VERMONT YANKEE NUCLEAR POWER CORPORATION

Ferry Road, Brattleboro, VT 05301-7002

REPLY TO
ENGINEERING OFFICE
580 MAIN STREET
BOLTON, MA 01740
(508) 779-6711

April 21, 1993
BVY 93 - 44

United States Nuclear Regulatory Commission
ATTN: Document Control Desk
Washington, DC 20555

References: a. License No. DPR-28 (Docket No. 50-271)

Subject: Vermont Yankee Nuclear Power Corporation
Annual Financial Report

Dear Sir:

In accordance with the provisions of 10CFR50.71(b), enclosed please find one (1) copy of Vermont Yankee Nuclear Power Corporation's annual financial report, including the certified financial statements, for 1992.

Should you have any questions regarding this report, please contact this office.

Very truly yours,

VERMONT YANKEE NUCLEAR POWER CORPORATION

Leonard A. Tremblay, Jr.

260093

Leonard A. Tremblay, Jr.
Senior Licensing Engineer

cc with enclosure:

USNRC Region I Administrator
USNRC Resident Inspector - VYNPS
USNRC Project Manager - VYNPS

M004
1/1

VERMONT YANKEE NUCLEAR POWER CORPORATION

ANNUAL REPORT 1992

Contents

Page

VERMONT YANKEE NUCLEAR POWER CORPORATION
FERRY ROAD
BRATTLEBORO, VERMONT 05301-7002

Description of Business

Vermont Yankee Nuclear Power Corporation was incorporated under the laws of Vermont on August 4, 1966. The Company was formed by a group of New England utilities for the purpose of constructing and operating a nuclear-powered generating plant (the "Plant").

The Plant commenced commercial operation on November 30, 1972 and has been in full operation since that time except for maintenance and refueling shutdowns. The Plant's operating license, originally due to expire in December, 2007, has been extended to March, 2012.

The Plant is located in Vernon, Vermont and has a design net electrical capacity of approximately 514 megawatts. The common stock of Vermont Yankee is owned by thirteen utilities, nine of which are the sponsoring utilities that are entitled to and obligated to purchase the output of the Plant.

Under the terms of the Company's Power Contracts each sponsor is obligated to pay Vermont Yankee monthly, regardless of the Plant's operating level or whether or not it is operating, an amount equal to its entitlement percentage of Vermont Yankee's total fuel costs, operating expenses, decommissioning costs and an allowed return on equity. Also, under the terms of the Capital Funds Agreements with its sponsors, the sponsors are committed to make funds available for changes or replacements needed to maintain or restore operation of the Plant or to obtain or maintain licenses necessary for the operation of the Plant. The names of the sponsors and their respective entitlement percentages of the capacity and output of the Plant are as follows:

Sponsor	Entitlement Percentage
Central Vermont Public Service Corporation	35.0%
Green Mountain Power Corporation	20.0
New England Power Corporation	20.0
The Connecticut Light and Power Company	9.5
Central Maine Power Company	4.0
Public Service Company of New Hampshire	4.0
Western Massachusetts Electric Company	2.5
Montaup Electric Company	2.5
Cambridge Electric Light Company	2.5
	100.0%

President's Letter

Vermont Yankee ended 1992 by setting a national record for plant operations and distinguishing itself as a leader in the nuclear industry. Our capacity factor for the year was 84.4%, which is the highest ever achieved by a United States boiling water reactor during a year in which there was a refueling outage. General Electric ranked Vermont Yankee as the top boiling water reactor in the country and second in the world for plant availability for the two-year period 1991 through 1992. Vermont Yankee's average capacity factor for the period 1988 through 1992 was 86.6%, almost twenty percentage points higher than that of the U.S. industry. This five-year average ranks Vermont Yankee as one of the best nuclear plants in the country and the world.

During 1992, Vermont Yankee conducted a 45-day refueling and maintenance outage. Several major projects were completed to further enhance plant safety and reliability. Among those projects were replacement of two of the Plant's feedwater heaters, installation of four new cooling units in the Plant's primary containment, and replacement of the Plant's main transformer.

Several important financial activities also took place during 1992. Vermont Yankee received a favorable tax ruling in 1992 which, together with the passage of the Energy Policy Act of 1992, will save the Company and our customers millions of dollars in decommissioning costs over the remaining life of the Plant. We adopted Statement of Financial Accounting Standard No. 106, "Employers' Accounting for Post-Retirement Benefits Other than Pensions", and began pre-funding this liability. Finally, during 1992, Vermont Yankee reduced its long-term debt by approximately $3 million and increased its decommissioning and spent fuel disposal fee fund balances by almost $23 million.

Overall, 1992 was an excellent year for Vermont Yankee. We have been able to maintain a consistently high level of performance which is recognized throughout the industry.

February 12, 1993

Gary Weigand

J. Gary Weigand

Highlights

	1992	1991	% Change
Financial (dollars in millions):			
Operating revenues	$175.9	$151.7	15.9
Net income	7.9	8.5	(7.1)
Total assets	438.2	417.6	4.9
Average number of shares of common stock outstanding (thousands)	392	394	(0.5)
Per Share of Common Stock:			
Earnings per average common share	$20.18	$21.56	(6.4)
Dividends paid per common share	20.15	23.71	(15.0)
Book value per common share (year end)	138.29	138.26	(0.0)
Operating:			
Kilowatt-hour sales (billions)	3.7	4.1	(9.8)
Cost per kilowatt-hours (cents)	4.71	3.69	27.6
Number of employees (year end)	338	336	0.6

Common Stock Ownership

	Percentage Owned	Shares Owned
Central Vermont Public Service Corporation	31.3%	122,653
New England Power Company	20.0	78,402
Green Mountain Power Corporation	17.9	70,088
Connecticut Light and Power Corporation	9.5	37,242
Central Maine Power Company	4.0	15,681
Public Service Company of New Hampshire	4.0	15,681
Burlington Electric Department	3.6	14,301
Montaup Electric Company	2.5	9,801
Cambridge Electric Light Company	2.5	9,801
Western Massachusetts Electric Company	2.5	9,800
Vermont Electric Cooperative, Inc.	1.0	4,213
Washington Electric Cooperative, Inc.	0.6	2,431
Lyndonville Electric Department	0.6	2,387
	100.0%	392,481

Financial Review

Operating revenues of the Company are billed and received from customers based on the terms of the Power Contracts. Under those contracts, customers are severally required to pay the Company an amount equal to their respective entitlement share of the Company's total fuel costs, operating expenses with respect to the Plant, and a return on net unit investment as defined in such power contracts.

Operating revenues increased in 1992 from 1991 by 15.9%, primarily as a result of higher operating, maintenance, depreciation and decommissioning expenses, offset, in part, by lower nuclear fuel expense.

Nuclear fuel expense decreased by $3.6 million, or 14.6%, in 1992 from 1991. The decreased fuel expense was a result of a decline in the cost of nuclear fuel materials and services and a 9.8% decrease in electrical generation in 1992 from 1991 due to the fact that a scheduled refueling and maintenance outage was undertaken during 1992 and not during 1991.

Other operating expenses increased 22.3% to $73.0 million in 1992 from $59.7 million in 1991. This increase was the result of costs associated with the scheduled refueling and maintenance outage in 1992 and an increase in costs related to the disposal of low-level radioactive waste. In addition, 1991 operating expenses included the reversal of a $2.8 million contract cancellation fee, originally recorded in 1990, following successful negotiations with the vendor.

Maintenance expense increased by $14.2 million in 1992 from 1991 primarily because there was a scheduled refueling and maintenance outage in 1992. The plant operates on an eighteen-month refueling cycle. The last prior scheduled refueling outage was completed in October, 1990.

Depreciation expense increased by $1.5 million and decommissioning expense increased by $2.6 million in 1992 from 1991, primarily as a result of rate reductions in 1991 related to an extension in the term of the Plant's operating license from December, 2007 to March, 2012. The rate reductions were approved by the Federal Energy Regulatory Commission on February 28, 1991, with the new rates effective on January 1, 1990.

Other income, net of other deductions, increased by $1.0 million in 1992 from 1991 primarily because a loss on the sale of securities and a partial reversal of accrued interest income due from the IRS reduced other income in 1991. Other than these items, other income remained relatively unchanged in 1992 as a higher disposal fee defeasance fund balance offset the effect of lower prevailing interest rates. Lower interest rates did, however, result in a $2.0 million decrease in interest expense in 1992 from 1991.

Net income for 1992 was $0.6 million less than the net income for 1991. The decrease in 1992 from 1991 was the result of refinements to the Company's formula for determining net income and a decrease in common equity following the Company's repurchase of approximately 2% of the outstanding shares of common stock in 1991.

During the fourth quarter of 1992 the Company paid its seventy-fifth consecutive quarterly dividend to common shareholders.

Statements of Income and Retained Earnings

	Years ended December 31, 1992	1991	1990
	(Dollars in thousands except per share amounts)		
Operating revenues	$175,919	$151,722	$166,583
Operating expenses:			
Nuclear fuel expense	21,240	24,864	22,110
Other operating expense	72,967	59,666	64,677
Maintenance	27,878	13,664	26,578
Depreciation	13,253	11,800	14,852
Decommissioning expense (note 2)	10,649	8,065	11,536
Taxes on income (note 10)	3,401	3,485	1,669
Property and other taxes	10,227	10,294	5,246
Total operating expenses	159,615	131,838	146,668
Operating income	16,304	19,884	19,915
Other income and (deductions):			
Net earnings on decommissioning fund (notes 2, 5 and 11)	5,395	4,423	2,741
Decommissioning expense (note 2)	(5,395)	(4,423)	(2,741)
Allowance for equity funds used during construction	89	124	126
Interest	2,046	1,377	3,634
Taxes on other income (note 10)	(756)	(447)	(1,397)
Other, net	(199)	(917)	(55)
	1,180	137	2,308
Income before interest expense	17,484	20,021	22,223
Interest expense:			
Interest on long-term debt	7,101	7,684	7,889
Interest on disposal costs of spent nuclear fuel (note 8)	2,801	4,312	5,319
Allowance for borrowed funds used during construction	(339)	(465)	(451)
Total interest expense	9,563	11,531	12,757
Net income	7,921	8,490	9,466
Retained earnings at beginning of year	1,166	1,982	5,444
	9,087	10,472	14,910
Dividends declared	7,909	9,306	12,928
Retained earnings at end of year	$ 1,178	$ 1,166	$ 1,982
Average number of shares outstanding in thousands	392	394	400
Net income per average share of common stock outstanding	$ 20.18	$ 21.56	$ 23.66
Dividends per average share of common stock outstanding	$ 20.15	$ 23.71	$ 32.32

See accompanying notes to financial statements.

Balance Sheets

Assets

	December 31, 1992	December 31, 1991
	(Dollars in thousands)	
Utility plant:		
Electric plant, at cost (note 6)	$362,278	$355,564
Less accumulated depreciation	185,263	173,827
	177,015	181,737
Construction work in progress	6,408	4,188
Net electric plant	183,423	185,925
Nuclear fuel, at cost:		
Assemblies in reactor	74,025	83,213
Fuel in process	5,236	637
Fuel in stock	—	22,863
Spent fuel	259,199	227,040
	338,460	333,753
Less accumulated amortization of burned nuclear fuel	302,362	285,326
	36,098	48,427
Less accumulated amortization of final core nuclear fuel	6,487	5,687
Net nuclear fuel	29,611	42,740
Net utility plant	213,034	228,665
Current assets:		
Cash and temporary investments (note 7)	1,922	5,068
Accounts receivable from sponsors	15,407	15,535
Other accounts receivable	2,715	3,275
Materials and supplies	16,862	16,408
Prepaid expenses	4,381	3,222
Total current assets	41,287	43,508
Deferred charges:		
Deferred decommissioning costs (note 2)	34,389	33,655
Accumulated deferred income taxes	10,378	10,358
Deferred DOE enrichment site decontamination and decommissioning fee (note 4)	18,143	—
Other deferred charges (note 4)	4,994	8,029
Total deferred charges	67,904	52,042
Long-term funds at amortized cost:		
Decommissioning fund (notes 2, 5, 7 and 11)	82,091	66,085
Disposal fee defeasance fund (notes 5, 7, 8 and 11)	33,892	27,317
Total long-term funds	115,983	93,402
	$438,208	$417,617

See accompanying notes to financial statements.

Balance Sheets

Capitalization and Liabilities

	December 31, 1992	December 31, 1991
	(Dollars in thousands)	
Capitalization:		
Common stock equity:		
Common stock, $100 par value; authorized 400,100 shares; issued 400,014 shares of which 7,533 are held in Treasury	$ 40,001	$ 40,001
Additional paid-in capital	14,227	14,227
Treasury stock (7,533 shares at cost)	(1,131)	(1,131)
Retained earnings	1,178	1,166
Total common stock equity	54,275	54,263
Long-term obligations, net (notes 6 and 7)	74,193	77,093
Total capitalization	128,468	131,356
Commitments and contingencies (notes 2, 14 and 15)		
Disposal fee and accrued interest for spent nuclear fuel (notes 7 and 8)	78,239	75,437
Current liabilities:		
Accrued liabilities	22,743	28,759
Accounts payable	2,591	2,798
Accrued interest	974	1,092
Accrued taxes	1,472	1,048
Total current liabilities	27,780	33,697
Accrued decommissioning costs (note 2)	117,601	101,550
Accumulated deferred income taxes	58,963	61,112
Accumulated deferred investment tax credits	7,590	8,231
Unamortized gain on reacquired debt, net	1,732	2,582
Accrued DOE enrichment site decontamination and decommissioning fee (note 4)	17,220	—
Other deferred credits	615	3,652
Total deferred credits	203,721	177,127
	$438,208	$417,617

See accompanying notes to financial statements.

Statements of Cash Flows

	Years ended December 31, 1992	1991	1990
	(Dollars in thousands)		
Cash flows from operating activities:			
Net income	$ 7,921	$ 8,490	$ 9,466
Adjustments to reconcile net income to net cash provided by operating activities:			
Amortization of nuclear fuel	18,143	21,002	20,020
Depreciation	13,253	11,800	14,852
Decommissioning expense	10,649	8,065	11,536
Nuclear fuel disposal fee interest accrual	2,802	4,312	5,319
Interest and dividends on disposal fee defeasance fund	(1,385)	(1,495)	(1,398)
(Increase) decrease in accounts receivable	688	(129)	(5,373)
(Increase) decrease in prepaid expenses	(1,159)	163	(664)
(Increase) in materials and supplies inventory	(454)	(1,531)	(2,121)
Increase (decrease) in accounts payable and accrued liabilities	(7,453)	5,495	10,475
Increase (decrease) in interest and taxes payable	306	(760)	862
(Decrease) in deferred taxes	(2,183)	(801)	(4,524)
(Decrease) in deferred investment tax credits	(641)	(740)	(426)
Other	(1,396)	(1,776)	(1,612)
Total adjustments	31,170	43,605	46,946
Net cash provided by operating activities	39,091	52,095	56,412
Cash flows from investing activities:			
Electric plant additions	(10,750)	(6,596)	(2,390)
Nuclear fuel additions	(4,707)	(18,444)	(20,760)
Payments to decommissioning fund	(10,612)	(8,323)	(11,526)
Payments to disposal fee defeasance fund	(5,190)	(8,216)	(5,930)
Other	—	—	1,841
Net cash used in investing activities	(31,259)	(41,579)	(38,765)
Cash flows from financing activities:			
Dividend payments	(7,909)	(9,306)	(12,928)
Purchase of treasury stock	—	(1,131)	—
Issuance of Series G first mortgage bonds	—	—	25,000
Issuance of Series H first mortgage bonds	—	10,485	—
Payments of long term obligations	(114,284)	(66,597)	(87,617)
Borrowings under long-term agreements	111,215	53,798	63,200
Net cash used in financing activities	(10,978)	(12,751)	(12,345)
Net increase (decrease) in cash and temporary investments	(3,146)	(2,235)	5,302
Cash and temporary investments at beginning of year (note 11)	5,068	7,303	2,001
Cash and temporary investments at end of year	$ 1,922	$ 5,068	$ 7,303

See accompanying notes to financial statements.

Notes to Financial Statements

NOTE 1. Summary of Significant Accounting Policies

(a) Regulations and Operations

The Company is subject to regulations prescribed by the Federal Energy Regulatory Commission ("FERC"), the Securities and Exchange Commission ("SEC") and the Public Service Board of the State of Vermont with respect to matters such as accounting, transactions subject to the Public Utility Holding Company Act of 1935, and securities issues. The Company is also subject to regulation by the Nuclear Regulatory Commission ("NRC") for nuclear plant licensing and safety, and by federal and state agencies for environmental matters such as air quality, water quality and land use.

The Company recognizes revenue pursuant to the terms of the Power Contracts and Additional Power Contracts. The Sponsors, a group of nine New England utilities, are severally obligated to pay the Company each month their entitlement percentage of amounts equal to the Company's total fuel costs and operating expenses of its Plant, plus an allowed return on equity (since December 1, 1989, 12.25%). Such contracts also obligate the Sponsors to make decommissioning payments through the end of the Plant's service life and the completion of the decommissioning of the Plant. All Sponsors are committed to such payments regardless of the Plant's operating level or whether the Plant is out of service during the period.

Under the terms of the Capital Funds Agreements, the Sponsors are committed, subject to obtaining necessary regulatory authorizations, to make funds available to obtain or maintain licenses necessary to keep the Plant in operation.

(b) Depreciation and Maintenance

Electric plant is being depreciated on the straight-line method at rates designed to fully depreciate all depreciable properties over the lesser of estimated useful lives or the Plant's remaining NRC license life. The operating license originally expired in 2007, but in December 1990 was extended to 2012. See note 3 for a discussion of the Plant's NRC license extension and the prospective treatment of depreciation. Depreciation expense was equivalent to overall effective rates of 3.56%, 3.23% and 4.08% for the years 1992, 1991 and 1990, respectively.

Renewals and betterments constituting retirement units are charged to electric plant. Minor renewals and betterments are charged to maintenance expense. When properties are retired, the original cost, plus cost of removal, less salvage is charged to the accumulated provision for depreciation.

(c) Amortization of Nuclear Fuel

The cost of nuclear fuel is amortized to expense based on the rate of burn-up of the individual assemblies comprising the total core. The Company also provides for the costs of disposing of spent nuclear fuel at rates specified by the United States Department of Energy ("DOE") under a contract for disposal between the Company and the DOE. See note 8.

In 1985, the Company began amortizing to expense on a straight-line basis seventy-five percent of the estimated costs of the final unspent nuclear fuel core which is expected to be in place at the expiration of the Plant's NRC operating license. Effective December 1, 1989, the Company began amortizing one hundred percent of these costs in conformity with rates authorized by the FERC. See note 3 for a discussion of the Plant's NRC operating license extension and the prospective treatment of final core amortization.

(Continued)

Notes to Financial Statements

(d) Amortization of Materials and Supplies

In 1985, the Company began amortizing to expense a formula amount designed to fully amortize the cost of the material and supplies inventory which is expected to be on hand at the expiration of the Plant's NRC operating license. See note 3 for a discussion of the Plant's NRC operating license extension and the prospective treatment of materials and supplies amortization.

(e) Long-term Funds

The Company accounts for its investments in long-term funds at amortized cost since it has both the intent and ability to hold these investments for the foreseeable future. Amortized cost represents the cost to purchase the investment, net of any unamortized premiums or discounts. See notes 5 and 7.

(f) Amortization of Gain on Reacquired Debt

The difference between the amount paid upon reacquisition of any debt security and the face value thereof, plus any unamortized premium less any related unamortized debt expense and reacquisition costs, or less any unamortized discount, related debt expense and reacquisition costs applicable to the debt redeemed, retired and canceled is deferred by the Company and amortized to expense on a straight-line basis over the remaining life of the respective security issues.

(g) Allowance for Funds Used During Construction

Allowance for funds used during construction ("AFUDC") is the estimated cost of funds used to finance the Company's construction work in progress and nuclear fuel in process which is not recovered from the Sponsors through current revenues. The allowance is not realized in cash currently, but under the Power Contracts the allowance will be recovered in cash over the Plant's service life because of higher revenues associated with higher depreciation and amortization expense.

AFUDC was capitalized at overall effective rates of 6.82%, 6.98% and 7.09% for 1992, 1991 and 1990, respectively, using the gross rate method.

(h) Decommissioning

The Company is accruing the estimated costs of decommissioning its Plant over the Plant's remaining NRC license life. Any amendments to these estimated costs are accounted for prospectively. See note 2. See note 3 for a discussion of the Plant's NRC license extension and the prospective treatment of decommissioning costs.

(i) Taxes on Income

The tax effects of timing differences are accounted for in accordance with the rate-making policies of the FERC. Provisions for deferred income taxes reflect the tax effects of all timing differences.

Investment tax credits have been deferred and are being amortized to income over the lives of the related assets. See note 10.

(j) Cash Equivalents

For purposes of the Statements of Cash Flows, the Company considers all highly liquid short-term investments with an original maturity of three months or less to be cash equivalents.

(Continued)

(k) Reclassifications

Certain information in the 1990 and 1991 financial statements has been reclassified to conform with the 1992 presentation

(l) Earnings per Share

Earnings per common share have been computed by dividing earnings available to common stock by the weighted average number of shares outstanding during the year.

NOTE 2. Decommissioning

The Company accrues estimated decommissioning costs for its nuclear plant based on studies by an independent engineering firm which assumes that decommissioning will be accomplished by the prompt removal and dismantling method. This method requires that radioactive materials be removed from the plant site and that all buildings and facilities be dismantled immediately after shutdown. Studies estimate that approximately six years would be required to dismantle the Plant at shutdown, remove wastes and restore the site. The Company has implemented rates based on a settlement agreement with the FERC which allowed $190 million, in 1988 dollars, as the estimated decommissioning costs. This allowed amount is used to compute the Company's liability and billings to the Sponsors. Based on an assumed inflation rate of 6% per annum and an expiration of the Plant's NRC operating license in 2012, the estimated cost of decommissioning at the end of 2012 is approximately $769 million. The present value of the pro rata portion of decommissioning costs recorded to date is $117.6 million.

Billings to Sponsors for estimated decommissioning costs commenced during 1983, at which time the Company recorded a deferred charge for the present value of the pro rata portion of decommissioning costs applicable to operations of the Plant for prior periods. Current period decommissioning costs not funded through billings to Sponsors or earnings on decommissioning fund assets are also deferred. These deferred costs will be amortized to expense as they are funded over the remaining life of the NRC operating license.

By August, 1994, pursuant to the FERC rate settlement, the Company must file a revised estimate of decommissioning costs and a revised schedule of future annual decommissioning fund collections reflecting the historical differences between assumed and actual rates of inflation and the historical differences between assumed and actual rates of earnings on decommissioning fund assets. This filing and subsequent filings are required to be made within four years of the most recent FERC approval of decommissioning cost estimates and rates.

In March, 1988, the Internal Revenue Service issued the final regulations implementing Section 468A of the Code and delineating the criteria for establishing a qualified decommissioning trust, deposits into which would be allowed as a current deduction for tax purposes. In accordance with these regulations, the Company established the Vermont Yankee Decommissioning Trust, pursuant to an Indenture of Trust, dated March 11, 1988. In August, 1991, the Internal Revenue Service issued a letter, pursuant to the above regulations, establishing a revised Ruling Amount for 1991 and subsequent years which conforms to the most recently approved FERC decommissioning rate settlement.

Cash received from Sponsors [illegible] 'ant decommissioning costs is deposited into the Decommissioning Trust in either the Qualified Fund (i.e., amounts deductible pursuant to the IRS letter) or the Nonqualified Fund (i.e., excess collections pursuant to FERC authorization which are not currently deductible). Funds held by the Trust are invested in high grade U.S. government securities and municipal obligations. Interest earned by the Decommissioning Trust assets is recorded in other income and deductions, with an equal amount representing the current period decommissioning cost funded by such earnings reflected as decommissioning expense in other income and deductions.

(Continued)

Decommissioning expense for 1991 included an adjustment of approximately $2.1 million resulting from the Company's rate reduction filing approved by the FERC on February 28, 1991. This filing was in response to an amendment of the nuclear plant's operating license issued by the NRC on December 17, 1990. The amendment extended the term of the operating license from December, 2007 to March, 2012. The adjustment reflected the approved retroactive effect on decommissioning expense to January, 1990.

NOTE 3. FERC Rate Case Matters

On January 2, 1990, the FERC issued an order granting the Company's motion to implement rates based on the proposed settlement agreement on an interim basis, subject to refund, effective as of December 1, 1989. The proposed settlement agreement specified a return on equity of 12.25%, an allowance for the estimated cost of decommissioning of $190 million in 1988 dollars, and that the Company be allowed to amortize 100% of the final fuel core as compared to the 75% previously allowed. The proposed settlement agreement was approved on August 1, 1990. Under the settlement as approved, decommissioning charges, depreciation and amortization were calculated based on a service life ending in December, 2007.

On April 27, 1989, Vermont Yankee filed an application with the NRC to extend the term of the operating license to 2012, so that the Plant may operate for forty years after it entered commercial service in 1972. On December 17, 1990 the NRC issued an amendment to the operating license extending its term to March 21, 2012. The Company submitted a rate reduction filing with the FERC to reflect in rates the adjustments to decommissioning, depreciation and amortization resulting from the license extension. The Company proposed to make this reduction effective as of March 1, 1991 and, since the extension was issued in 1990, to reflect the necessary adjustment for the period January 1, 1990 through February 28, 1991.

On February 28, 1991, the FERC approved the Company's rate reduction filing. The effects of this ruling were accounted for prospectively in fiscal year 1991, producing a net revenue reduction of approximately $7.4 million in 1991 which reflected the retroactive treatment to January 1, 1990. This ruling resulted in reduced revenue requirements in 1992 of approximately $3.5 million with similar reductions expected in future years.

NOTE 4. Other Deferred Charges and Credits

In October, 1992 Congress passed the Energy Policy Act of 1992 which requires, among other things, that certain utilities help pay for the cleanup of the DOE's enrichment facilities over a fifteen-year period. The Company's annual fee of approximately $1.2 million is estimated based on the historical share of enrichment service provided by the DOE and is indexed to inflation. These fees will not be adjusted for future business as the DOE's future cost of sales will include a decontamination and decommissioning component.

At December 31, 1992 the Company has recognized a deferred credit and a corresponding regulatory asset representing its total estimated fee payments for the fifteen-year period. The Act stipulates that the annual fee shall be fully recoverable in rates in the same manner as other fuel costs.

Approximately $3.3 and $3.2 million of the $5.0 and $8.0 million in other deferred charges at December 31, 1992 and 1991, respectively, relate to payments made to the Vermont Low Level Radioactive Waste Authority ("VLLRWA"), an agency of the State of Vermont for the siting and construction of a low-level waste disposal facility. Payments made to the VLLRWA not pertaining directly to the siting and construction of a specific low-level waste disposal facility are being expensed currently.

(Continued)

NOTE 5. Long-term Funds

The book value and estimated market value of long-term fund investment securities at December 31, is as follows:

	1992		1991	
	Book value	Market value	Book value	Market value
	(Dollars in thousands)			
Decommissioning fund:				
U.S. Treasury obligations	$ 22,000	$ 23,067	$35,921	$38,055
Municipal obligations	57,141	59,009	28,799	30,152
Accrued interest and money market funds	2,950	2,950	1,365	1,365
	82,091	85,026	66,085	69,572
Disposal fee defeasance fund:				
Short-term investments	26,457	26,457	14,716	14,716
Corporate bonds and notes	6,110	5,940	12,075	11,476
Accrued interest and money market funds	1,325	1,325	526	526
	33,892	33,722	27,317	26,718
Total long-term fund investments	$115,983	$118,748	$93,402	$96,290

At December 31, 1992 and 1991, gross unrealized gains and losses pertaining to the long-term investment securities were as follows:

	1992	1991
	(Dollars in thousands)	
Unrealized losses on U.S. Treasury obligations	$ (4)	$ —
Unrealized gains on U.S. Treasury obligations	$ 1,071	$ 2,134
Unrealized gains on Municipal obligations	$ 1,895	$ 1,353
Unrealized losses on Municipal obligations	$ (27)	$ —
Unrealized gains on short-term investment	$ —	$ —
Unrealized losses on corporate bonds and notes	$ (170)	$ (599)

Maturities of short-term obligations, bonds and notes (face amount) at December 31, 1992 are as follows (dollars in thousands):

Within one year	$ 31,319
Two to five years	6,642
Five to seven years	21,025
Over seven years	53,750
	$112,736

(Continued)

NOTE 6. Long-term Obligations

A summary of long-term obligations at December 31, 1992 and 1991 is as follows:

	1992	1991
	(Dollars in thousands)	
First mortgage bonds:		
Series B – 8.50% due 1998	$ 1,307	$ 1,307
Series C – 7.70% due 1998	1,612	1,612
Series D – 10.125% due 2007	23,147	27,234
Series E – 9.875% due 2007	5,703	5,703
Series F – 9.375% due 2007	5,704	5,704
Series G – 8.94% due 1995	25,000	25,000
Series H – 8.25% due 1996	8,388	10,485
Total first mortgage bonds	70,861	77,045
Eurodollar Agreement commercial paper	3,292	-
Unamortized premium on debt	40	48
Total long-term obligations	$ 74,193	$ 77,093

The first mortgage bonds are issued under, have the terms and provisions set forth in, and are ratably and equally with all other bonds outstanding thereunder secured by, an Indenture of Mortgage dated as of October 1, 1970 between the Company and the Trustee, as modified and supplemented by twelve supplemental indentures. All bonds are secured by a first lien on utility plant, exclusive of nuclear fuel, and a pledge of the Power Contracts and the Additional Power Contracts (except for fuel payments) and the Capital Funds Agreements with Sponsors. Annual sinking fund requirements for Series B and Series C first mortgage bonds will be partially met by depositing bonds held in treasury. The bonds held in treasury will be sufficient to meet the sinking fund requirements for these bonds through 1996. Cash sinking fund requirements for Series D, Series E and Series F first mortgage bonds will commence in 1999. There are no sinking fund requirements on the Series G first mortgage bonds. Cash sinking fund requirements for the Series H first mortgage bonds amount to approximately $2.1 million per year for the years 1992 through 1995.

In July, 1991 the Company issued $10.5 million of Series H 8.25% first mortgage bonds stated to mature on June 1, 1996. The Company applied the proceeds of the sale of the bonds to retire the remaining Series A 9.625% first mortgage bonds.

The Company has a $75.0 million Eurodollar Credit Agreement which expires on December 31, 1994 subject to three optional one-year extensions. The Company issued commercial paper under this agreement with weighted average interest rates of 3.95% for 1992 and 6.56% for 1991. Payment of the commercial paper is supported by the Eurodollar Credit Agreement which is secured by the nuclear core of the Company's generating facility. There was an outstanding balance under this Agreement of $3.3 million as of December 31, 1992 and no outstanding balance as of December 31, 1991.

NOTE 7. Disclosures About the Fair Value of Financial Instruments

Cash and temporary investments, trade receivables, accounts receivable from sponsors, accounts payable and accrued liabilities:

The carrying amount approximates fair value because of the short maturity of these instruments.

(Continued)

Long-term Funds:

The fair values of long-term funds are estimated based on quoted market prices for these or similar investments.

Long-term Debt:

The fair values of each of the Company's long-term debt instruments are estimated based on the quoted market prices for the same or similar issues or on the current rates offered to the Company for debt of the same remaining maturities.

The estimated fair value of the Company's financial instruments are summarized as follows:

	At December 31, 1992	
	Carrying Amount	Estimated Fair Value
Decommissioning fund	$82,091	$85,026
Disposal fee defeasance fund	33,892	33,722
Long-term debt	74,193	78,235
Disposal fee and accrued interest	78,239	78,239

Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgement and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

NOTE 8. Disposal Fee for Spent Nuclear Fuel

The Company has a contract with the United States Department of Energy ("DOE") for the permanent disposal of spent nuclear fuel. Under the terms of this contract, in exchange for the one-time fee discussed below and a current fee of 1 mil per kwh of net generation paid quarterly, the DOE agrees to provide disposal services when a facility for spent nuclear fuel and other high-level radioactive waste is available, which is required by current statute to be prior to January 31, 1998.

The DOE contract obligates the Company to pay a one-time fee of approximately $39.3 million for disposal costs for all spent fuel discharged through April 7, 1983. Although such amount has been collected in rates from the Sponsors, the Company has elected to defer payment of the fee to the DOE as permitted by the DOE contract. The fee must be paid no later than the first delivery of spent nuclear fuel to the DOE. Interest accrues on the unpaid obligation based on the thirteen-week Treasury Bill rate and is compounded quarterly.

Through 1990 the Company deposited approximately $15.9 million in an irrevocable trust to be used exclusively for defeasing this obligation at some future date, provided the DOE complies with the terms of the aforementioned contract. In 1991 and 1992, respectively, the Company deposited additional amounts of approximately $8.2 and $5.2 million into this trust.

On December 31, 1991 the DOE issued a final rule amending the Standard Contract for Disposal of Spent Nuclear Fuel and/or High-level Radioactive Waste. The amended final rule conforms with a March 17, 1989 ruling of the U.S. Court of Appeals for the District of Columbia that the 1 mil per kilowatt hour fee in the Standard Contract should be based on net electricity generated and sold. The impact of the amendment on the Company was to reduce the basis for the fee by 6% on an ongoing basis and to establish a receivable from the DOE at December 31, 1991 of $2.2 million for previous overbillings and accrued interest. The Company has recognized in its rates the full impact of the amended final rule to the Standard Contract.

(Continued)

The DOE is refunding the overpayments, including interest, to utilities over the next four years via credits against future quarterly payments. The credits will be utilized in two phases. In the first phase, principal overpayments and interest through March 31, 1992 will be credited during the period 1992 through 1994. In the second phase, additional accrued interest for the period April 1, 1992 to September 30, 1994 will be credited during 1995. Interest is based on the 90-day Treasury Bill Auction Bond Equivalent and will continue to accrue on amounts remaining to be credited. At December 31, 1992 approximately $1.6 million in principal and interest is reflected in other accounts receivable.

NOTE 9. Short-Term Borrowings

The Company had lines of credit from various banks totalling $6.3 million at December 31, 1992 and 1991. The maximum amount of short-term borrowings outstanding at any month-end during 1992, 1991 and 1990 was approximately $0.6 million, $0.4 million and $0.0 million, respectively. The average daily amount of short-term borrowings outstanding was approximately $0.1 million for each of the three years with weighted average interest rates of 6.12 % in 1992, 8.19% in 1991 and 9.77% in 1990. There were no amounts outstanding under these lines of credit as of December 31, 1992 and 1991.

NOTE 10. Taxes on Income

The components of income tax expense for the years ended December 31, 1992, 1991 and 1990 are as follows:

	1992	1991	1990
	(Dollars in thousands)		
Taxes on operating income:			
Current federal income tax	$4,926	$4,003	$5,251
Deferred federal income tax	(1,840)	(1,285)	(3,675)
Current state income tax	1,285	1,024	1,368
Deferred state income tax	(329)	483	(849)
Investment tax credit adjustment	(641)	(740)	(426)
	3,401	3,485	1,669
Taxes on other income:			
Current federal income tax	598	353	1,124
Current state income tax	158	94	273
	756	447	1,397
Total income taxes	$4,157	$3,932	$3,066

A reconciliation of the Company's effective income tax rates with the federal statutory rate is as follows:

	1992	1991	1990
Federal statutory rate	34.0%	34.0%	34.0%
State income taxes, net of federal income tax benefit	6.1	6.1	5.2
Investment credit	(5.3)	(6.0)	(7.3)
Book depreciation in excess of tax basis	1.9	1.7	2.7
AFUDC equity	0.9	0.9	(1.8)
Flowback of excess deferred taxes	(3.1)	(6.7)	(8.8)
Other	(0.1)	1.7	0.5
	34.4%	31.7%	24.5%

(Continued)

The items comprising deferred income tax expense are as follows:

	1992	1991	1990
	(Dollars in thousands)		
Decommissioning expense not currently deductible ...	$ (104)	$ 14	$ (281)
Tax depreciation over (under) financial statement depreciation	(679)	955	(2,160)
Tax fuel amortization over (under) financial statement amortization	(637)	(1,389)	(141)
Pension expense not currently deductible	(192)	(562)	(232)
Postemployment benefits expense not currently deductible	(141)	—	—
Low-level waste deduction over (under) financial statement expense	139	825	(71)
Flowback of excess deferred taxes	(376)	(828)	(1,101)
Other	(179)	184	(538)
	$ (2,169)	$ (801)	$ (4,524)

In February 1992, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes". This Statement will require the Company to change from the deferred method to the liability method of accounting for income taxes in 1993. The liability method accounts for deferred income taxes by applying enacted statutory rates in effect at the balance sheet date to differences between the book basis and the tax basis of assets and liabilities. Upon adoption in 1993, the Company plans to apply the provisions of this new statement without restating prior years' financial statements.

This new statement requires recognition of deferred tax liabilities for (a) income tax benefits associated with timing differences previously passed on to customers and (b) the equity component of allowance for funds used during construction, and of a deferred tax asset for the tax effect of the accumulated deferred investment tax credits. It also requires the adjustment of deferred tax liabilities or assets for an enacted change in tax laws or rates, among other things.

Although the Company does not expect this new statement to have a material impact on its cash flow, results of operations or financial position because of the effect of rate regulation, the changes discussed above will require the Company to recognize an adjustment to accumulated deferred income taxes and a corresponding regulatory asset or liability to customers (in amounts equal to the required deferred income tax adjustment) to reflect the future revenues or reduction in revenues that will be required when the above temporary differences turn around and are recovered or settled in rates. In addition, this new statement will require a reclassification of certain deferred income tax liabilities to liabilities to customers in order to reflect the Company's obligation to flow back deferred income taxes provided at rates higher than the current 34% federal tax rate. The net effect of these changes resulting from this new statement will be to decrease net deferred income tax liabilities and to establish a net regulatory liability to customers of approximately $10 million.

(Continued)

NOTE 11. Supplemental Cash Flow Information

The following information supplements the cash flow information provided in the Statements of Cash Flows:

	1992	1991	1990
	(Dollars in thousands)		
Cash paid during the year for:			
Interest (net of amount capitalized)	$ 7,062	$ 7,990	$ 7,359
Income taxes	$ 6,192	$ 4,793	$ 6,683
Decommissioning fund activity (see notes 5 and 7):			
Cash received from Sponsors	$ 10,612	$ 8,323	$ 11,526
Investment earnings	7,351	5,558	3,318
Income taxes paid	(1,956)	(1,135)	(577)
Net increase	16,007	12,746	14,267
Balances at beginning of year	66,084	53,339	39,072
Balances at end of year	$ 82,091	$ 66,085	$ 53,339

Postemployment medical benefits fund activity:

	1992	1991	1990
	(Dollars in thousands)		
Investment income	$ —	$ —	$ 109
Reimbursement to the Company	—	—	(1,264)
Net increase (decrease)	—	—	(1,155)
Balance at beginning of year	—	—	1,155
Balance at end of year	$ —	$ —	$ —

In November, 1988 the Company's Board of Directors approved the funding of $1.1 million for postemployment medical benefits based on an estimate calculated by the Company's actuary. The Company subsequently deposited $1.1 million into an escrow account established to accumulate these funds. In 1989 the Company reversed the liability established for postemployment medical benefits, as these amounts are included in the current FERC approved rate settlement as a component of decommissioning. In 1990 the Company transferred this fund to the Company's operating account. (See note 13 for a discussion of postretirement benefits other than pensions.)

DOE defeasance fund activity (see notes 5 and 8):

	1992	1991	1990
	(Dollars in thousands)		
Payments from the Company	$ 5,190	$ 8,216	$ 5,930
Investment income	1,385	1,495	1,398
Net increase	6,575	9,711	7,328
Balance at beginning of year	27,317	17,606	10,278
Balance at end of year	$33,892	$27,317	$17,606

(Continued)

NOTE 12. Pension Plans

The Company has two noncontributory trusteed pension plans covering substantially all of its regular employees. The Company's funding policy is to fund the net periodic pension expense accrued each year. Benefits are based on age, years of service and the level of compensation during the final years of employment.

The aggregate funded status of the Company's pension plans as of December 31, 1992 and 1991 is as follows:

	December 31,	
	1992	1991
	(Dollars in thousands)	
Vested benefits	$ 6,548	$ 5,047
Nonvested benefits	918	851
Accumulated benefit obligation	7,466	5,898
Additional benefits related to future compensation levels	7,728	8,823
Projected benefit obligation	15,194	14,721
Fair value of plan assets, invested primarily in equities and bonds	13,791	11,640
Projected benefit obligation in excess of plan assets	$ 1,403	$ 3,081

Certain changes in the items shown above are not recognized as they occur, but are amortized systematically over subsequent periods. Unrecognized amounts still to be amortized and the amount which is included in the balance sheet appear below.

	December 31,	
	1992	1991
	(Dollars in thousands)	
Unrecognized net transition obligation	$ 1,057	$ 1,117
Unrecognized net gain	(4,939)	(2,430)
Pension liability included in balance sheet	4,610	4,377
Unrecognized prior service costs	675	17
Projected benefit obligation in excess of plan assets	$ 1,403	$ 3,081

The weighted average discount rate was 8.0% as of December 31, 1992 and 1991. The rate of increase in future compensation levels used in determining the actuarial present value of the projected benefit obligation was 6.5%, and the expected long-term rate of return on plan assets was 8.5% as of December 31, 1992 and 1991.

(Continued)

Net pension expense for the three years ending December 31, 1992 included the following components:

	1992	1991	1990
	(Dollars in thousands)		
Service cost – benefits earned	$ 1,275	$ 1,147	$ 1,047
Interest cost on projected benefit obligation	1,305	1,104	959
Actual (return) loss on plan assets	(867)	(2,124)	118
Net amortization and deferral	78	1,452	(730)
Net pension expense	$ 1,791	$ 1,579	$ 1,394

NOTE 13. Postretirement Benefits Other Than Pensions

In December, 1990 the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions" (SFAS 106). This statement requires companies to use accrual accounting for postretirement benefits other than pensions for fiscal years beginning after December 15, 1992. Under the "pay-as-you-go" method, employers paid for such retiree benefits as the costs were incurred, and utilities recovered such costs in rates as they were paid. Under SFAS 106, employers must book as a current expense the estimated cost of providing postretirement benefits other than pensions to current retirees and existing employees when they retire.

The Company adopted SFAS 106 on January 1, 1992. The incremental cost, above the amount collected through decommissioning billings, approximately $1.6 million, has been included in the Company's monthly power billings to Sponsors beginning with the January, 1992 power bill. The Company is funding this liability by placing monies in separate trusts. In order to maximize the deductible contributions permitted under IRS regulations, the Company has amended its pension plans and established separate VEBA trusts for management and union employees.

In December, 1992 the FERC issued its policy statement setting forth how utilities can recover in rates the increased costs associated with the implementation of SFAS 106. The policy statement specifies three conditions that must be met before FERC will consider companies' election of the accrual method: (a) the Company must agree to make cash deposits to an irrevocable external trust fund, at least quarterly, in amounts that are proportional and, on an annual basis, equal to the annual test period allowance for postretirement benefits other than pensions; (b) the Company must agree to maximize the use of income tax deductions for contributions to funds of this nature; and (c) in order to recover the transition obligation, the Company must file a general rate change within three years of adoption of SFAS 106.

(Continued)

The following table presents the plan's funded status reconciled with amounts recognized in the Company's balance sheet at December 31, 1992 (dollars in thousands):

Accumulated postretirement benefit obligation:	
Retirees	$ 1,277
Fully eligible active plan participants	1,332
Other active participants	9,935
Total accumulated post retirement benefit obligation	12,544
Fair value of plan assets, invested primarily in short-term investments	1,595
Accumulated postretirement benefit obligation in excess of plan assets	$10,949
Unrecognized net transition obligation	$10,314
Unrecognized net gain	(126)
Accrued postretirement benefit cost included in other liabilities	761
Accumulated postretirement benefit obligation in excess of plan assets	$10,949
Net periodic postretirement benefit cost for 1992 includes the following components:	
Service cost	$ 958
Interest cost	941
Net amortization and deferral	543
Net periodic postretirement benefit cost	$ 2,442

For measurement purposes, a 16% annual rate of increase in the per capita cost of covered benefits (ie., health care cost trend rate) was assumed for 1992; the rate was assumed to decrease gradually to 7% by the year 2001 and remain at that level thereafter. The health care cost trend rate assumption has a significant effect on the amounts reported. For example, increasing the assumed health care cost trend rates by one percentage point in each year would increase the accumulated postretirement benefit obligation as of December 31, 1992 by $2.9 million and the aggregate of the service and interest cost components of net periodic postretirement benefit cost for the year ended December 31, 1992 by $0.4 million.

The weighted-average discount rate used in determining the accumulated postretirement benefit obligation was 8% at December 31, 1992.

(Continued)

NOTE 14. Lease Commitments

The Company leases equipment and systems under non-cancelable operating leases. Charges against income for rentals under these leases were approximately $2.6 million, $3.7 million, and $3.4 million in 1992, 1991 and 1990, respectively. Minimum future rentals as of December 31, 1992 are as follows:

Fiscal years ended	Annual rentals
	(Dollars in thousands)
1993	$3,545
1994	3,204
1995	2,869
1996	2,709
1997 and after	8,087

NOTE 15. Commitments and Contingencies

In February, 1993 the Vermont Public Service Board issued an order which requires the Company to pay its share of expenses incurred by the Vermont Low Level Waste Authority for the period April, 1993 through June, 1994, currently capped at $4.5 million. In addition, in accordance with Vermont Act 296, the order established a fund for the long-term care of any eventual Vermont low-level waste disposal facility. Based on this order the Company must make annual payments of approximately $0.8 million into the long-term care fund.

The Company has approximately $160 million of "requirements based" purchase contracts for nuclear fuel needs to meet substantially all of its power production requirements through 2002. Under these contracts, any disruption of operating activity would allow the Company to cancel or postpone deliveries until actually needed.

The Company has contracted for uranium enrichment services through 2002. The Company also has an enrichment contract with the DOE which expires in 2001; however, the Company has exercised its right to partially terminate the DOE contract for the period 1990 to 1996.

The Company has commitments for capital expenditures amounting to approximately $0.7 million for 1993.

The Price-Anderson Act provides, among other things, that the liability for damages resulting from a nuclear incident would not exceed the greater of $560 million or the amount of financial protection required of the licensee (presently about $7.8 billion). Under the NRC regulations promulgated pursuant to the Price-Anderson Act, the Company has insured against this exposure by purchasing the maximum available private insurance ($200 million) and maintaining an indemnity agreement with the NRC. Under a mandatory industry-wide program, owners of operating nuclear facilities (including the Company) may be assessed a retrospective premium of up to $66.2 million for each reactor owned in the event of any one nuclear incident occurring at any licensed commercial reactor in the United States, with a maximum assessment of $10 million per year per reactor owned. Such retrospective premium is subject to inflation-based indexing at five-year intervals after 1988 and, if the sum of all public liability claims and legal costs arising from any nuclear incident exceeds the maximum amount of financial protection, then each such owner can be assessed up to an additional 5% of the maximum retrospective assessment.

(Continued)

NOTE 16. Unaudited Quarterly Financial Information

The following quarterly financial information is unaudited and in the opinion of management includes all adjustments (consisting only of normal recurring accruals) necessary for a fair statement of results of operations for such periods.

	Quarter ended			
	March	June	September	December
	(Dollars in thousands – except per share amounts)			
1992				
Operating revenues	$ 50,600	$ 46,393	$ 38,450	$ 40,476
Fuel expense*	4,236	4,670	5,999	6,335
Other operating expenses*	18,815	19,081	16,220	18,851
Maintenance expense*	13,593	8,644	2,353	3,288
Operating income	4,395	4,441	4,308	3,160
Net income**	2,215	2,254	2,206	1,246
Net income per average share of common stock	5.64	5.74	5.61	3.19
1991				
Operating revenues	$ 32,947	$ 36,250	$ 38,765	$ 43,760
Fuel expense*	6,281	5,629	6,096	6,858
Other operating expenses*	11,014	14,083	16,370	18,199
Maintenance expense*	2,289	2,892	2,947	5,536
Operating income	6,226	4,639	4,586	4,433
Net income	2,350	2,044	1,937	2,159
Net income per average share of common stock	5.91	5.21	4.94	5.50

* These selected expenses fluctuate from quarter to quarter due to Plant outages. In 1992, the majority of the outage activity occurred in the first quarter. There was no outage in 1991. The operating expenses not presented remain relatively constant.

** Fourth quarter 1992 net income includes an adjustment based upon certain refinements to the billing formula used in the computation of net income.

(Continued)

Independent Auditors' Report

KPMG Peat Marwick

The Stockholders and Board of Directors
Vermont Yankee Nuclear Power Corporation:

We have audited the accompanying balance sheets of Vermont Yankee Nuclear Power Corporation as of December 31, 1992 and 1991, and the related statements of income and retained earnings and cash flows for each of the years in the three-year period ended December 31, 1992. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Vermont Yankee Nuclear Power Corporation at December 31, 1992 and 1991, and the results of its operations and cash flows for each of the years in the three-year period ended December 31, 1992, in conformity with generally accepted accounting principles.

As discussed in note 13, the Company adopted the provisions of Statement of Financial Accounting Standards Number 106, Employers' Accounting for Postretirement Benefits Other than Pensions, in 1992.

KPMG Peat Marwick

Boston, Massachusetts
February 5, 1993

Board of Directors

Frederic E. Greenman, Sr., Vice President and General Counsel, New England Power Company, Westborough, Massachusetts

Joseph Harrington, Vice President, New England Power Company, Westborough, Massachusetts

Douglas G. Hyde, Executive Vice President and Chief Operating Officer, Green Mountain Power Corporation, South Burlington, Vermont

John B. Keane, Vice President, Secretary and General Counsel, Northeast Utilities, Hartford, Connecticut

F. Ray Keyser, Jr., Esq., Keyser, Crowley & Meub, Chairman, Central Vermont Public Service Corporation, Rutland, Vermont

Gordon P. Mills, President and Chief Executive Officer, ELCON Management Services, St. Johnsbury, Vermont

John F. Opeka, Executive Vice President, Nuclear Northeast Utilities Service Company, Hartford, Connecticut

Donald G. Pardus, Chairman and Chief Executive Officer, Eastern Utilities Associates, Boston, Massachusetts

Gerald C. Poulin, Vice President, Engineering, Central Maine Power Company, Augusta, Maine

A. Norman Terreri, Senior Vice President, Green Mountain Power Corporation, South Burlington, Vermont

Thomas C. Webb, Chairman, Vermont Yankee Nuclear Power Corporation, Brattleboro, Vermont, President and Chief Executive Officer, Central Vermont Public Service Corporation, Rutland, Vermont

J. Gary Weigand, President and Chief Executive Officer, Vermont Yankee Nuclear Power Corporation, Brattleboro, Vermont

Russell D. Wright, President and Chief Operating Officer, Commonwealth Electric Company, Wareham, Massachusetts

Officers

Thomas C. Webb, Chairman
J. Gary Weigand, President and Chief Executive Officer

Warren P. Murphy, Senior Vice President, Operations*

Donald A. Reid, Vice President, Operations

James P. Pelletier, Vice President, Engineering

Bruce W. Wiggett, Vice President, Finance and Treasurer

John P. O'Connor, Controller and Secretary

Thomas W. Bennet, Jr., Manager of Financial Planning, Assistant Treasurer

John A. Ritsher, Esq., Assistant Secretary

*Resigned, January 29, 1993.