

Volunteer Energy Cooperative Financial Statement June 30, 2003

Assets

Electric plant in service	\$237,826,370
Less depreciation	83,780,926
Total	154,045,444
Other property and investments	1,201,800
Current and accrued assets	
Cash and temporary cash investments	1,045,586
Accounts receivable	10,249,799
Materials and supplies	1,719,207
Prepayments	24,740
Other current assets	273,975
Total	13,313,307
Deferred debits	
Receivables-conservation	3,526,339
Other deferred debits	1,564,405
Total	5,090,744
Total assets	\$173,651,295

Capital and Liabilities

Capital	
Membership certificates	\$448,145
Earnings reinvested in system assets	104,385,728
Total	104,833,873
Long term debt	41,572,351
Other noncurrent liabilities	8,920,081
Current and accrued liabilities	
Other notes payable	4,994,998
Accounts payable	8,321,897
Customer deposits	1,786,898
Taxes and interest	923,903
Other current liabilities	413,857
Total	16,441,553
Deferred credits	1,883,437
Total capital and liabilities	\$ 173,651,295

Volunteer Energy Cooperative
Statements of Income and Earnings
Reinvested in System Assets
Fiscal Year Ended June 30, 2003

Operating Revenue	
Sale of electric energy	
Residential	\$83,722,934
Commercial	11,566,665
Industrial	33,282,261
Street and other lighting	2,615,950
Total sale of electric energy	131,187,810
Other revenue	2,998,822
Total operating revenue	134,186,632
Operating Expenses	
Cost of power purchased from TVA	\$102,005,836
Distribution and transmission expense	7,641,471
Customer accounts expense	3,685,472
Customer service, sales and information expense	704,680
Administrative and general expense	3,487,439
Depreciation	7,358,603
Taxes	2,074,715
Interest expense	2,296,270
Total operating expense and interest	129,254,486
Operating Income	4,932,146
Other income	643,209
Net Income	\$5,575,355
Earnings Reinvested in System Assets	
Beginning of fiscal year	\$102,536,621
End of fiscal year	\$108,111,976

VECcustomers Share

Grants totaling \$32,550 were awarded by the VECcustomers Share board of directors in August 2003. During the current fiscal year the board has awarded \$350,680.25 in grants. Since the inception of the program in October of 2001, a total of \$756,895.25 in grants has been awarded. VECcustomers Share is a non-profit, tax exempt charitable organization covering VEC's 17-county service area. The foundation's funds are derived from Volunteer Energy Cooperative members who allow their electric bills to be rounded up to the nearest \$1. The additional amount goes into the VECcustomers Share fund, which is administered by the foundation's board of directors whose 12 members serve as volunteers.

VECcustomers Share contributions average 50 cents per month or \$6 per year for each participating residential customer. Approximately 80 percent of VEC's customers are donating to the program. The deadline for grant applications is the last day of each month. For additional information, contact Patty Hurley, manager of member services, at 423-334-7050.

Organizations receiving grants in August include:

Meigs County Health Council	\$525
Meigs County Junior High Beta Club	1,025
Meigs County-Decatur Chamber of Commerce	1,500
McMinn County Historical and Heritage Society	525
E.K. Baker PTO	2,000
Teacher's Pets Daycare	500
Spring City Middle School Softball	550
Cleveland Public Library	300
Boys and Girls Club of Cleveland	950
Kiwanis Club of Cleveland	950
Operation Discovery	950
McDonald Cemetery Association	525
Limestone Lodge #176 F&AM	2,000
Polk County Little League Football	1,033
Linsdale Community Services	1,033
Loving Care Ministries, Inc.	1,034
MAC Midway Athletic Club	2,000
Frank G. Clement Fraternal Order of Police	525
Cumberland County School Depot	525
Neighbors Together	525
Monterey Civitan Club	1,000
Cumberland County Youth Center	1,790
Pleasant Hill Explorers	2,210
Campground Cemetery	1,000
Clarkrange Volunteer Fire Department	1,525
Cookeville/Algood Resident Council	550
Eastland Fire Department	1,500
Pickett County Pee Wee Football	2,000
Camp Lookout - Holston Conference	2,000



VECcustomers Share Board members Bill Sparkman, far left, and Davis Dunn, far right, present a grant award to Linda Goble, left center, and Jan Martin, right center, of Loving Care Ministries Inc.



Thoughts from the 2003 Annual Meeting

by Bill Buchanan, President/CEO

On October 4th, Volunteer Energy Cooperative held the 67th annual meeting of our membership. The event was a huge success, with over 800 in attendance. The attendees enjoyed good food and great entertainment provided by Mr. James Rogers. They learned about products and services available through VEC, chatted with VEC employees who volunteered to assist with the activity, and learned more about the organization and its people.

Kenneth Vaden, secretary of the VEC Board of Directors, reported that, as of June 30th, VEC membership stood at 88,695. Our growth is truly amazing. In the next few months we will be welcoming the 100,000th member to our ranks.

In my remarks to the membership at the annual meeting, I reviewed the seven cooperative principles under which we operate and provided examples of what we are doing to preserve these principles. You can review these principles yourself (see the list below).

I also updated the membership about the performance of their cooperative during the past year. Here are some highlights of fiscal year 2002-03:

- Total kilowatt-hour sales were 2,035,995,000 an increase over last year of 132 million.
- Residential kilowatt-hour sales increased 9%, small commercial sales were up 4.5%, and industrial sales jumped 3.2%.
- Operating expense increased \$8.4 million for a total of \$127 million. \$102 million of this expense was for power purchased from TVA.
- Plant additions totaled \$14.8 million and included substation construction and improvements in Benton, Crossville, and Campbell Junction.
- Our employees built 153 miles of new line (we now operate and manage a total of 8,458 miles of line).
- Net margins were \$5.5 million.

As we approach the year 2004, there are many challenges for Volunteer Energy Cooperative. We must maintain and build lines to serve our members and do so while offering reliable and economical electric power. We must explore ways to work smarter and more efficiently. We must continue to anticipate and meet the needs of the communities we serve. And we must continue to plan for growth in our service area, researching new technologies that will improve the way we operate.

In the next few months, you will be hearing about many improvements at Volunteer Energy Cooperative. By the 2004 annual membership meeting, we will have a host of improvements to talk about and successes to celebrate.

I hope you will plan to join us at our 2004 annual meeting and hear about these exciting things first-hand.

Volunteer Energy Cooperative practices the Seven Cooperative Principles:

- We practice **open membership**.
- We are a **democratically-controlled** organization.
- There is **economic participation of all our members**.
- We are **autonomous and independent**.
- We **provide education, training, and information** for members, elected representatives, managers, and employees so they can contribute effectively to the development of the cooperative.
- We **work together with other cooperatives** in local, state, national and international organizations.
- We demonstrate a **concern for the community**.

Interactive Voice Response System Puts Service at Your Fingertips

Volunteer Energy Cooperative (VEC) is putting new technology to work that enables customers to access electric account information anytime of the day or night.

VEC put its new Interactive Voice Response System (IVR) in service October 2nd allowing customers to find out when their last payment was posted, the amount of their last payment and their current balance. In the near future the system will be used to report outages and streamline the power restoration process. The system can also be used to make courtesy calls to customers.

The service will be expanded in the months to come.

You can use the IVR telephone system menu now! Simply dial your local service center phone number and choose the "account information" option (#3). At this point, follow the instructions and enter your account number. The IVR will inform you of your account balance, the date of your last payment, and the balance currently due.

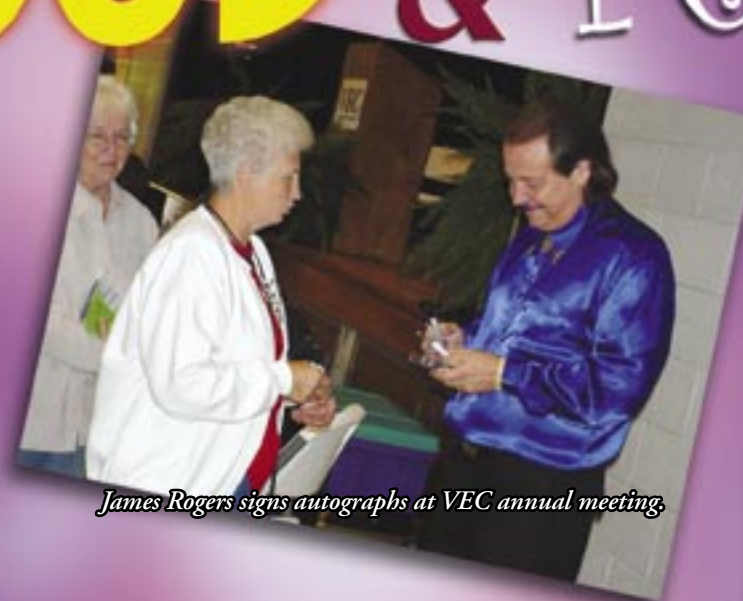
To access the IVR system with your touch-tone phone, call your local service center and have your account number ready. The system is online 24-hours a day, seven days a week. However, the system will go offline for a few minutes each month for maintenance. Rotary dial phone users will not be able to access the IVR.



Suzie Lawson, of the system planning and engineering department, is the voice behind the billing inquiry section of VEC's Interactive Voice Response System.

Annual Meeting offers

FUN, FOOD & Festivities



James Rogers signs autographs at VEC annual meeting.



About 800 members enjoyed the Volunteer Energy Cooperative's 67th Annual Meeting Saturday, October 4th at Meigs County Middle School.

Results of the Board of Directors' elections were announced with Kenneth Vaden re-elected to represent White, Putnam, and Overton counties; and James Brooks was re-elected to represent Fentress, Morgan, and Scott counties. Larry Storie was re-elected to serve Pickett County.

The Meigs County Lions Club provided a hearty breakfast. Dr Shane Roberts and staff, as well as Athens Regional Medical Center staffers provided flu vaccinations. There were free gifts for all and door prizes for lucky winners. Guests also enjoyed a number of VEC displays, informative speeches, and reports. James Rogers capped off the event with a home-style show that thrilled the audience.

