

Financial Statements

Volunteer Energy Cooperative • June 30, 2005

Assets	
Electric plant in service	\$265,156,631
Less depreciation	95,907,169
Total	169,249,461
Other property and investments	2,307,018
Current and accrued assets	
Cash and temporary cash investments	699,312
Accounts receivable	10,187,170
Materials and supplies	2,519,526
Prepayments	0
Other current assets	797,827
Total	14,203,835
Deferred debits	
Receivables-conservation	3,125,168
Other deferred debits	1,194,110
Total	4,319,277
Total assets	\$190,079,591

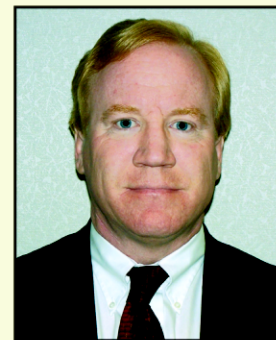
Capital and Liabilities

Capital	
Membership certificates	\$452,290
Earnings reinvested in system assets	112,339,085
Total	112,791,375
Long term debt	49,607,224
Other noncurrent liabilities	5,773,679
Current and accrued liabilities	
Other notes payable	0
Accounts payable	11,111,023
Customer deposits	2,545,638
Taxes and interest	832,773
Other current liabilities	750,396
Total	15,239,829
Deferred credits	6,667,485
Total capital and liabilities	\$190,079,591

Volunteer Energy Cooperative Statements of Income and Earnings Reinvested in System Assets Fiscal Year Ended June 30, 2005

Operating Revenue	
Sale of electric energy	
Residential	\$87,754,895
Commercial	13,001,163
Industrial	34,014,221
Street and other lighting	3,078,982
Total sale of electric energy	137,848,982
Other revenue	3,771,370
Total operating revenue	141,620,352
Operating Expenses	
Cost of power purchased from TVA	\$ 107,628,327
Distribution and transmission expense	7,574,463
Customer accounts expense	3,859,281
Customer service, sales and information expense	827,348
Administrative and general expense	5,679,719
Depreciation	8,600,459
Taxes	2,206,814
Interest expense	2,399,064
Total operating expense and interest	138,775,675
Operating Income	2,844,877
Other income	312,729
Net Income	\$ 3,157,606
Earnings Reinvested in System Assets	
Beginning of fiscal year	\$108,981,295
End of fiscal year	\$112,339,085

Powerlines is produced by the Volunteer Energy Cooperative's Marketing & Economic Development Department as a service to customers. Comments and suggestions can be e-mailed to vec@vec.org or mailed to VEC Marketing & Economic Development Department, P.O. Box 277, Decatur, TN 37322.



Hurricanes Aren't the Only Storms We've Weathered Together in 2005

By Rody Blevins President/CEO

Just four weeks after Hurricane Katrina knocked out power to about 145,000 electric cooperative members, Hurricane Rita hit and an estimated 180,000 more electric cooperative members lost power. Volunteer Energy Cooperative was one of many electric cooperatives that sent crews and supplies to help.

Why would VEC want to send our manpower so far away?

It is because when we pull together to help our neighbors, we also help ourselves. That's how Volunteer Energy Cooperative and other rural electrical cooperatives got started.

When people in densely populated areas started getting electricity, privately owned power companies wouldn't serve the rural areas. So friends, families, and neighbors pulled together to help themselves. In our area, Meigs County residents got together to form the Meigs County Power Association. This organization evolved into Volunteer Energy Cooperative.

I guess you could say that joining forces with others to help in a time of need or to accomplish a mutual goal is in our blood. It was in that spirit that VEC was formed and it is in that spirit that we can reach our highest potential.

The Seven Cooperative Principals we use to guide our activities include two that deal with this idea directly. Principal Six states, "Cooperatives serve their members most effectively and strengthen the cooperative movement by working together through local, national, regional and international structures."

Principal Seven, which deals with concern for community, states, "While focusing on member needs, cooperatives work for the sustainable development of their communities through policies accepted by their members."

The Gulf Coast hurricanes reminded us that our "community" is much larger than we used to think.

Almost everyone in the nation felt the effects of the hurricanes. Already high fuel costs skyrocketed. That prompted costs on all types of goods and services to rise. Costs for materials, employment costs, and fuel costs for VEC's vehicles were already rising. The aftermath of the hurricane's made an already difficult situation worse.

That's one of the reasons VEC was forced to add its own rate increase to TVA's rate increase in October. But we can weather this storm of rising costs, just like the storms that hit the Gulf Coast - by working together.

We've worked hard at VEC to maintain our reputation of holding our rates as low as possible. We also try to help members get the most out of our energy dollars by teaching electricity conservation and electricity safety measures. By working together in this way, we can weather this storm together as well.

A few months ago I, and my family, faced the challenge of my new role as President/CEO of Volunteer Energy Cooperative. I am grateful to the VEC Board of Directors, the employees and staff, our members, and to my family for pulling together to help make the transition a smooth one.

I'm certain many of our 103,000 members also faced personal and/or professional challenges in 2005. VEC can't always help in each and every situation, but through Project Deserve we've pulled together resources and assistance for those who are having difficulty paying their electricity bill. And through the VECustomers Share program we've joined forces to help communities deal with all sorts of challenges. These programs are terrific examples of how we can weather almost any storm if we pull together.

There are plenty of uncertainties in life, but there are a few things we can count on. We can be certain that the future will hold additional challenges and their will be new storms to weather. But we can also be assured that if we pull together, we can weather these storms much better than if we try to face them on our own.

About 1,100 Members Attend VEC's Annual Meeting



The theme of the 2005 VEC Annual Meeting was Coming Together . About 1,100 VEC members did just that on October 1st at Meigs County Middle School in Decatur.

Guests enjoyed a free breakfast provided by the Meigs County Lions Club and served by members of the Meigs County Middle School Beta Club, free flu shots provided by Dr. Shane Roberts and staff, goody bags and door prizes, an update on the cooperative by VEC President/CEO Rody Blevins and the VEC Board of Directors, and entertainment provided by David Browning The Mayberry Deputy.

I am very pleased that so many of our members took time out of their schedule to be with us, said VEC Vice President of Marketing and Economic Development Patty Hurley. I am also very grateful to those who helped make this event such a success.



Members who attended were asked to fill out an optional comment card rating the various aspects of the event on a scale 1 (poor) to 5 (excellent). A total of 257 attendees chose to respond and average scores ranged from 3.995 to 4.5, Hurley said.

"It's nice to get that sort of feedback," she said. We do our best to make sure everyone enjoys the event and it's good to see so many had a good time. We also picked up some ideas on making next year's event even better."

Hurley said so many people pitched in including VEC employees and staff, administrators, and students from the Meigs County School System; the Meigs County Volunteer Fire Department; the VFW; Rev. Hugh Bryan, Jason Harmon, Shirley Littleton, Kenny Meadows, Janet Moquin, Golf Carts of Chattanooga, The Gathering Place, Athens Wal Mart, Mouse Creek Perennials, Charlene Withrow, and Tammy Jones.



VECcustomers Share

Neighbors Helping Neighbors

Volunteer Energy Cooperative (VEC) customers funded grants totaling \$31,750 in September. Since the inception of the program in October 2001, a total of \$1,569,100.20 in grants has been awarded. The deadline for grant applications is the last day of each month. For additional information, contact the office of Marketing and Economic Development, at 423-334-7051. Applications are also available online, at www.vec.org.

The VECcustomers Share Board of Directors also added a new member in October. Carlton Norris, who has lived near Georgetown in Hamilton County for more than 30 years, became the board's newest addition. Norris, a semi-retired civil engineer, will represent Hamilton County on the board replacing Bobby Scott whose term expired in September.



Carlton Norris

Norris and his wife of 28 years, Joan, live in the Meadowview Community. He was appointed by Gov. Phil Breedesen to the state Architectural and Engineering Board and he also raises registered polled Hereford cattle.

He has served on various other boards including Meigs County Bank and Regions Bank.

Norris said he first became aware of the VECcustomers Share program through the regular article that appears in Powerlines.

"I like to try to keep a positive and optimistic attitude toward life," Norris said. "I like the way this program helps people keep that positive attitude even when they are having troubles."

Norris said he has been impressed with the number of people who have been helped by the generosity of VEC customers. He said he would like to encourage VEC customers to continue supporting the program.

Merry Christmas



Gene Carmichael
McMinn County

Charles Fitch
Roane & Loudon
counties

Kenneth Vaden
Putnam, White &
Overton counties

Randy Bond
East Cumberland
County

James Brooks
Fentress, Morgan &
Scott counties



Laney Colvard
West Cumberland
County

Jerry Henley
Rhea & Bledsoe
counties

Scott Humberd
Bradley County

Larry Storie
Pickett County

Sammy Norton
Meigs County



Aubie Smith
Hamilton County

Marvin Stinnett
Polk County

Rody Blevins
President/CEO

The Volunteer Energy Cooperative, Staff, and Employees Would Like To Wish You and Your Family a Happy Holiday Season and a Prosperous New Year!

The Easy Way to Pay ... And to BE Paid Bank Draft Authorization



Sign up for Volunteer Energy Cooperative's convenient Bank Draft program before December 31st and we'll give you a \$10 credit on your electricity Bill!

If you're away from home there's no need to worry about your electricity bill. With VEC's Bank Draft authorization program you'll also save time and the cost of stamps and checks.

It's quick and easy. For more information, or to sign up, just contact your local Volunteer Energy Cooperative Customer Service Center.

Statement of Nondiscrimination

Volunteer Energy Cooperative is the recipient of federal financial assistance from the Rural Utilities Service, an agency of the U.S. Department of Agriculture, and is subject to the provisions of Title VI of the Civil Rights Act of 1964, as amended, Section 504 of the Rehabilitation Act of 1973, as amended, the Age Discrimination Act of 1975, as amended, and the rules and regulations of the U.S. Department of Agriculture which provide that no person in the United States on the basis of race, color, national origin, age or disability shall be excluded from participation in, admission or access to, denied the benefits of, or otherwise be subjected to discrimination under any of this organization's programs or activities.

The person responsible for coordinating this organization's nondiscrimination compliance efforts is Rody Blevins, President/CEO. Any individual, or specific class of individuals, who feels this organization has subjected them to discrimination may obtain further information about the statutes and regulations listed above from and/or file a written complaint with this organization; or the Secretary, U.S. Department of Agriculture, Washington, D.C. 20250; or the Administrator, Rural Utilities Service, Washington, D.C. 20250. Complaints must be filed within 180 days after the alleged discrimination. Confidentiality will be maintained to the extent possible.

Scholarships Available for Community-Minded Graduates



Volunteer Energy Cooperative wants to reward your high school senior's commitment to academics and community service.

Applications for VEC's Lillard-Shadow Scholarships are being distributed to high schools in VEC's service area and four graduating seniors from the class of 2005 will be awarded \$2,000 scholarships based on community service and citizenship, academic achievement, written communication, and need.

The scholarships are named in honor of Willis A. Shadow and J.W. Lillard, two pivotal men in the formation of the electric cooperative that has evolved into Volunteer Energy Cooperative. Because of their vision and commitment to the community, Mr. Shadow and Mr. Lillard were instrumental in improving the lives and livelihood of thousands of residents through electric power. These scholarships seek to honor the community spirit of Willis A. Shadow and J. W. Lillard. Volunteer Energy Cooperative is committed to the strength of individuals and organizations in its service area and recognizes the importance of volunteerism and community activities to a young person's growth. This scholarship program will reward students who have given back to their communities by assisting the students with college costs.

Completed application packets must be received at VEC's cooperate headquarters in Decatur, TN no later than 5 p.m. Eastern Time on March 3, 2006.

Application packets are available in the Guidance Department of area high schools or at any Volunteer Energy Cooperative office.

For more information, call your local Volunteer Energy Cooperative Customer Service Center.

Make Sure This Holiday Season is a Safe One

The hustle and bustle of the Christmas season is rapidly approaching. For some, the holiday season becomes a time of tragedy so Volunteer Energy Cooperative wants the holiday season to be a safe and happy one for you and your family. To keep you and your family safe you should:

Inspect all extension cords for cracks in the protective sheathing. Before stringing indoor and/or outdoor lights inspect for cracked sockets; frayed, loose or bare wires; and loose connections.

Make sure all your lights and decorations have been approved by an accredited certification agency (such as UL). Be sure to use all lights and decorations as specified in the manufacturer's directions.

Don't overload extension cords and/or circuits. Never remove or expose the third prong, and plug outside lighting into Ground Fault Circuit Interrupter (GFCI) receptacles.

Use cords appropriately. Different cords are available for interior and exterior use – be sure to use the correct one. Don't run outdoor electrical cords across driveways or walkways. Keep all exterior plugs and connectors off the ground. Don't run interior cords under carpets or rugs.

