

Financial Statements

Volunteer Energy Cooperative • June 30, 2005

Assets

Electric plant in service	\$282,639,675
Less depreciation	103,277,207
Total	179,362,468

Other property and investments	1,629,434
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Current and accrued assets

Cash and temporary cash investments	3,483,838
Accounts receivable	13,200,666
Materials and supplies	2,871,741
Prepayments	23,965
Other current assets	229,154
Total	19,809,364

Deferred debits

Receivables-conservation	3,161,637
Other deferred debits	497,864
Total	3,659,501

Total assets

\$204,460,767

Capital and Liabilities

Capital

Membership certificates	\$454,715
Earnings reinvested in system assets	120,611,599
Total	121,066,314

Long term debt

54,113,382

Other noncurrent liabilities

6,968,475

Current and accrued liabilities

Other notes payable	0
Accounts payable	12,800,476
Customer deposits	2,850,044
Taxes and interest	904,969
Other current liabilities	878,595
Total	17,434,084

Deferred credits

4,878,595

Total capital and liabilities

\$204,460,767

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	\$103,546,781
Commercial	15,436,520
Industrial	41,438,018
Street and other lighting	3,306,935
Total sale of electric energy	163,728,254
Other revenue	4,443,497
Total operating revenue	168,171,751

Operating Expenses

Cost of power purchased from TVA	\$126,564,554
Distribution and transmission expense	8,702,692
Customer accounts expense	6,081,752
Customer service, sales and information expense	750,164
Administrative and general expense	5,101,934
Depreciation	9,354,807
Taxes	2,233,655
Interest expense	2,685,077
Total operating expense and interest	161,474,635

Operating Income

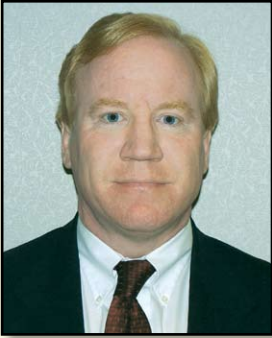
Other income	6,697,116
	664,861

Net Income

\$ 7,361,977

Earnings Reinvested in System Assets

Beginning of fiscal year	\$112,052,797
End of fiscal year	\$120,592,121



Who Says Talk is Cheap?

By Rody Blevins President/CEO

Studies of electric distributors' costs show that every phone call a customer service representative takes costs between \$4 and \$7 on average.

Since VEC is a not-for-profit cooperative, those costs hit our customers directly. And since VEC serves 105,000 customers, it's easy to see that one phone call per customer can quickly add up to tremendous costs for our customers.

In spite of those costs, we are committed to keeping the lines of communications open to our customers. I've found that few things are as frustrating as trying to do business with a company that doesn't value good communications. At VEC we are using a variety of methods to keep those lines of communications open while keeping the costs as low as possible.

We have put an Interactive Voice Response (IVR) system in place that uses an automated system to take calls much more quickly than a human being can. The IVR system can provide basic information and process outage calls very quickly and efficiently. We have also started using our IVR system for pro-active communications. When an outage is planned, many of our customers may not see the notices in newspapers or hear the announcements on the radio. So we are now using our IVR system to make automated calls to customers who will be affected.

In addition we use the IVR to make automated calls in case we need to reach customers to relay important information about their account that could affect their service.

We have also updated our website at www.vec.org to make it more user-friendly, to make more information available there, and to provide a quick, easy, efficient and secure method for paying your electric bill or requesting other common services online.

We produce the monthly newsletter *Powerlines* in which this column and many other communications appear.

We are committed to providing our customers with all the information they need, the means to have their questions answered, and efficient and friendly customer service. We are equally committed to providing all this at the most affordable rates possible. That's why we will use technology and every method we can to meet these two, equally important goals.

It's easy to see that with 105,000 customers, we will never be able to foresee each and every question or situation that needs to be addressed. So there will probably always be a need to provide a friendly, human voice belonging to someone who can help with individual questions, concerns, and service requests. We are committed to providing that standard of service as well. But each time we can service a customer through one of these other methods, we save all our customers money.



VEC Annual Meeting Draws 1,500

About 1,500 Volunteer Energy Cooperative (VEC) customers flocked to Meigs County Middle School on October 7 to enjoy the festivities at VEC's 70th Annual Meeting.

Those in attendance were asked to complete an optional survey asking them to rate the day's activities and this year's attendees gave the event the highest rating to date.

Those arriving early chose between a free pancake breakfast or a free continental breakfast, browsed through exhibits featuring VEC products and services, received a free flu shot if they chose, and enjoyed entertainment from Nashville singer/songwriter and Meigs County native Chris Hennessee. After the business meeting humorist Bob Farmer took the stage and the day was capped off with door prizes and free goody bags.

More than 60 VEC employees volunteered their day to help host the event.

Dr. Shane Roberts and his staff gave 735 free flu shots and vaccine supplies held out so that every attendee who wanted a flu shot received one.

continued inside flap...



VECcustomers *Share*

A Little Change Goes a Long Way

By allowing their electric bills to be rounded up to the next dollar Volunteer Energy Cooperative customers funded \$35,000 in community service grants in September. Since the inception of the program in October 2001, a total of \$1,930,951 in grants has been awarded to numerous community service projects. 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.

Organizations receiving grants in September include:

South Roane County Volunteer Fire Department - \$2,050; Good Faith Clinic, Athens - \$2,000; Friends of Cordell Hull, Byrdstown - \$2,000; Mayland Community Organization - \$1,422; Greater Chattanooga Public Television Corporation - \$1,200; Banner Roslin Community Center, Jamestown - \$1,200; Camp Discovery Tennessee Jaycee Foundation - \$1,000; Behavioral Research Institute, Inc., Cleveland - \$1,000; Mineral Springs Hunger Relief - \$1,000; Vietnam Veterans of America, Inc., Cleveland - \$1,000; Veterans of Foreign Wars Post 6277, Monterey - \$1,000; Crossville Housing Resident Council - \$1,000; Prospect Vikings Media Volunteers, Cleveland - \$1,000; Neighbors Together, Pleasant Hill - \$978; Birchwood Senior Neighbors, \$975; Veterans Administration Veterans Services, Decatur - \$855; Pine Have Elementary School Technology Club, Jamestown - \$800; Polk County High School Women's Fastpitch Softball Boosters - \$800; Chilhowee Middle School Women's Fastpitch Softball Boosters, Benton - \$800; Lady Eagle Boosters, Spring City - \$750; Spring City Reddogs Youth Football Association - \$750; Tranquility Community Center, Niota - \$600; Crab Orchard Care Center - \$600; Junior High Math Club, Byrdstown - \$570; Meigs County Lady Tigers Softball Booster Club - \$500; Meigs County 4-H Volunteer Leaders Organization - \$500; Monterey Junior Pro Cheerleaders - \$500; Monterey Depot Historical Society - \$500; McMinn County Historical Society - \$500; American Legion Post 68, Athens - \$500; Nocatula Civitan Club - \$500; Meigs County High School Football Boosters - \$500; Meigs County Middle School Girls Basketball Boosters - \$500; Midway Youth league - \$500; Linsdale Community Services - \$400; Midway Cheer Boosters Club - \$300; and Team Kids Fall Festival - \$250.



Behavioral Research Institute

VECcustomers Share Board Member Bill Sparkman, left, presents a grant check to (from left) Ray Seaton, Kelly Myers, and Tom Biller of Behavior Research Institute, Inc.

Merry Christmas



Volunteer Energy Cooperative's Board of Directors include: Seated (Left to Right) Kenneth Vaden, Putnam, White & Overton counties; Gene Carmichael, Chairman, McMinn County; Rody Blevins, President/CEO; James Brooks, Vice Chairman, Fentress, Morgan & Scott counties; Standing (left to right) Scott Humbert, Bradley County; Sammy Norton, Secretary - Treasurer, Meigs County; Jerry Henley, Rhea & Bledsoe counties; Aubie Smith, Hamilton County; Larry Storie, Pickett County; Alesia McNelley, Administrative Assistant; Laney Colvard, Cumberland County - West; Charles Fitch, Roane & Loudon counties; Marvin Stinnert, Polk County; Randy Bond, Cumberland County - East.

Volunteer Energy Cooperative's Board of Directors, management and staff would like to extend their best wishes to you and yours during this holiday season.

Start your new home with the only water heater you'll ever need.

Building a new home? All electric new homes that receive electric service from Volunteer Energy Cooperative and are completed between now and March 15, 2007 may qualify for a rebate of up to **\$400** on an electric water heater with a **Lifetime Warranty**. Contact your local Volunteer Energy Cooperative Customer Service Center to get all the details, requirements, and restrictions.



Eligible water heaters are Whirlpool lifetime warranty models EE3Z50RD055V and EE3Z80HD055V and all Marathon models. enrgyright® home inspection required.

VEC Annual Meeting Draws 1,500...

"This is a major event for our cooperative and it was truly wonderful to see so many of our members come out and enjoy the day," said VEC Vice President of Marketing & Economic Development Patty Hurley. "It takes a tremendous amount of hard work and teamwork to bring this event together and it's very gratifying to see all that work pay off with a day our customers really seemed to enjoy."

"I can't thank our employees enough," she continued. "So many gave up their Saturday to pitch in and help make the event a success. I especially appreciate the staff in the Marketing & Economic Development Department for all their work."



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.