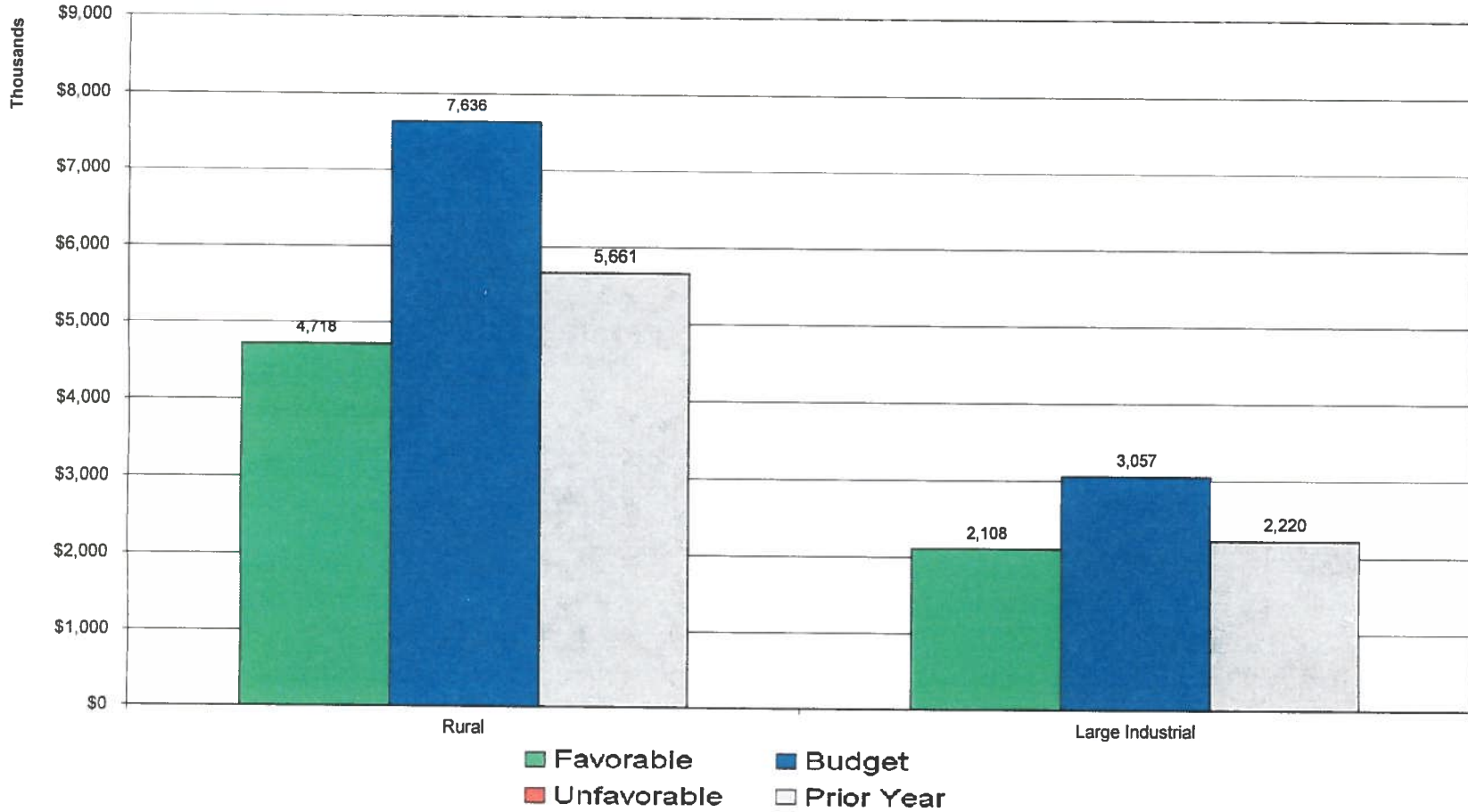




MRSM - \$/MWh YTD - April

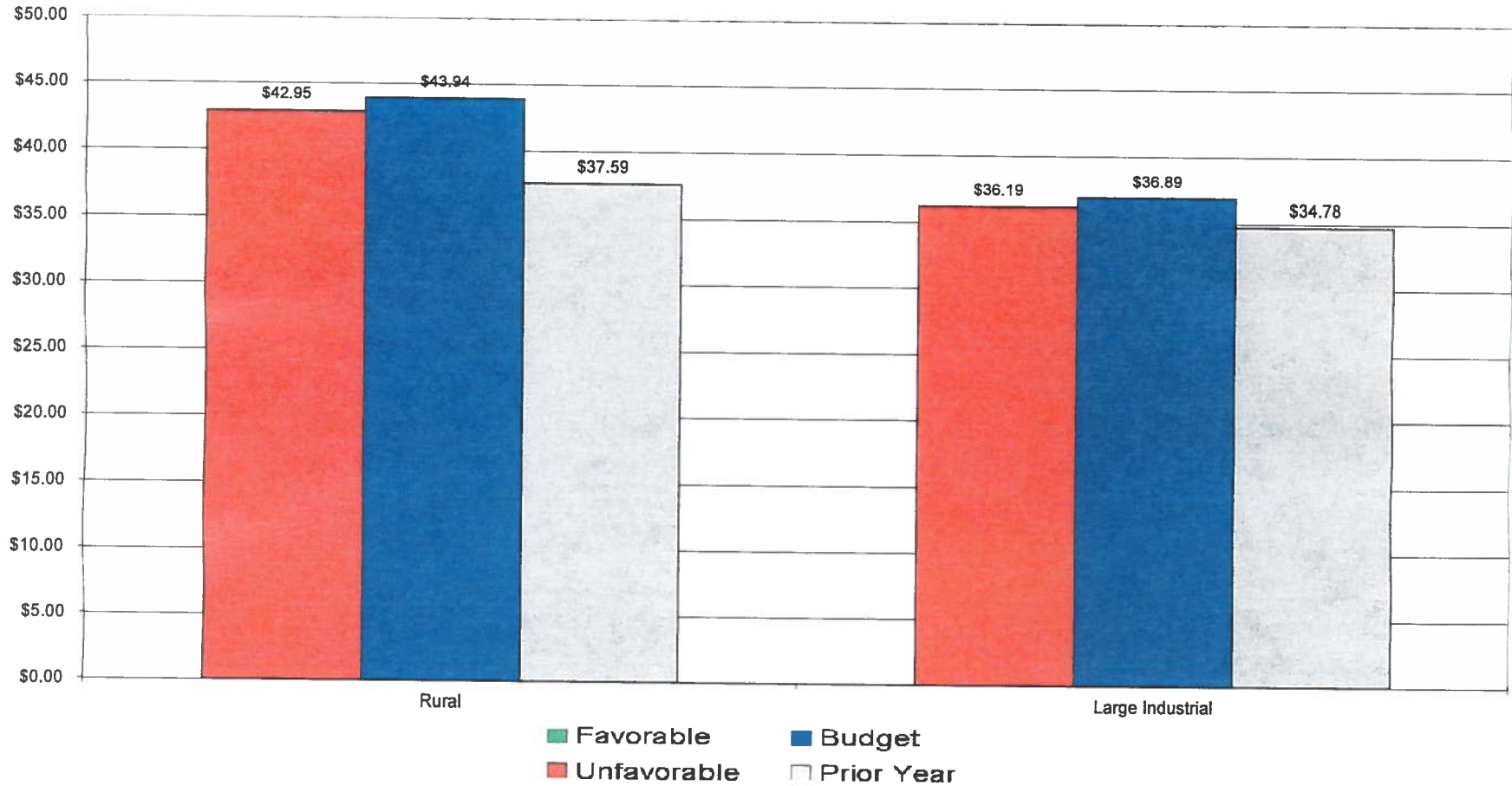


MRSM YTD - April



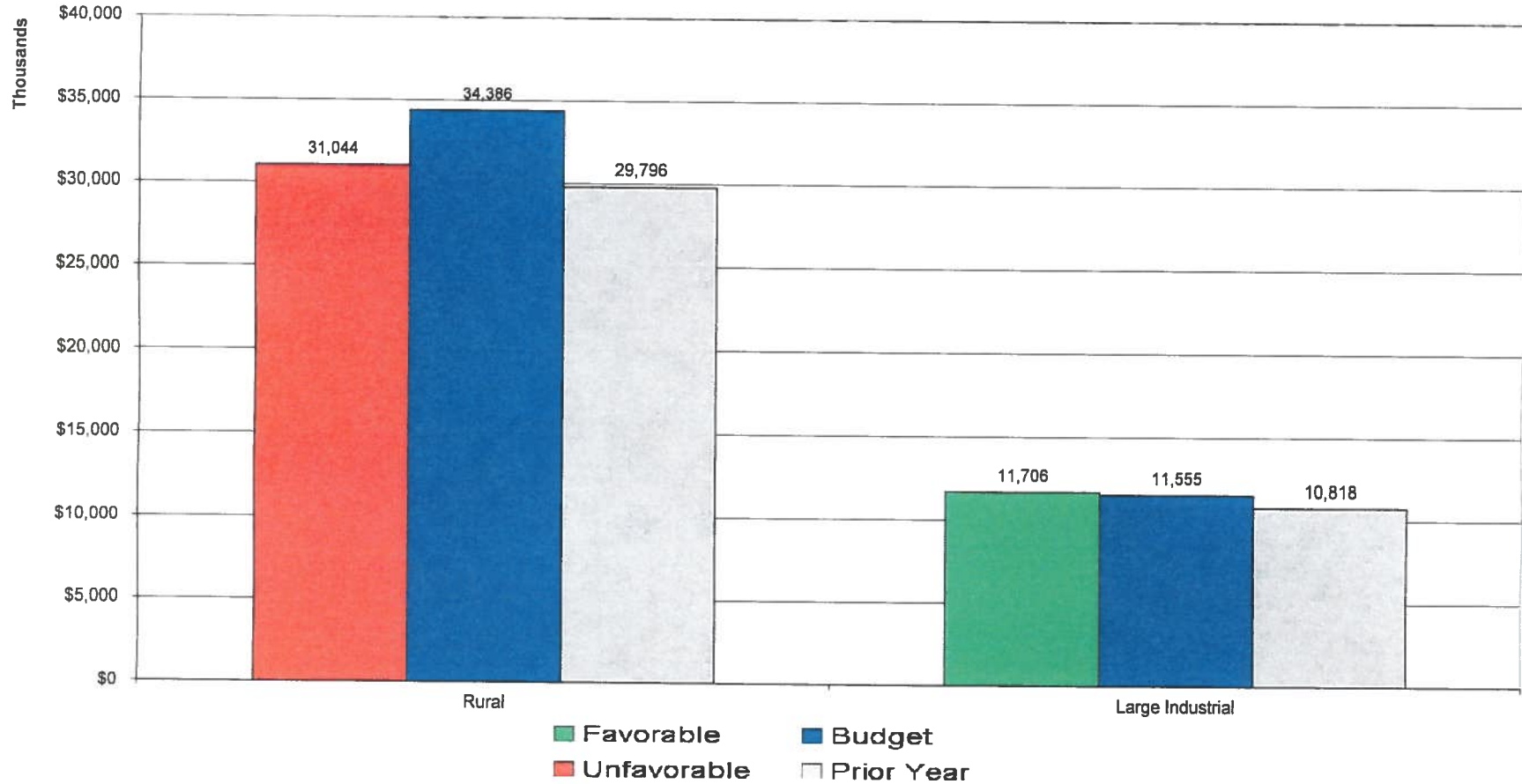


Net Revenue (Excl. MRSM) - \$/MWh YTD - April





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	23,201	24,321	1,120	20,625	(2,576)

Current Year Variances

Power Supply transmission reservation	<u>433</u>
Station-Two O&M (outage timing)	589
Other	<u>98</u>
Non-Variable Production and Other Power Supply - Operations	1,120

Prior-Year Variances

Power Supply transmission reservation	<u>(29)</u>
Station-Two O&M [driven by higher outage expense in 2012]	(2,005)
Station-Two [higher depreciation expense]	(429)
Other	<u>(113)</u>
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	15,121	20,909	5,788	12,143	(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	182,111	200,287	18,176	179,592	(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	(10,068)	(12,807)	(2,739)	(35,036)	(24,968)
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)
	170,214	186,094	15,880	142,253	(27,961)
Member MWh	3,500,960	3,514,562	(13,602)	3,280,005	220,955
North Star - \$/kWh	0.048619	0.052949	0.004330	0.043370	(0.005249)



TIER

	<u>Actual</u>	<u>Budget</u>	<u>Fav/(Unfav)</u>
Interest on Long-Term Debt	14,964	14,773	(191)
Net Margins	(2,082)	(3,810)	1,728
TIER - YTD April	0.86	0.74	0.12
TIER (12 months ending 4/30)	1.09	1.01	0.08

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.

<u>Lines of Credit</u> <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>



Big Rivers Energy Corporation

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	65	(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.



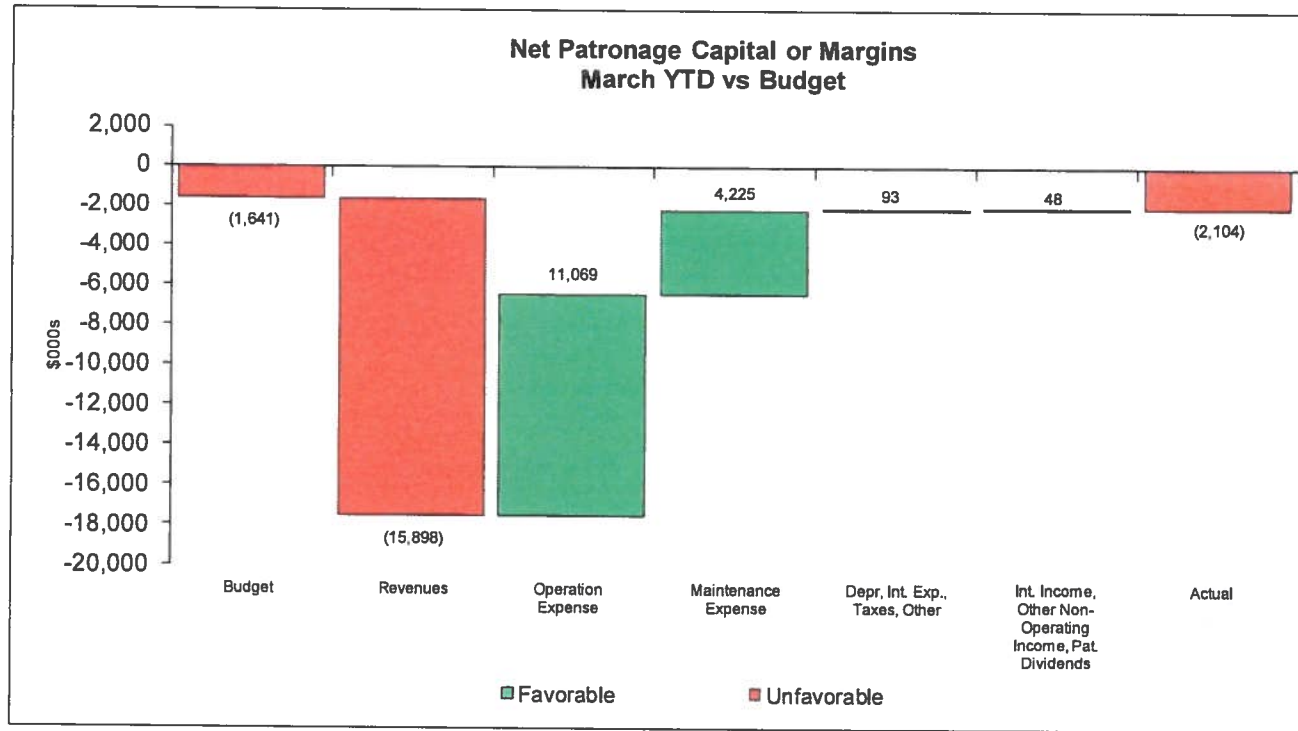
Your Sustainable Energy Company

Statement of Operations – March 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	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

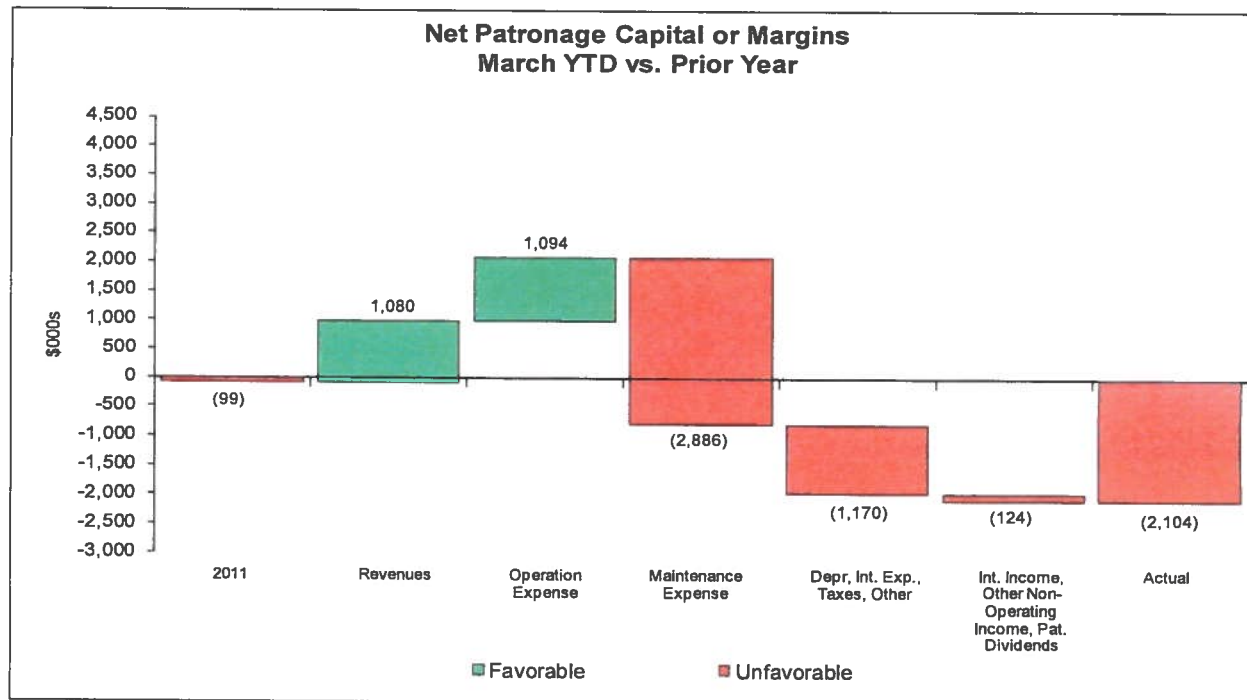


Financial Commentary

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 16). 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	271,767	250,835	20,932	749,017	(477,250)
Total	2,931,796	2,942,832	(11,036)	3,236,488	(304,692)

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	26.04	40.33	(14.29)	34.01	(7.97)
Total	45.74	51.04	(5.30)	41.28	4.46

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	7,078	10,116	(3,038)	25,477	(18,399)
Total	134,100	150,197	(16,097)	133,601	499

**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	(3.882)	844	(3,038)
	(15.120)	(977)	(16,097)



**Variable Operations Cost
YTD March**

	Actual 2012	Budget 2012	Variance	Actual 2011	2011 Variance
Variable Operations (VO) Cost - \$/MWh					
Rural	25.55	28.49	2.94	25.77	0.22
Large Industrial	25.71	28.49	2.78	25.83	0.12
Smelter	26.35	29.55	3.20	24.26	(2.09)
Off-System/Other	25.61	28.62	3.01	23.56	(2.05)
Total	26.07	29.16	3.09	24.51	(1.56)
VO Cost - Thousands of \$					
Rural	14,678	18,132	3,454	16,643	1,965
Large Industrial	6,269	6,733	464	6,091	(178)
Smelter	48,528	53,759	5,231	38,952	(9,576)
Off-System/Other	6,961	7,179	218	17,646	10,685
Total	76,436	85,803	9,367	79,332	2,896

**YTD March 2012
Variable Operations Expense**

	Actual	Budget	Fav/(UnFav)	Price Variance Fav/(UnFav)	Volume Variance Fav/(UnFav)	Fav/(UnFav)
Reagent	6,065	7,637	1,572	240	1,332	1,572
Fuel	56,380	65,403	9,023	4,397	4,626	9,023
Purchased Power	14,532	13,687	(845)	3,660	(4,505)	(845)
Non-FAC PPA (Non-Smelter)	(541)	(924)	(383)	(325)	(58)	(383)
	76,436	85,803	9,367	7,972	1,395	9,367



Our Backbone Energy Cooperative

**Net Sales Margin
YTD March**

	Actual 2012	Budget 2012	Variance	Actual 2011	2011 Variance
Net Sales Margin - \$/MWh					
Rural	23.57	25.46	(1.89)	18.78	4.79
Large Industrial	16.79	18.33	(1.54)	16.01	0.78
Smelter	21.67	22.49	(0.82)	19.01	2.66
Off-System/Other	0.43	11.71	(11.28)	10.45	(10.02)
Total	19.67	21.88	(2.21)	16.77	2.90
Net Sales Margin - Thousands of \$					
Rural	13,534	16,200	(2,666)	12,128	1,406
Large Industrial	4,094	4,333	(239)	3,775	319
Smelter	39,919	40,925	(1,006)	30,535	9,384
Off-System/Other	117	2,937	(2,820)	7,831	(7,714)
Total	57,664	64,395	(6,731)	54,269	3,395

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

	Price / Volume		
	Price	Volume	Total
Rural	(1.087)	(1.579)	(2.666)
Large Industrial	(377)	138	(239)
Smelter	(1,513)	507	(1,006)
Off-System/Other	(3,065)	245	(2,820)
	(6.042)	(689)	(6.731)

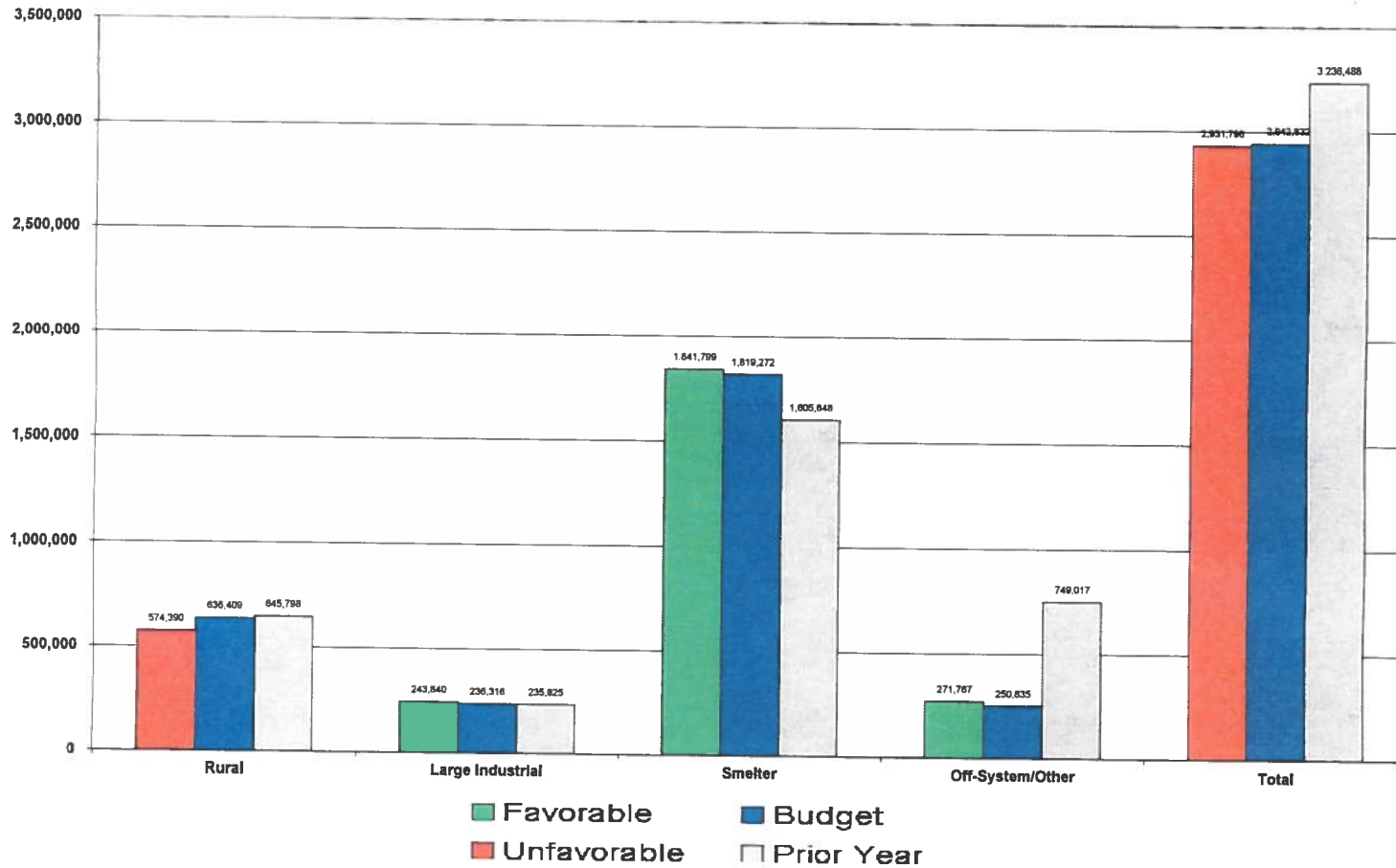


**Member Rate Stability Mechanism
YTD March**

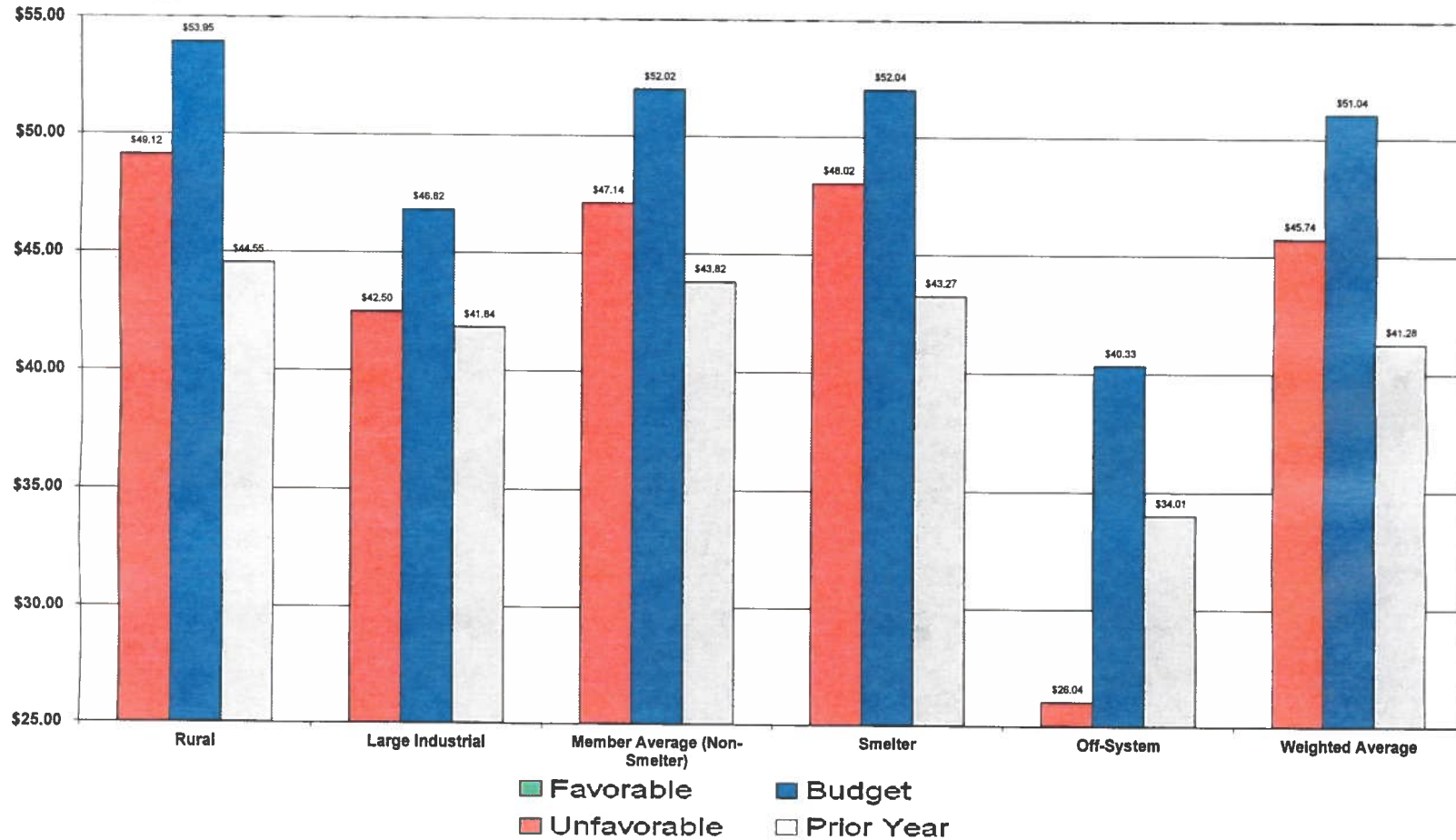
	<u>Actual</u> <u>2012</u>	<u>Budget</u> <u>2012</u>	<u>2012</u> <u>Variance</u>	<u>Actual</u> <u>2011</u>	<u>2011</u> <u>Variance</u>		<u>Actual</u> <u>2012</u>	<u>Budget</u> <u>2012</u>	<u>2012</u> <u>Variance</u>	<u>Actual</u> <u>2011</u>	<u>2011</u> <u>Variance</u>
<u>MRSM - \$/MWh</u>						<u>Net 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	(64,364)		
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	(5,201)		
Ending Balance 3/31/2012	\$ 95,543	\$ 91,990	\$ 3,553

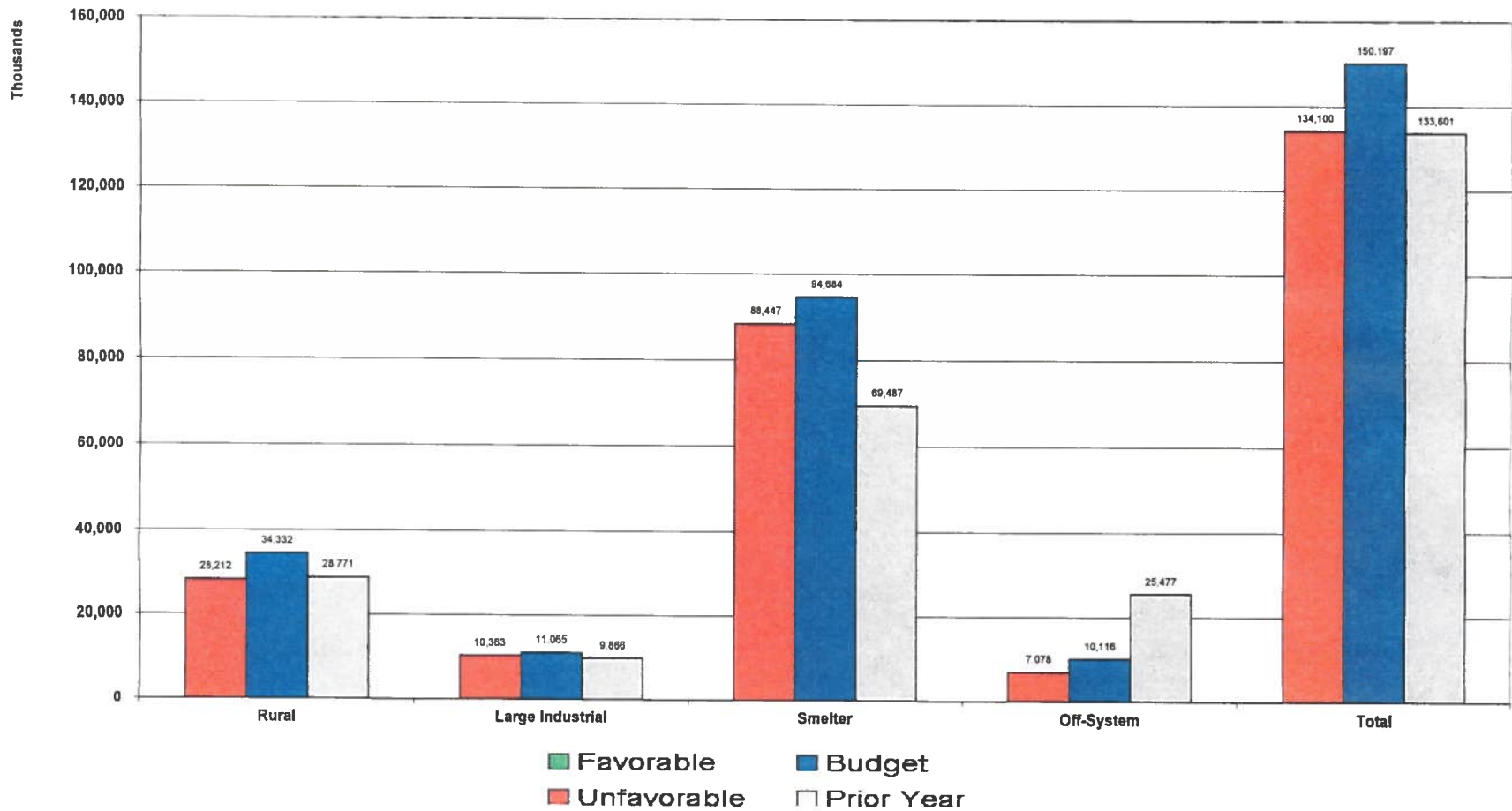
MWH Sales YTD - March



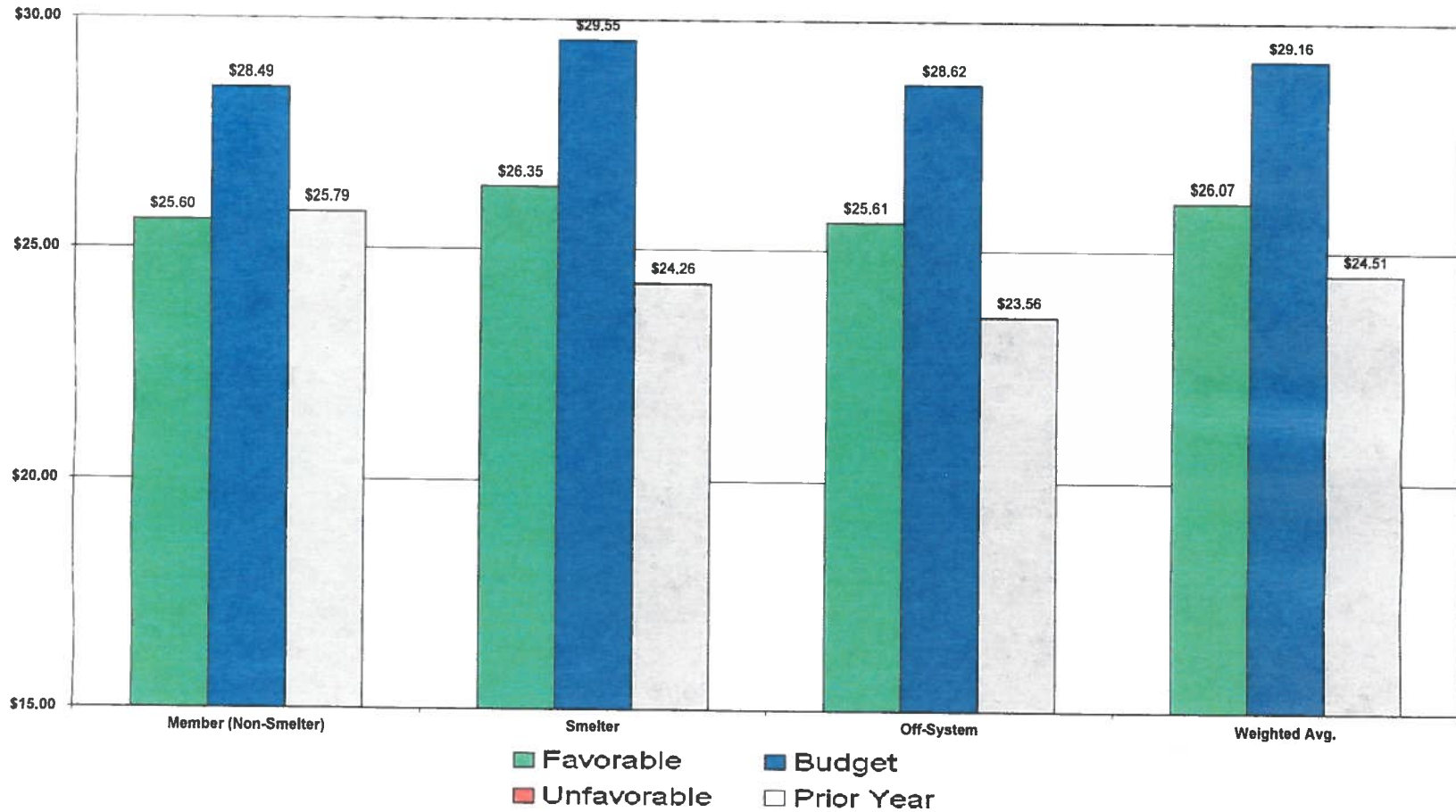
Revenue - \$/MWh Sold YTD - March



Revenue YTD - March

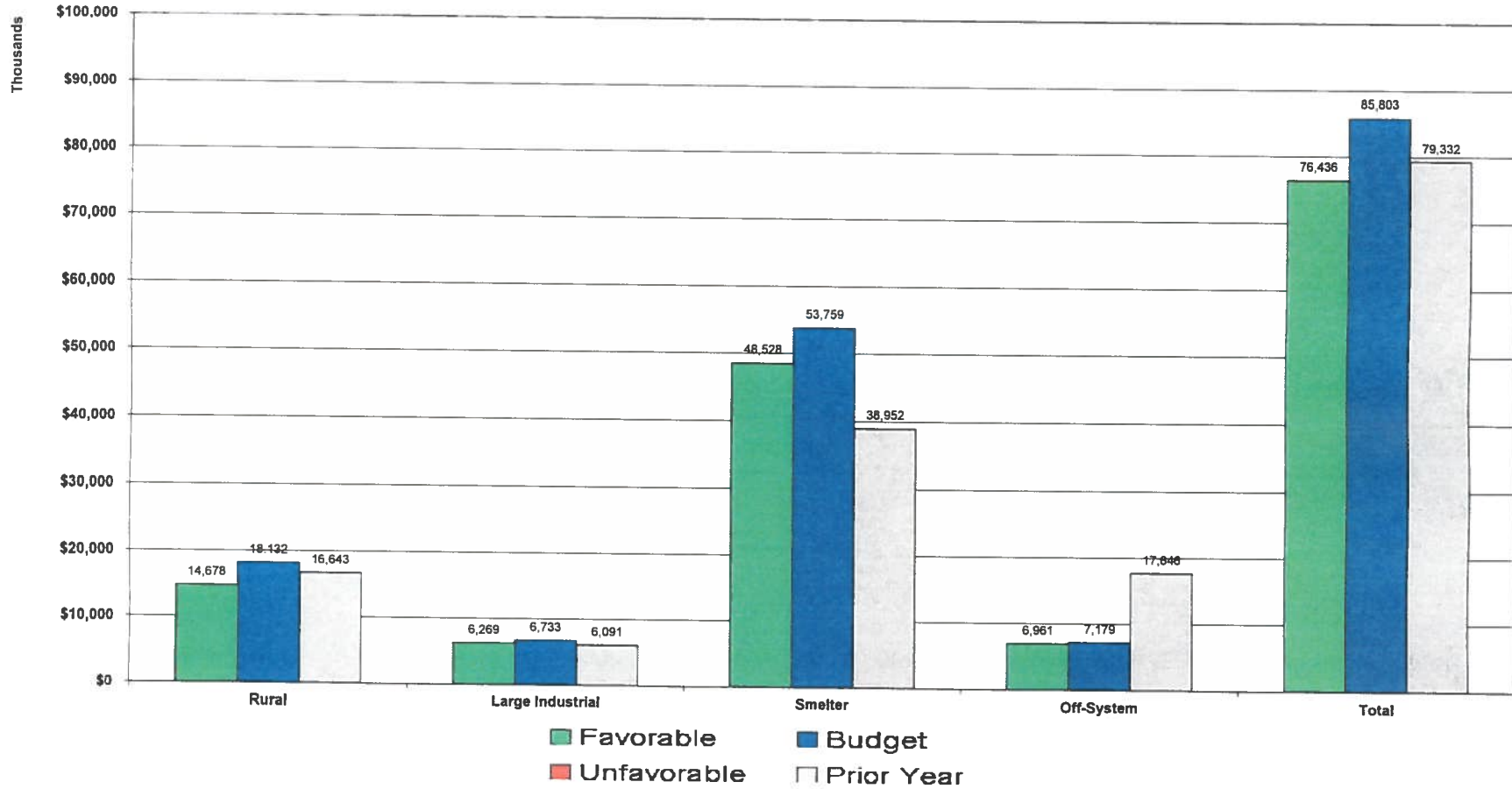


Variable Operations - \$/MWh Sold YTD - March



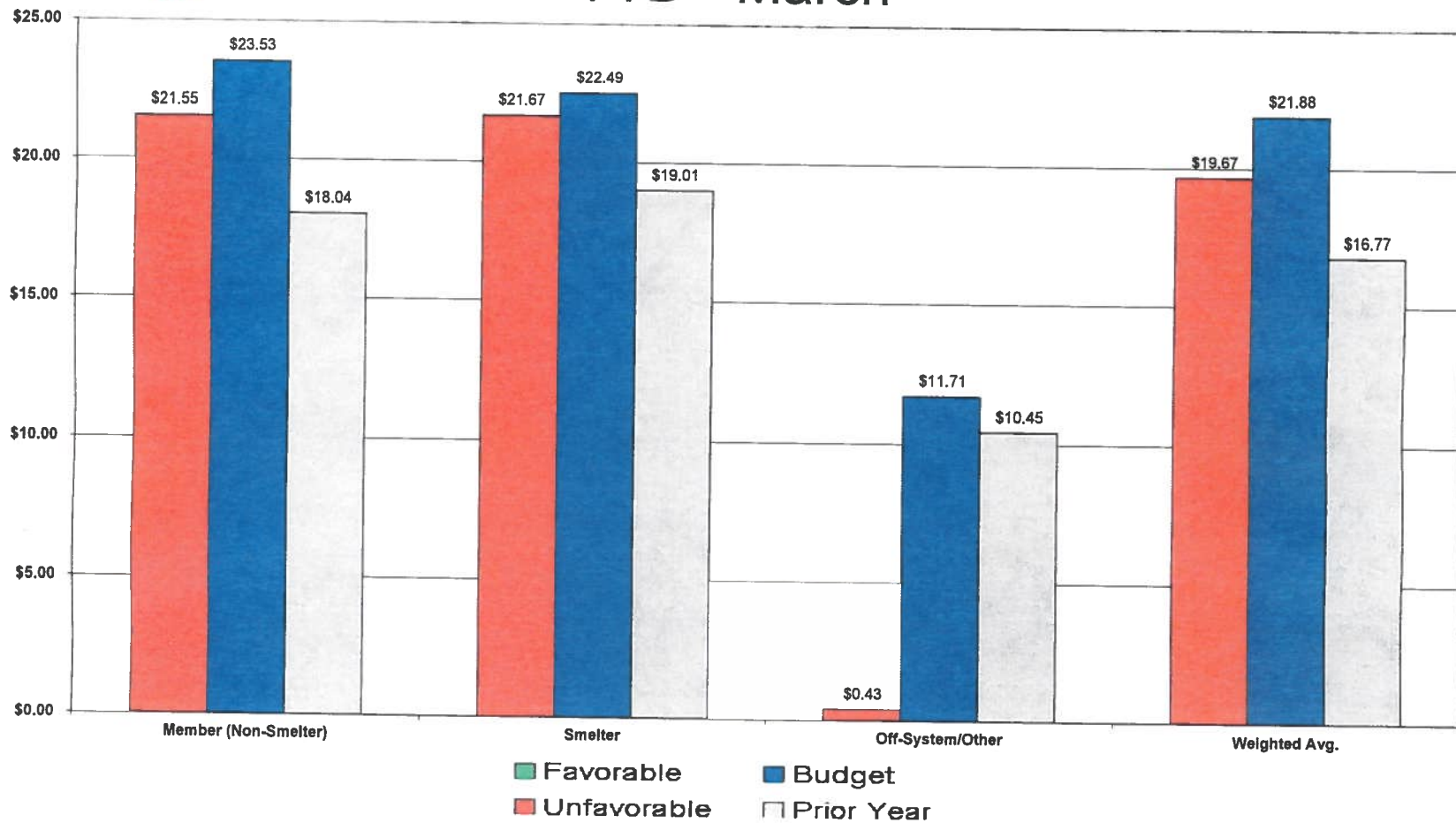


Variable Operations Cost YTD - March





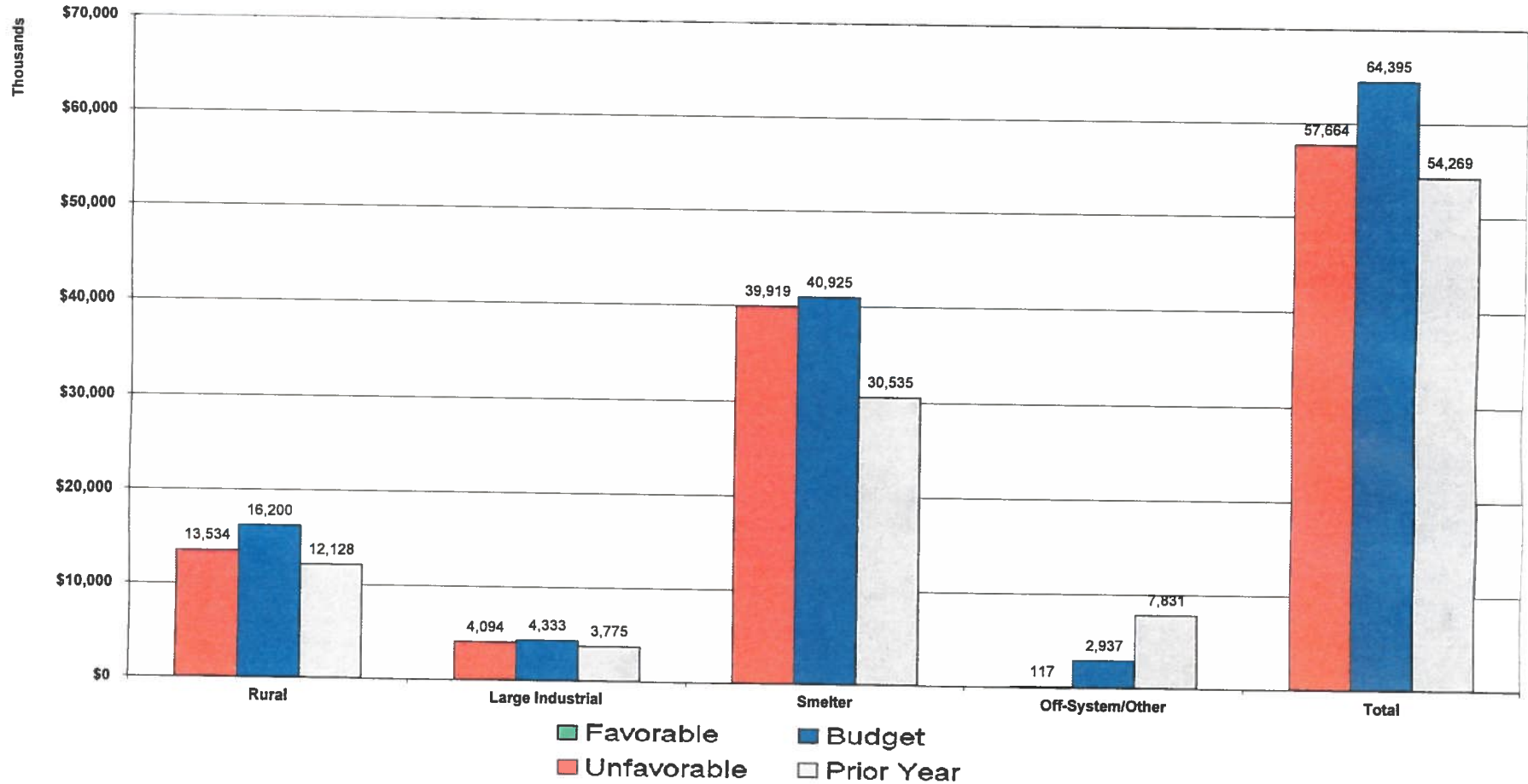
Net Sales Margin - \$/MWh YTD - March





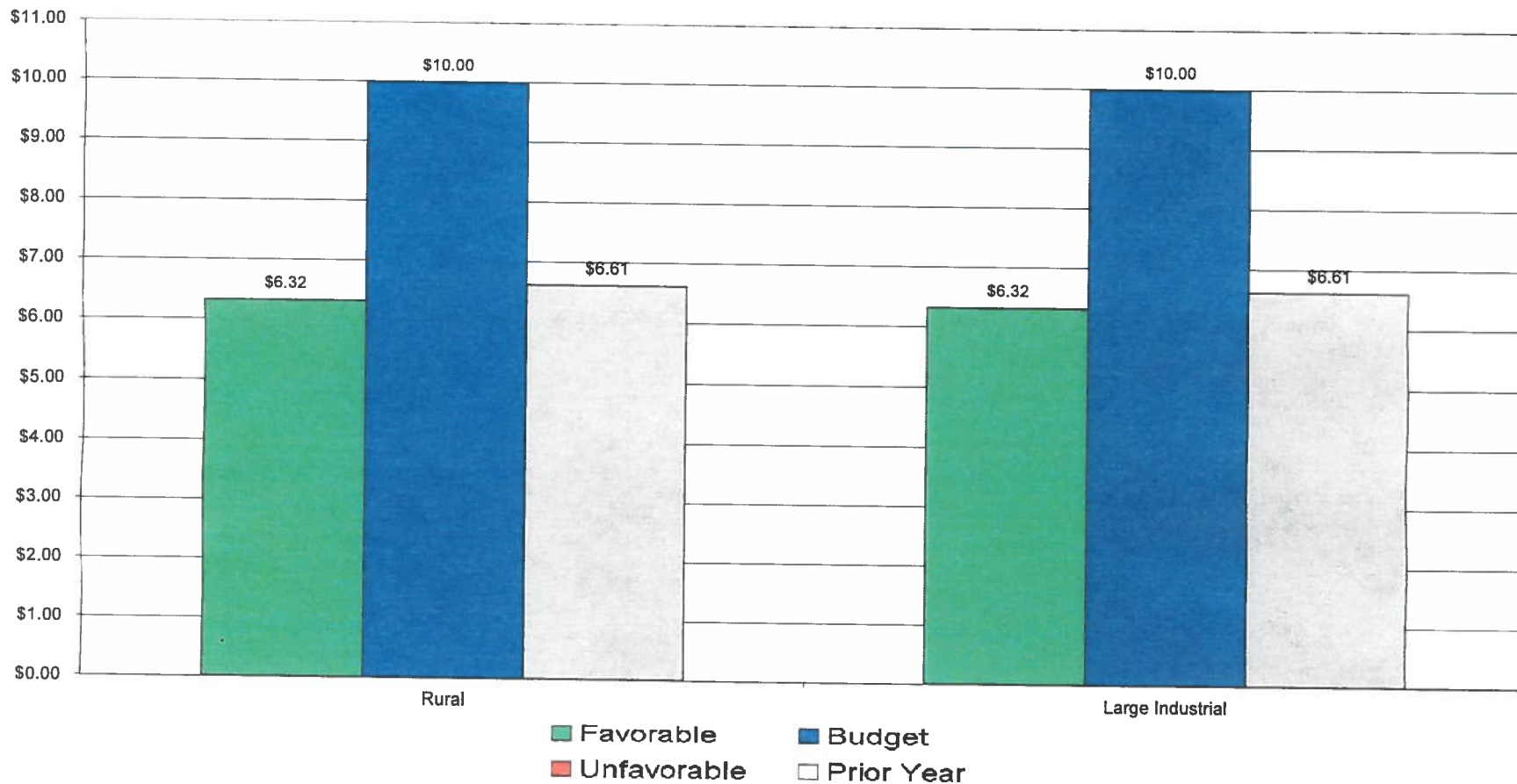
Time to Experience Energy

Net Sales Margin YTD – March

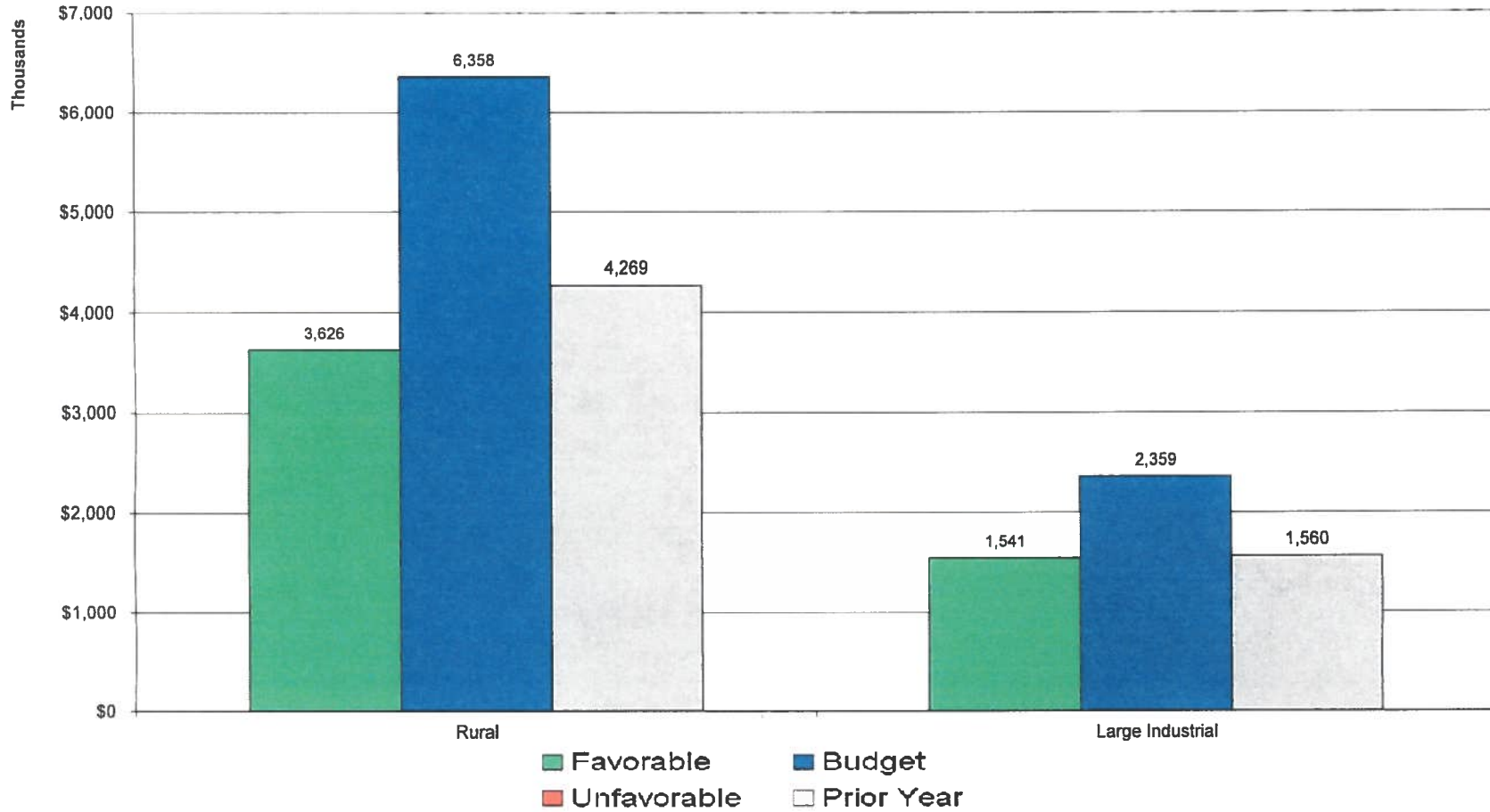




MRSM - \$/MWh YTD - March

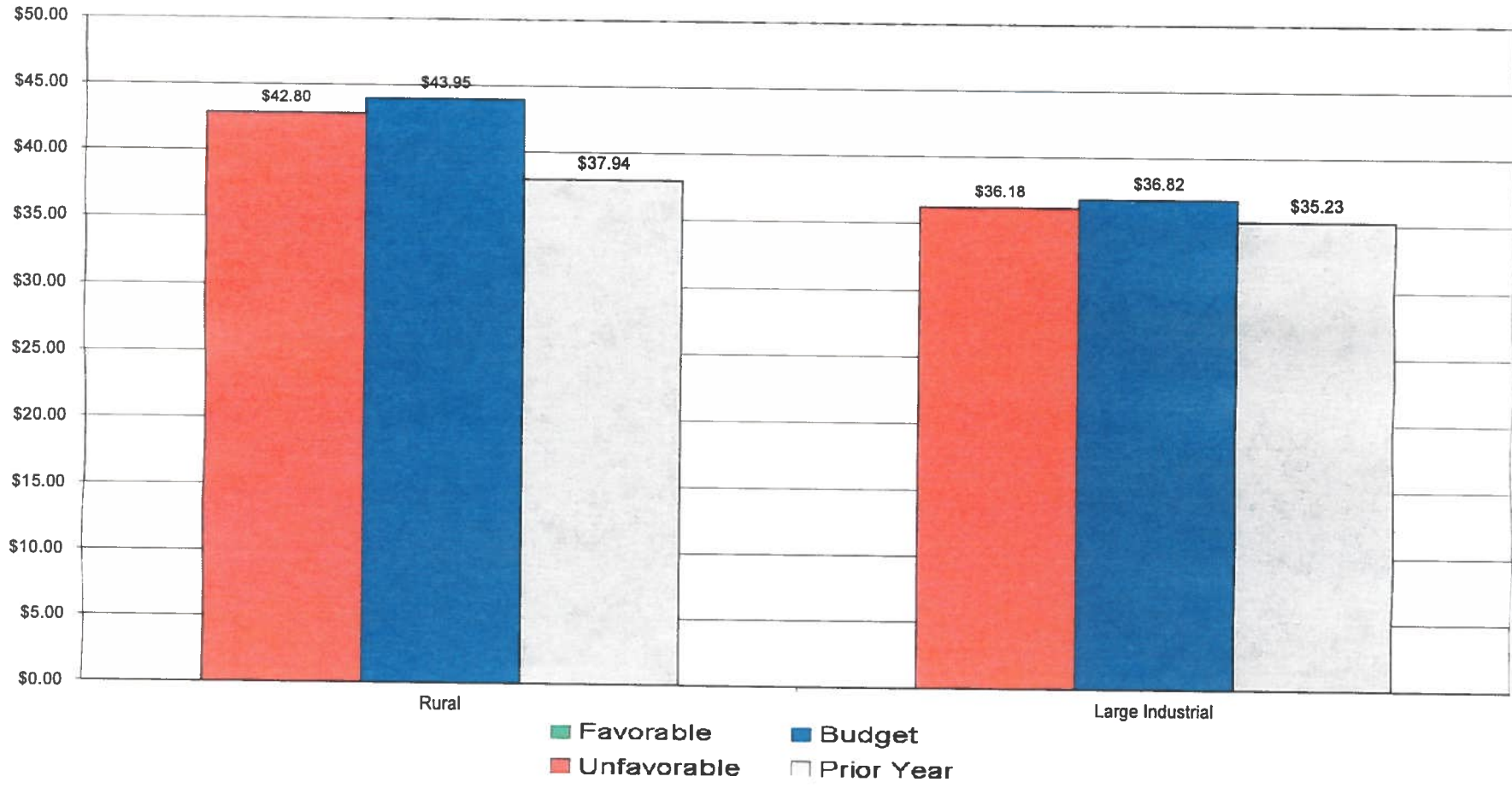


MRSM YTD - March



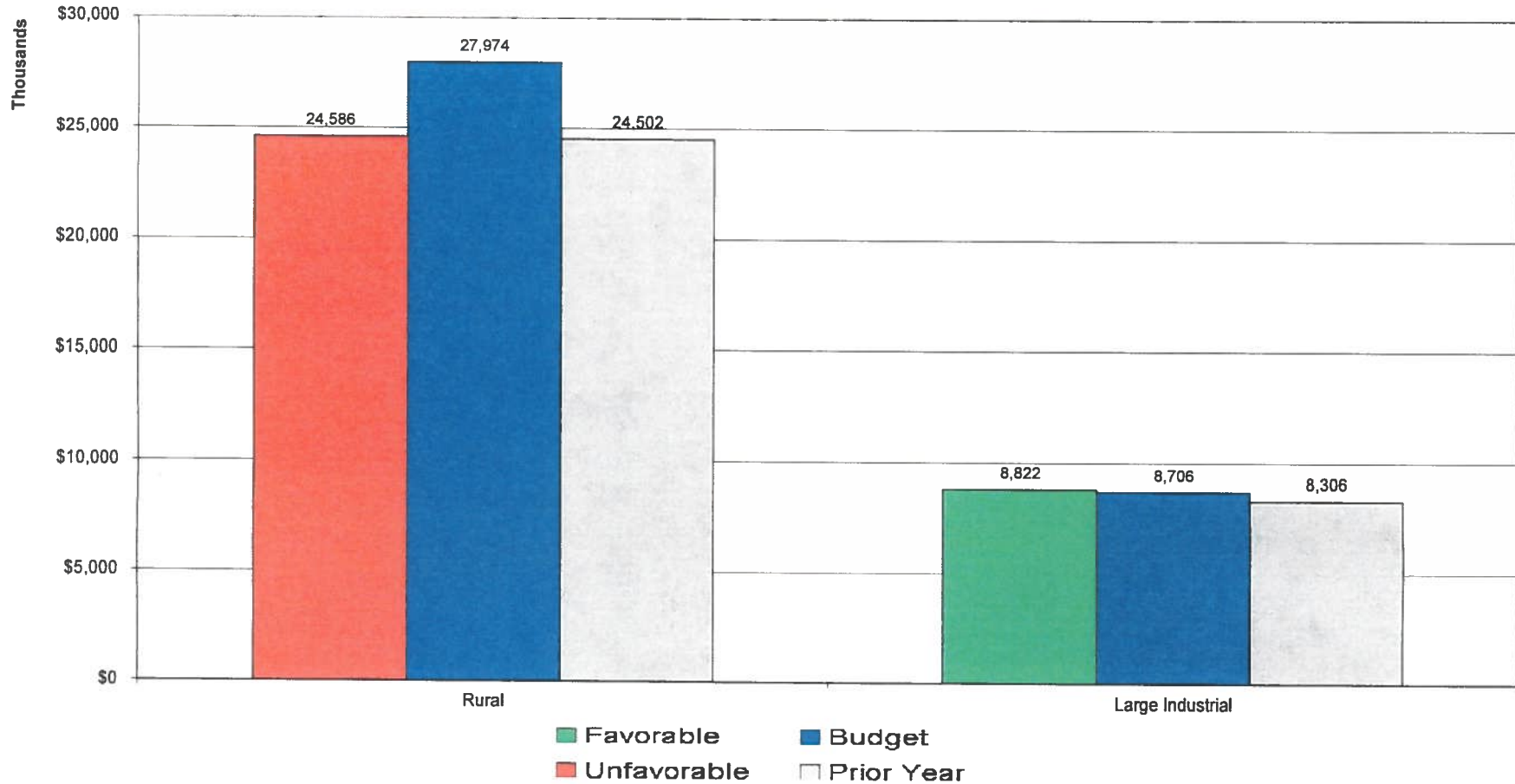


Net Revenue (Excl. MRSM) - \$/MWh YTD - March





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	16,632	17,578	946	15,004	(1,628)

Current Year Variances

Power Supply transmission reservation	<u>192</u>
Station-Two O&M (outage timing)	589
Other	165
Non-Variable Production and Other Power Supply - Operations	<u>946</u>

Prior-Year Variances

Power Supply transmission reservation	<u>(216)</u>
Station-Two O&M [driven by higher outage expense in 2012]	(952)
Station-Two [higher depreciation expense]	(320)
Other	(140)
Non-Variable Production and Other Power Supply - Operations	<u>(1,628)</u>



Operation Expense – Transmission

	2012		
	<u>Actual</u>	<u>Budget</u>	<u>Variance</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		
	<u>Actual</u>	<u>Budget</u>	<u>Variance</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	12,134	16,460	4,326	9,417	(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	137,472	152,859	15,387	134,510	(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	(7,078)	(10,116)	(3,038)	(25,477)	(18,399)
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)
	128,892	141,723	12,831	107,266	(21,626)
Member MWh	2,660,030	2,691,997	(31,967)	2,487,472	172,558
North Star - \$/kWh	0.048455	0.052646	0.004191	0.043123	(0.005332)



TIER

	<u>Actual</u>	<u>Budget</u>	<u>Fav/(Unfav)</u>
Interest on Long-Term Debt	11,257	11,088	(169)
Net Margins	(2,104)	(1,641)	(463)
TIER - YTD March	0.81	0.85	(0.04)
TIER (12 months ending 3/31)	1.08	0.99	0.09

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	\$ 92,225

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	96,159	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.

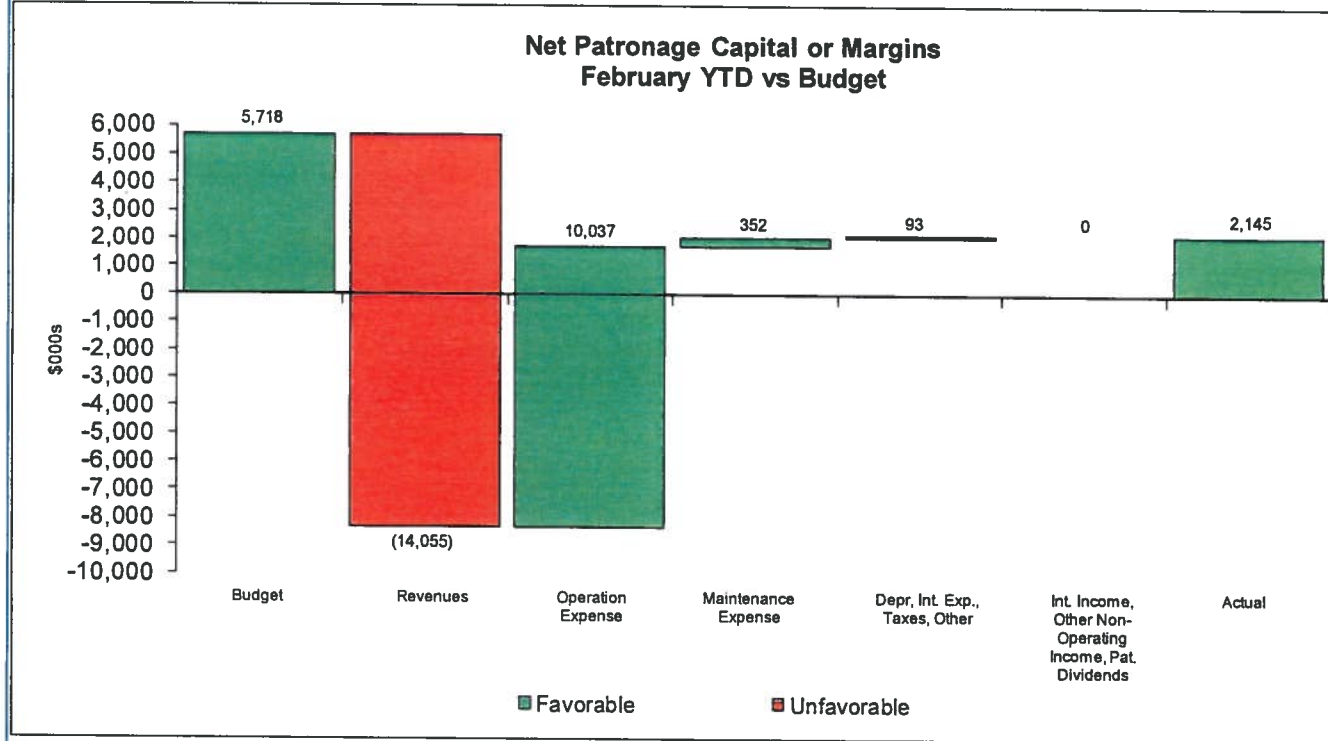


Statement of Operations – February Variance to Prior-Year

	Current Month			Year-to-Date			
	Actual	Prior Year	Variance Fav/(UnFav)	Actual	Prior Year	Variance Fav/(UnFav)	Explanation
ELECTRIC ENERGY REVENUES	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	783	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	3,879	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

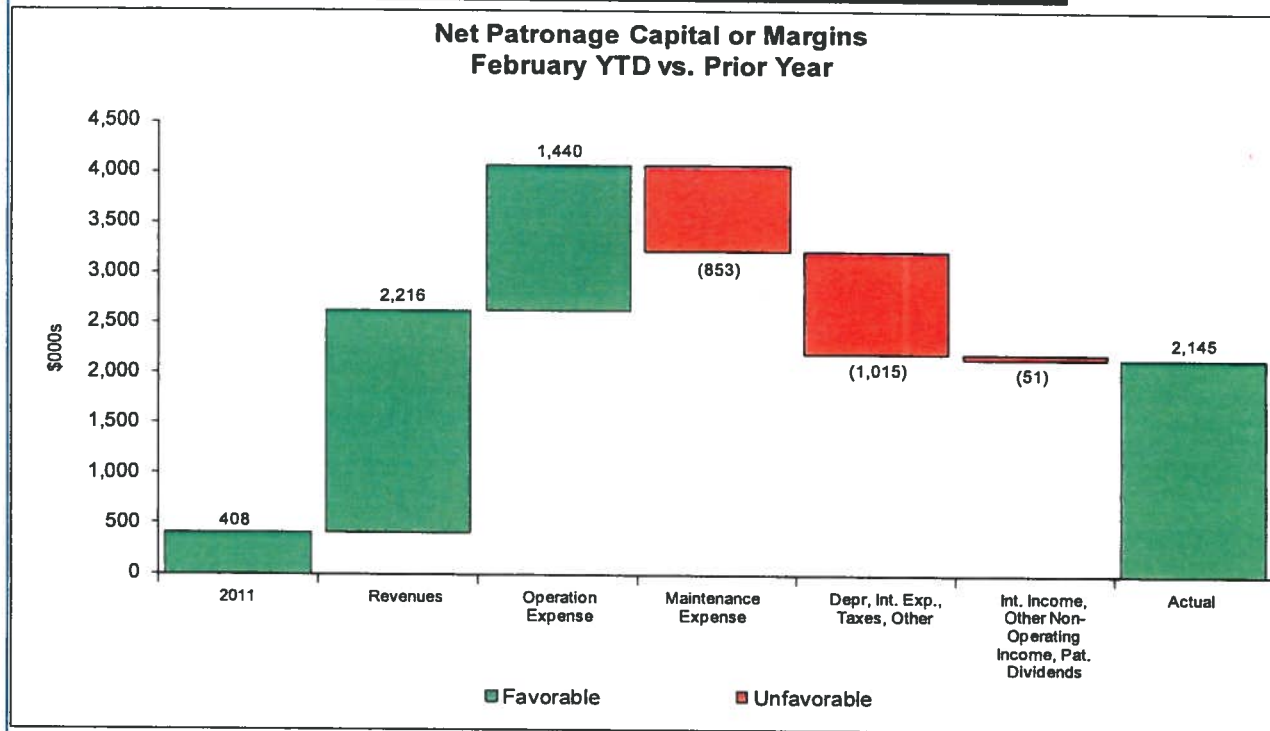


Financial Commentary

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 Town/Stone 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>
MRSM - \$/MWh						Net Revenue - \$/MWh					
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
MRSM - Thousands of \$						Net Revenue - Thousands of \$					
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	\$ 93,225



North Star – YTD February

	2012			2011	
	Actual	Budget	Fav/(UnFav) Variance	Actual	Fav/(UnFav) Variance
Total Cost of Electric Service	87,677	98,159	10,482	87,249	(428)
Other Operating Revenues & Income	(857)	(672)	185	(389)	468
Smelter Avoidable Base Charge	(222)	0	222	(520)	(298)
Off-System Sales/Other	(4,107)	(9,148)	(5,041)	(16,727)	(12,620)
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
	82,480	88,329	5,849	69,551	(12,929)

Member MWh	1,785,427	1,804,732	(19,305)	1,653,629	131,798
------------	-----------	-----------	----------	-----------	---------

North Star - \$/kWh	0.046196	0.048942	0.002746	0.042060	(0.004136)
---------------------	----------	----------	----------	----------	------------



TIER

	<u>Actual</u>	<u>Budget</u>	<u>Fav/(Unfav)</u>
Interest on Long-Term Debt	7,431	7,321	(110)
Net Margins	2,145	5,718	(3,573)
TIER - YTD February	1.29	1.78	(0.49)
TIER (12 months ending 2/29)	1.16	1.14	0.02

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.



Your Traditional Energy Cooperative

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	150,435	226,836	(76,401)	481,030	(330,595)
Total	1,935,862	2,031,568	(95,706)	2,134,658	(198,796)
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	27.30	40.33	(13.03)	34.77	(7.47)
Total	45.95	50.80	(4.85)	40.85	5.10
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	4,107	9,148	(5,041)	16,727	(12,620)
Total	88,954	103,194	(14,240)	87,206	1,748

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	(1,960)	(3,081)	(5,041)
	(10,052)	(4,188)	(14,240)



**Variable Operations Cost
YTD February**

	Actual 2012	Budget 2012	Variance	Actual 2011	2011 Variance
Variable Operations (VO) Cost - \$/MWh					
Rural	25.07	28.60	3.53	25.56	0.49
Large Industrial	25.11	28.60	3.49	25.57	0.46
Smelter	25.78	29.21	3.43	24.07	(1.71)
Off-System/Other	25.31	28.76	3.45	23.33	(1.98)
Total	25.53	28.98	3.45	24.33	(1.20)
VO Cost - Thousands of \$					
Rural	10,436	12,903	2,467	11,789	1,353
Large Industrial	4,006	4,403	397	3,921	(85)
Smelter	31,181	35,038	3,857	25,007	(6,174)
Off-System/Other	3,807	6,524	2,717	11,222	7,415
Total	49,430	58,868	9,438	51,939	2,509

**YTD February 2012
Variable Operations Expense**

	Actual	Budget	Fav/(UnFav)	Price Variance Fav/(UnFav)	Volume Variance Fav/(UnFav)	Fav/(UnFav)
Reagent	3,935	5,672	1,737	(1,761)	3,498	1,737
Fuel	37,399	48,886	11,487	3,515	7,972	11,487
Purchased Power	8,493	4,682	(3,811)	1,788	(5,599)	(3,811)
Non-FAC PPA (Non-Smelter)	(397)	(372)	25	43	(18)	25
	49,430	58,868	9,438	3,585	5,853	9,438



Your Sustainable Energy Cooperative

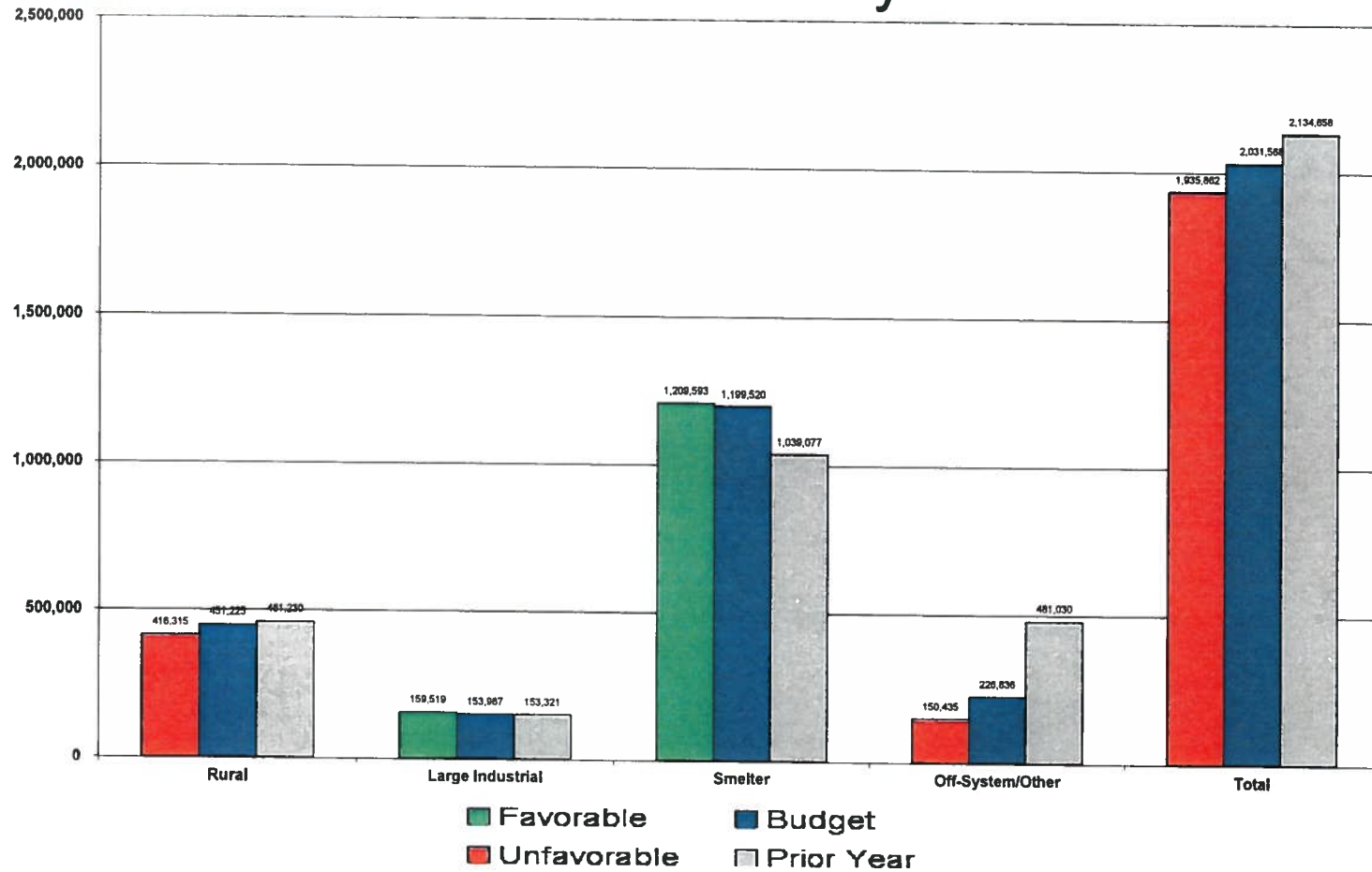
Net Sales Margin YTD February

	Actual 2012	Budget 2012	Variance	Actual 2011	2011 Variance
Net Sales Margin - \$/MWh					
Rural	23.50	25.65	(2.15)	18.32	5.18
Large Industrial	17.45	19.09	(1.64)	15.65	1.80
Smelter	22.04	22.67	(0.63)	18.20	3.84
Off-System/Other	1.99	11.57	(9.58)	11.44	(9.45)
Total	20.42	21.82	(1.40)	16.52	3.90
Net Sales Margin - Thousands of \$					
Rural	9,785	11,574	(1,789)	8,449	1,336
Large Industrial	2,783	2,940	(157)	2,399	384
Smelter	26,656	27,188	(532)	18,914	7,742
Off-System/Other	300	2,625	(2,325)	5,505	(5,205)
Total	39,524	44,327	(4,803)	35,267	4,257

Net Sales Margin Price / Volume Analysis February 2012

	Price / Volume		
	Price	Volume	Total
Rural	(894)	(895)	(1,789)
Large Industrial	(263)	106	(157)
Smelter	(760)	228	(532)
Off-System/Other	(1,441)	(884)	(2,325)
	(3,358)	(1,445)	(4,803)

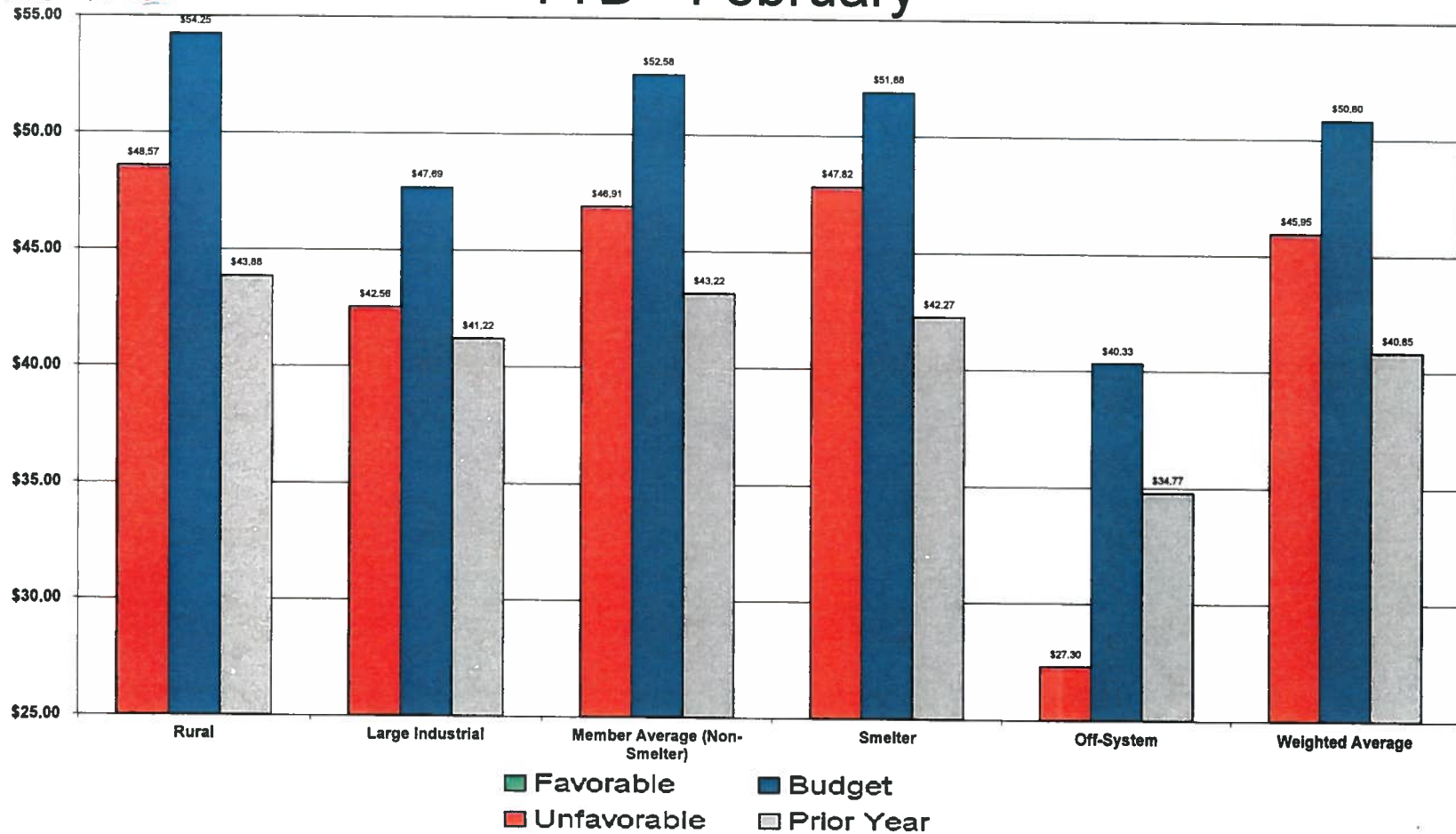
MWH Sales YTD - February





Your Sustainable Energy Cooperative

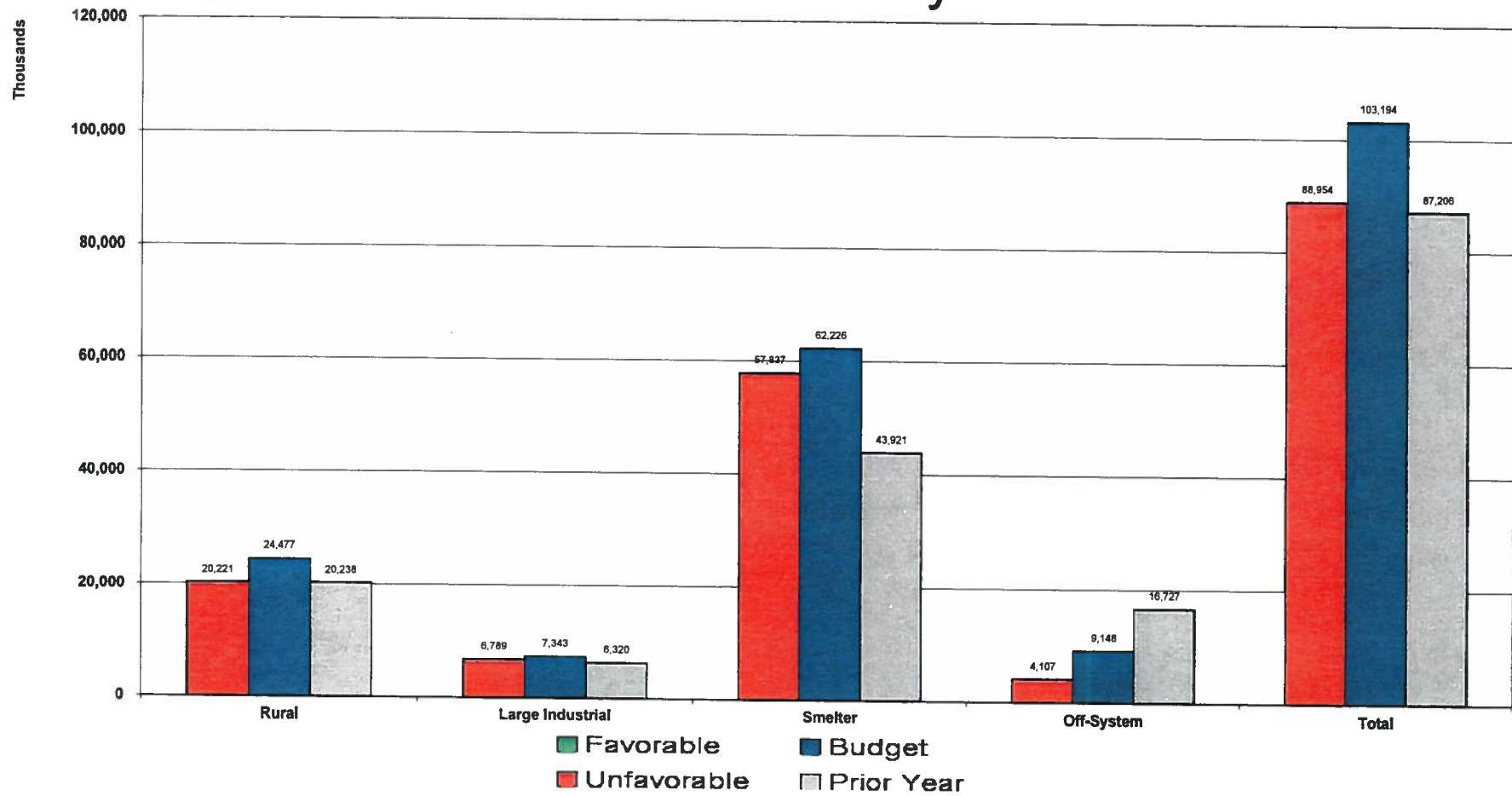
Revenue - \$/MWh Sold YTD - February





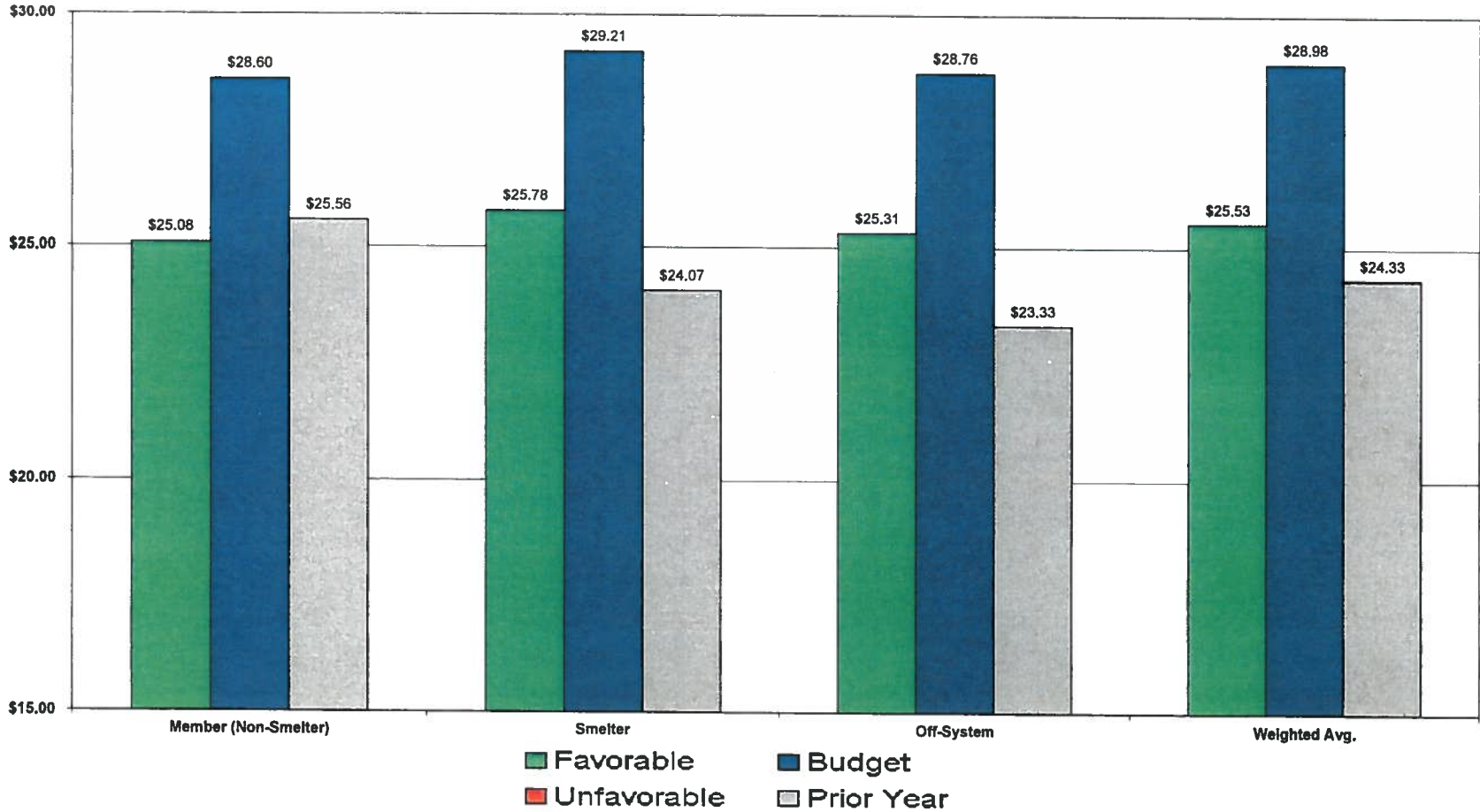
Your Local Energy Cooperative

Revenue YTD - February



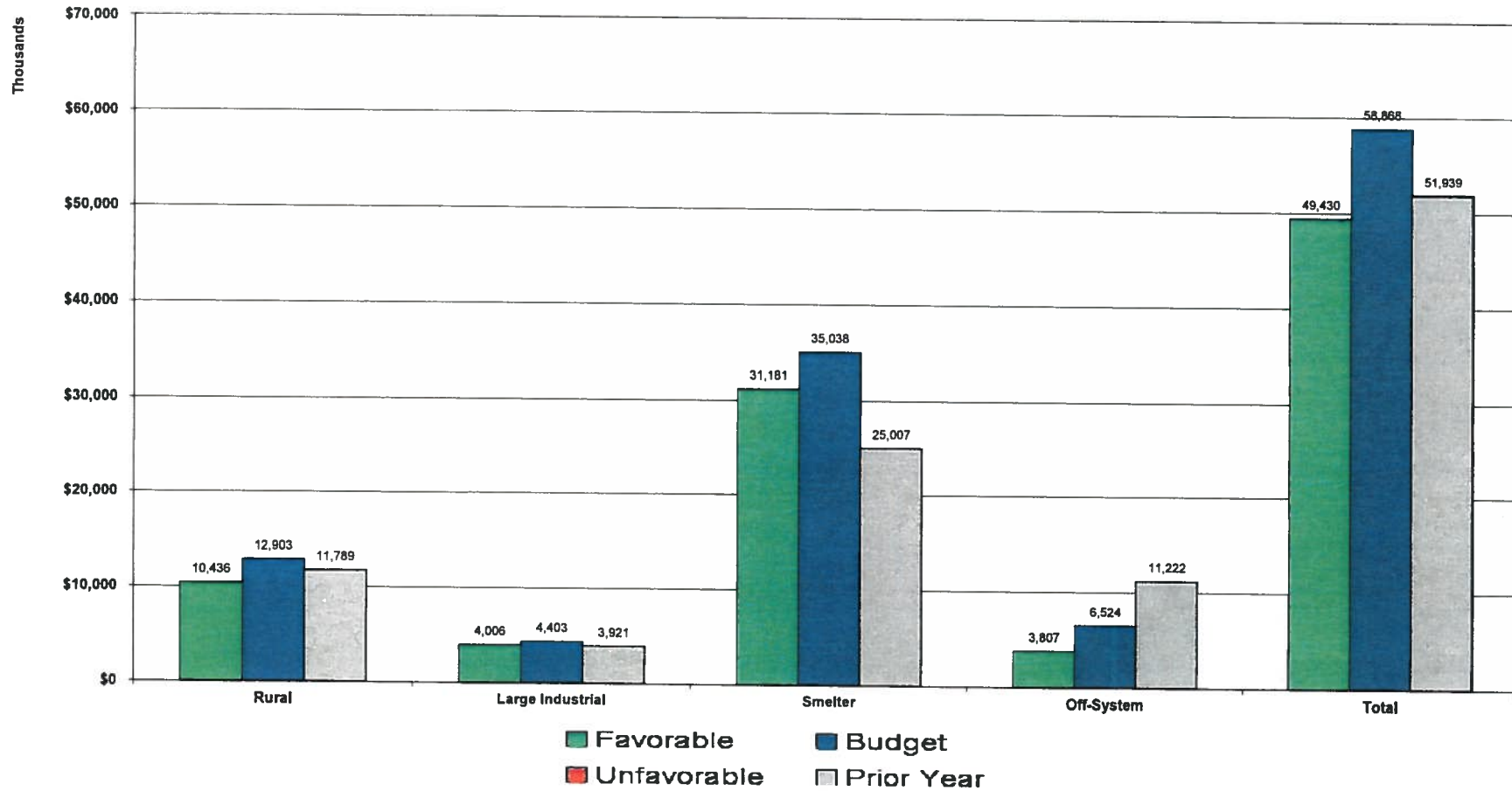


Variable Operations - \$/MWh Sold YTD - February

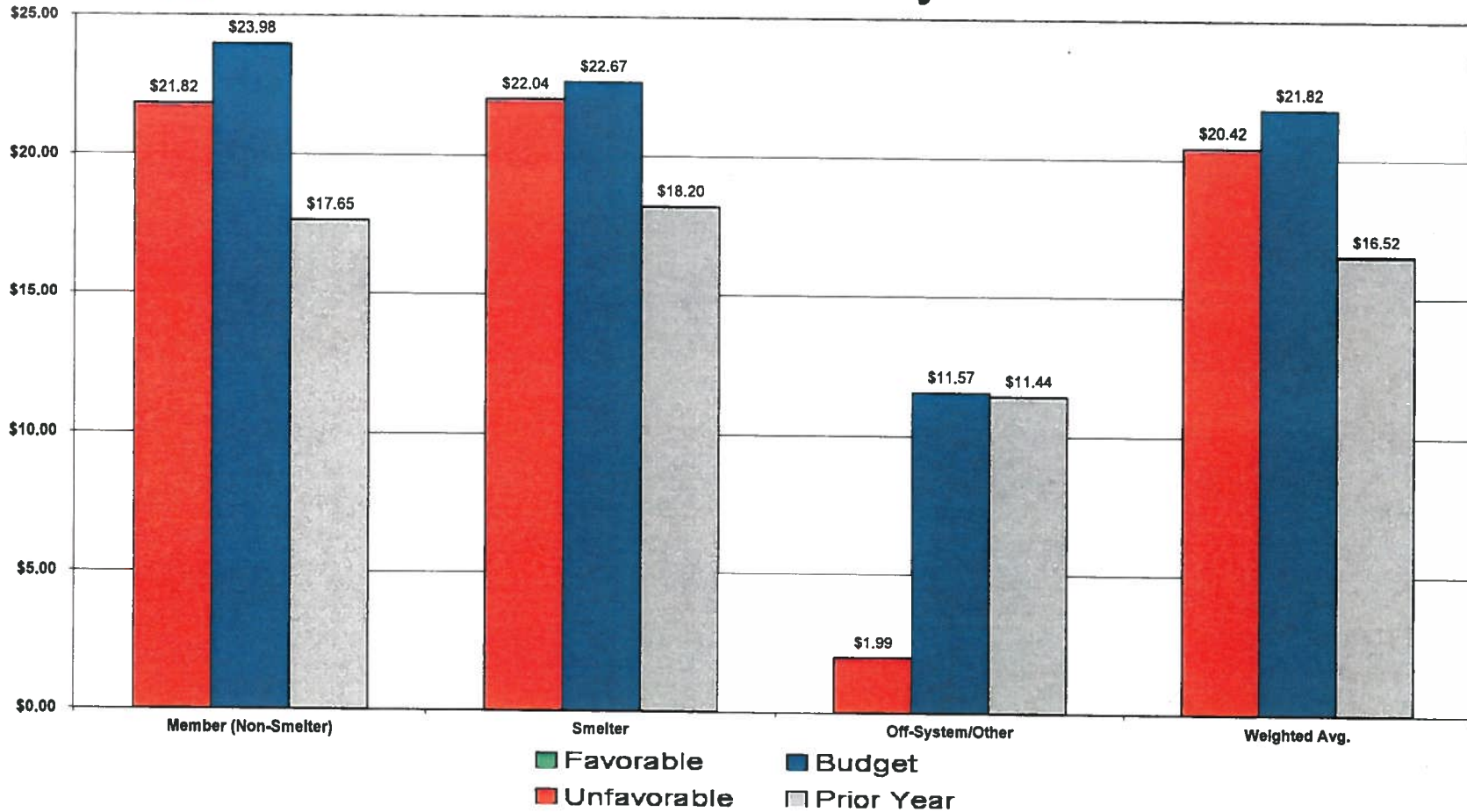




Variable Operations Cost YTD - February



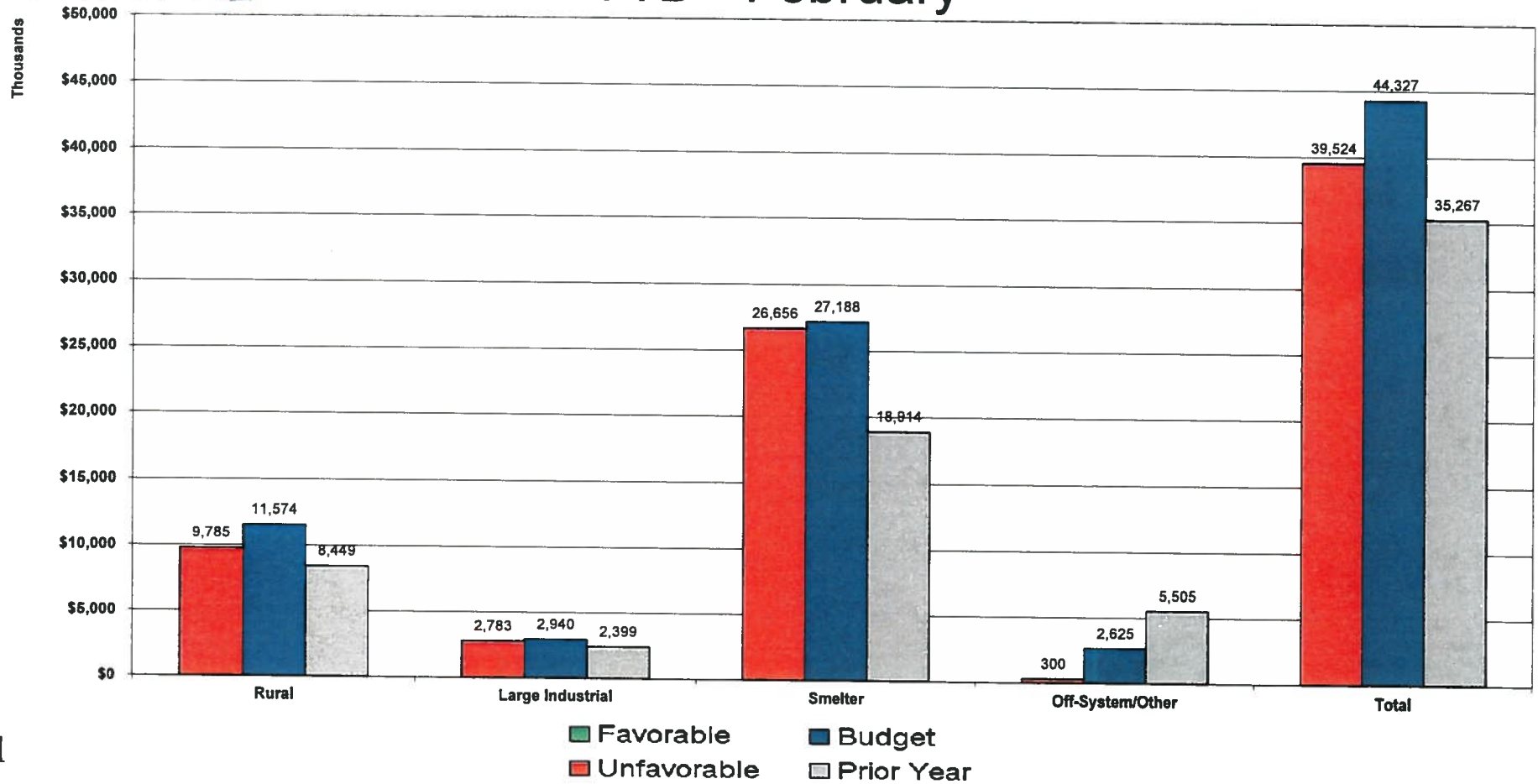
Net Sales Margin - \$/MWh YTD - February



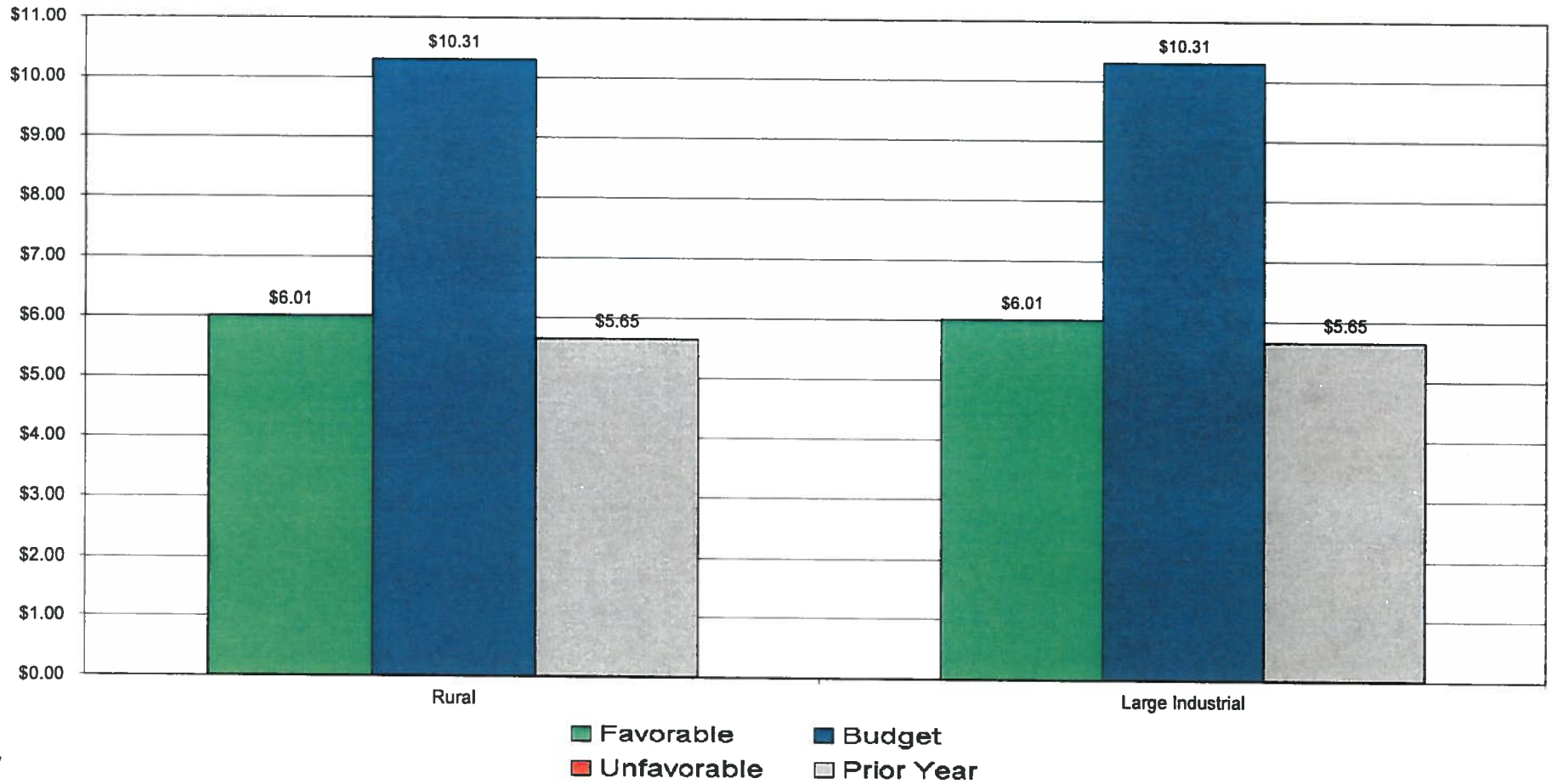


Your Touchstone Energy Cooperative

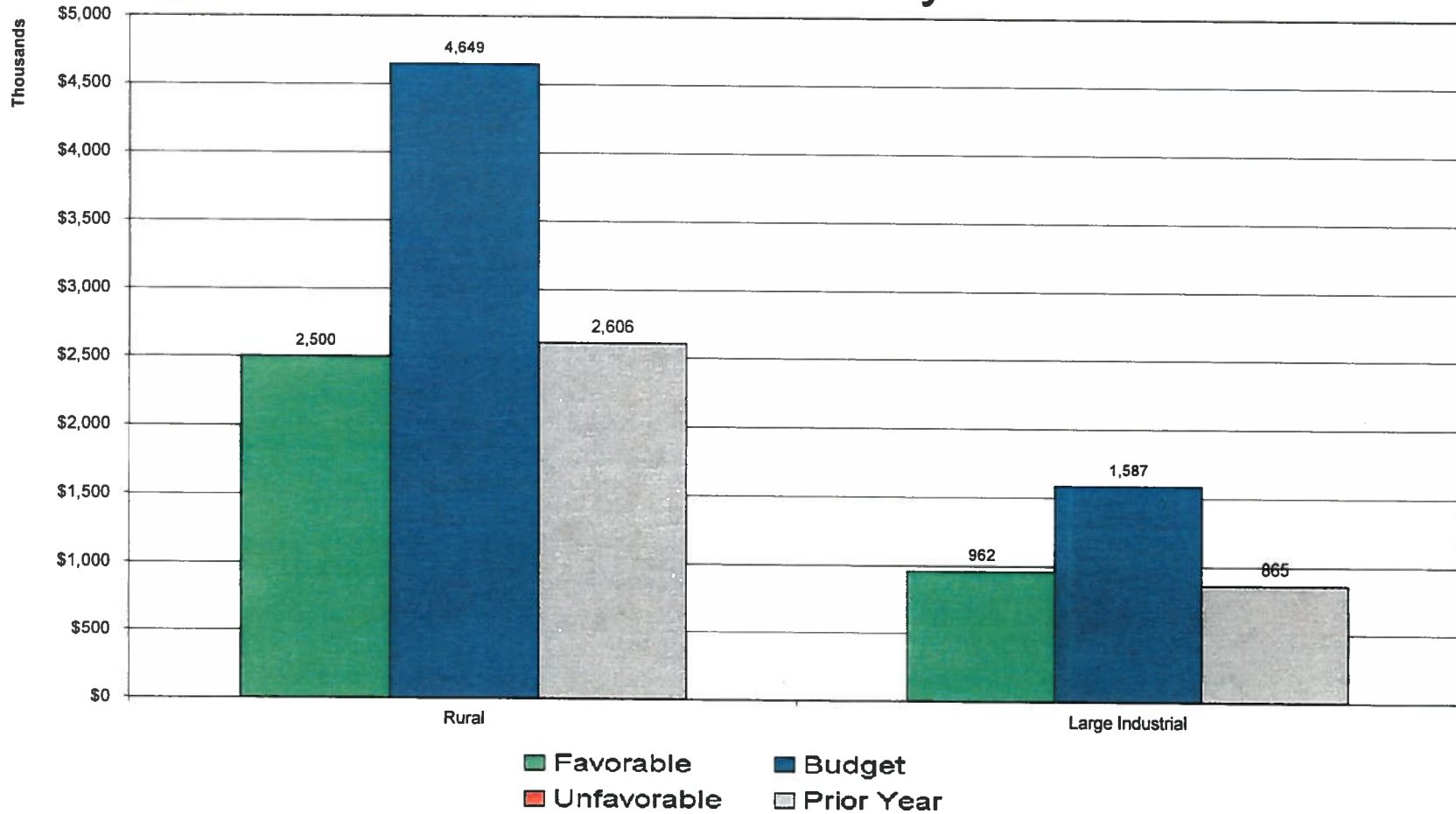
Net Sales Margin YTD - February



MRSM - \$/MWh YTD - February

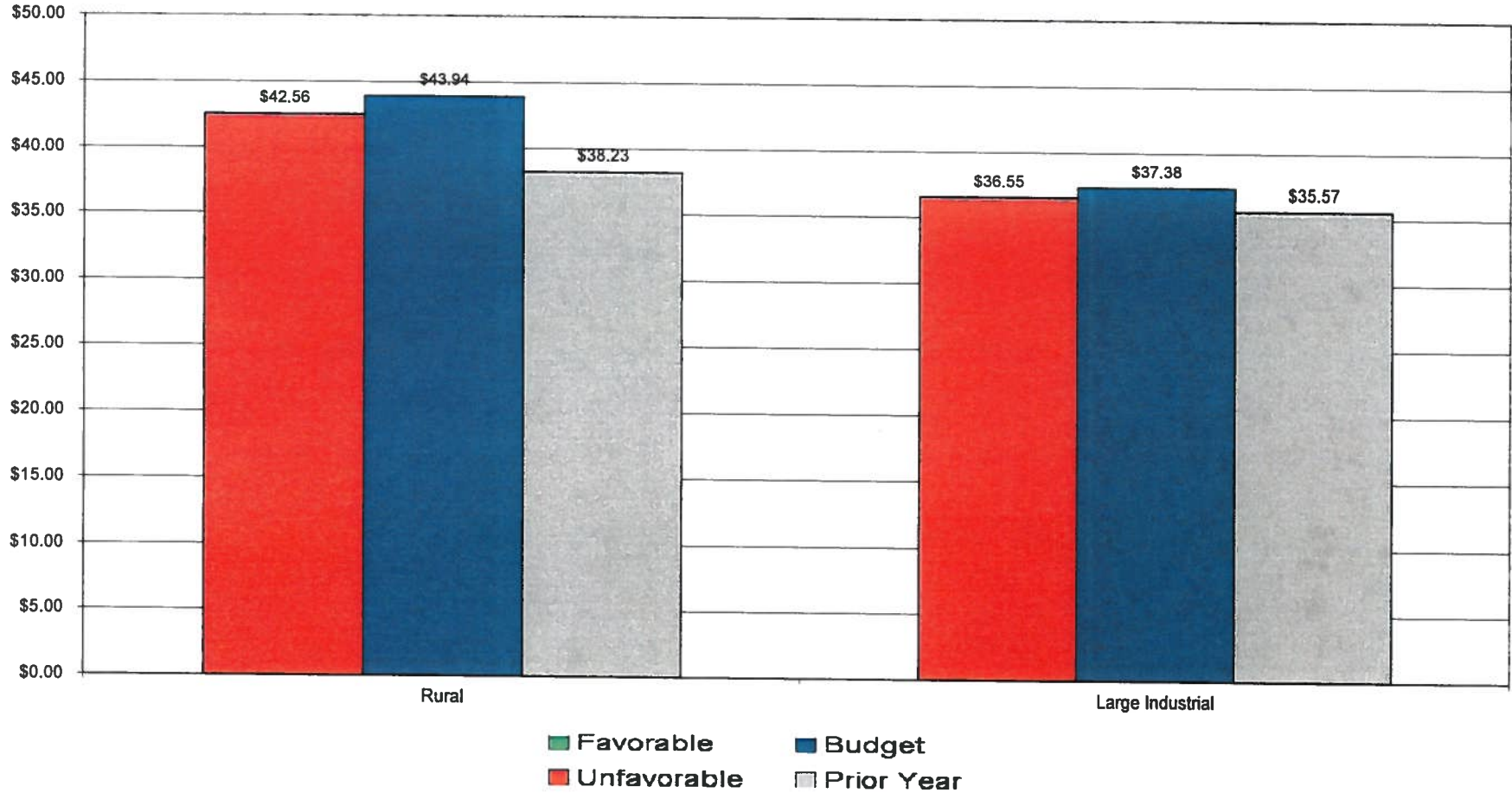


MRSM YTD - February



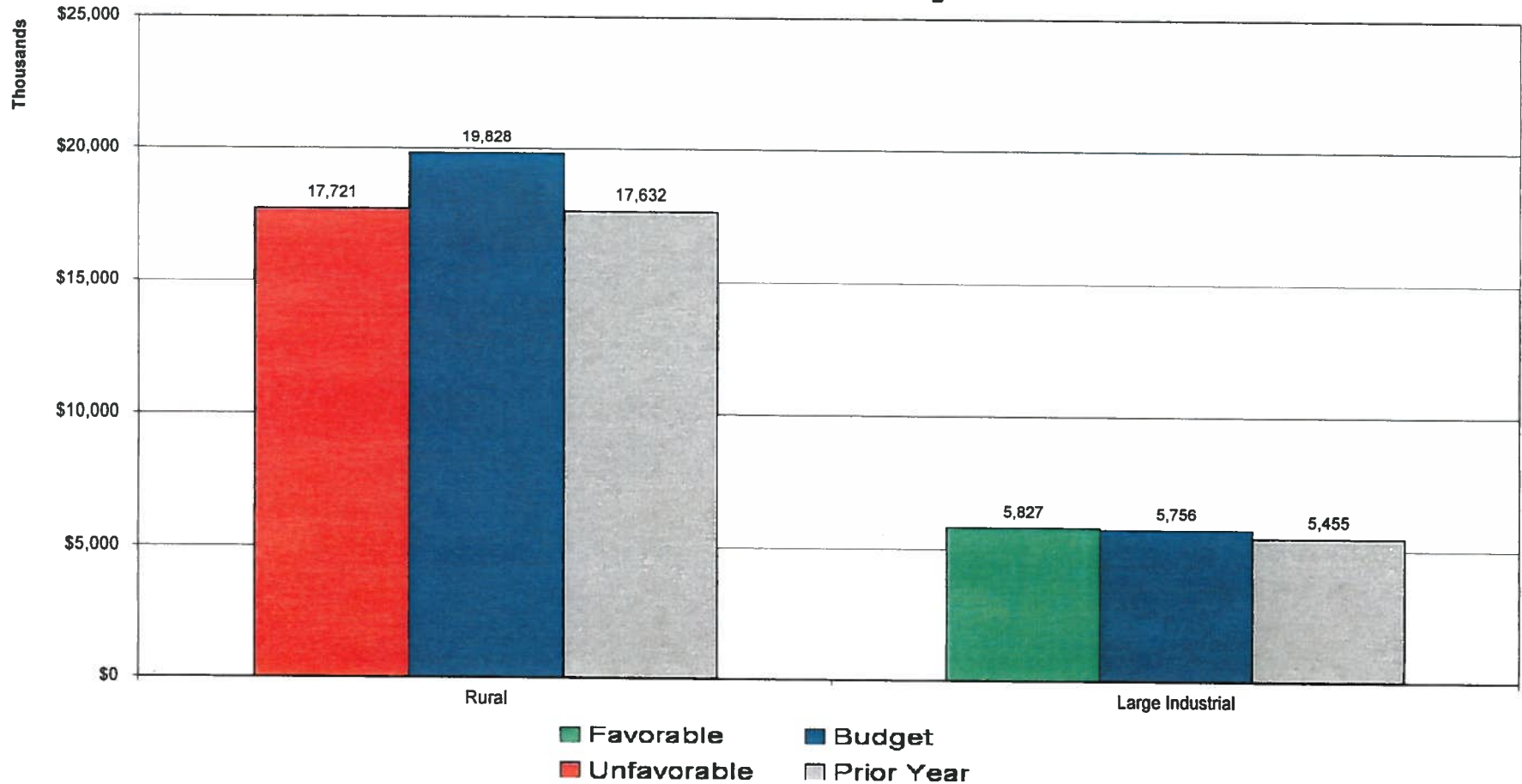


Net Revenue (Excl. MRSM) - \$/MWh YTD - February





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	10,823	9,371	(1,452)

Prior-Year Variances

Power Supply transmission reservation	<u>(582)</u>
Station-Two O&M [higher outage expense in 2012]	(602)
Other	<u>(268)</u>
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	6,453	5,649	(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



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	3,789	(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.



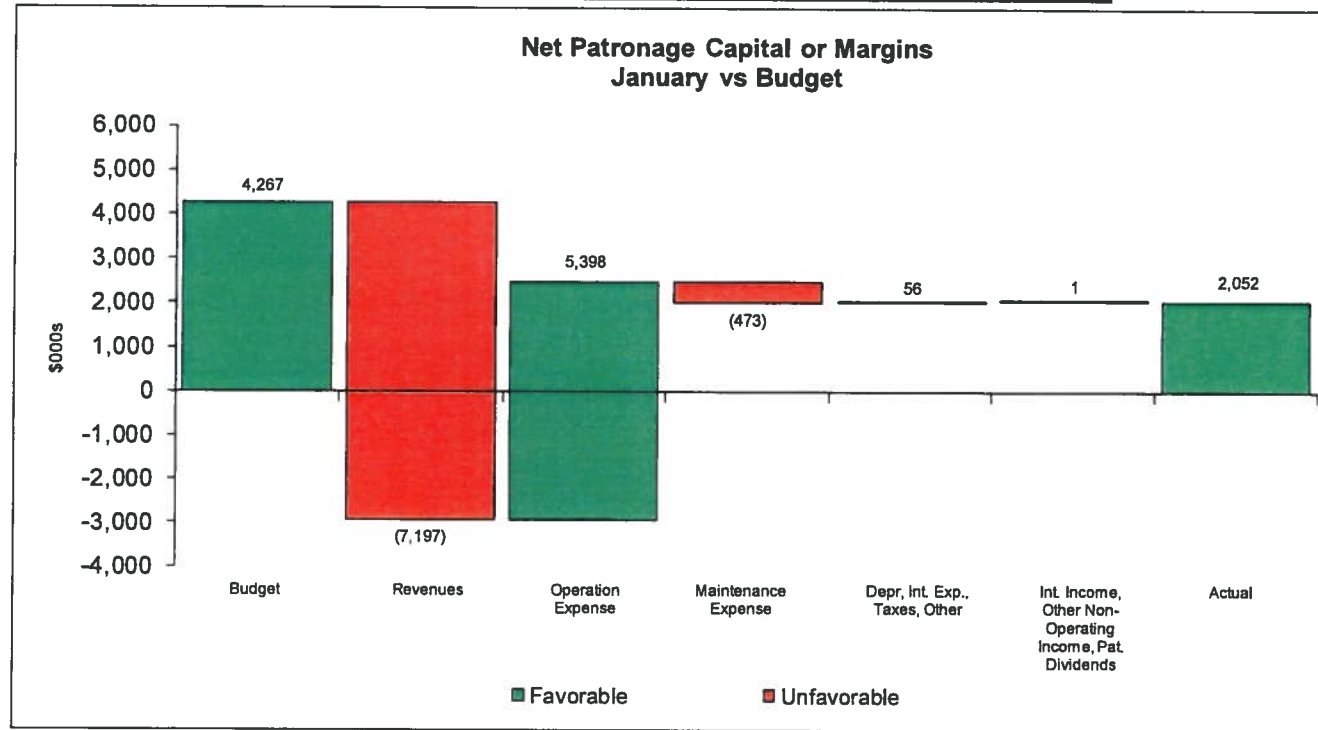
Your Taste in Energy™ Cooperative

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

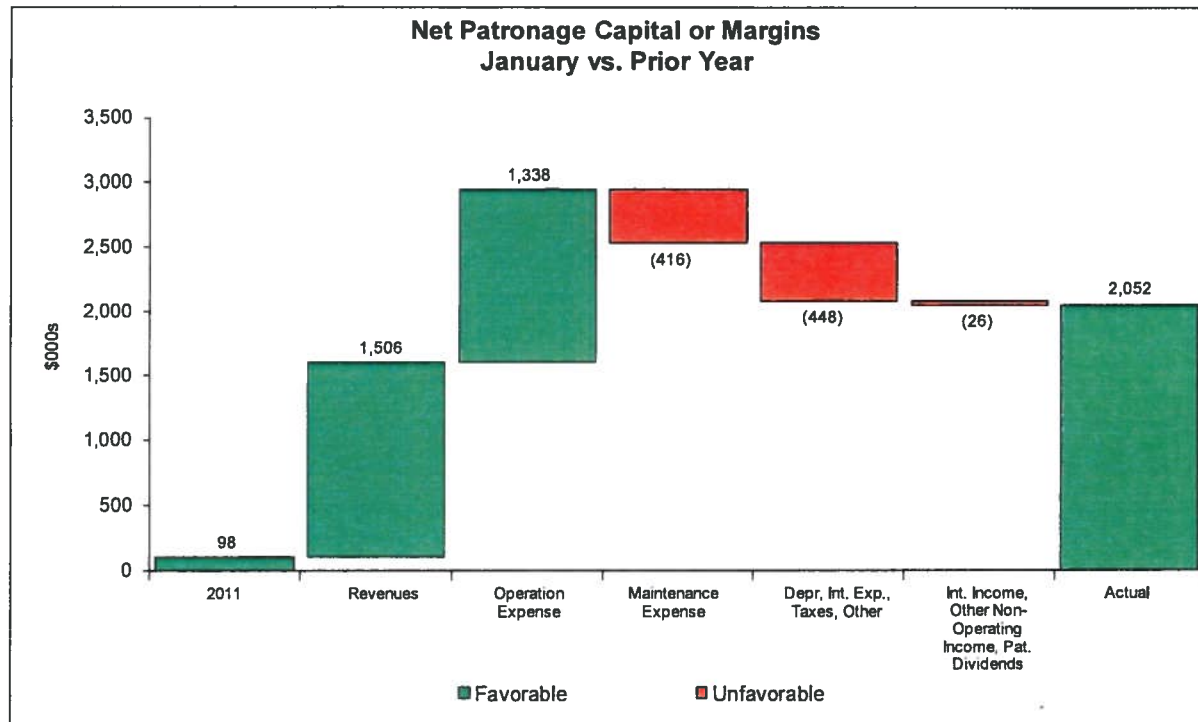


Financial Commentary

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> 2012	<u>Budget</u> 2012	<u>2012</u> Variance	<u>Actual</u> 2011	<u>2011</u> Variance		<u>Actual</u> 2012	<u>Budget</u> 2012	<u>2012</u> Variance	<u>Actual</u> 2011	<u>2011</u> Variance
MRSM - \$/MWh						Net Revenue - \$/MWh					
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
MRSM - Thousands of \$						Net Revenue - Thousands of \$					
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	44,830	49,810	4,980	45,304	474
Other Operating Revenues & Income	(374)	(338)	36	(146)	228
Smelter Avoidable Base Charge	(126)	0	126	0	126
Off-System Sales/Other	(2,509)	(5,127)	(2,618)	(8,937)	(6,428)
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
	41,815	44,340	2,525	36,189	(5,626)

Member MWh	929,847	944,980	(15,133)	885,532	44,315
------------	---------	---------	----------	---------	--------

North Star - \$/kWh	0.044971	0.046922	0.001951	0.040867	(0.004104)
---------------------	----------	----------	----------	----------	------------



TIER

	<u>Actual</u>	<u>Budget</u>	<u>Fav/(Unfav)</u>
Interest on Long-Term Debt	3,824	3,769	(55)
Net Margins	2,052	4,267	(2,215)
TIER - January	1.54	2.13	(0.59)
TIER (12 months ending 1/31)	1.17	1.15	0.02

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.



Your Touchstone Energy Cooperative

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	90,549	127,923	(37,374)	246,492	(155,943)
Total	1,020,396	1,072,903	(52,507)	1,132,024	(111,628)
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	27.71	40.08	(12.37)	36.26	(8.55)
Total	45.57	50.08	(4.51)	39.95	5.62
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	2,509	5,127	(2,618)	8,937	(6,428)
Total	46,502	53,734	(7,232)	45,224	1,278

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	(1,120)	(1,498)	(2,618)
	(4,904)	(2,328)	(7,232)



Your Touchstone Energy® Cooperative

Variable Operations Cost YTD January

	Actual 2012	Budget 2012	Variance	Actual 2011	2011 Variance
Variable Operations (VO) Cost - \$/MWh					
Rural	24.51	28.49	3.98	25.44	0.93
Large Industrial	24.51	28.49	3.98	25.44	0.93
Smelter	25.34	28.94	3.60	24.13	(1.21)
Off-System/Other	24.97	28.65	3.68	23.49	(1.48)
Total	25.06	28.77	3.71	24.38	(0.68)
VO Cost - Thousands of \$					
Rural	5,498	7,005	1,507	6,599	1,101
Large Industrial	1,955	2,259	304	2,032	77
Smelter	15,855	17,934	2,079	13,182	(2,673)
Off-System/Other	2,261	3,665	1,404	5,790	3,529
Total	25,569	30,863	5,294	27,603	2,034

YTD January 2012 Variable Operations Expense

	Actual	Budget	Fav/(UnFav)	Price Variance Fav/(UnFav)	Volume Variance Fav/(UnFav)	Fav/(UnFav)
Reagent	2,097	3,147	1,050	71	979	1,050
Fuel	19,516	26,762	7,246	2,126	5,120	7,246
Purchased Power	4,208	1,101	(3,107)	143	(3,250)	(3,107)
Non-FAC PPA (Non-Smelter)	(252)	(147)	105	115	(10)	105
	25,569	30,863	5,294	2,455	2,839	5,294



Your Touchstone Energy® Cooperative

Net Sales Margin YTD January

	Actual 2012	Budget 2012	Variance	Actual 2011	2011 Variance
Net Sales Margin - \$/MWh					
Rural	23.20	25.16	(1.96)	15.71	7.49
Large Industrial	17.92	18.74	(0.82)	14.09	3.83
Smelter	22.45	22.16	0.29	16.98	5.47
Off-System/Other	2.74	11.43	(8.69)	12.77	(10.03)
Total	20.51	21.31	(0.80)	15.57	4.94
Net Sales Margin - Thousands of \$					
Rural	5,205	6,189	(984)	4,073	1,132
Large Industrial	1,430	1,486	(56)	1,125	305
Smelter	14,050	13,733	317	9,276	4,774
Off-System/Other	248	1,462	(1,214)	3,147	(2,899)
Total	20,933	22,870	(1,937)	17,621	3,312

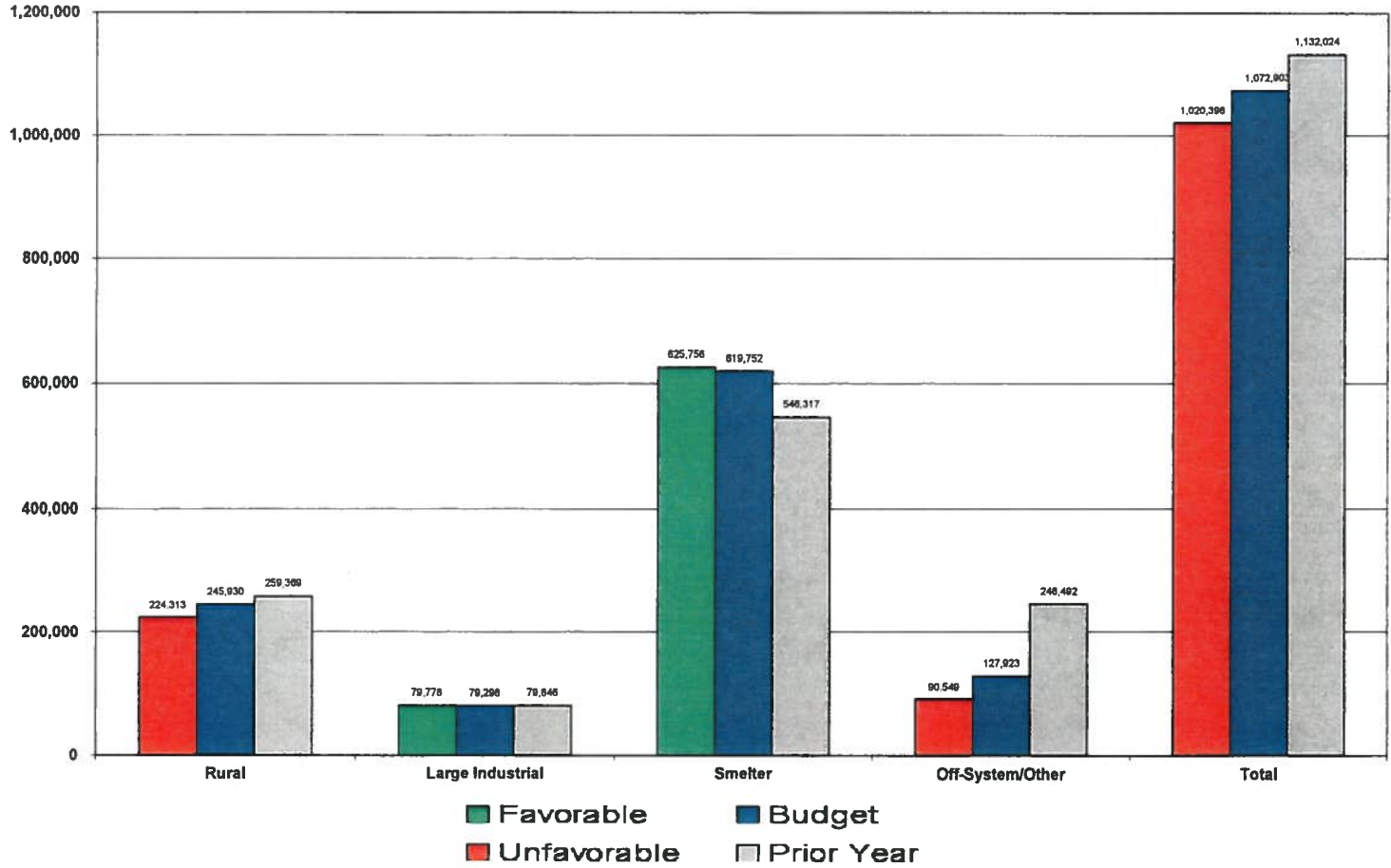
Net Sales Margin Price / Volume Analysis January 2012

	Price / Volume		
	Price	Volume	Total
Rural	(442)	(542)	(984)
Large Industrial	(65)	9	(56)
Smelter	184	133	317
Off-System/Other	(787)	(427)	(1,214)
	(1,110)	(827)	(1,937)



Your. Our. Future. Energy. Cooperative.

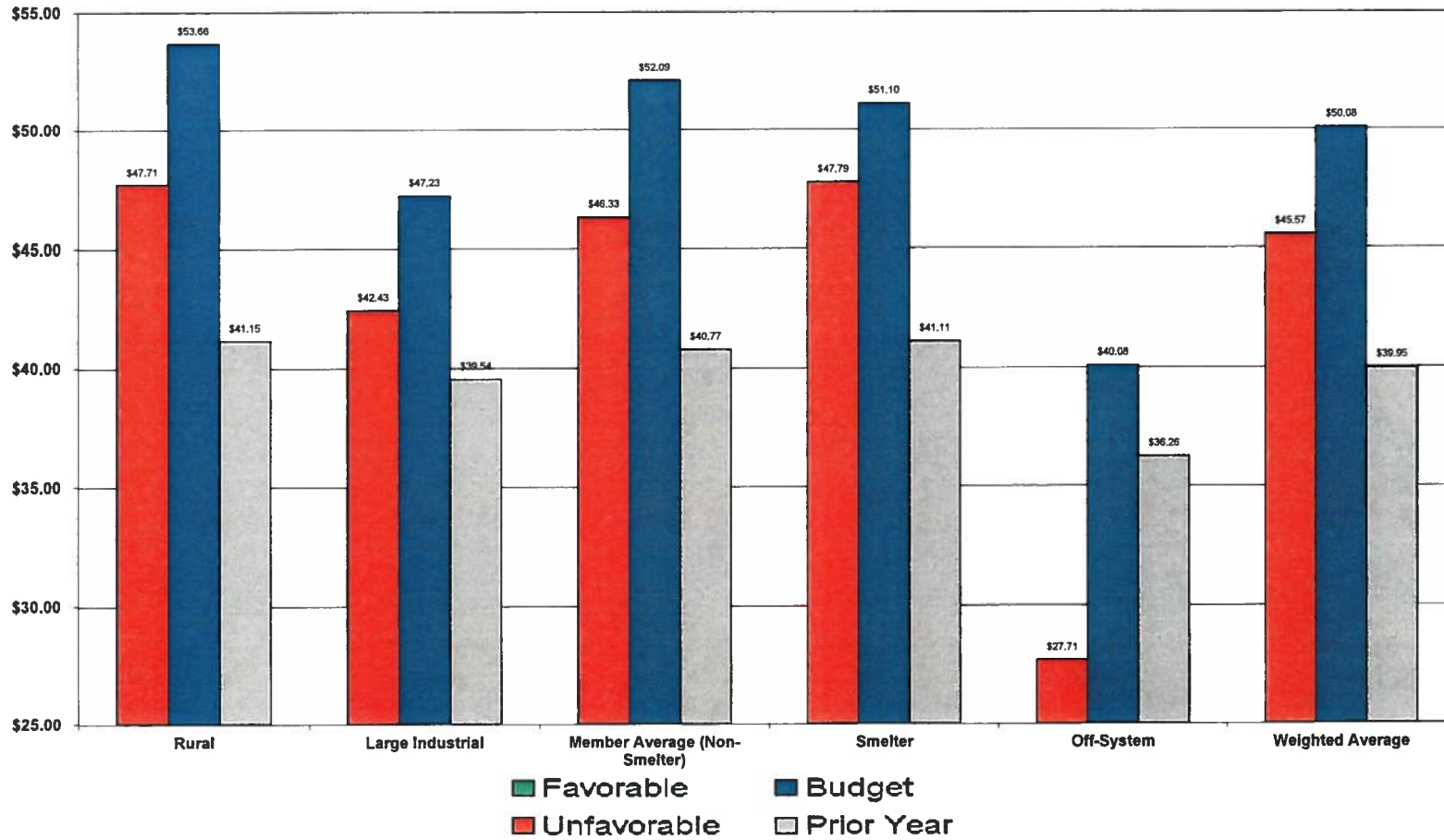
MWH Sales





Your Traditional Energy Cooperative

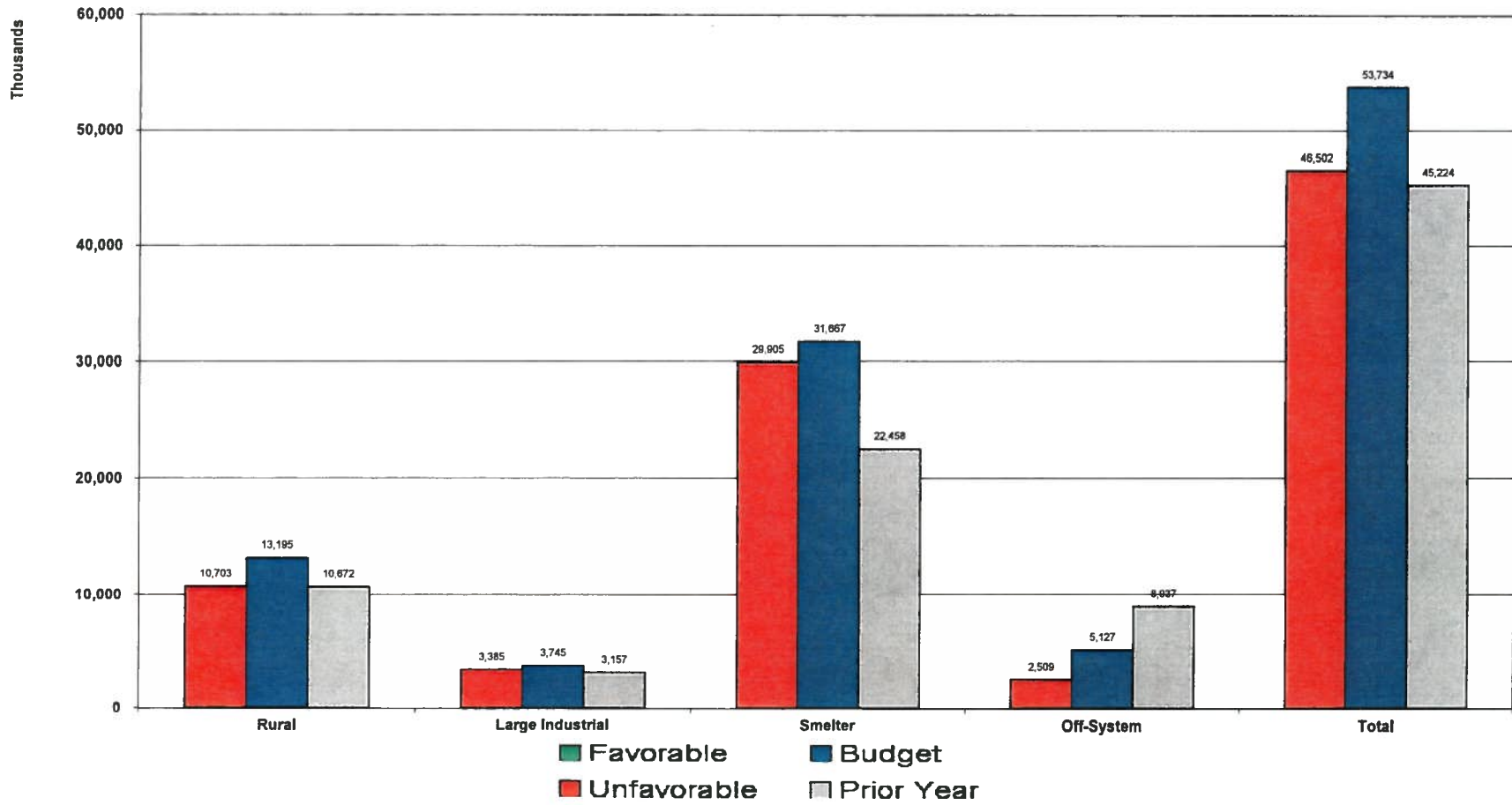
Revenue - \$/MWh Sold



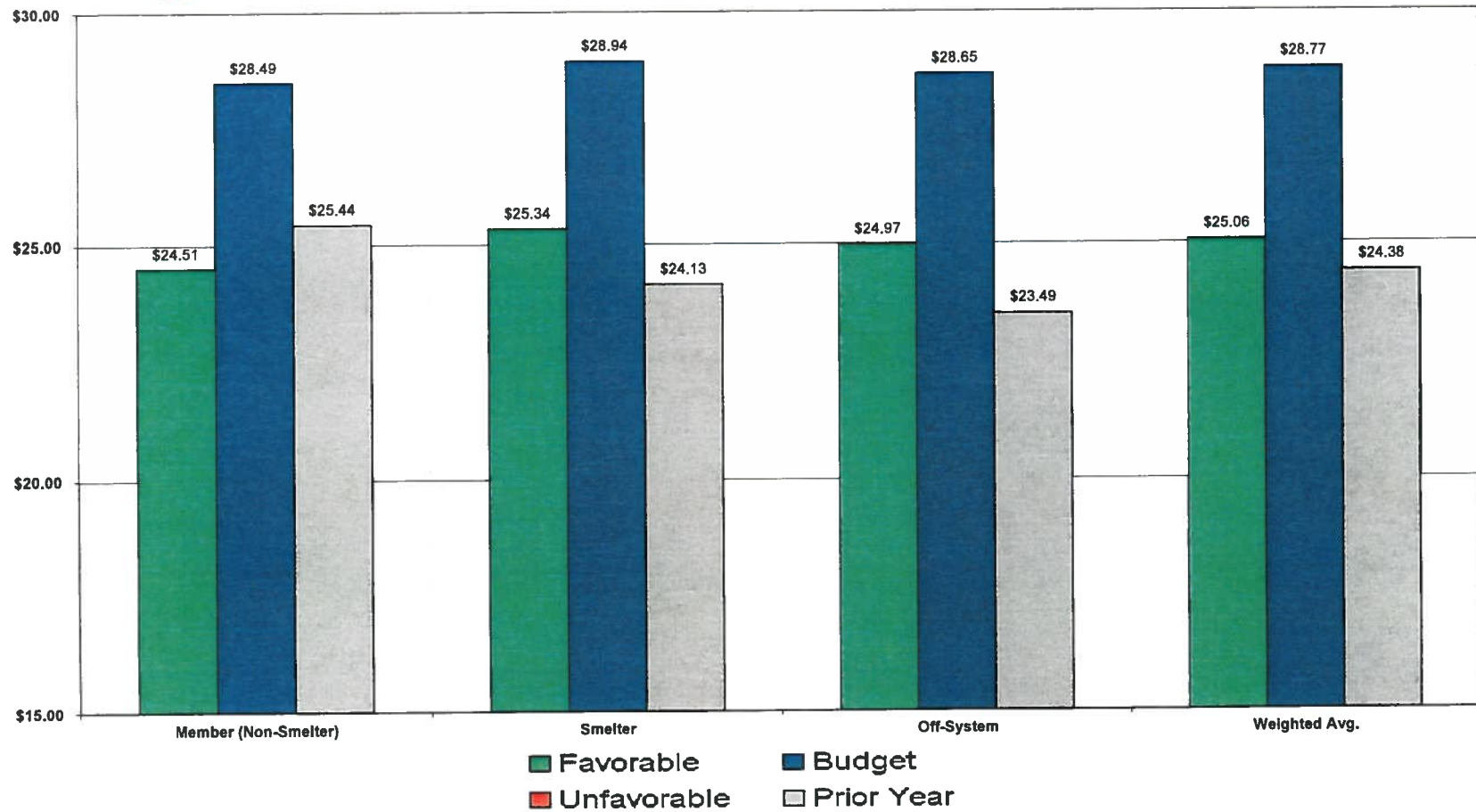


Your "Touchstone Energy" Cooperative

Revenue



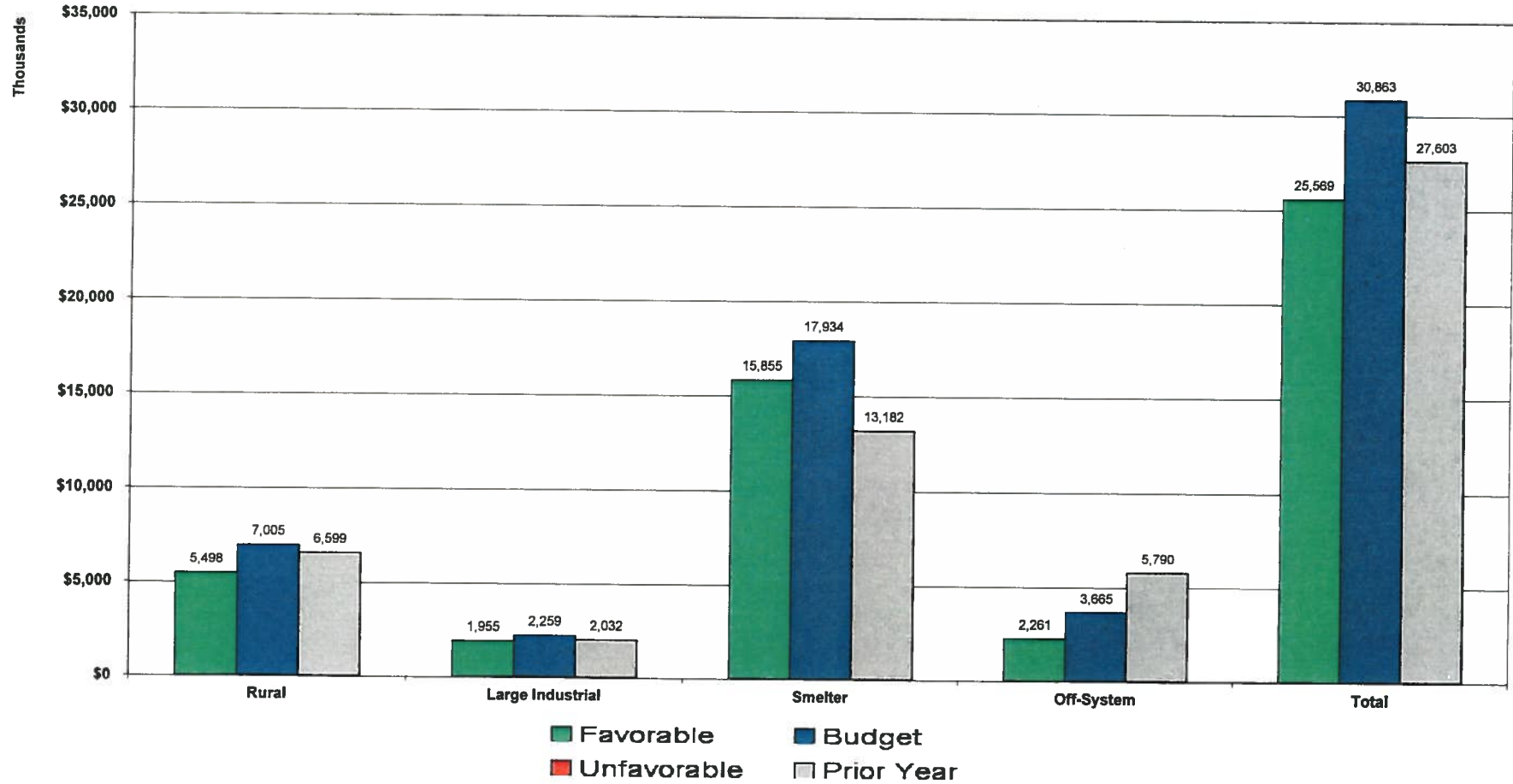
Variable Operations - \$/MWh Sold





Variable Operations Cost

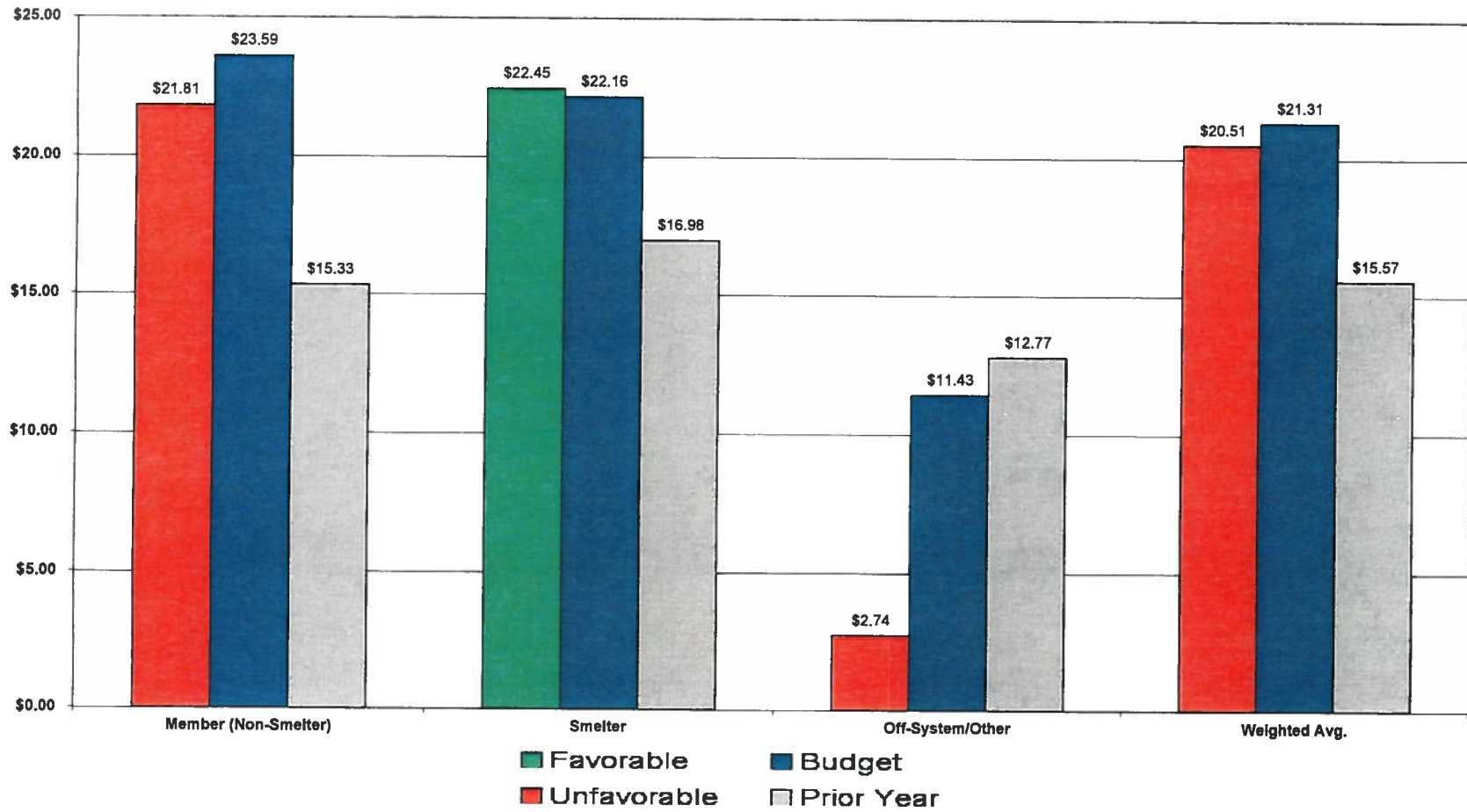
Your Touchstone Energy® Cooperative





Your Town's Own Energy Cooperative

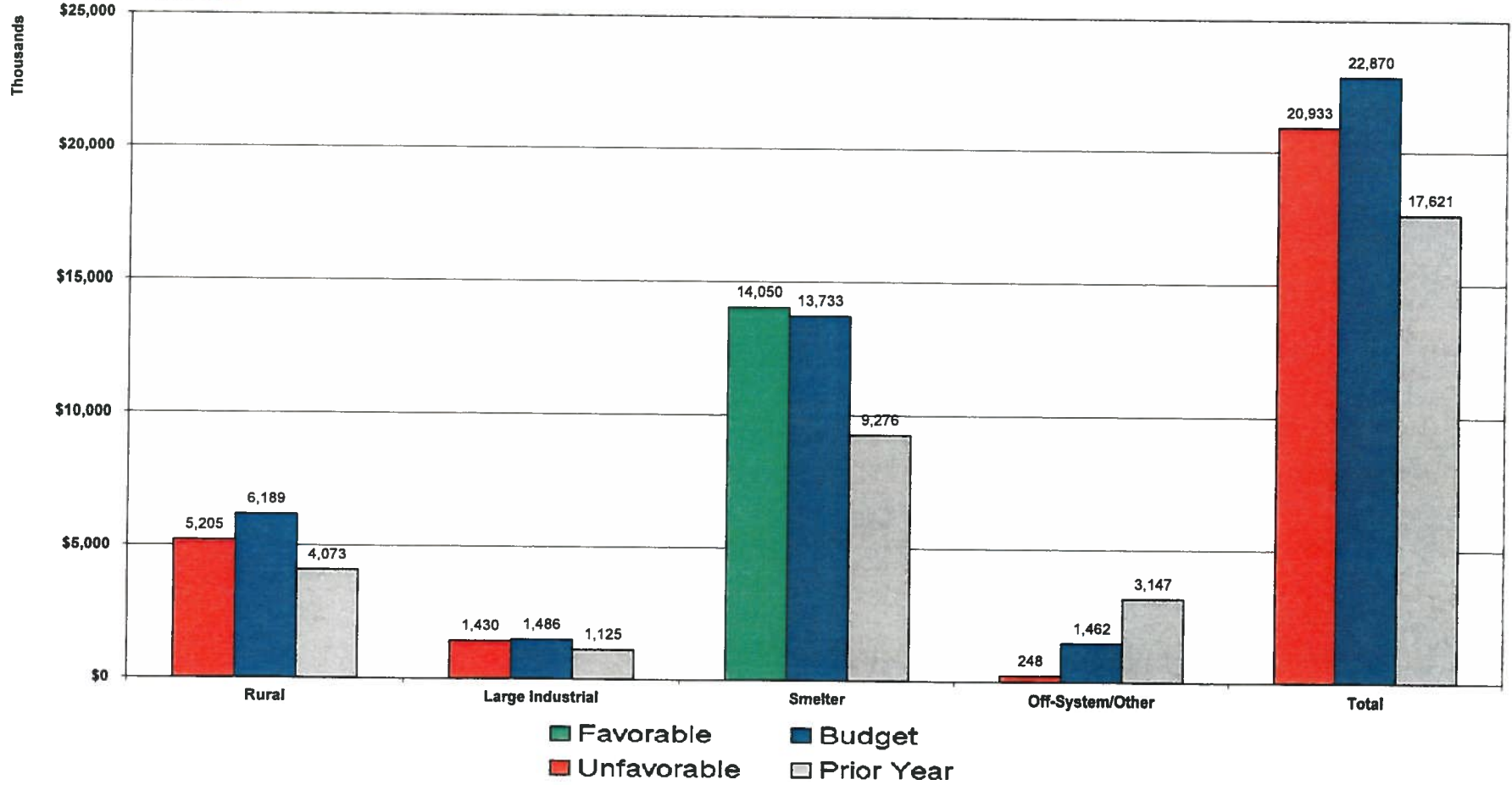
Net Sales Margin - \$/MWh





Net Sales Margin

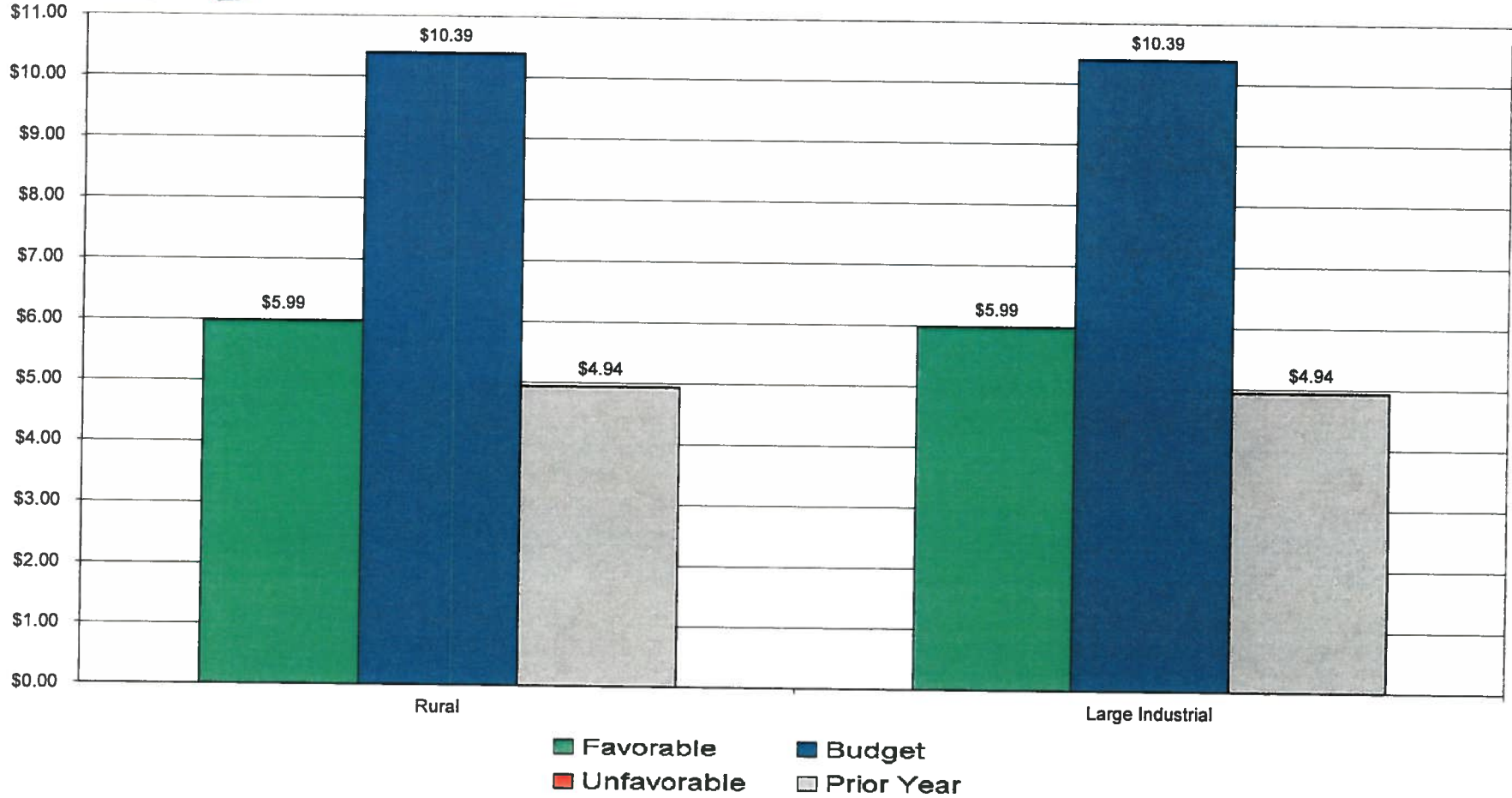
Your Low Income Energy Cooperative



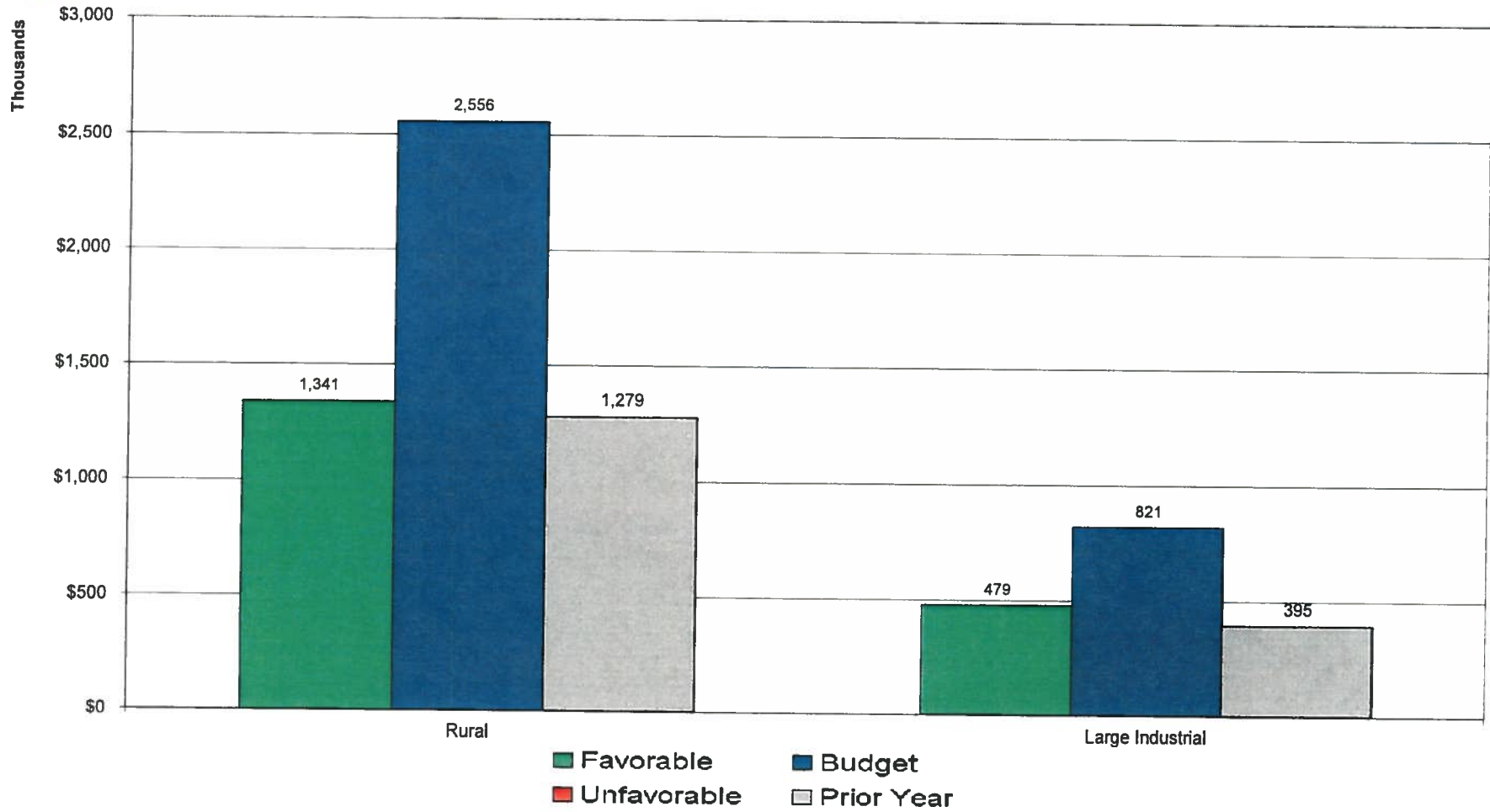


MRSM - \$/MWh

View [Eaststone Energy Cooperative](#)



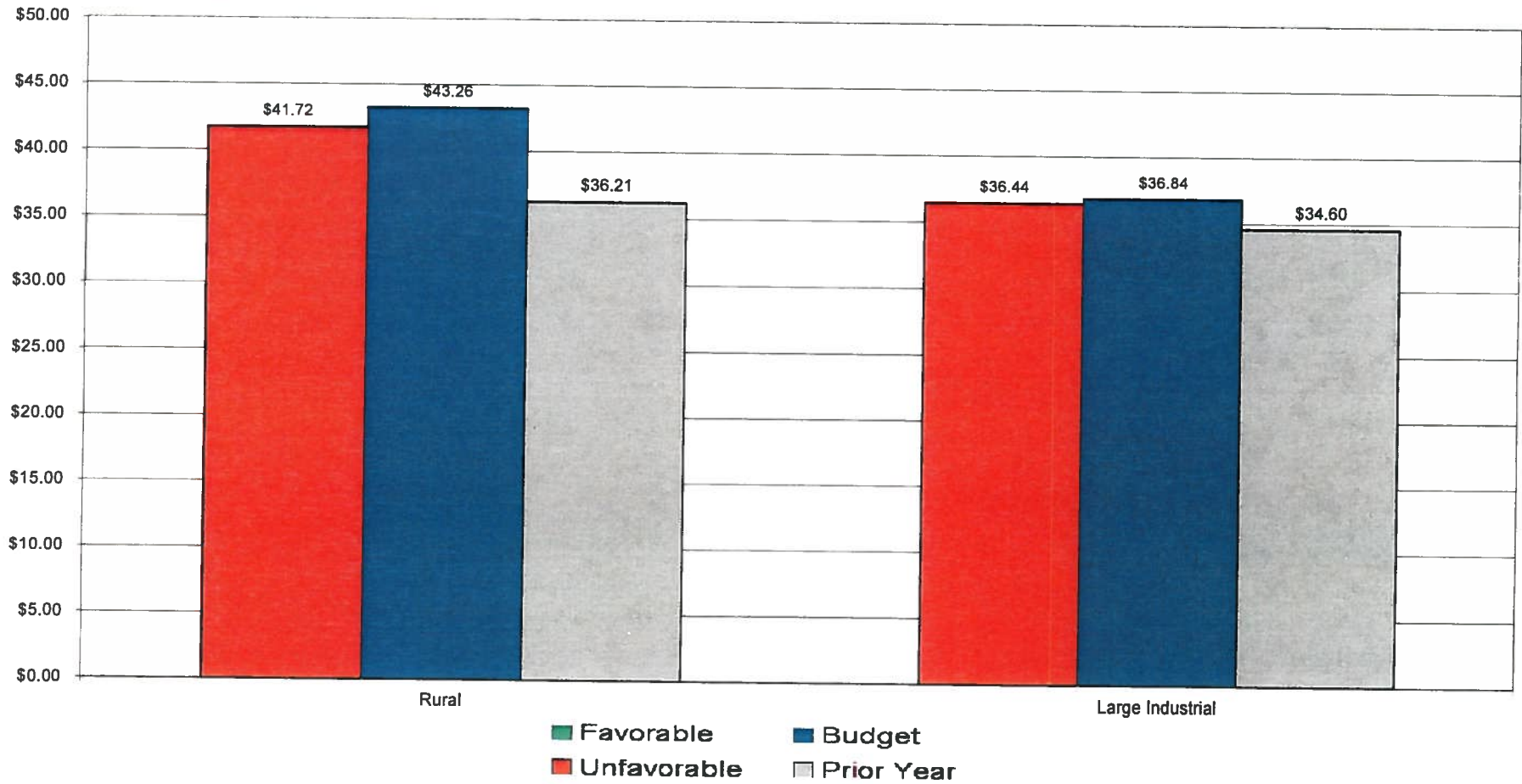
MRSM





Your Electric Energy Cooperative

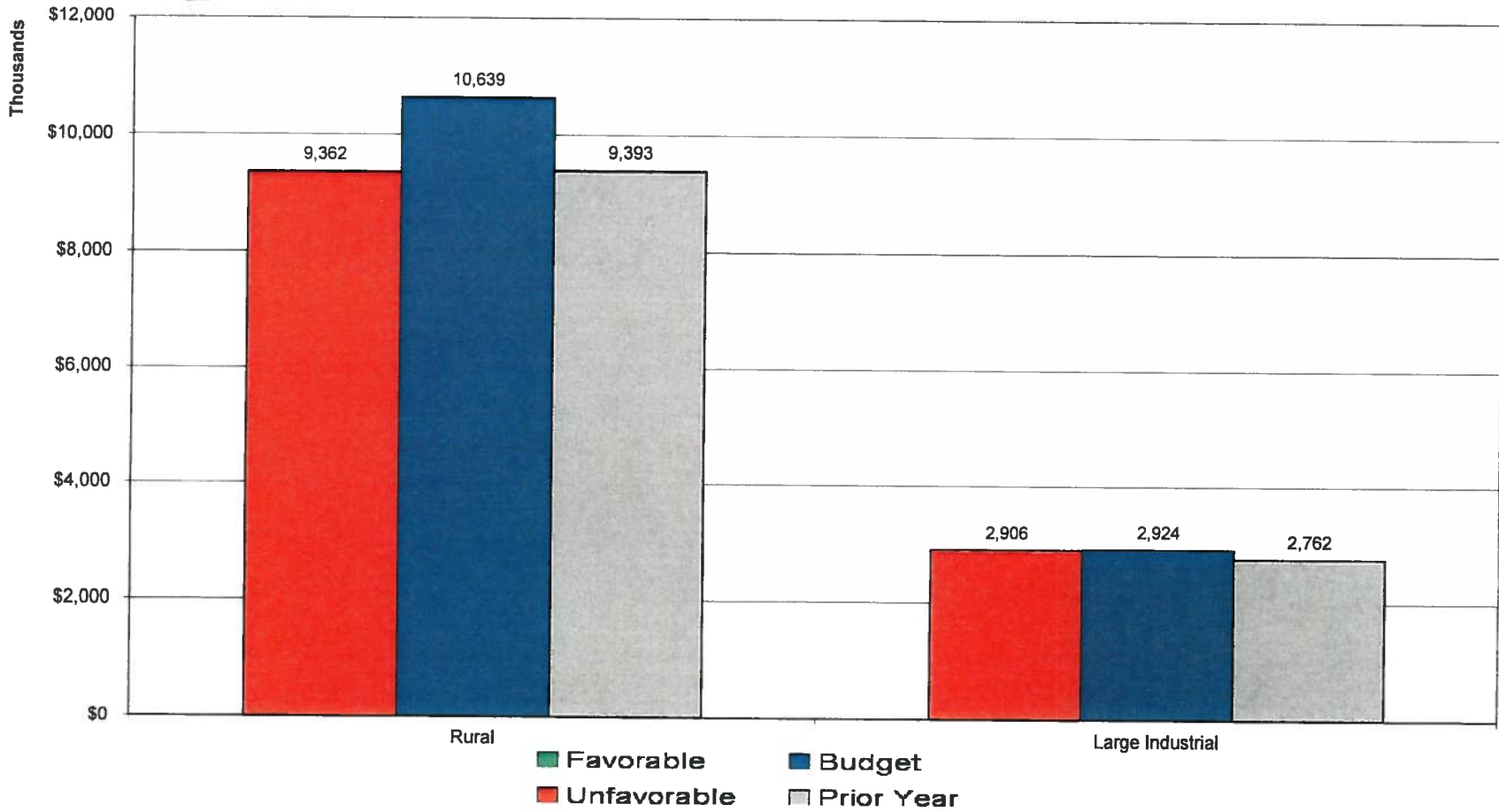
Net Revenue (Excl. MRSM) - \$/MWh





Your Touchable Energy Cooperative

Net Revenue (Excl. MRSM)





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>
5,542	5,254	(288)	5,001	(541)

Current Year Variances

Power Supply transmission reservation	(175)
Other	(113)
Non-Variable Production and Other Power Supply - Operations	(288)

Prior-Year Variances

Power Supply transmission reservation	(132)
Labor	(151)
Station-Two O&M	(231)
Other	(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>
3,159	2,705	(454)	2,779	(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



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).



Statement of Operations – December Variance to Budget

	Current Month			Year-to-Date			Explanation
	Actual	Budget*	Variance Fav/(UnFav)	Actual	Budget*	Variance Fav/(UnFav)	
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	206,890	(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).

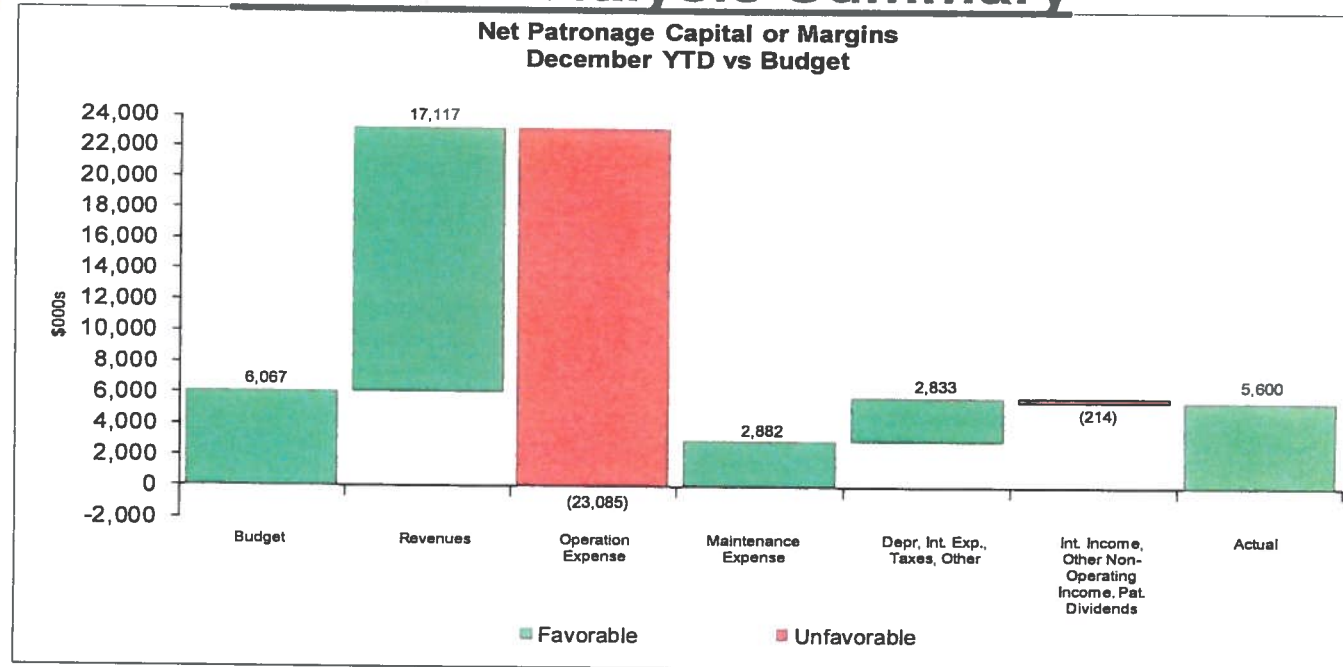


Statement of Operations – December Variance to Prior-Year

	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)	42,898	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.

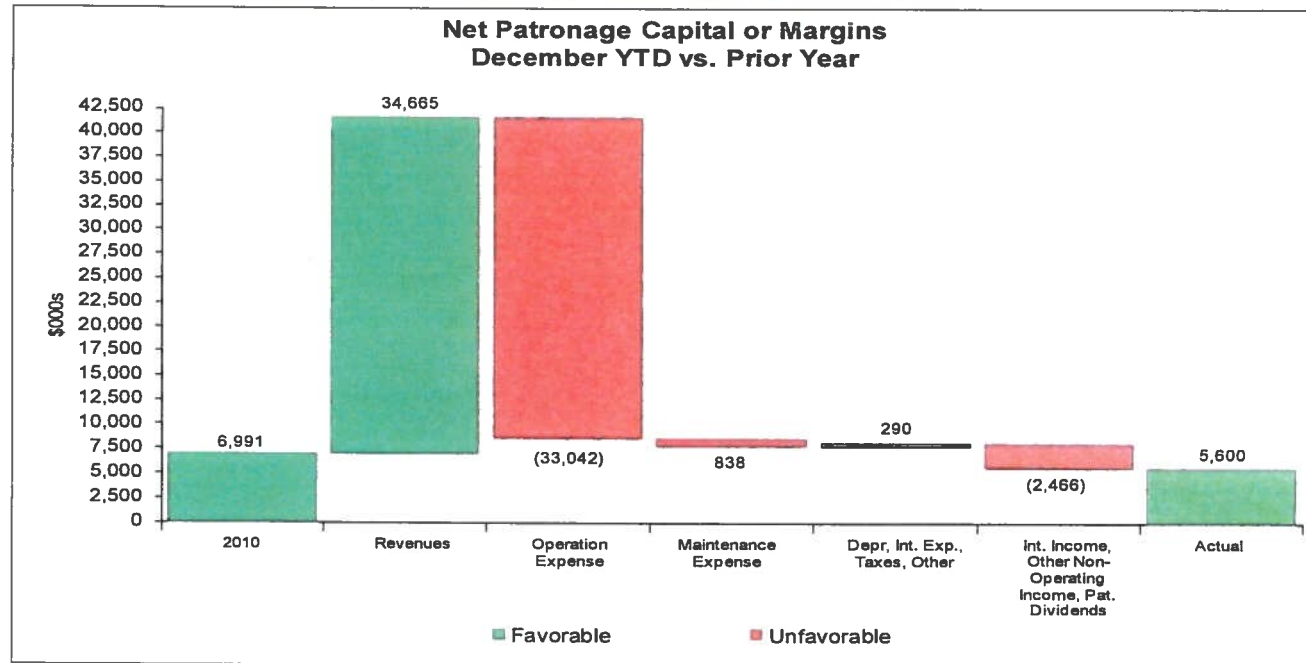
Variance Analysis Summary



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).



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>



North Star

	2011			2010	
	Actual	Budget*	Fav/(UnFav) Variance	Actual	Fav/(UnFav) Variance
Total Cost of Electric Service	556,657	558,347	1,690	523,069	(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	(102,021)	(58,501)	43,520	(83,825)	18,196
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
	447,817	480,280	32,463	418,676	(29,141)

Member MWh	10,199,019	10,729,981	(530,962)	9,759,988	439,031
------------	------------	------------	-----------	-----------	---------

North Star - \$/kWh	0.043908	0.044766	0.000858	0.042897	(0.001011)
---------------------	----------	----------	----------	----------	------------

*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	5,600	6,067	(467)
TIER	1.12	1.13	(0.01)

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	3,056,108	1,397,890	1,658,218	2,209,432	846,676
Total	13,255,125	12,127,871	1,127,254	11,969,422	1,285,703
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	33.38	41.85	(8.47)	37.94	(4.56)
Total	42.12	44.93	(2.81)	42.98	(0.86)
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	102,021	58,501	43,520	83,824	18,197
Total	558,372	544,848	13,524	514,490	43,882

Revenue Price / Volume Analysis

	Price / Volume		
	Price	Volume	Total
Rural	(1.130)	(6.570)	(7.700)
Large Industrial	(1.607)	1.965	358
Smelter	(3.013)	(19.641)	(22.654)
Off-System/Other	(25.875)	69.395	43,520
	(31.625)	45.149	13.524



Variable Operations Cost

	Actual 2011	Budget 2011	Variance	Actual 2010	2010 Variance
Variable Operations (VO) Cost - \$/MWh					
Rural	25.26	25.74	0.48	25.01	(0.25)
Large Industrial	25.26	25.74	0.48	25.01	(0.25)
Smelter	24.71	24.60	(0.11)	23.95	(0.76)
Off-System/Other	23.94	24.25	0.31	23.00	(0.94)
Total	24.67	24.88	0.21	24.08	(0.59)
VO Cost - Thousands of \$					
Rural	59,926	64,617	4,691	62,058	2,132
Large Industrial	24,554	23,882	(672)	23,263	(1,291)
Smelter	169,403	179,362	9,959	152,055	(17,348)
Off-System/Other	73,170	33,905	(39,265)	50,824	(22,346)
Total	327,053	301,766	(25,287)	288,200	(38,853)

Variable Operations Expense

	Actual	Budget	Fav/(UnFav)	Price Variance	Volume Variance	Fav/(UnFav)
				Fav/(UnFav)	Fav/(UnFav)	
Reagent	28,959	37,500	8,541	8,832	(291)	8,541
Fuel	255,727	238,498	(17,229)	(7,606)	(9,623)	(17,229)
Purchased Power	40,507	21,829	(18,678)	(5,193)	(13,485)	(18,678)
Non-FAC PPA (Non-Smelter)	1,860	3,939	2,079	1,972	107	2,079
	327,053	301,766	(25,287)	(1,995)	(23,292)	(25,287)



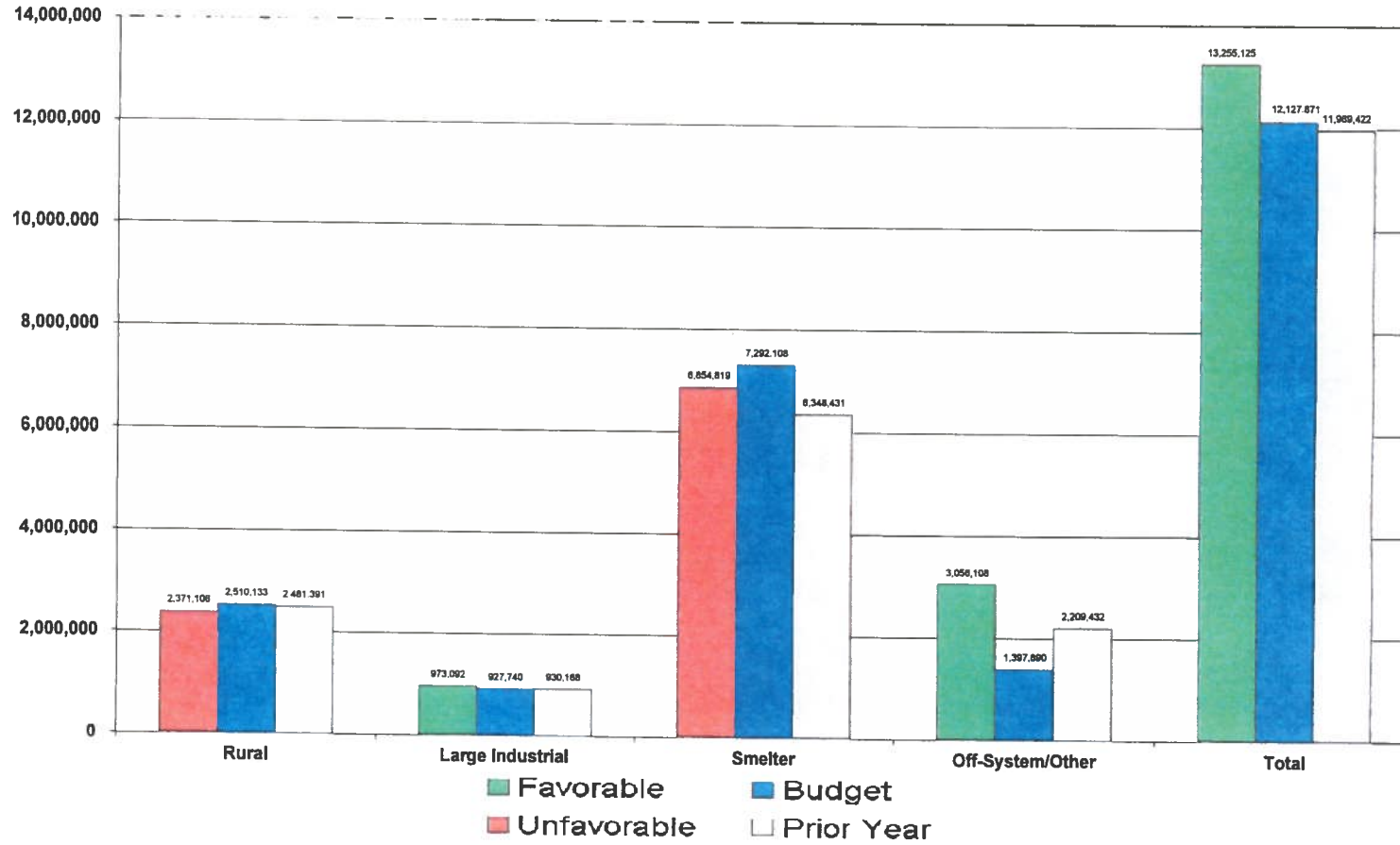
Net Sales Margin

	Actual 2011	Budget 2011	Variance	Actual 2010	2010 Variance
Net Sales Margin - \$/MWh					
Rural	21.52	21.51	0.01	20.14	1.38
Large Industrial	16.42	17.59	(1.17)	16.88	(0.46)
Smelter	19.77	20.32	(0.55)	20.10	(0.33)
Off-System/Other	9.44	17.60	(8.16)	14.94	(5.50)
Total	17.45	20.05	(2.60)	18.90	(1.45)
Net Sales Margin - Thousands of \$					
Rural	50,985	53,994	(3,009)	49,975	1,010
Large Industrial	16,006	16,320	(314)	15,705	301
Smelter	135,477	148,172	(12,695)	127,610	7,867
Off-System/Other	28,851	24,596	4,255	32,998	(4,147)
Total	231,319	243,082	(11,763)	226,288	5,031

**Net Sales Margin
Price / Volume Analysis**

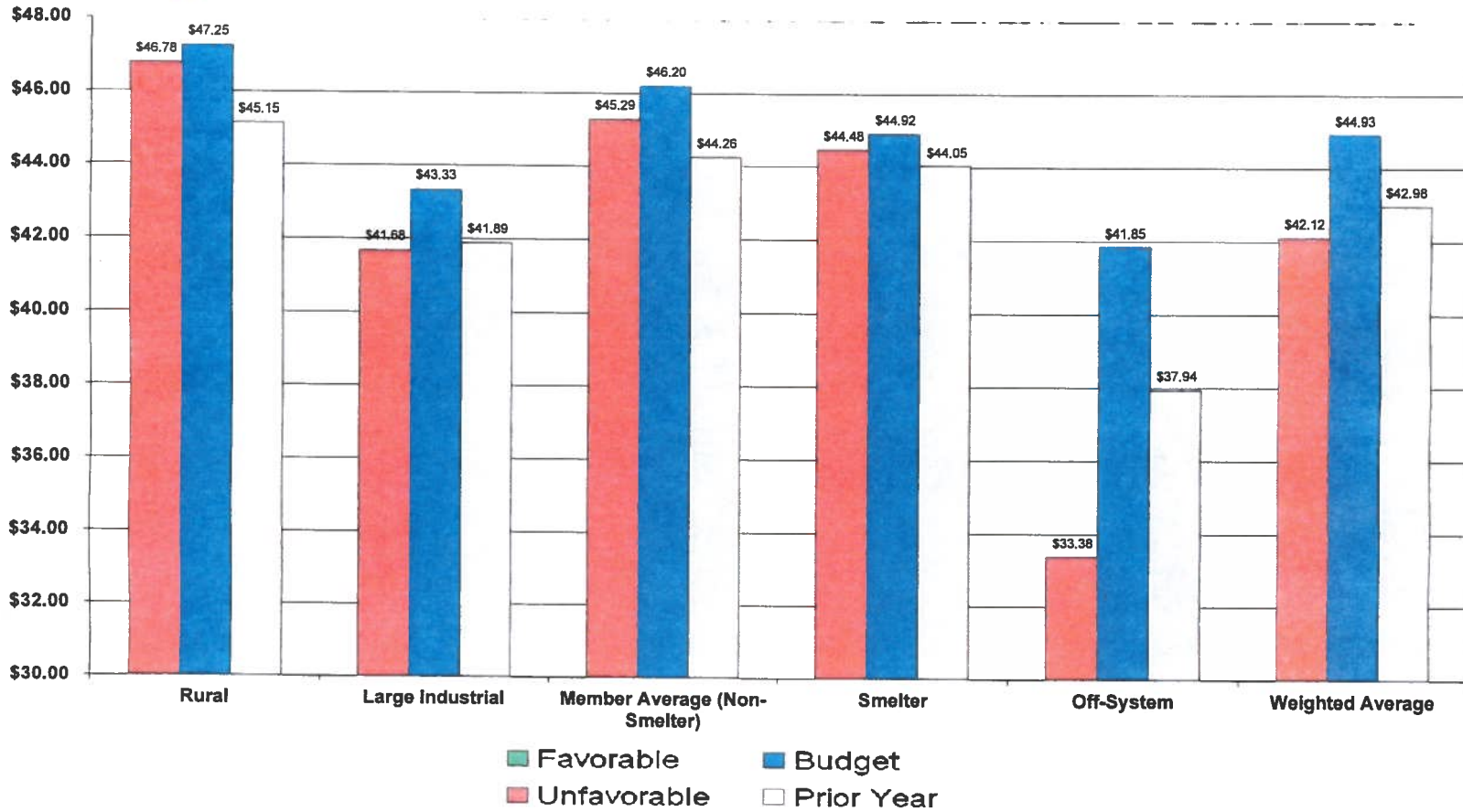
	Price / Volume		
	Price	Volume	Total
Rural	(18)	(2,991)	(3,009)
Large Industrial	(1,112)	798	(314)
Smelter	(3,810)	(8,885)	(12,695)
Off-System/Other	(24,921)	29,176	4,255
	(29,861)	18,098	(11,763)

MWH Sales



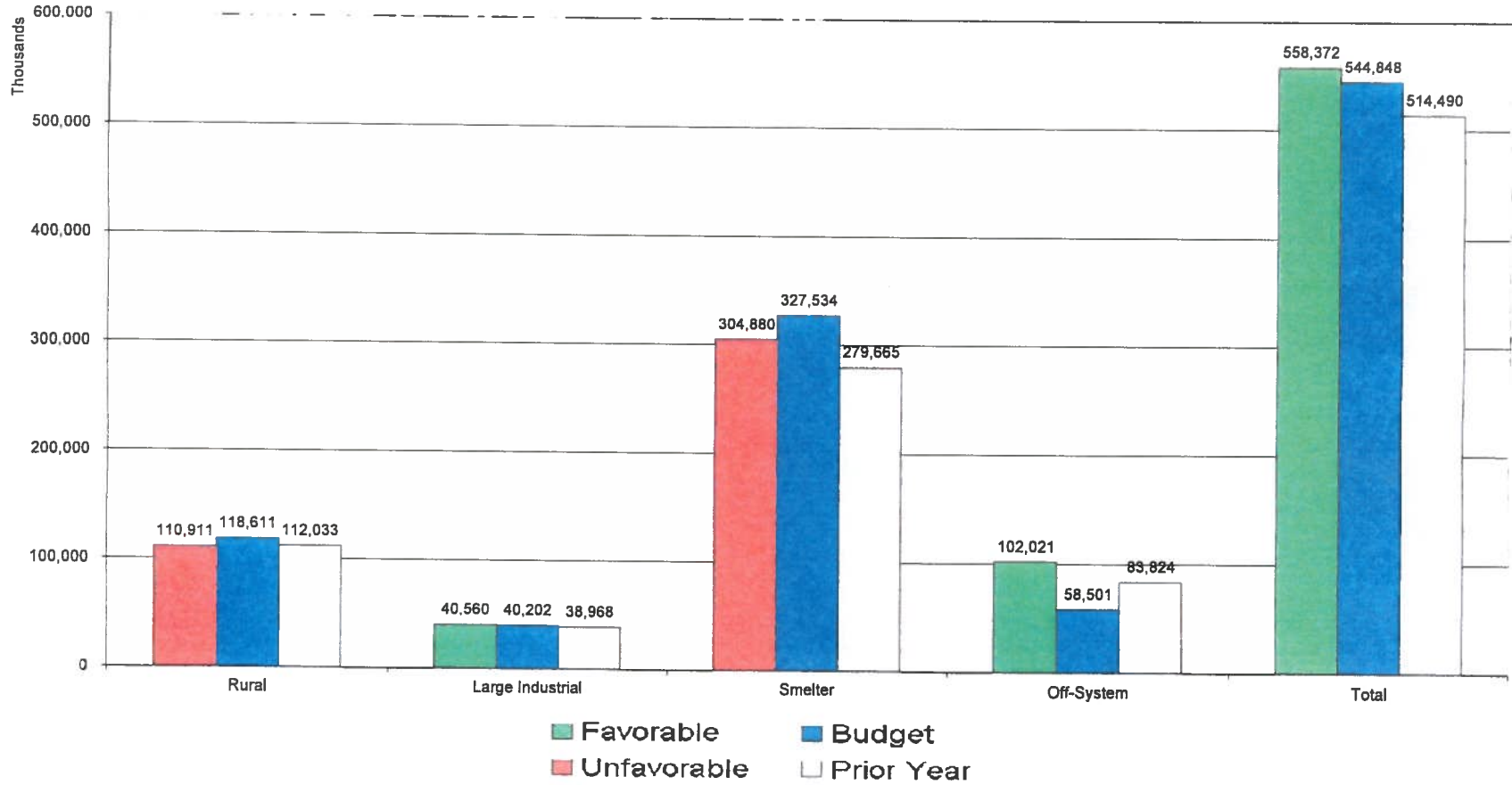


Revenue - \$/MWh Sold



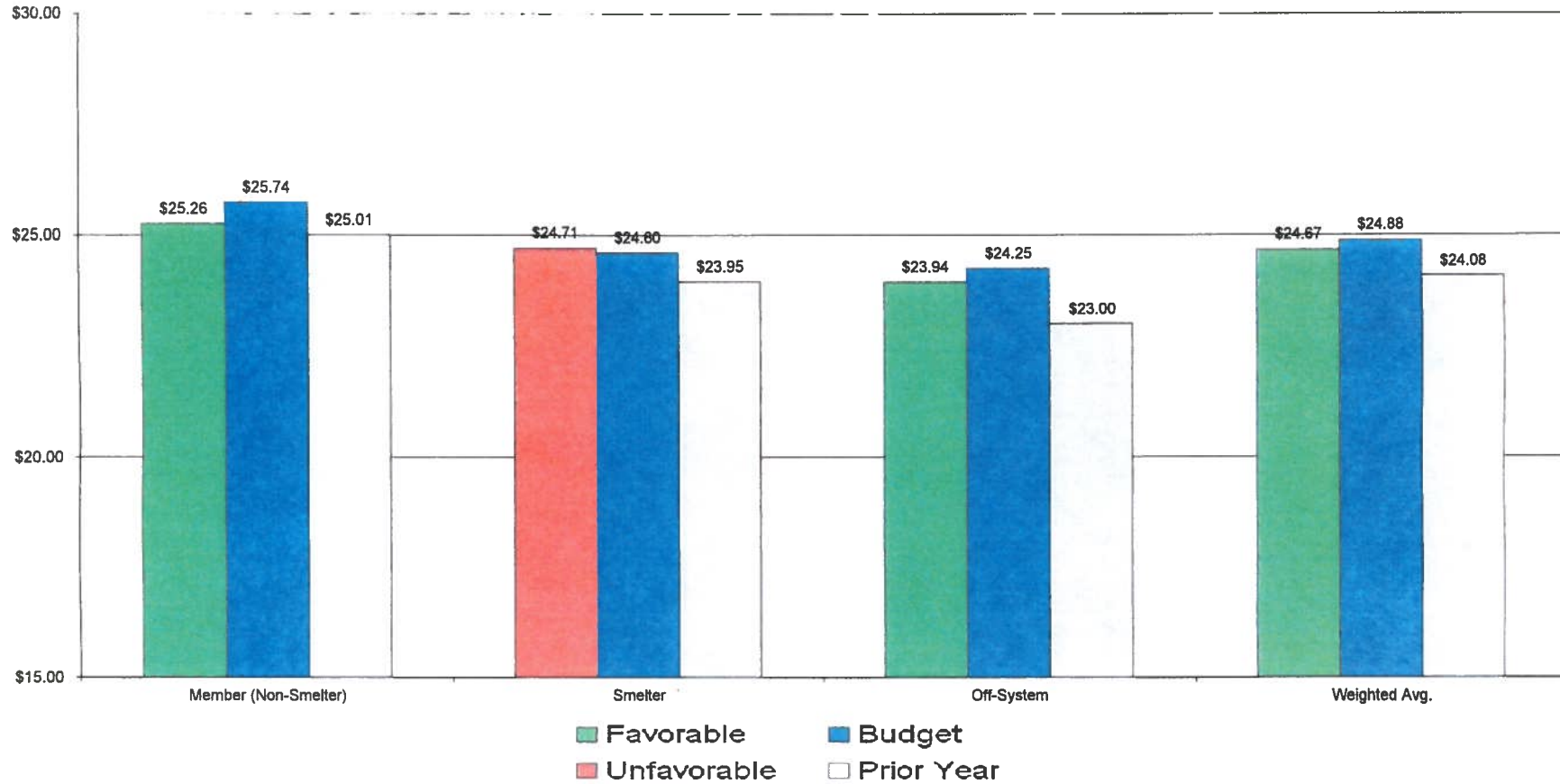


Revenue



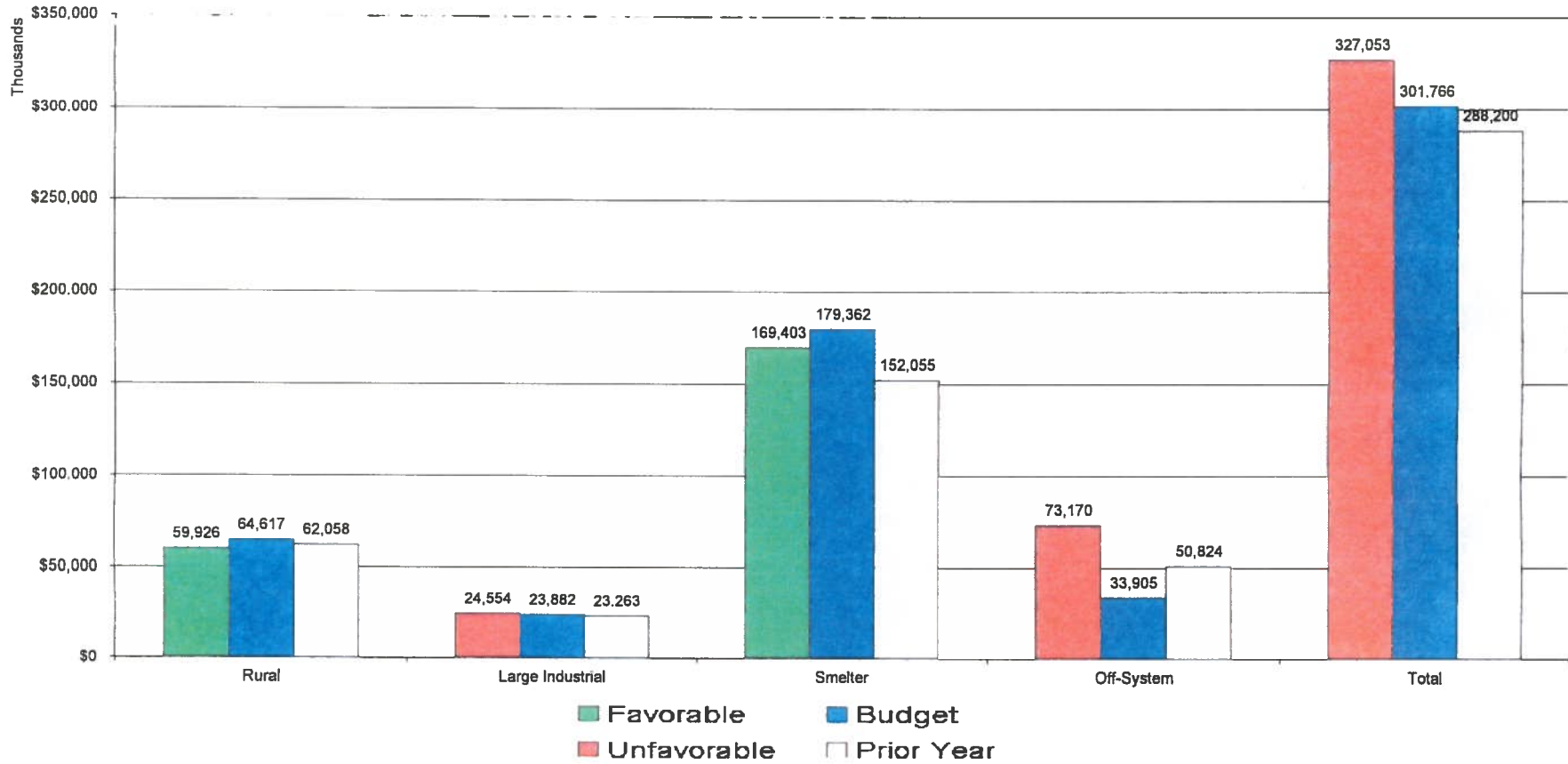


Variable Operations - \$/MWh Sold



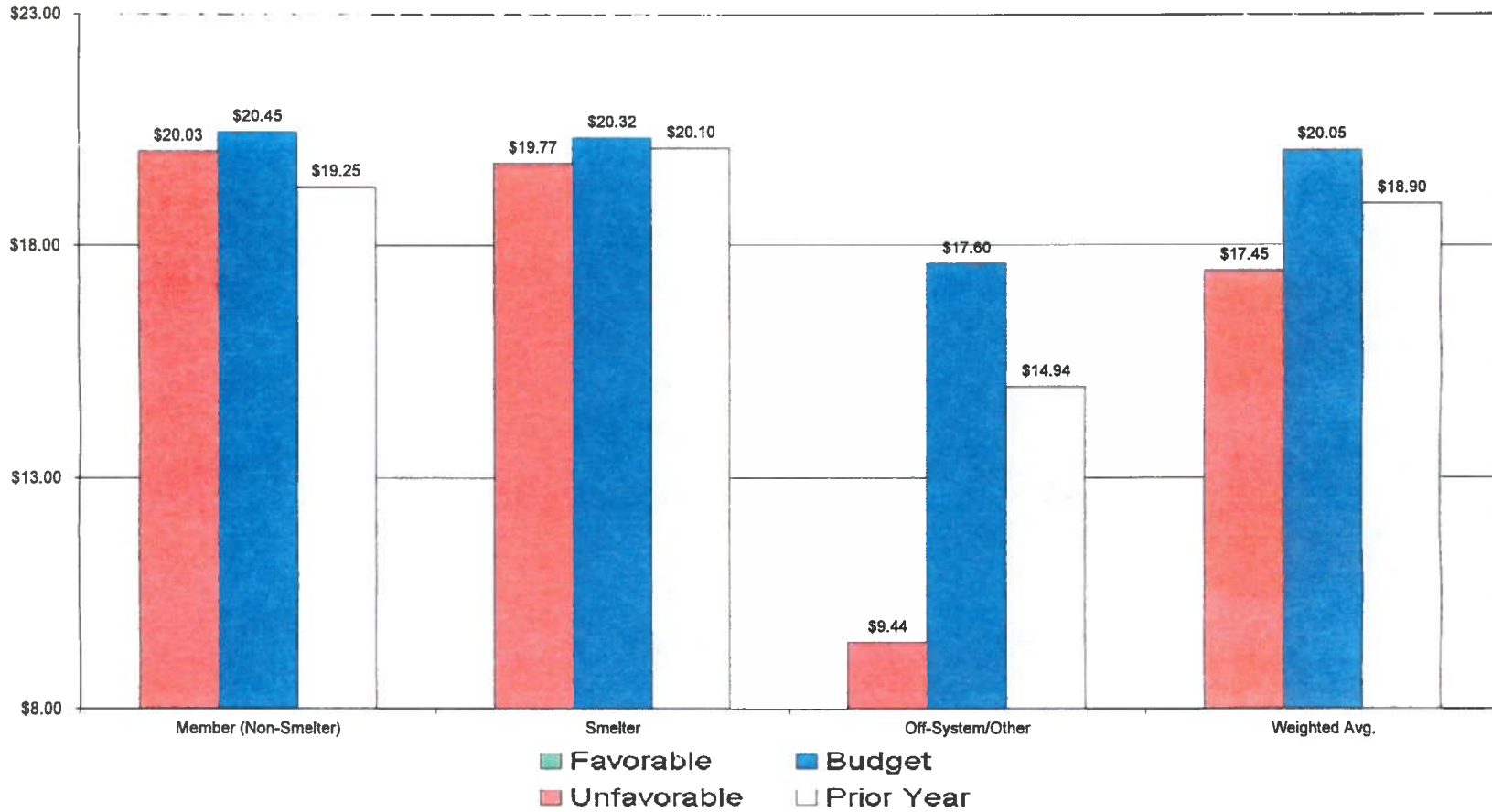


Variable Operations Cost



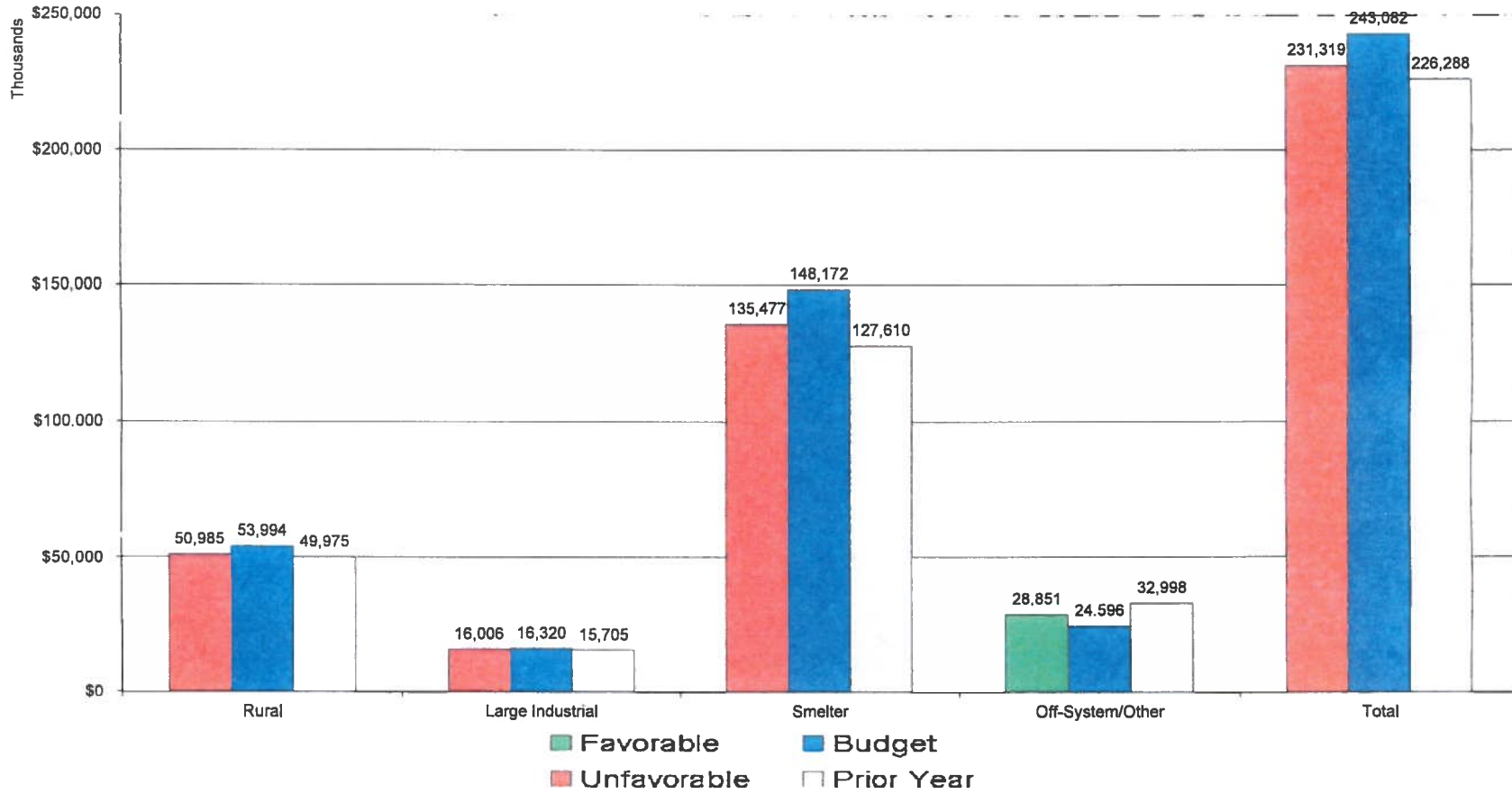


Net Sales Margin - \$/MWh



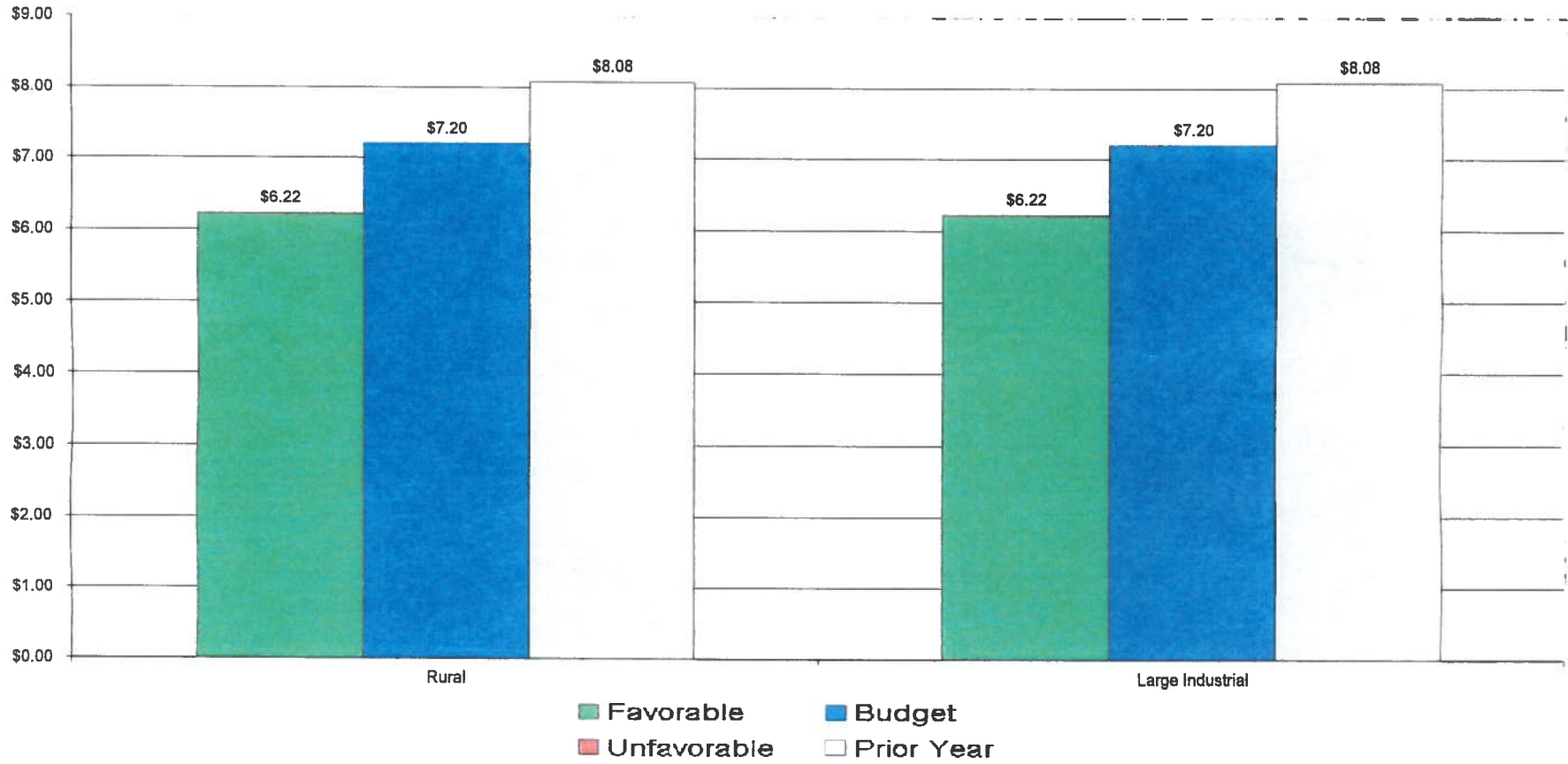


Net Sales Margin

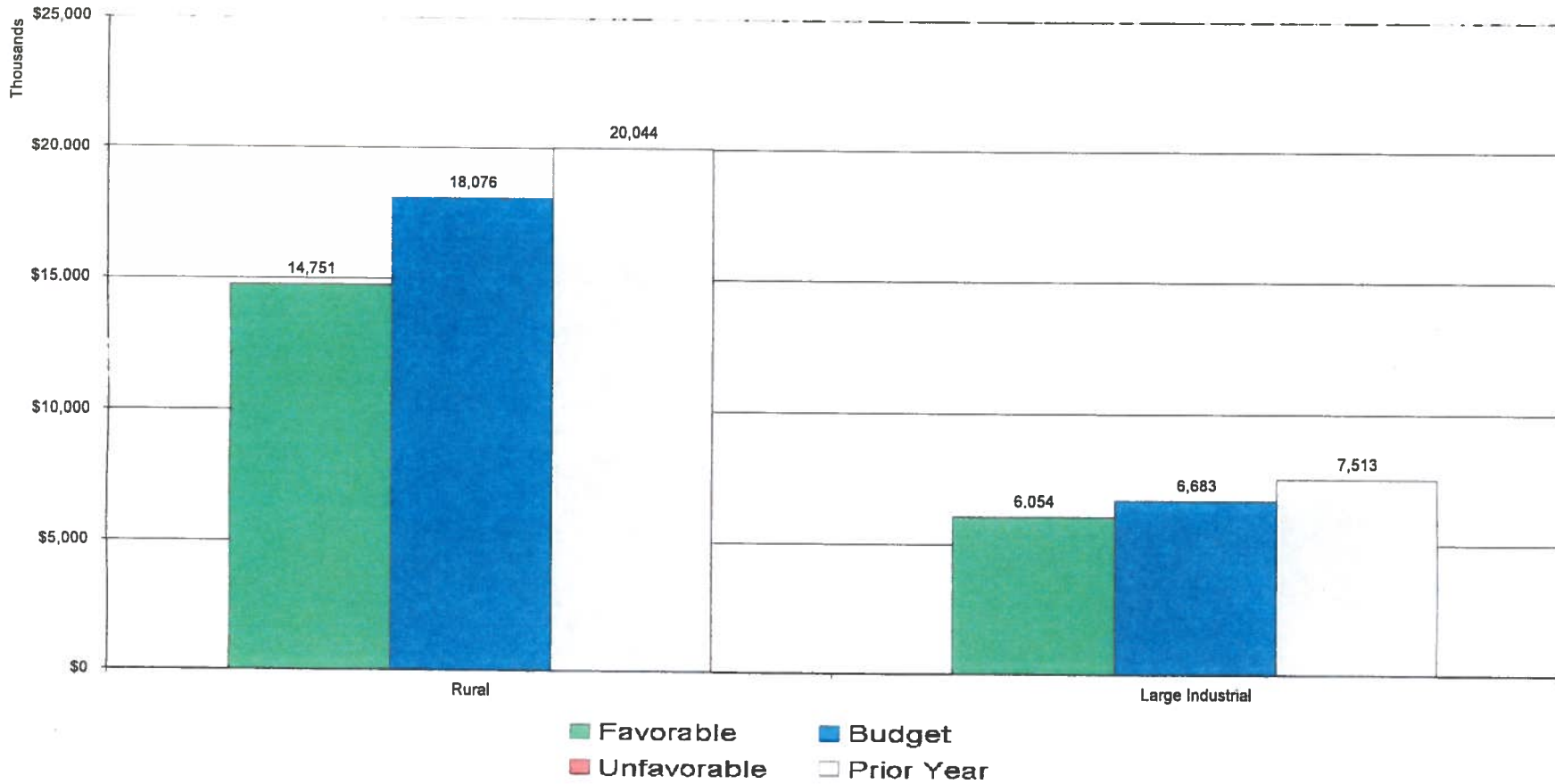




MRSM - \$/MWh

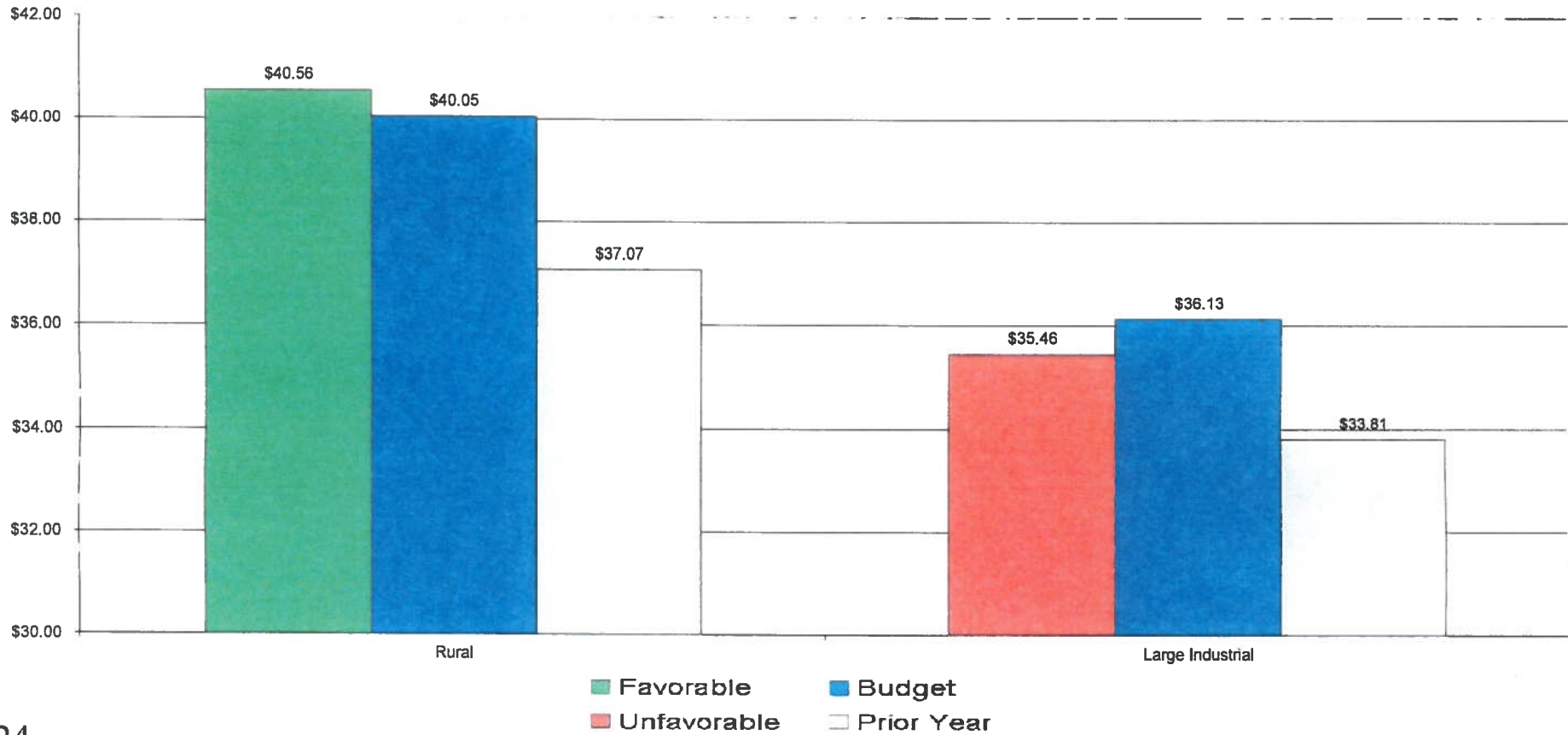


MRSM



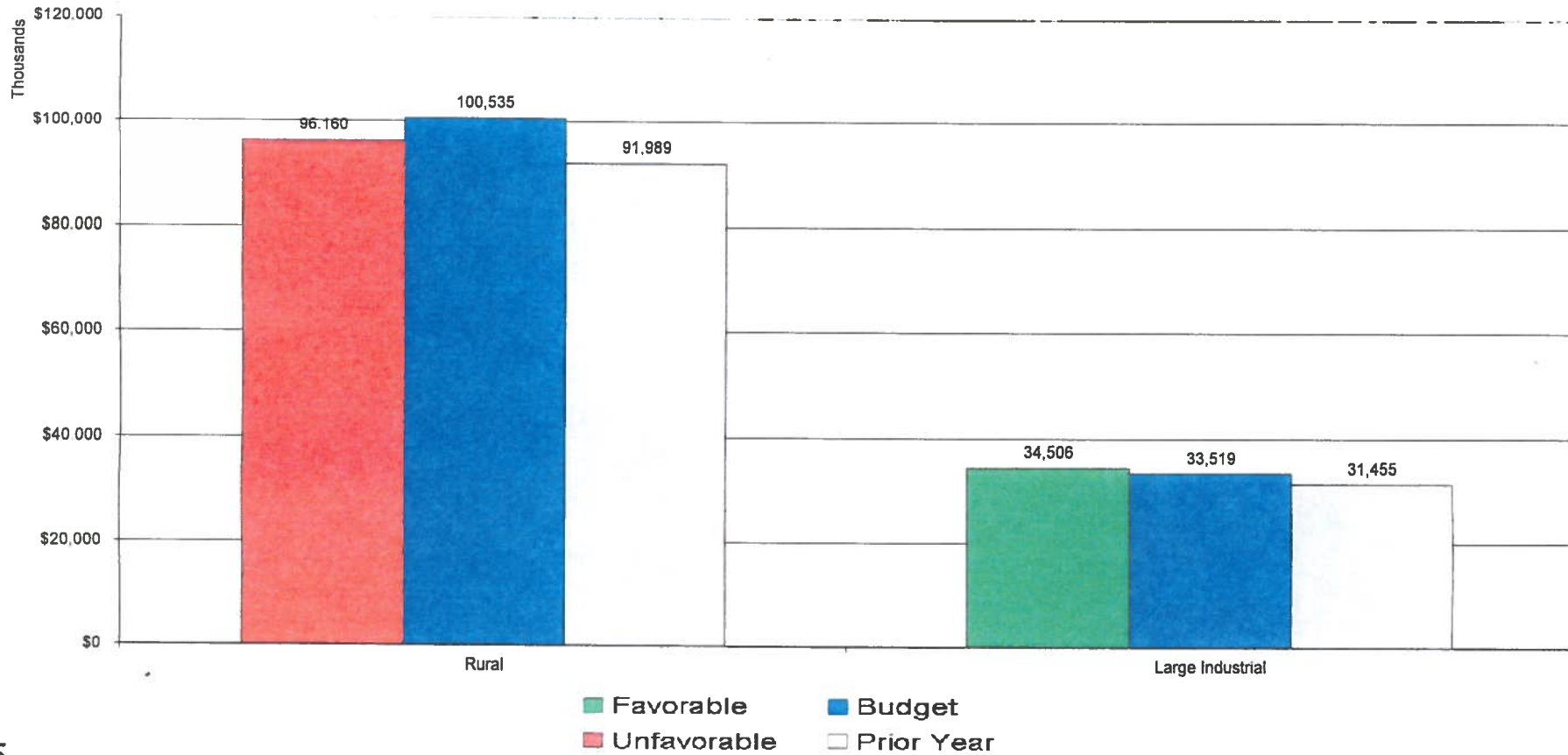


Net Revenue (Excl. MRSM) - \$/MWh





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>	<u>Variance Fav/(Unfav)</u>	<u>2010 Actual</u>	<u>Variance Fav/(Unfav)</u>
61,848	60,546	(1,302)	71,476	9,628

<u>Current Year Variances</u>	<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)

<u>Prior-Year Variances</u>	<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>	<u>Variance Fav/(Unfav)</u>	<u>2010 Actual</u>	<u>Variance 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 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		
		Variance
<u>Actual</u>	<u>Budget</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>	<u>Variance Fav/(Unfav)</u>	<u>2010 Actual</u>	<u>Variance Fav/(Unfav)</u>
42,896	47,234	4,338	42,157	(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 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	
	2010	Variance
<u>Actual</u>	<u>Actual</u>	<u>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).



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)	510,861	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	1,854	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	3,883	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)	(2,809)	(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).



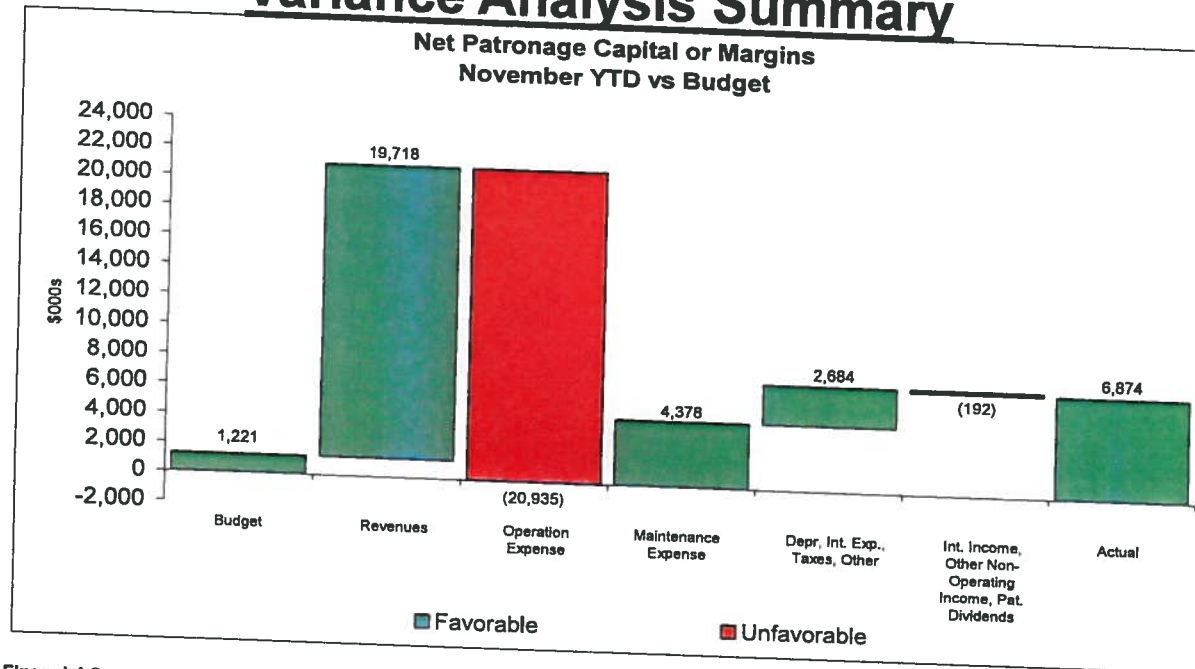
Your Local Electric Cooperative

Statement of Operations – November 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	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	23,862	(159)	
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

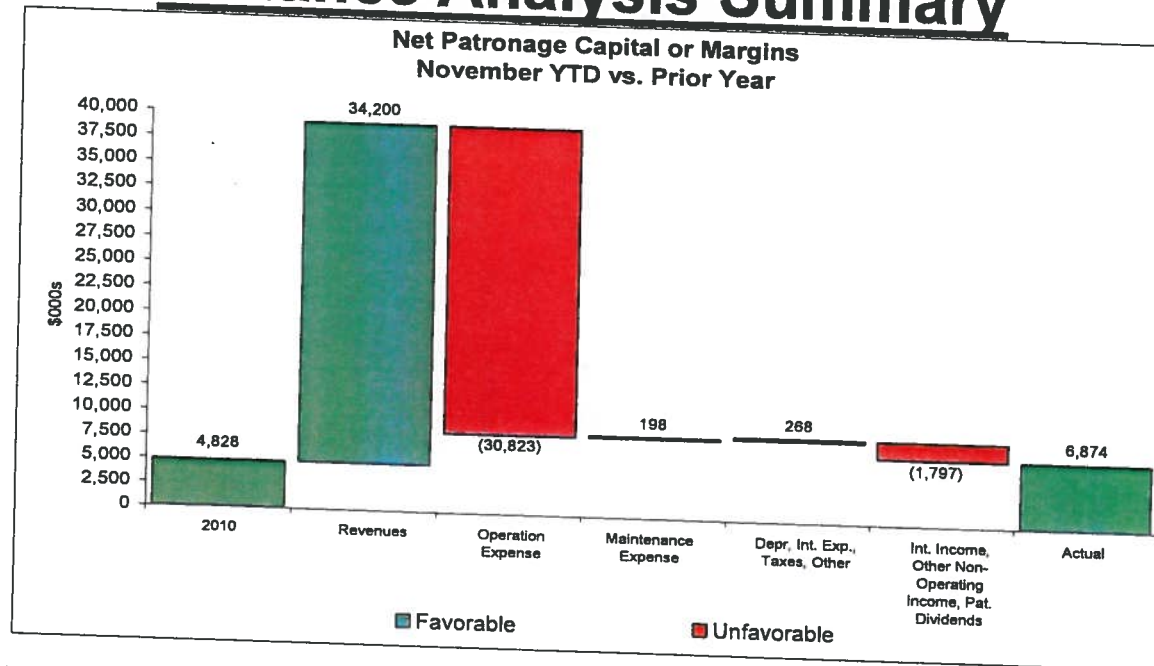


Financial Commentary

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).



Your Touchstone Energy® Cooperative

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
MRSM - \$/MWh						Net Revenue - \$/MWh					
Rural	(6.67)	(7.15)	0.48	(8.18)	1.51	Rural					
Large Industrial	(6.67)	(7.15)	0.48	(8.18)	1.51	Large Industrial	40.17	39.79	0.38	37.02	3.15
Total	(6.67)	(7.15)	0.48	(8.18)	1.51	Total	34.90	35.81	(0.91)	33.70	1.20
MRSM - Thousands of \$						Net Revenue - Thousands of \$					
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
YTD November 2011			
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 30th	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	\$ 93,625



North Star – YTD November

	2011			2010	
	Actual	Budget*	Fav/(UnFav) Variance	Actual	Fav/(UnFav) Variance
Total Cost of Electric Service	507,582	511,181	3,599	477,226	(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	(96,634)	(54,058)	42,576	(75,507)	21,127
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
	404,661	439,180	34,519	382,170	(22,491)

Member MWh

9,286,068	9,784,930	(498,862)	8,874,408	411,660
-----------	-----------	-----------	-----------	---------

North Star - \$/kWh

0.043577	0.044883	0.001306	0.043064	(0.000513)
----------	----------	----------	----------	------------

*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	6,874	1,221	5,653
TIER (11 months ending 11/30)	1.16	1.03	0.13
TIER (12 months ending 11/30)	1.20	1.10	0.10

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	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 Teachers' Union's Gas and Electric

Revenue YTD November

	Actual 2011	Budget 2011	Variance	Actual 2010	2010 Variance
MWh Sales					
Rural					
Large Industrial	2,158,327	2,258,552	(100,225)	2,219,477	(61,150)
Smelter	896,508	853,282	43,226	851,037	45,471
Off-System/Other	6,231,233	6,673,096	(441,863)	5,803,894	427,339
Total	2,859,548	1,277,917	1,581,631	1,968,845	890,703
	12,145,616	11,062,847	1,082,769	10,843,253	1,302,363
Revenue - \$/MWh					
Rural					
Large Industrial	46.84	46.94	(0.10)	45.20	1.64
Smelter	41.57	42.96	(1.39)	41.88	(0.31)
Off-System/Other	44.29	44.62	(0.33)	44.08	0.21
Total	33.79	42.30	(8.51)	38.35	(4.56)
	42.07	44.70	(2.63)	43.10	(1.03)
Revenue - Thousands of \$					
Rural					
Large Industrial	101,104	106,014	(4,910)	100,330	774
Smelter	37,272	36,661	611	35,642	1,630
Off-System/Other	275,951	297,725	(21,774)	255,837	20,114
Total	96,634	54,058	42,576	75,507	21,127
	510,961	494,458	16,503	467,316	43,645

Revenue Price / Volume Analysis

YTD November 2011

	Price / Volume		
	Price	Volume	Total
Rural	(205)	(4,705)	(4,910)
Large Industrial	(1,246)	1,857	611
Smelter	(2,060)	(19,714)	(21,774)
Off-System/Other	(24,330)	66,906	42,576
	(27,841)	44,344	16,503



Your True Electric Energy Cooperative

Variable Operations Cost YTD November

	Actual 2011	Budget 2011	Variance	Actual 2010	2010 Variance
Variable Operations (VO) Cost - \$/MWh					
Rural	25.39	25.68	0.29	25.11	(0.28)
Large Industrial	25.39	25.68	0.29	25.11	(0.28)
Smelter	24.66	24.49	(0.17)	24.01	(0.65)
Off-System/Other	23.89	24.14	0.25	23.03	(0.86)
Total	24.66	24.79	0.13	24.14	(0.52)

VO Cost - Thousands of \$					
Rural	54,837	57,990	3,153	55,733	896
Large Industrial	22,722	21,909	(813)	21,370	(1,352)
Smelter	153,639	163,440	9,801	139,325	(14,314)
Off-System/Other	68,327	30,854	(37,473)	45,348	(22,979)
Total	299,525	274,193	(25,332)	261,776	(37,749)

YTD November 2011 Variable Operations Expense

	Actual	Budget	Fav/(UnFav)	Price Variance Fav/(UnFav)	Volume Variance Fav/(UnFav)	Fav/(UnFav)
Reagent	26,365	33,551	7,186			
Fuel	234,083	217,003	(17,080)	8,287	(1,101)	7,186
Purchased Power	36,823	19,956	(16,867)	(6,337)	(10,743)	(17,080)
Non-FAC PPA (Non-Smelter)	2,254	3,683	1,429	(5,444)	(11,423)	(16,867)
	299,525	274,193	(25,332)	1,362	67	1,429
				(2,132)	(23,200)	(25,332)



Net Sales Margin YTD November

	Actual 2011	Budget 2011	Variance	Actual 2010	2010 Variance
Net Sales Margin - \$/MWh					
Rural	21.45	21.26	0.19	20.09	1.36
Large Industrial	16.18	17.28	(1.10)	16.77	(0.59)
Smelter	19.63	20.13	(0.50)	20.07	(0.44)
Off-System/Other	9.90	18.16	(8.26)	15.32	(5.42)
Total	17.41	19.91	(2.50)	18.96	(1.55)

Net Sales Margin - Thousands of \$					
Rural	46,267	48,024	(1,757)	44,597	1,670
Large Industrial	14,550	14,752	(202)	14,272	278
Smelter	122,312	134,285	(11,973)	116,512	5,800
Off-System/Other	28,307	23,204	5,103	30,159	(1,852)
Total	211,436	220,265	(8,829)	205,540	5,896

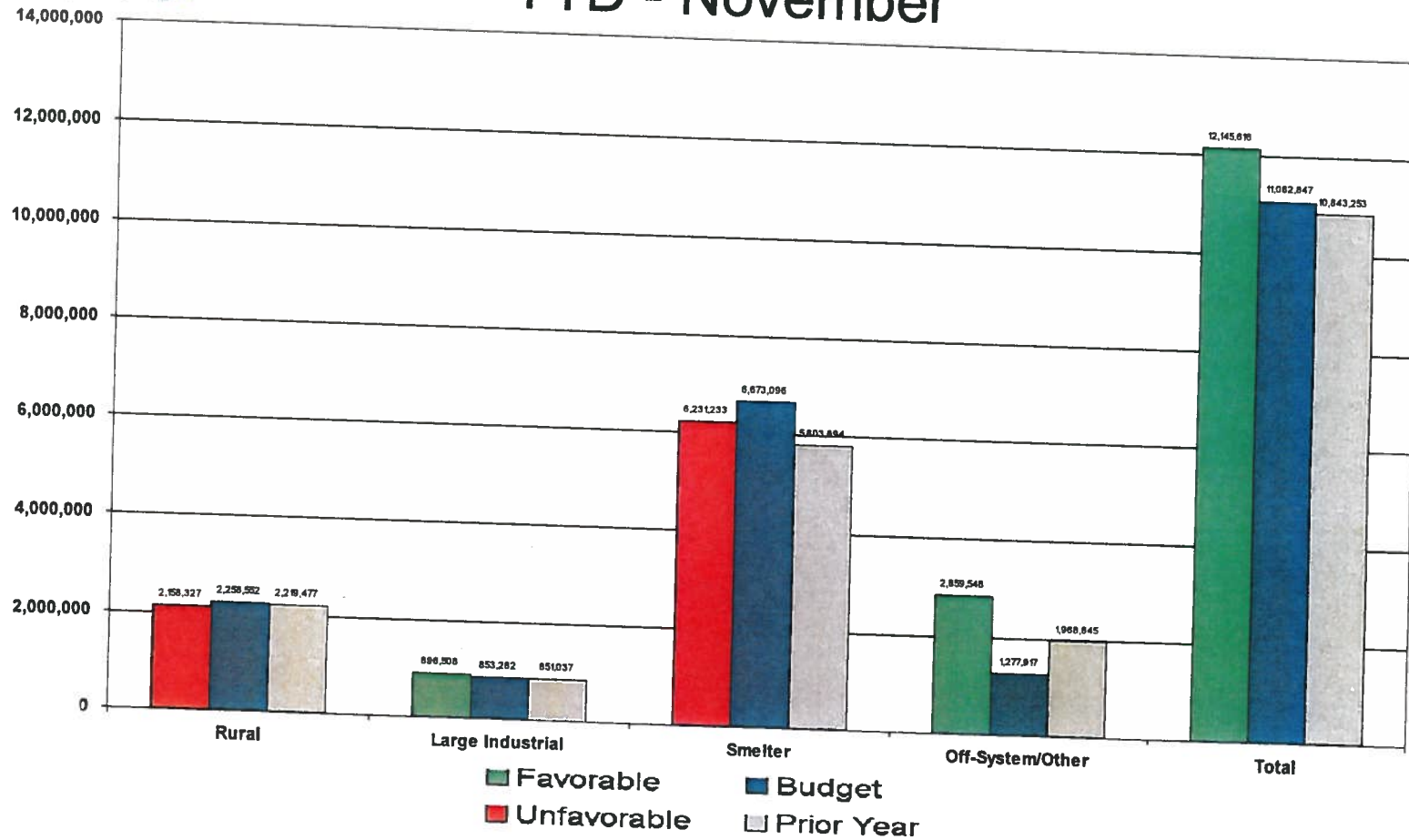
Net Sales Margin Price / Volume Analysis YTD November 2011

	Price / Volume		
	Price	Volume	Total
Rural	374	(2,131)	(1,757)
Large Industrial	(949)	747	(202)
Smelter	(3,081)	(8,892)	(11,973)
Off-System/Other	(23,617)	28,720	5,103
	(27,273)	18,444	(8,829)

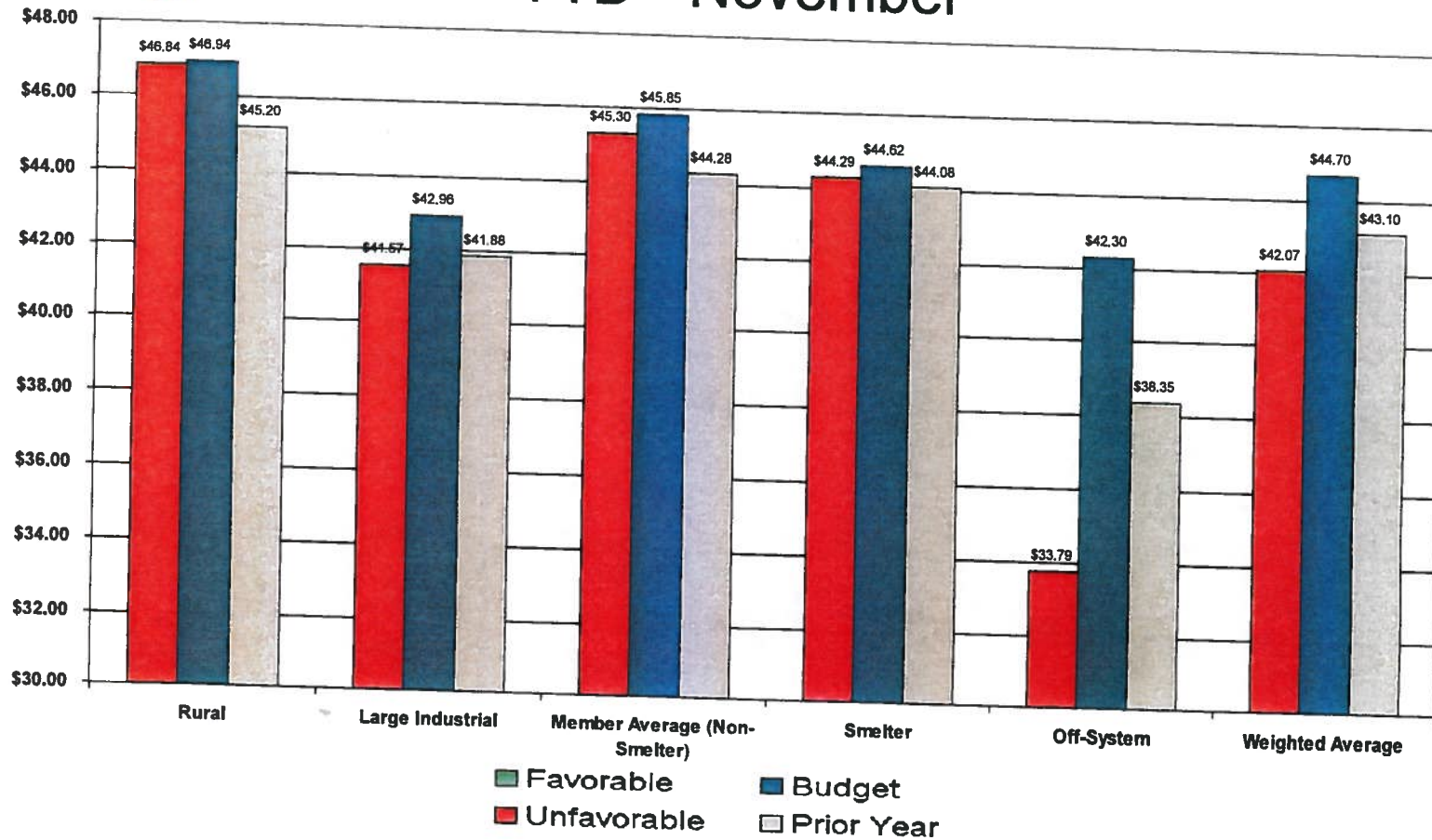


Your Southern Energy Cooperative

MWH Sales YTD - November



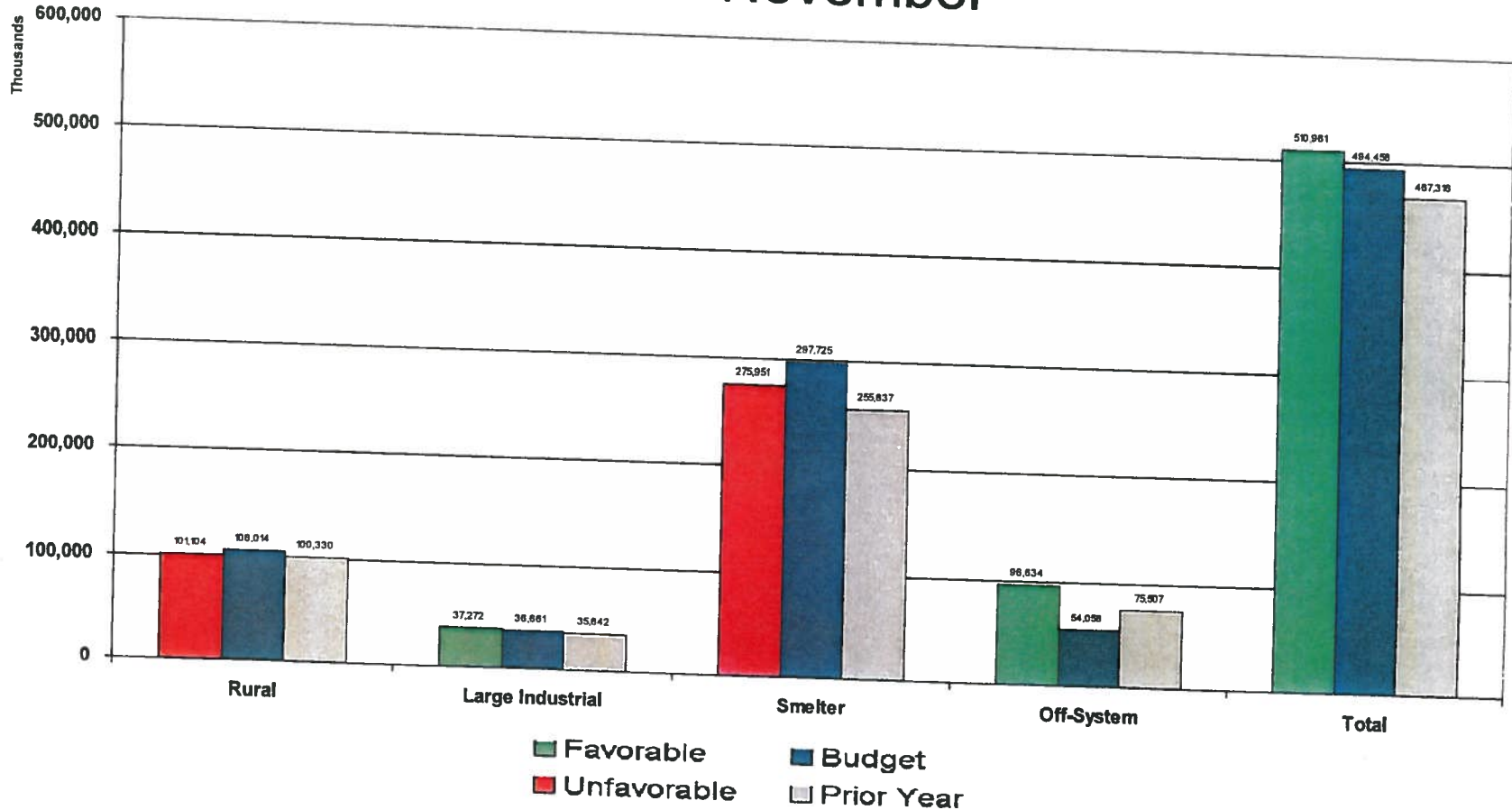
Revenue - \$/MWh Sold YTD - November



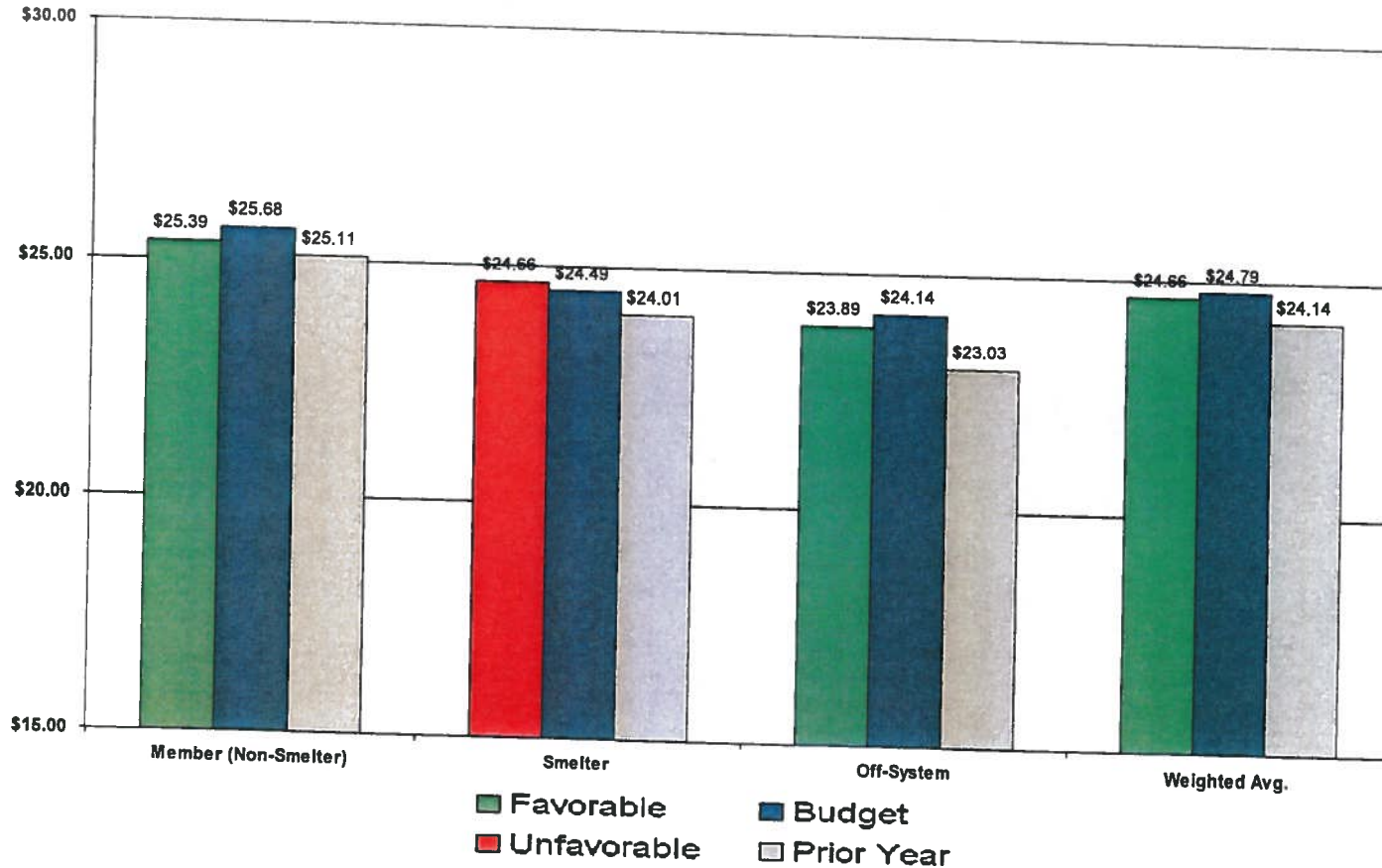


Year-To-Date Performance Comparison

Revenue YTD – November

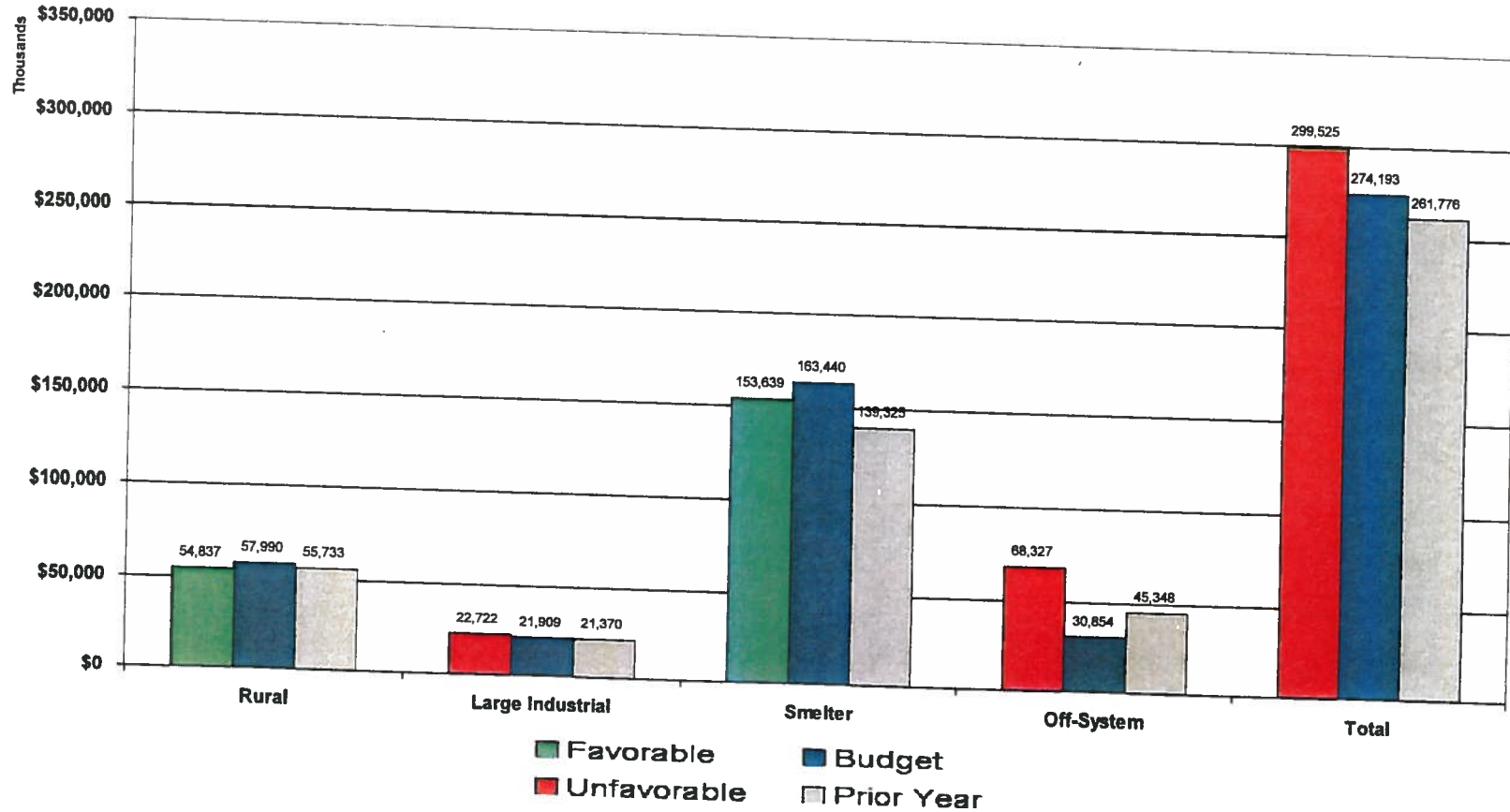


Variable Operations - \$/MWh Sold YTD - November



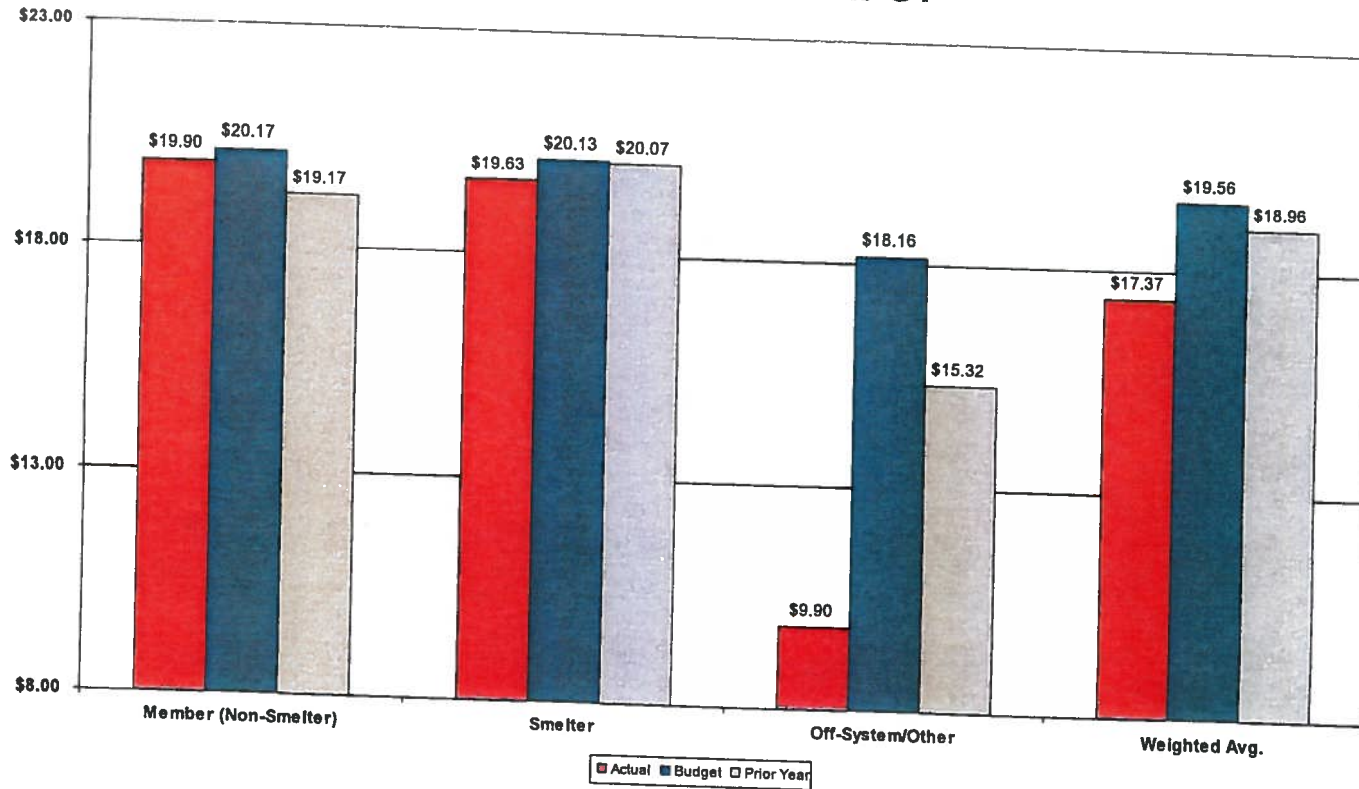


Variable Operations Cost YTD – November





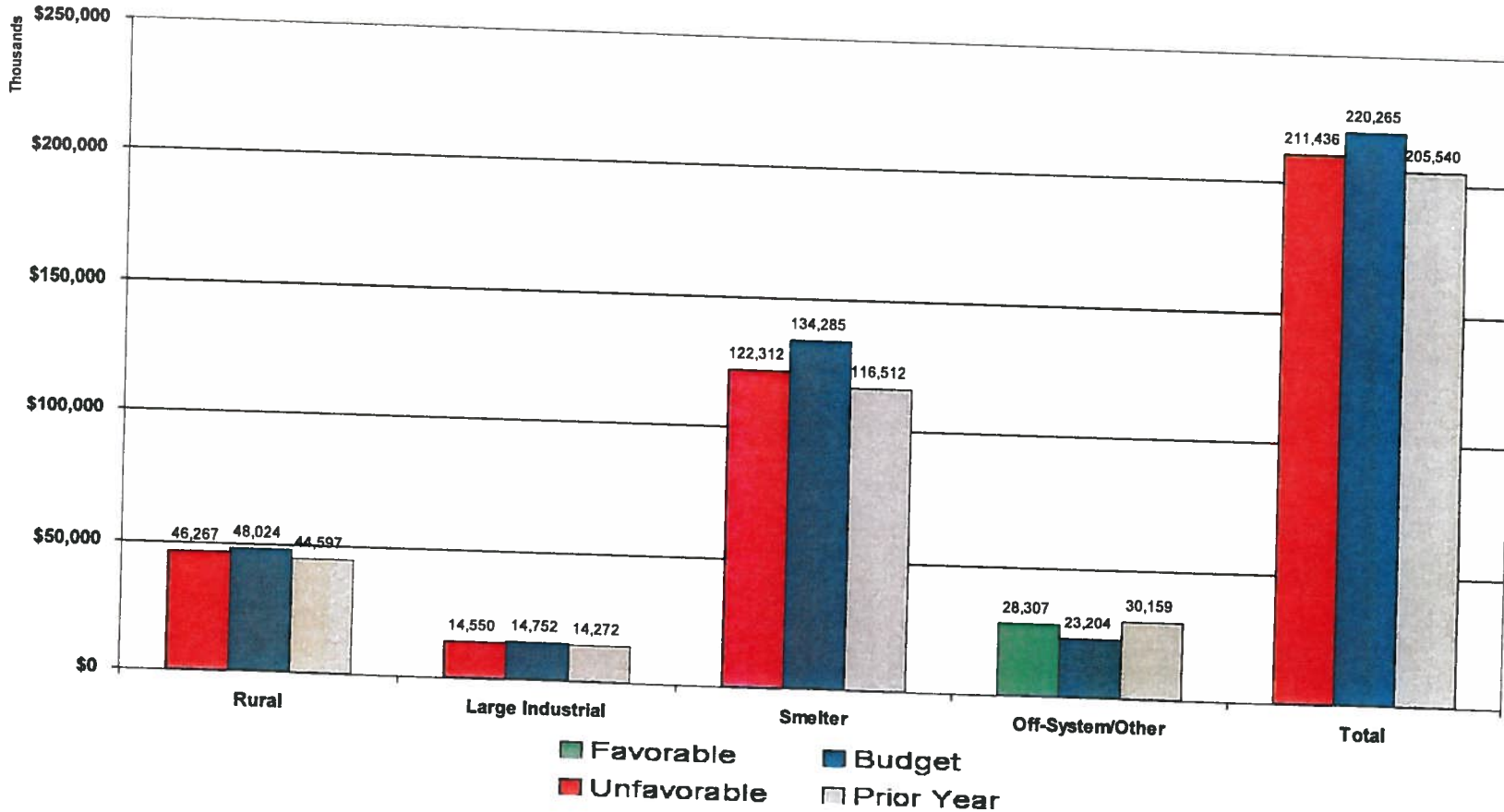
Net Sales Margin - \$/MWh YTD - November



■ Favorable ■ Budget
■ Unfavorable ■ Prior Year

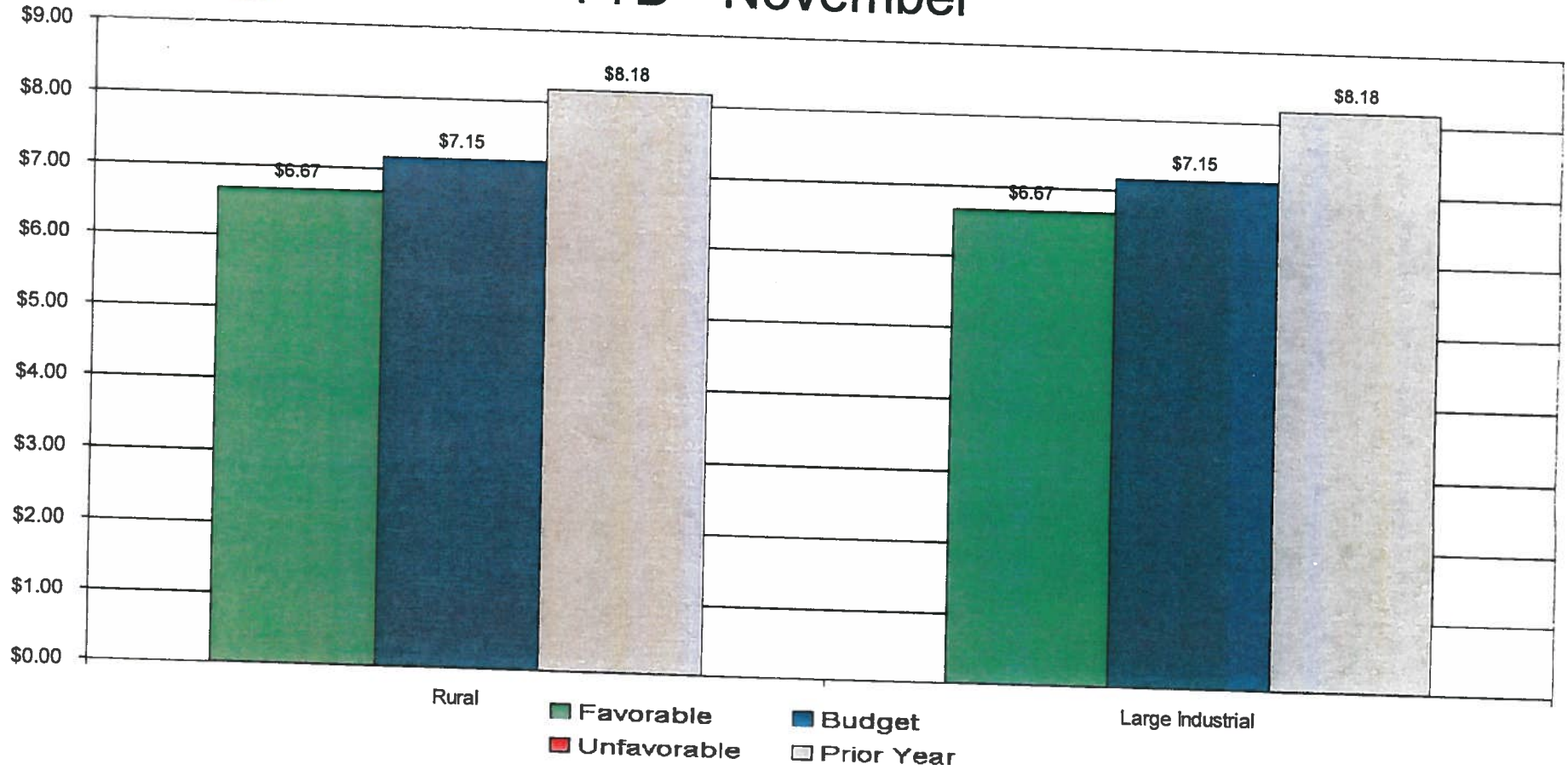


Net Sales Margin YTD - November

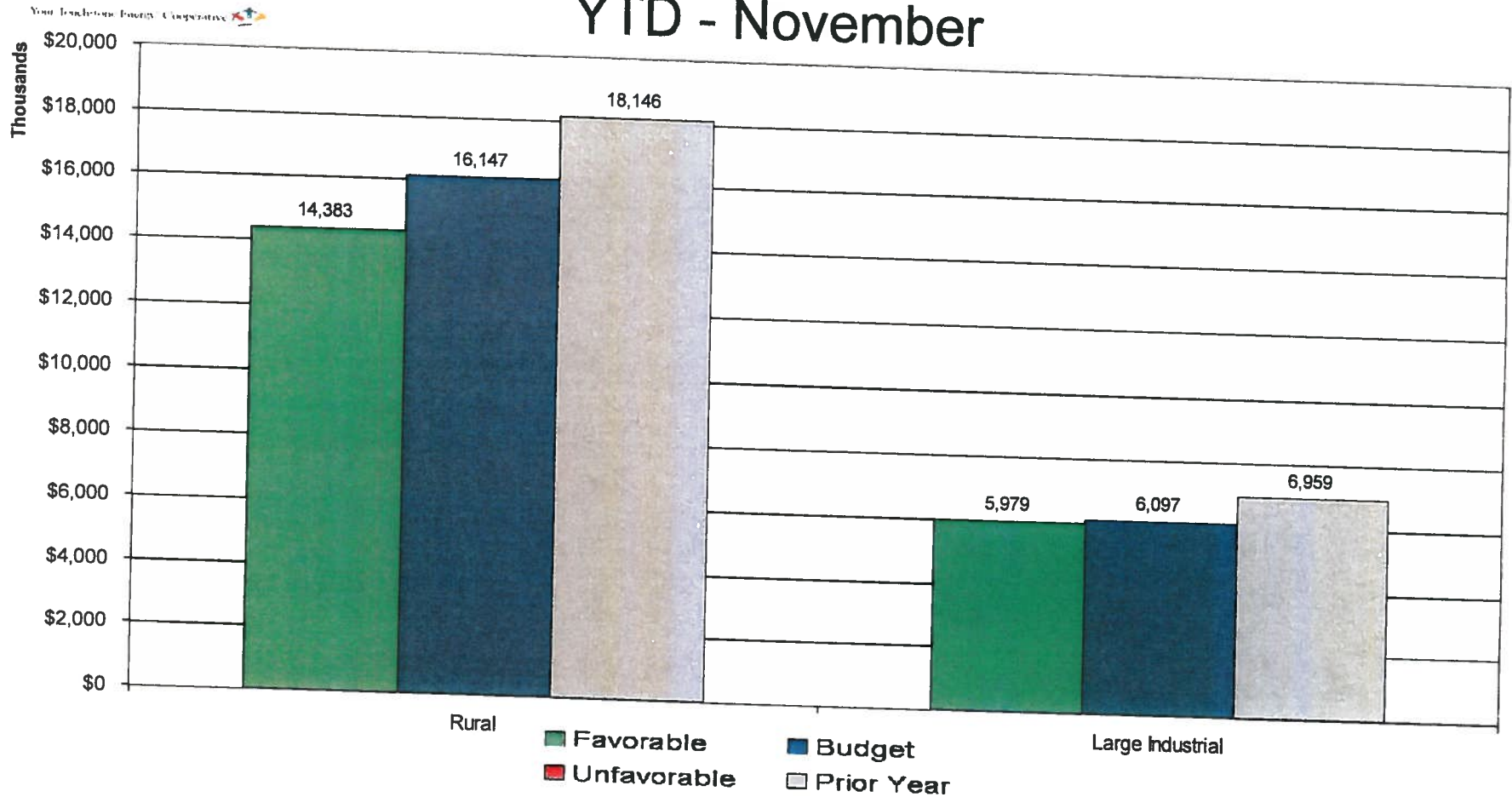




MRSM - \$/MWh YTD - November

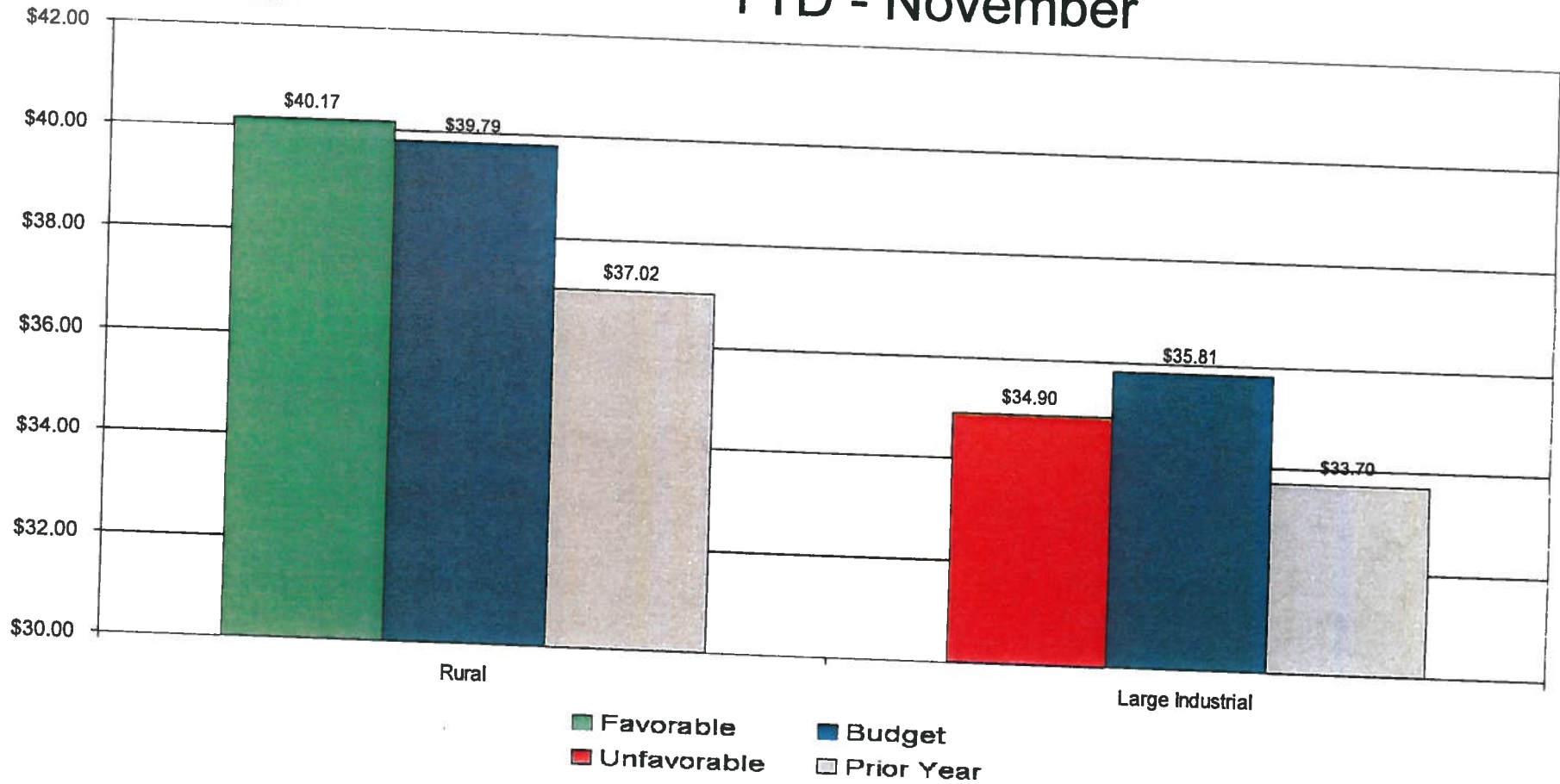


MRSM YTD - November



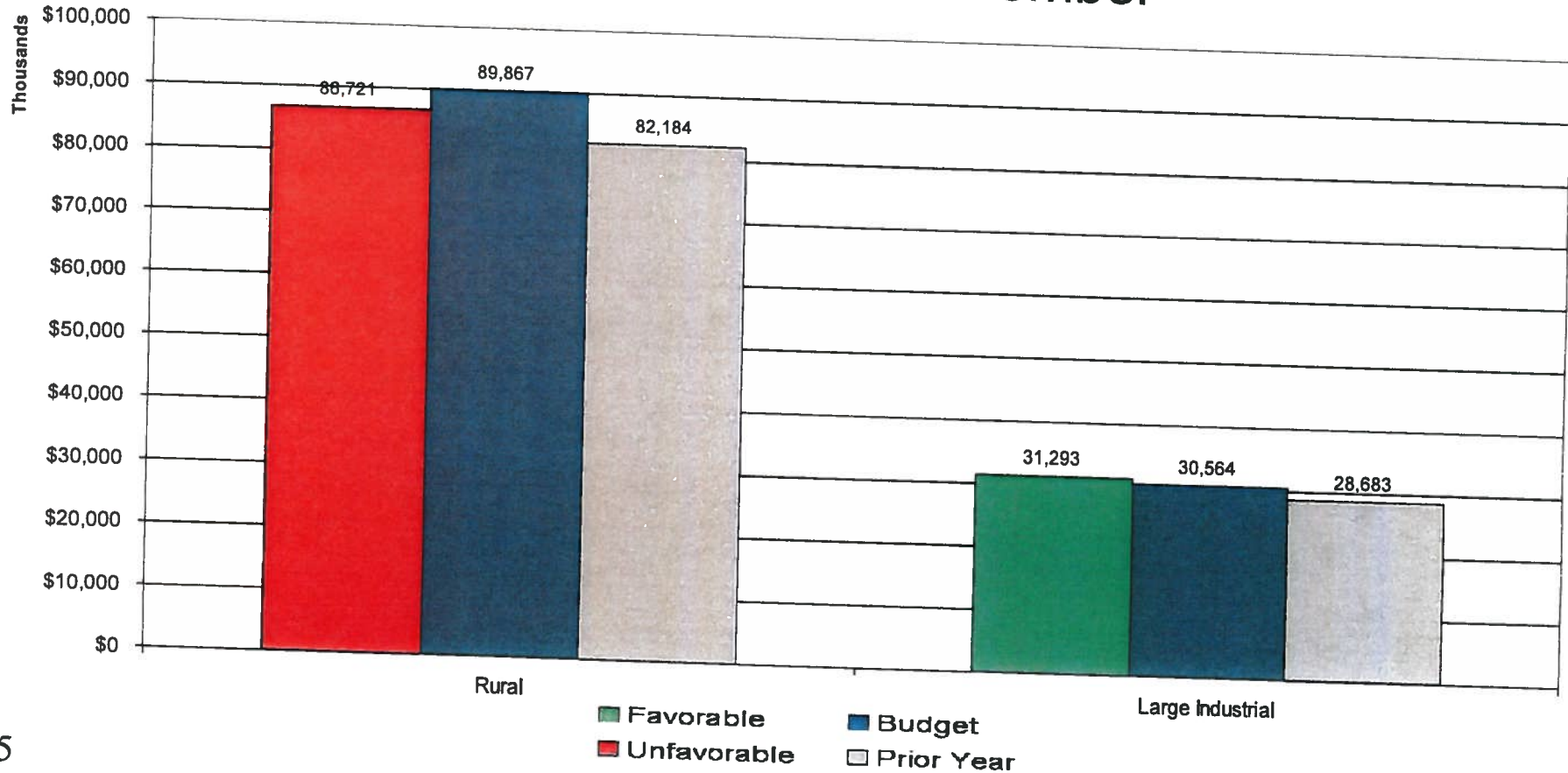


Net Revenue (Excl. MRSM) - \$/MWh YTD - November





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>2010 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	55,900	56,183	283	66,411	10,511

Current Year Variances

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

Prior-Year Variances

Power Supply transmission reservation	<u>Fav/(UnFav)</u>
Station-Two O&M/other	9,322
	<u>1,189</u>
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</u> <u>Fav/(Unfav)</u>
	November YTD	39,002	44,526	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 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>	<u>Variance Fav/(Unfav)</u>	<u>2010 Actual</u>	<u>Variance 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	
	<u>Actual</u>	<u>Variance 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

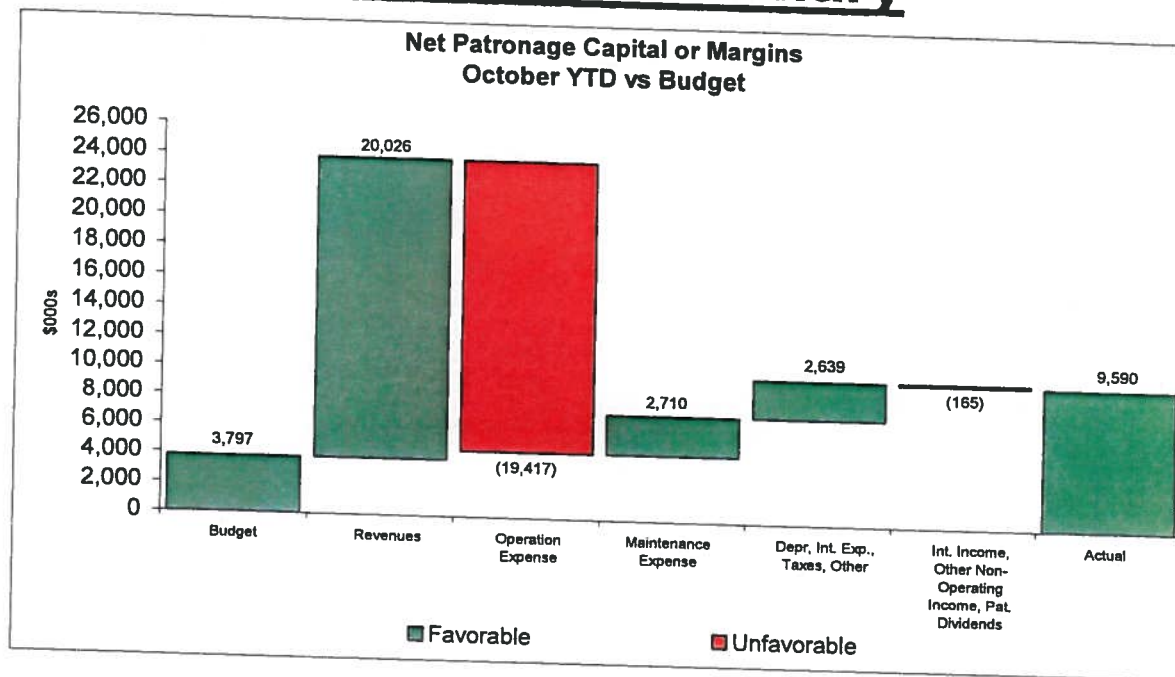


Summary of Operations YTD October

	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).

Variance Analysis Summary

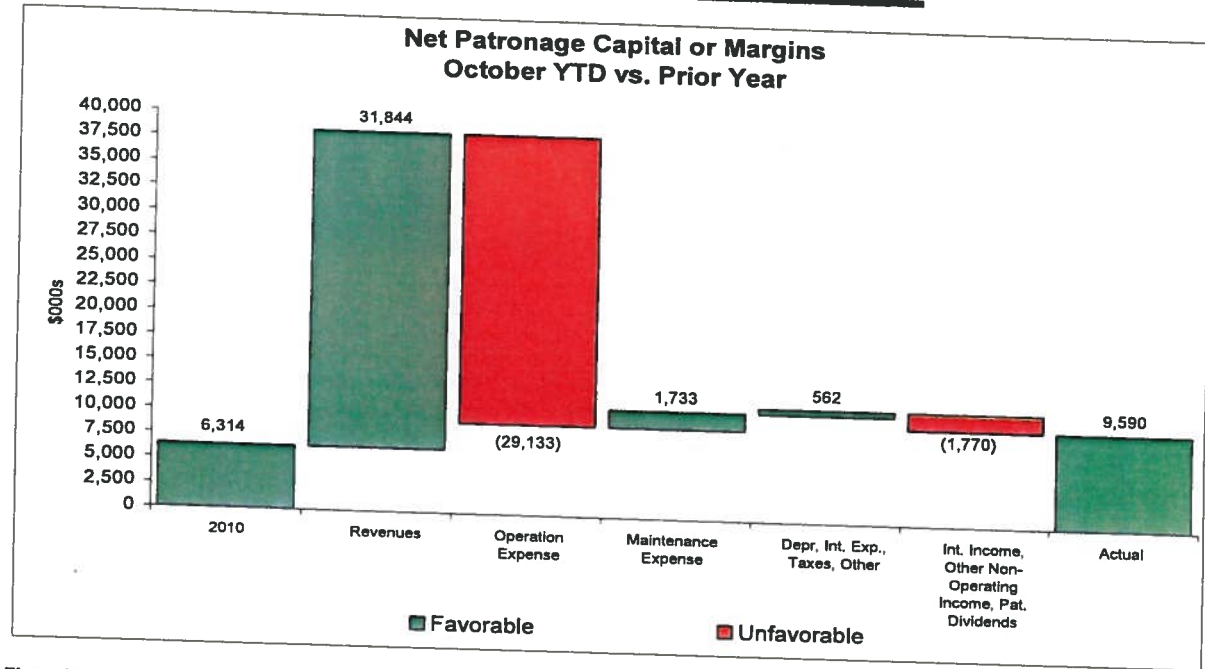


Financial Commentary

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 Electric Future. Cooperative.

Member Rate Stability Mechanism YTD October

	Actual 2011	Budget 2011	2011 Variance	Actual 2010	2010 Variance
MRSM - \$/MWh					
Rural	(6.36)	(7.21)	0.85	(8.22)	1.86
Large Industrial	(6.36)	(7.21)	0.85	(8.22)	1.86
Total	(6.36)	(7.21)	0.85	(8.22)	1.86

	Actual 2011	Budget 2011	2011 Variance	Actual 2010	2010 Variance
MRSM - Thousands of \$					
Rural	(12,642)	(14,907)	2,265	(16,825)	4,183
Large Industrial	(5,218)	(5,622)	404	(6,381)	1,163
Total	(17,860)	(20,529)	2,669	(23,206)	5,346

	Actual 2011	Budget 2011	2011 Variance	Actual 2010	2010 Variance
Net Revenue - \$/MWh					
Rural	40.40	39.45	0.95	36.94	3.46
Large Industrial	35.14	35.42	(0.28)	33.53	1.61
Total	38.86	38.35	0.51	36.00	2.86

	Actual 2011	Budget 2011	2011 Variance	Actual 2010	2010 Variance
Net Revenue - Thousands of \$					
Rural	80,359	81,581	(1,222)	75,560	4,799
Large Industrial	28,866	27,634	1,232	26,028	2,838
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>	<u>2010</u> <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	460,631	462,447	1,816	433,834	(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	(90,831)	(51,008)	39,823	(70,631)	20,200
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
	363,972	395,119	31,147	345,680	(18,292)

Member MWh

8,446,810	8,920,921	(474,111)	8,100,780	346,030
-----------	-----------	-----------	-----------	---------

North Star - \$/kWh

0.043090	0.044291	0.001201	0.042672	(0.000418)
----------	----------	----------	----------	------------



TIER

	<u>Actual</u>	<u>Budget</u>	<u>Fav/(Unfav)</u>
Interest on Long Term Debt	38,246	39,451	1,205
Net Margins	9,590	3,797	5,793
TIER (10 months ending 10/31)	1.25	1.10	0.15
TIER (12 months ending 10/31)	1.22	1.19	0.03

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.



Your Local Power Cooperative

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	2,668,634	1,189,568	1,479,066	1,821,284	847,350
Total	11,115,442	10,110,489	1,004,953	9,922,066	1,193,376
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	34.04	42.88	(8.84)	38.78	(4.74)
Total	42.01	44.50	(2.49)	43.00	(0.99)
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	90,831	51,008	39,823	70,631	20,200
Total	466,987	449,923	17,064	426,611	40,376

Revenue Price / Volume Analysis YTD October 2011

	Price / Volume		
	Price	Volume	Total
Rural	199	(3,686)	(3,487)
Large Industrial	(931)	1,759	828
Smelter	(759)	(19,341)	(20,100)
Off-System/Other	(23,598)	63,421	39,823
	(25,089)	42,153	17,064



Variable Operations Cost YTD October

	<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	25.45	25.67	0.22	25.12	(0.33)
Large Industrial	25.45	25.67	0.22	25.12	(0.33)
Smelter	24.55	24.44	(0.11)	23.99	(0.56)
Off-System/Other	23.85	24.08	0.23	23.05	(0.80)
Total	27.27	27.17	(0.10)	24.14	(3.13)
VO Cost - Thousands of \$					
Rural	50,649	53,084	2,435	51,402	753
Large Industrial	20,866	20,027	(839)	19,504	(1,362)
Smelter	138,383	148,397	10,014	126,645	(11,738)
Off-System/Other	63,658	28,648	(35,010)	41,978	(21,680)
Total	273,556	250,156	(23,400)	239,529	(34,027)

YTD October 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	24,050	30,584	6,534		
Fuel	214,932	198,229	(16,703)	7,421	(887)	6,534
Purchased Power	32,084	17,819	(14,265)	(5,925)	(10,778)	(16,703)
Non-FAC PPA (Non-Smelter)	2,489	3,523	1,034	(4,449)	(9,816)	(14,265)
	987			47		1,034
Total	273,555	250,155	(23,400)	(1,966)	(21,434)	(23,400)



Net Sales Margin YTD October

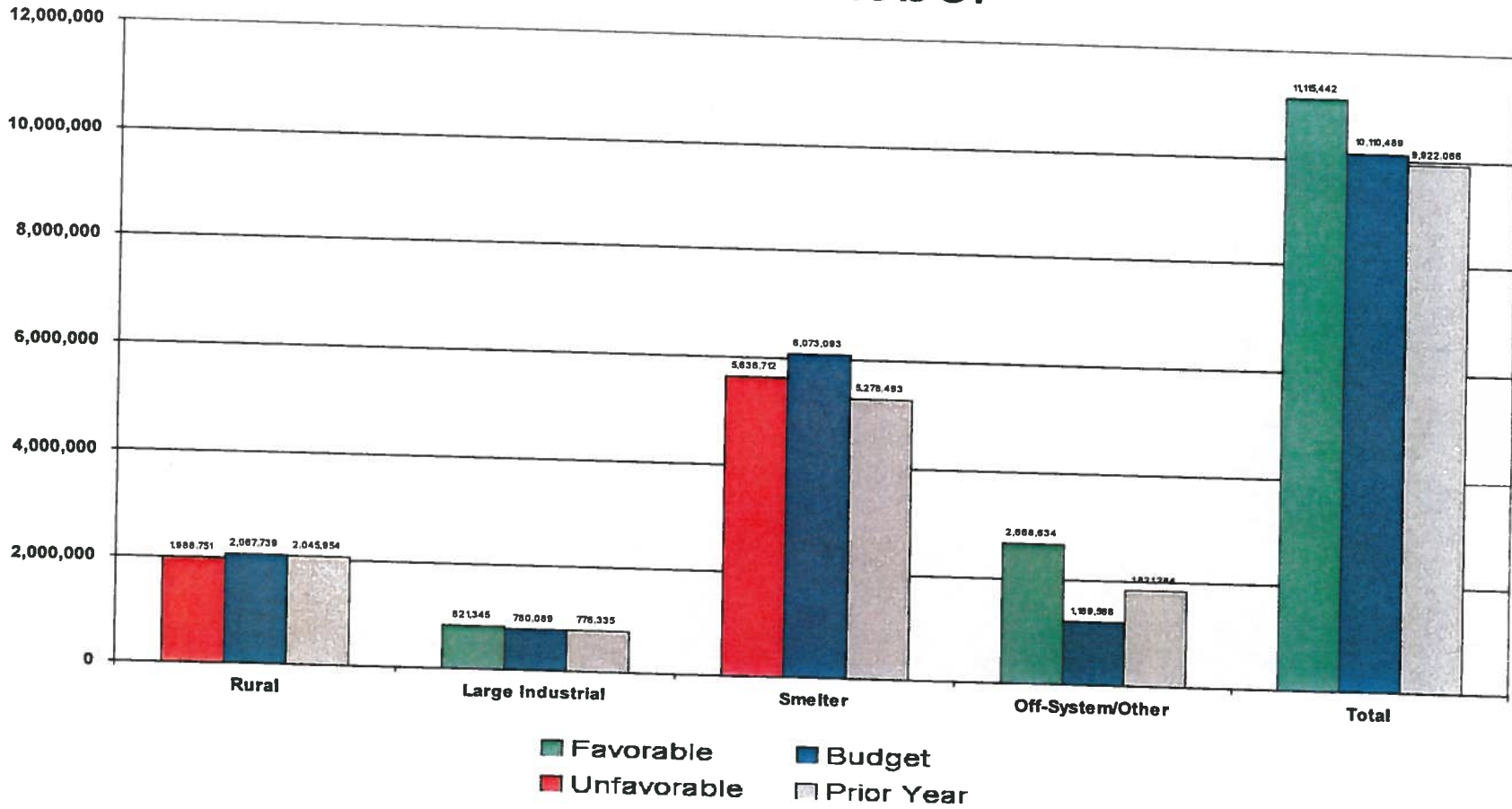
	Actual 2011	Budget 2011	Variance	Actual 2010	2010 Variance
Net Sales Margin - \$/MWh					
Rural	21.31	20.99	0.32	20.04	1.27
Large Industrial	16.05	16.96	(0.91)	16.63	(0.58)
Smelter	19.64	19.88	(0.24)	19.81	(0.17)
Off-System/Other	10.19	18.80	(8.61)	15.73	(5.54)
Total	17.37	19.56	(2.19)	18.86	(1.49)
Net Sales Margin - Thousands of \$					
Rural	42,352	43,404	(1,052)	40,983	1,369
Large Industrial	13,218	13,229	(11)	12,905	313
Smelter	110,688	120,774	(10,086)	104,541	6,147
Off-System/Other	27,173	22,360	4,813	28,653	(1,480)
Total	193,431	199,767	(6,336)	187,082	6,349

Net Sales Margin Price / Volume Analysis YTD October 2011

	Price / Volume		
	Price	Volume	Total
Rural	606	(1,658)	(1,052)
Large Industrial	(711)	700	(11)
Smelter	(1,408)	(8,678)	(10,086)
Off-System/Other	(22,986)	27,799	4,813
	(24,499)	18,163	(6,336)

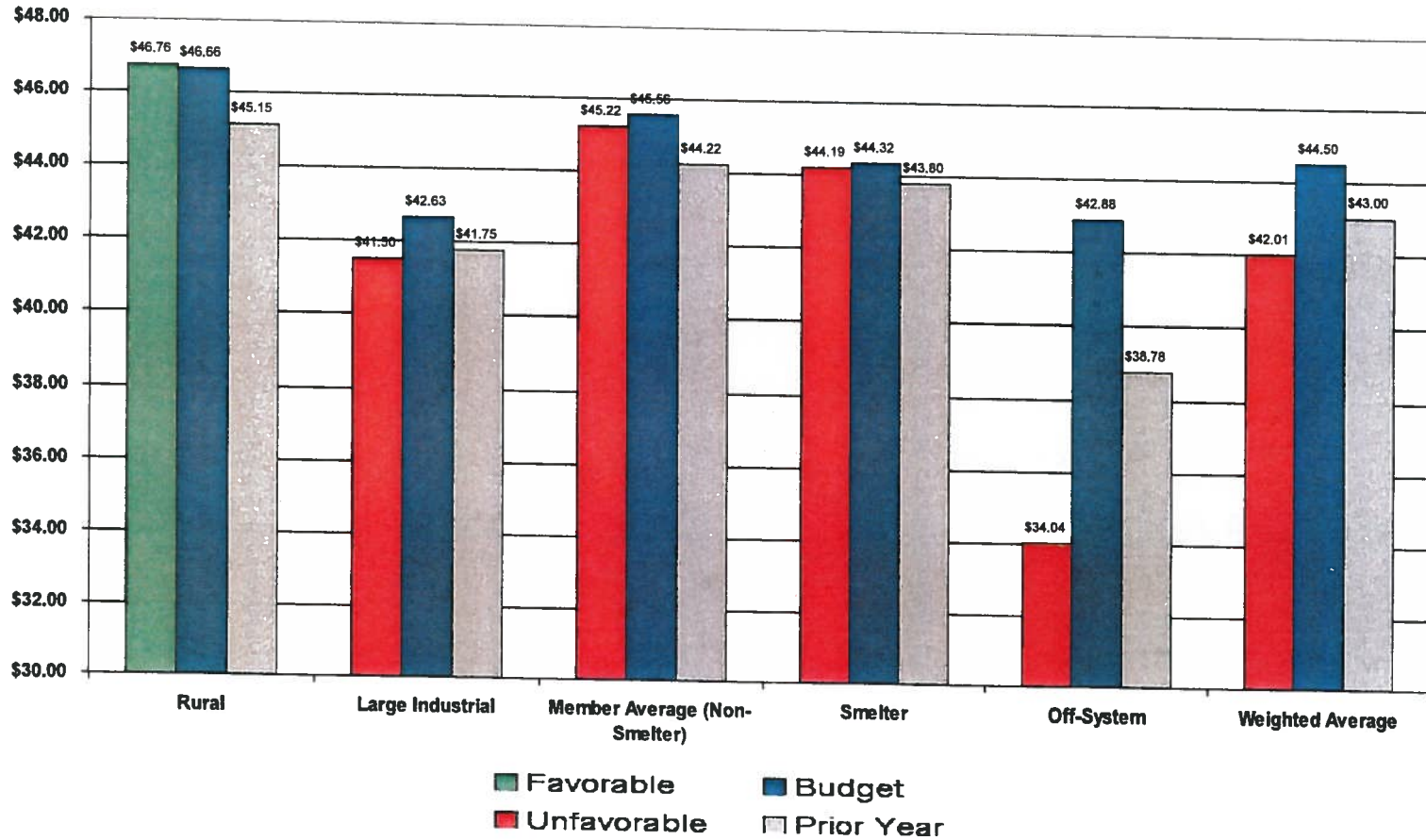


MWH Sales YTD - October

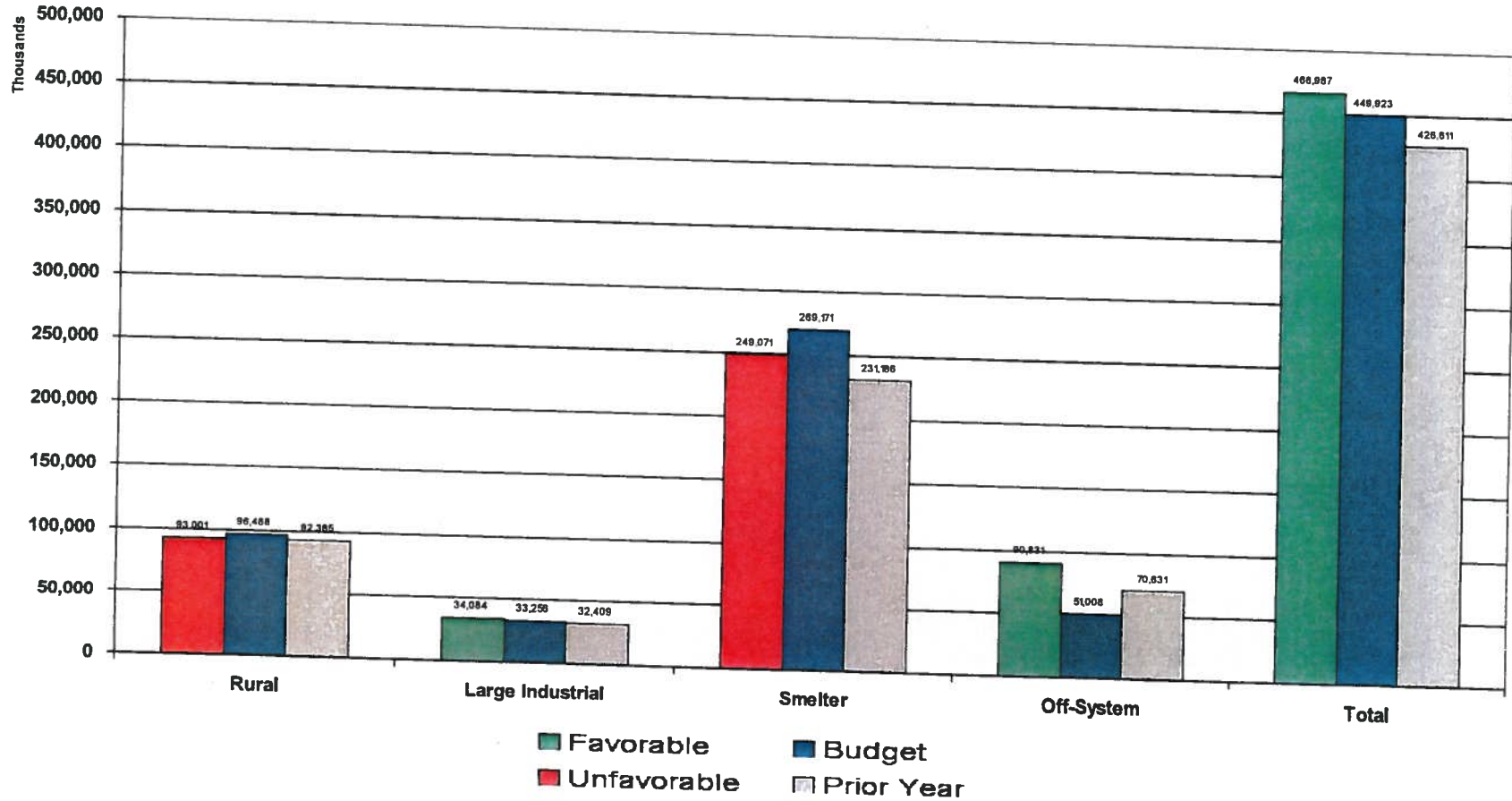




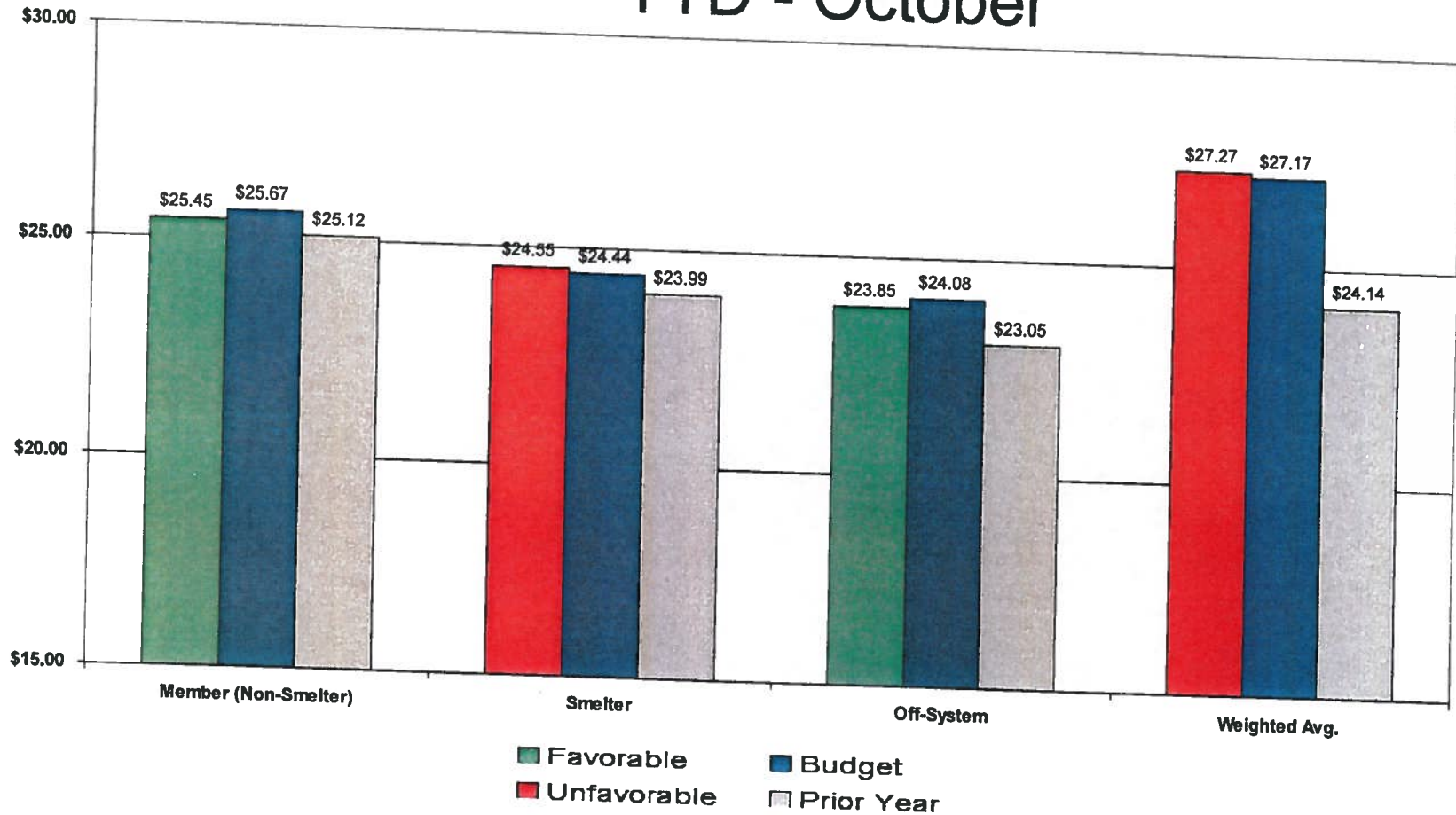
Revenue - \$/MWh Sold YTD - October



Revenue YTD - October

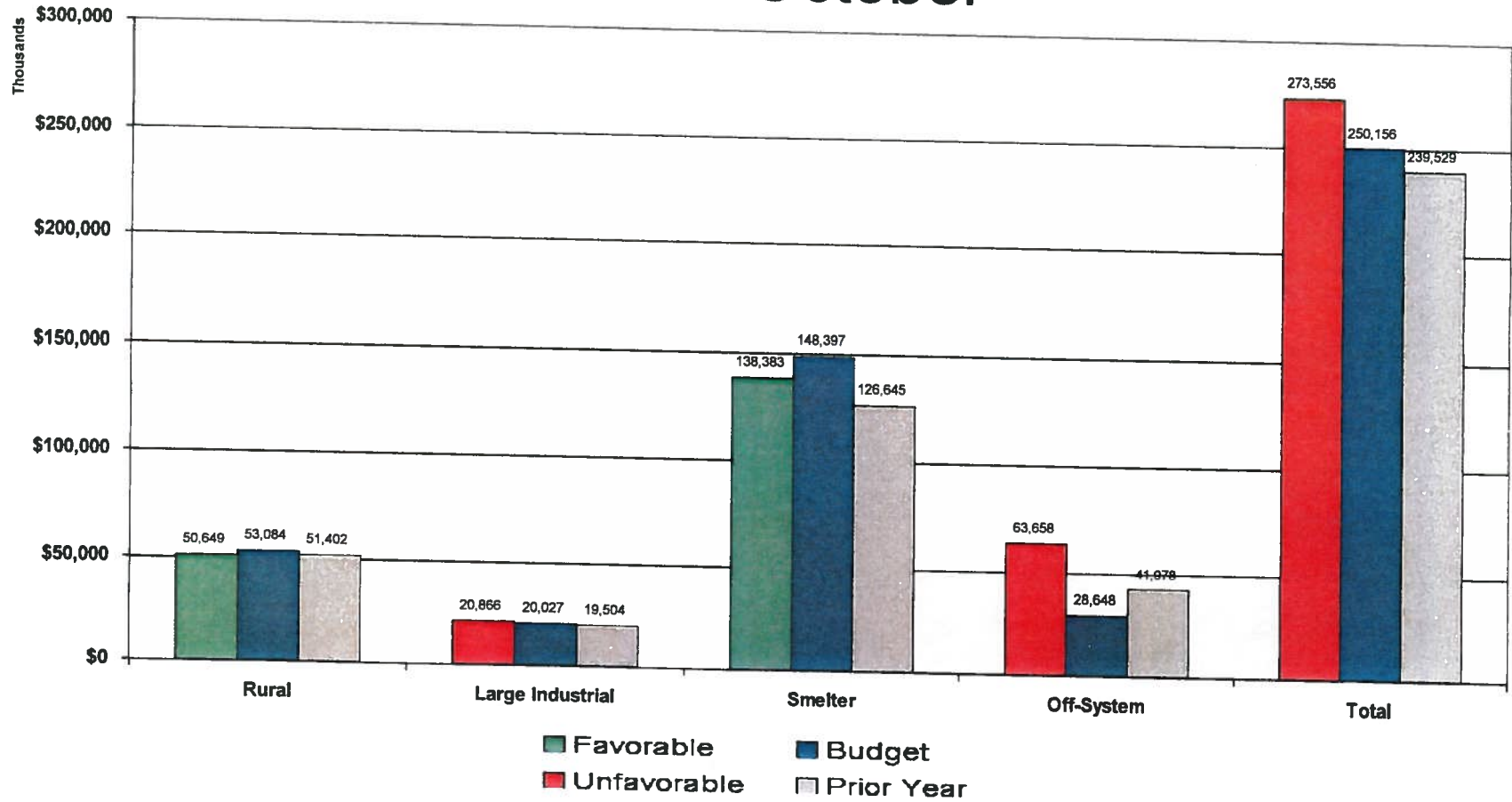


Variable Operations - \$/MWh Sold YTD - October



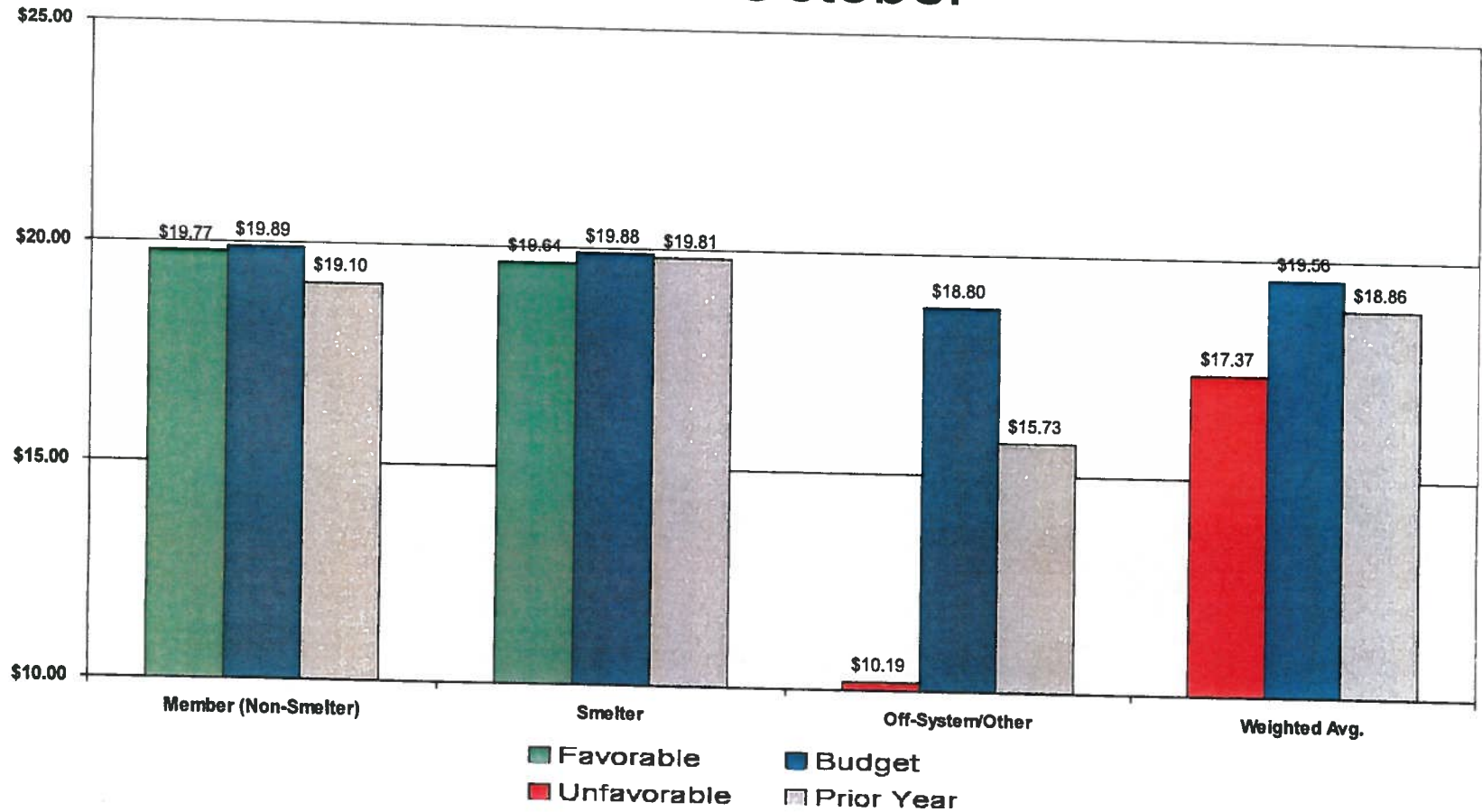


Variable Operations Cost YTD – October



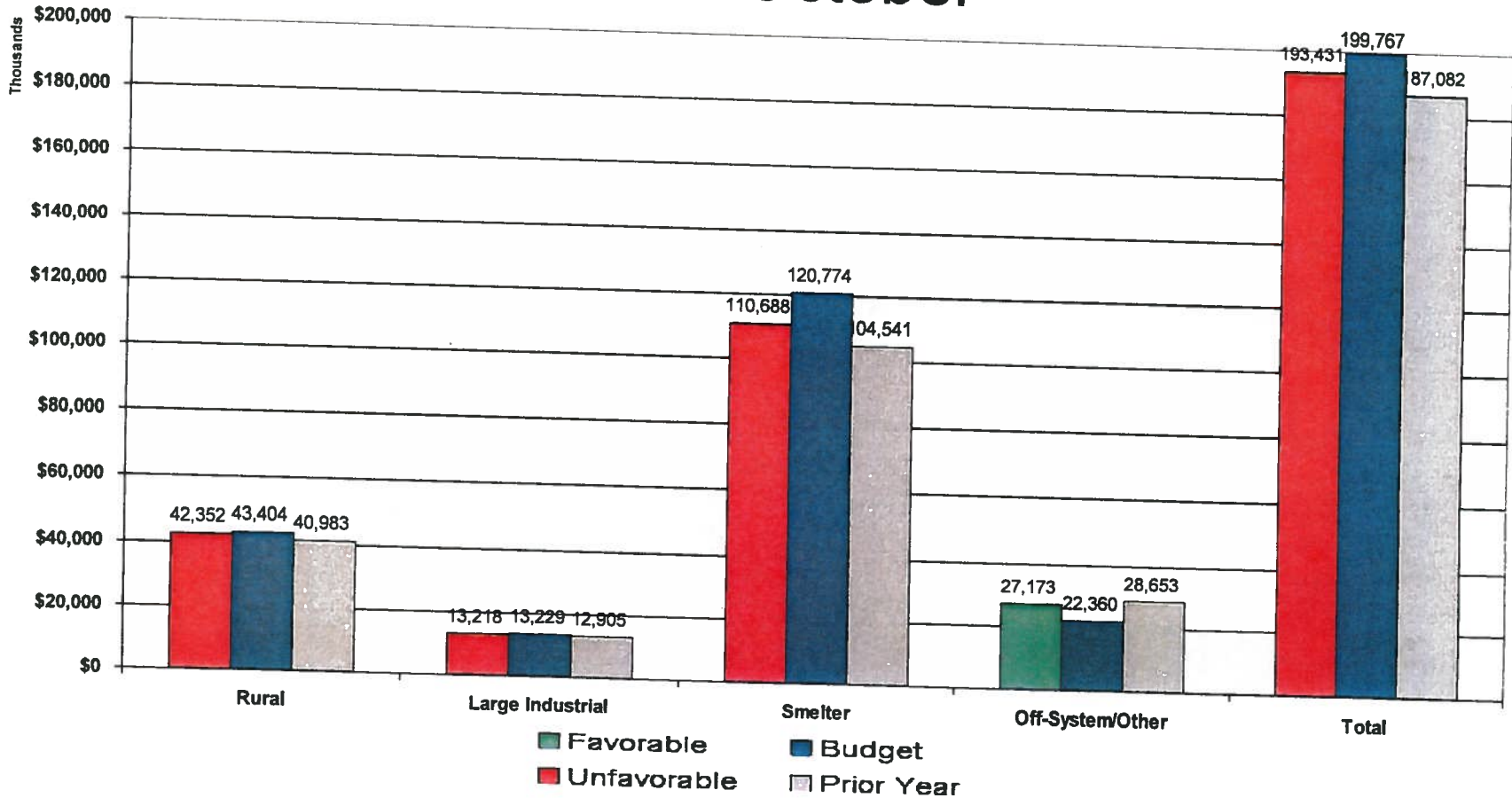


Net Sales Margin - \$/MWh YTD - October

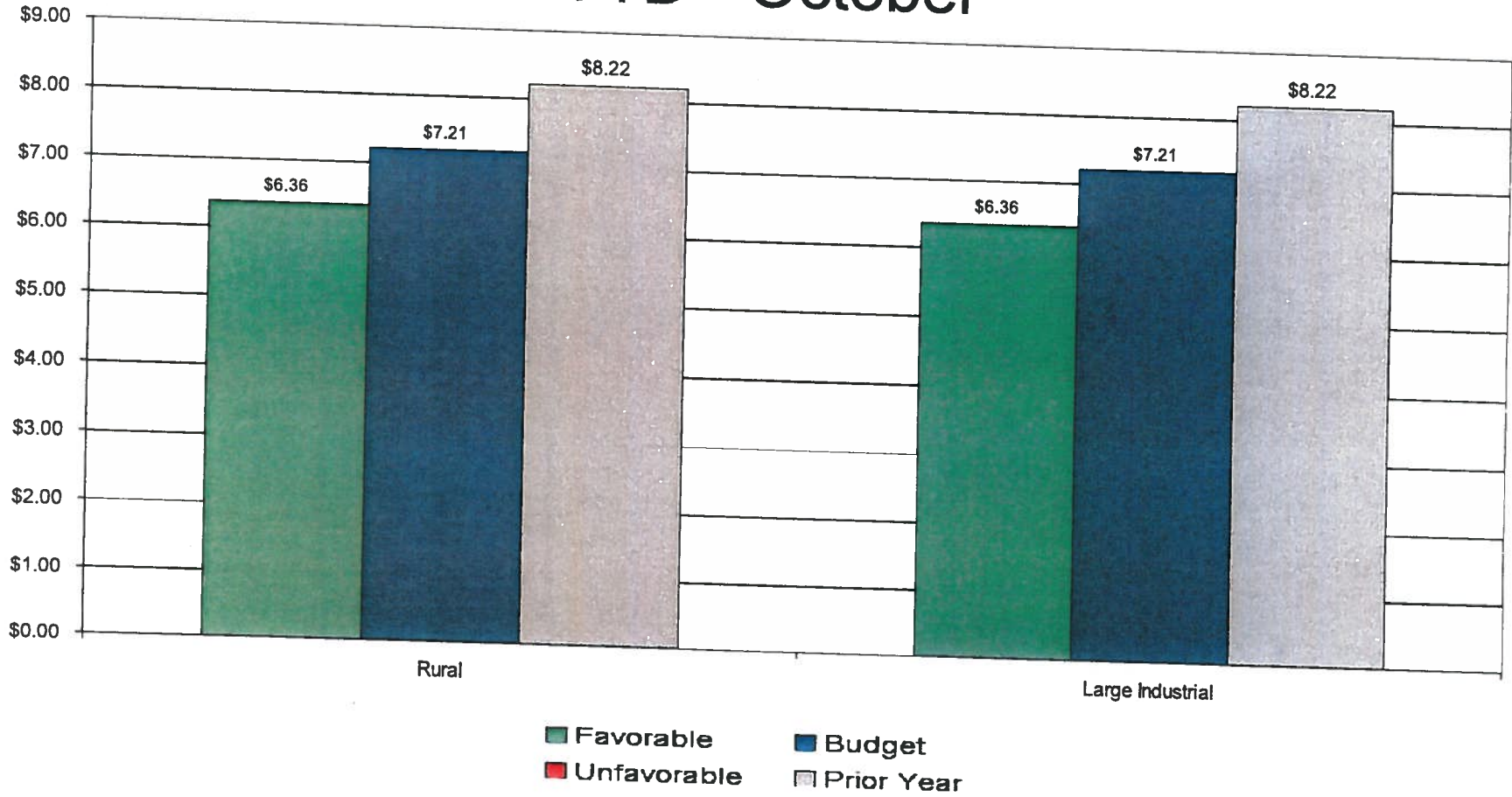




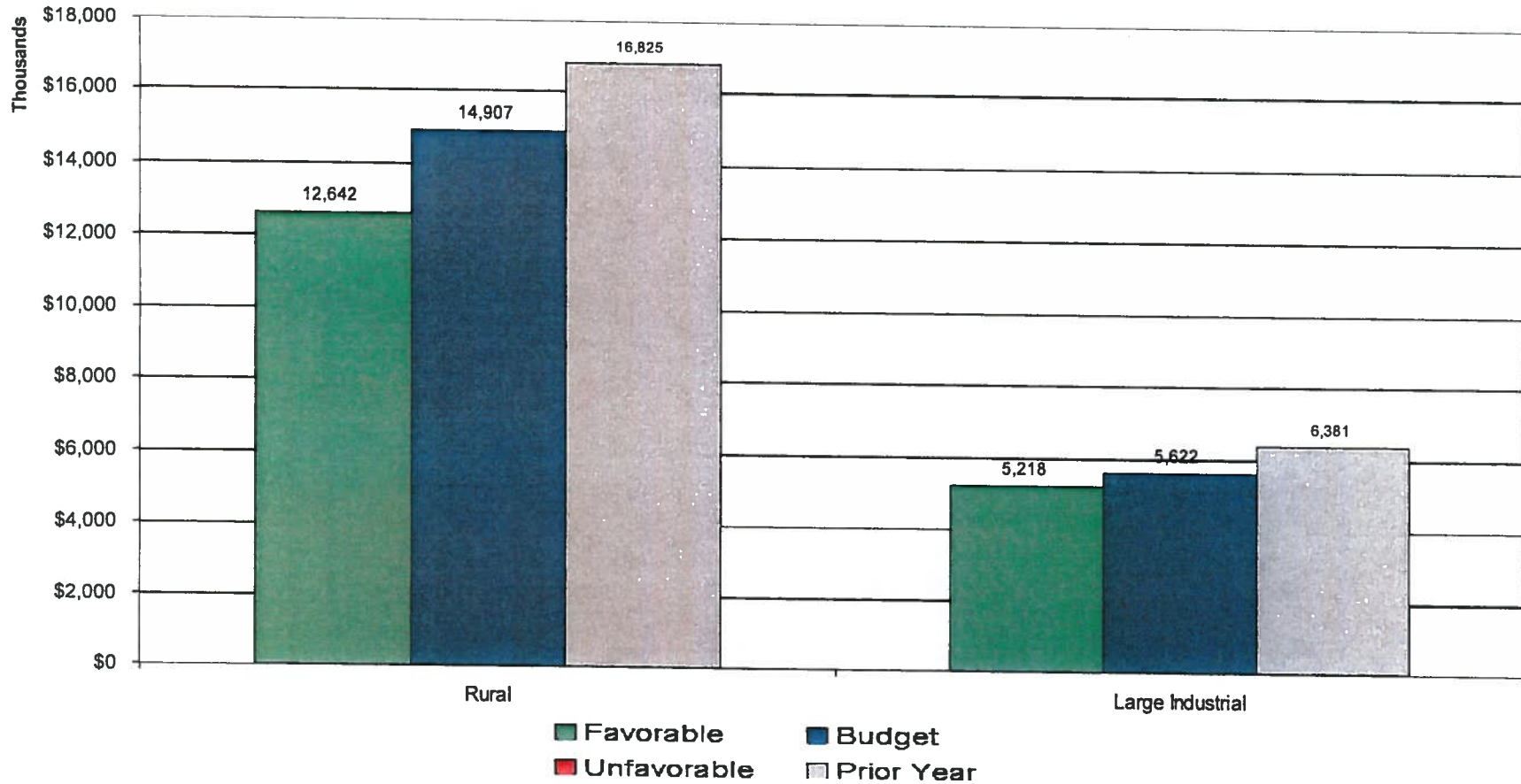
Net Sales Margin YTD - October



MRSM - \$/MWh YTD - October

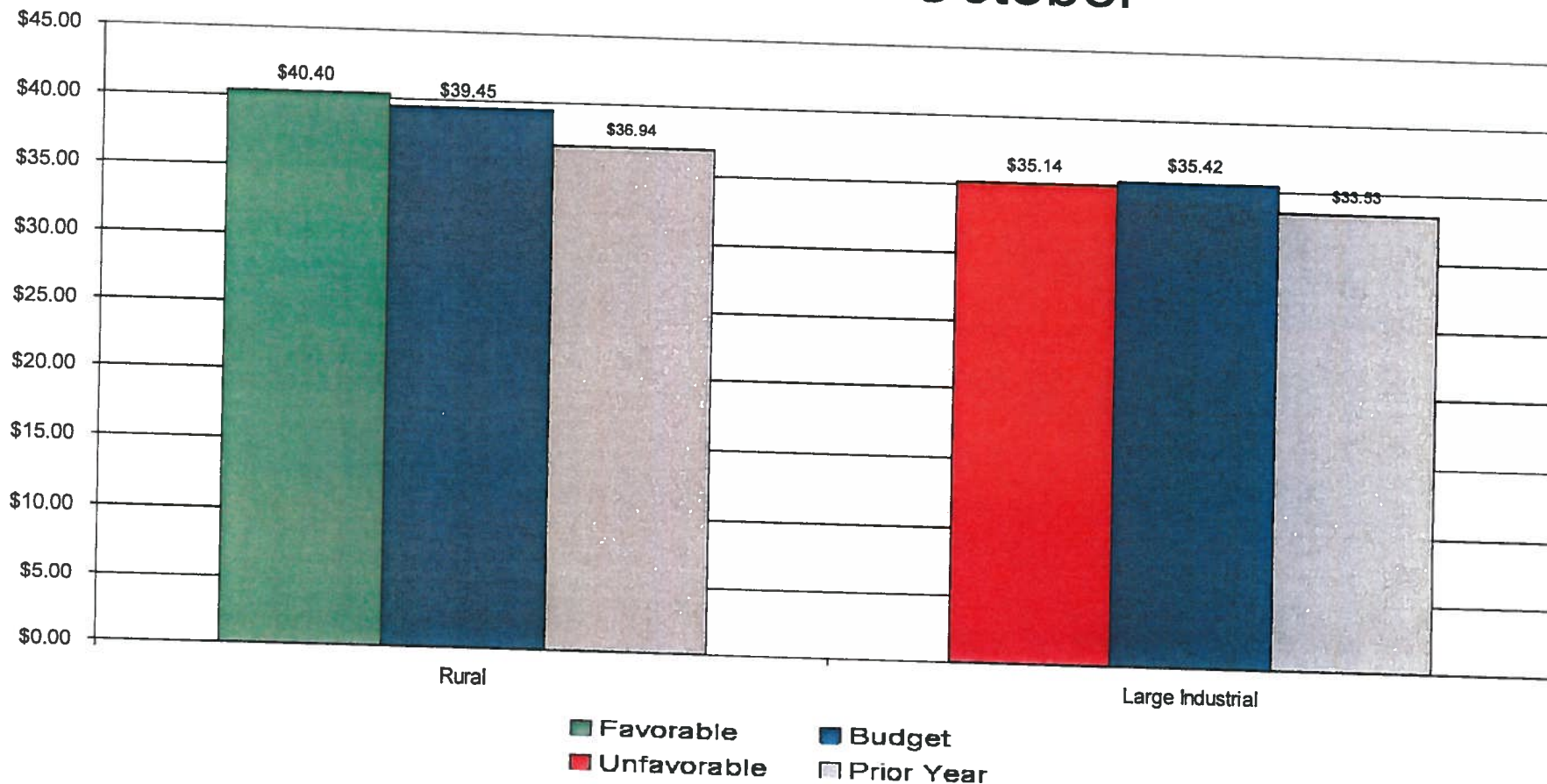


MRSM YTD - October



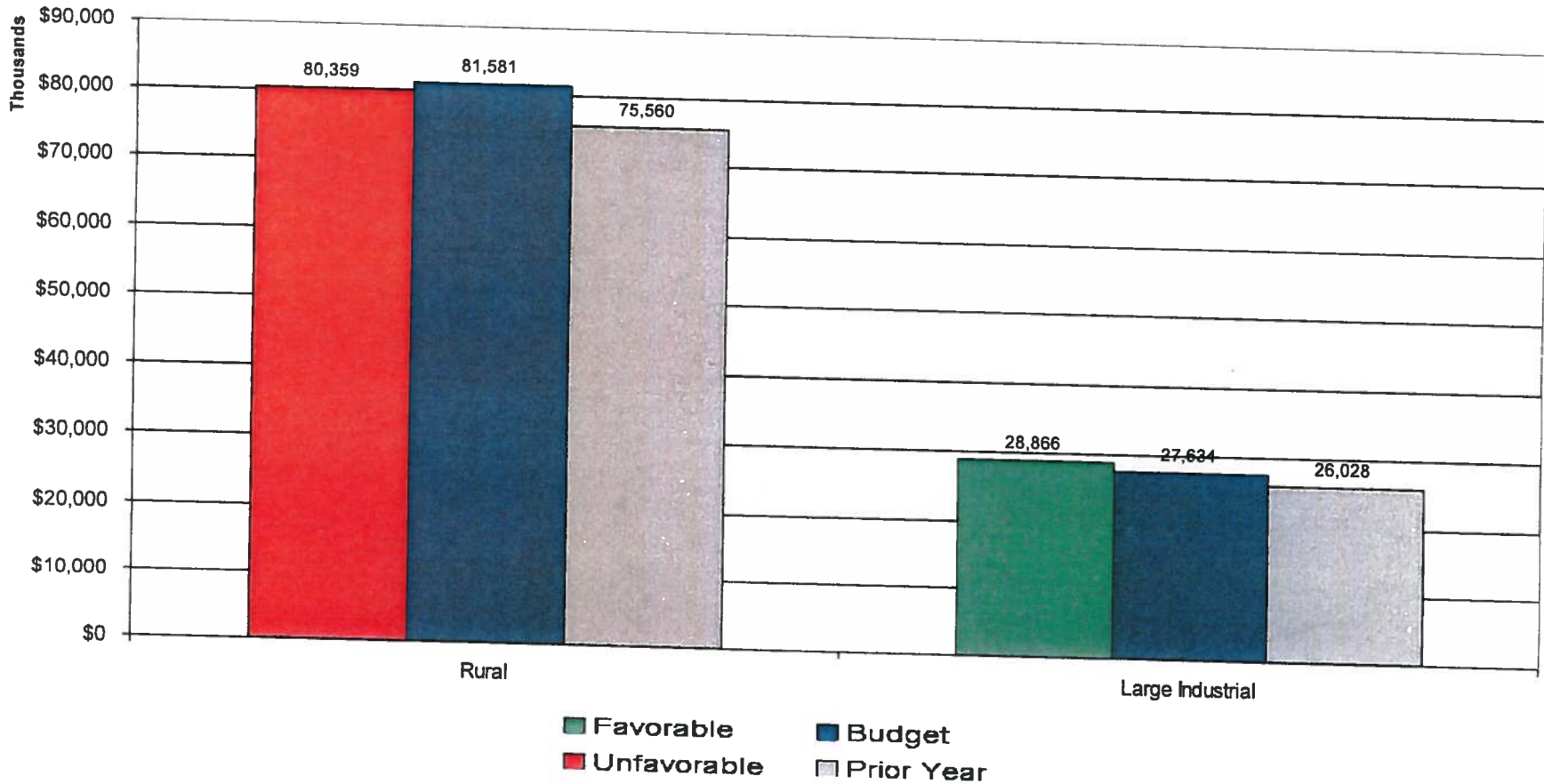


Net Revenue (Excl. MRSM) - \$/MWh YTD - October





Net Revenue (Excl. MRSM) YTD - October





Other Operating Revenue and Income

	2011			2010	
	<u>Actual</u>	<u>Budget</u>	<u>Variance Fav/(Unfav)</u>	<u>2010 Actual</u>	<u>Variance 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	50,884	51,103	219	59,434	8,550

Current Year Variances

Power Supply transmission reservation	<u>Fav/(UnFav)</u>
	(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	<u>(157)</u>
Non-Variable Production and Other Power Supply - Operations	219

Prior-Year Variances

Power Supply transmission reservation	<u>Fav/(UnFav)</u>
	8,659
Station-Two O&M/other	<u>(109)</u>
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	33,221	36,968	3,747	34,780	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		
	<u>Actual</u>	<u>Budget</u>	<u>Variance 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	1,693 (1,685)

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