VERMONT YANKEE
NUCLEAR POWER CORPORATION

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REPLY TO
ENGINEERING OFFICE
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May 26, 1994
BVY 94 - 58

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 - 1993 Annual Financial Report

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 1993.

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

Sincerely,

VERMONT YANKEE NUCLEAR POWER CORPORATION

Leonard A. Tremblay, Jr.

Leonard A. Tremblay, Jr., P.E.
Senior Licensing Engineer

cc with enclosure:

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

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Vermont Yankee Nuclear Power Corporation

1993 Annual Report

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1993 ANNUAL REPORT

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, excepting maintenance and refueling outages, has been in full operation since that time. The Plant's license, originally due to expire in December 2007, has been extended to March 2012.

Located in Vernon, Vermont, the facility has a gross maximum dependable capacity of approximately 535 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 its operation. The names of the sponsors and their respective entitlement percentages of capacity and output 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

1993 marked Vermont Yankee's twenty-first year of operation. Since going on line in 1972, we've generated over 73 billion kilowatt hours of electricity. In the last two decades, the national demand for electricity has grown more than 60 percent and nuclear power has surpassed oil, natural gas and hydropower to become the second largest source in the nation.

The state of Vermont leads the nation with the highest percentage of total electrical generation coming from nuclear power, 79.5%, ten percent more than any other state. As Vermont's only nuclear power plant, we have an obligation to successfully and safely manage all facets of nuclear technology in order to produce competitively-priced electricity for Vermonters and other New Englanders.

This year, we successfully refinanced our long-term mortgage debt at a rate three percent lower than the existing rate, and extended our loan period until 2009, a date more consistent with the current operating license of the plant. We also received approval from our Board of Directors to upgrade our low-pressure turbines in 1995 — an improvement which is expected to increase our electrical output to 548 megawatts and ensure continued overall reliability of the plant.

Another component of Vermont Yankee's operation process is the efficient and safe disposal of low-level radioactive waste. A proposed compact between Texas, Vermont and Maine to dispose of low-level radioactive waste in Texas is nearing completion. The compact has been ratified by both Texas and Maine. Vermont is expected to consider a bill during early 1994 to authorize its participation.

Other achievements, financial as well as performance, are highlighted in this Annual Report. From the information in the following pages, it's apparent why, when measured against the standards of excellence set by the industry, Vermont Yankee continues to be recognized for our consistently high level of performance.

Gary Weigand

J. Gary Weigand

HIGHLIGHTS

	1993	1992	% Change
Financial (dollars in millions):			
Operating revenues	$180.1	$175.9	2.4
Net income	7.8	7.9	(1.3)
Total assets	469.8	438.2	7.2
Average number of shares of common stock outstanding (thousands)	392	392	0.0
Per Share of Common Stock:			
Earnings per average common share	$19.86	$20.18	(1.6)
Dividends paid per common share	20.14	20.15	0.0
Book value per common share (year end)	138.01	138.29	(0.2)
Operating:			
Kilowatt-hour sales (billions)	3.4	3.7	(8.1)
Cost per kilowatt-hours (cents)	5.34	4.71	13.4
Number of employees (year end)	338	338	0.0

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

MANAGEMENT review

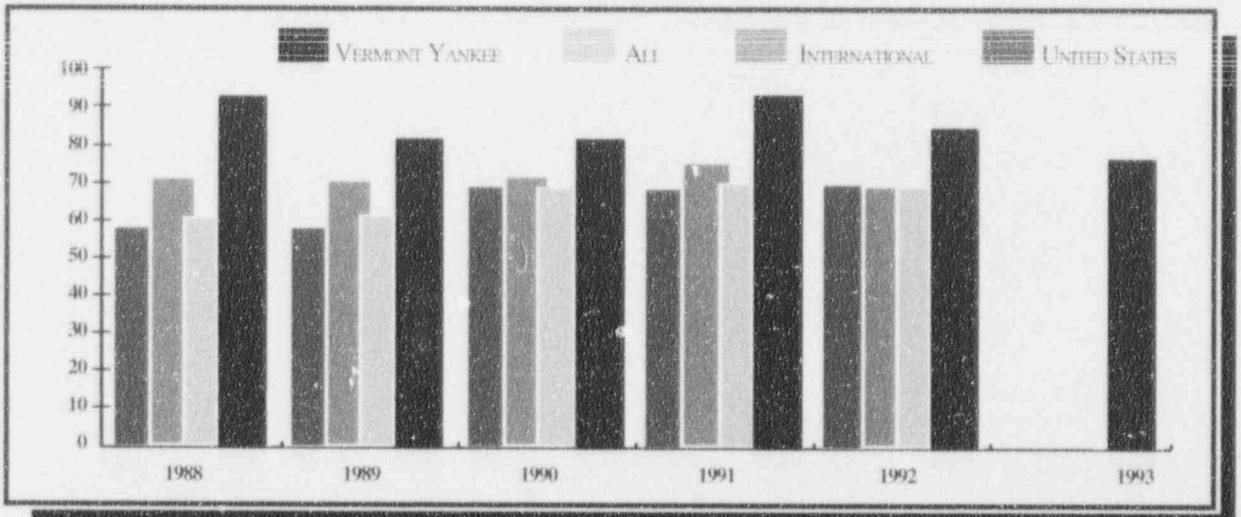
Plant Performance

Capacity Factor

Vermont Yankee continues to be a world class nuclear power plant. For the five-year period 1987-92, Vermont Yankee's average capacity factor was 86.8%. This is 36% higher than the U.S. industry average and 21% higher than the international average. Although 1993 U.S. and international capacity factors are not yet available for comparison, Vermont Yankee's capacity factor of 76.4% is expected to continue our record of exceeding both U.S. and international average capacity factors.

Plant Improvements

Since the plant commenced commercial operation in 1972, Vermont Yankee has made capital investments exceeding $207 million (original plant cost was $183 miliion). These investments have enhanced plant safety and reliability. We continue to invest in plant improvements. Significant expenditures over the last ten years include replacement of our recirculation pipe, main transformer, several feedwater heaters, as well as improvement in plant safety systems and fuel design. During 1995, we plan to retrofit our two low-pressure turbines. This project will replace existing equipment with improved materials and



Capacity Factors: Vermont Yankee vs Industry Averages

design which will contribute to increased turbine efficiency and durability. All of these improvements are consistent with our goal to be a safe, reliable source of electricity for the next 20 years and to have the capability of operating an additional 20 years if desired.

Low-Level Radioactive Waste Disposal

Vermont Yankee is moving forward with an ultimate solution for its low-level radioactive waste disposal. While we are able to dispose of our low-level radioactive waste in Barnwell, South Carolina, through June 1994, the State of Vermont is in the process of completing an agreement to enter into a compact with Texas and Maine for disposal of low-level radioactive waste in Texas. The compact has been ratified by both Texas and Maine. The Vermont Legislature is expected to consider a bill early during 1994 which would authorize Vermont's participation in the compact. If approved by the State of Vermont, the compact will be submitted to the U.S. Congress for ratification.

Outage Lengths

Vermont Yankee has significantly outperformed the industry on average in its ability to limit downtime during refueling outages. The plant has an operating cycle of eighteen months and must be shut down at the end of an operating cycle for refueling, maintenance, and construction activities. Our refueling outages are approximately 42% shorter than the industry average.

YEAR	VERMONT YANKEE	U.S. BWR INDUSTRY AVERAGE
1988		86
1989	57	99
1990	45	86
1991		84
1992	45	97
1993	57	78

Refueling Outage Length (Days)

Industrial Accident Rate

Over the past two years, Vermont Yankee has devoted considerable attention to raising the standards for industrial safety in our company. Our efforts have included development of a comprehensive safety manual, extensive employee training, and an incentive award system. We are particularly proud of our zero lost-time accident rate achieved during 1993.

MANAGEMENT review

Plant Economics

Vermont Yankee, despite having the handicap of being a small plant, has operation and maintenance costs that compare favorably with the industry as illustrated by the chart to the right:

(1) Excluding Fuel and Administrative and General Expenses

* Non-refueling year ** Not available

YEAR	VERMONT YANKEE	INDUSTRY AVERAGE
1989	1.49	1.50
1990	1.94	1.47
1991	1.22*	1.48
1992	1.95	1.83
1993	2.36	N/A**

Operation & Maintenance Costs (Cents per KW) [1]

Fuel Economics

Vermont Yankee's fuel costs continue to be below the industry average as illustrated in this table:

(1) Includes spent fuel disposal fees.

(2) Includes DOE enrichment site cleanup fee.

* Not available

YEAR	VERMONT YANKEE	INDUSTRY AVERAGE
1989	0.76	0.76
1990	0.67	0.72
1991	0.61	0.68
1992	0.57	0.65
1993	0.58 [2]	N/A*

Fuel Costs (Cents per KWH) [1]

Total Cost of Power

Vermont Yankee continues to be a low-cost producer of electricity. The table to the right illustrates Vermont Yankee's cost per kilowatt hour of electricity generated:

(1) Inclusive of all costs.

(2) Since commercial operations began in 1972.

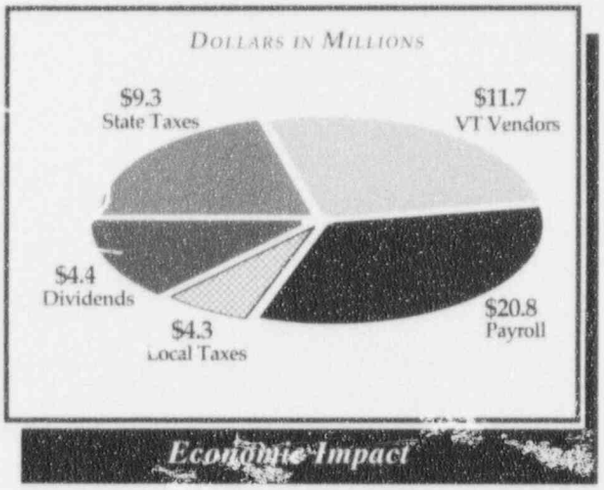
* Non-refueling year

YEAR	VERMONT YANKEE
1989	4.04
1990	4.61
1991	3.69*
1992	4.70
1993	5.34
5-YEAR AVERAGE	4.48
CUMULATIVE COST OF POWER	3.23 [2]

Total Cost of Power (Cents per KWH) [1]

Impact on the Vermont Economy

In addition to providing to Vermont utilities 55% of the electricity we produce, Vermont Yankee makes substantial direct contributions to the Vermont economy in the form of employee wages, state and local taxes and fees, payments to Vermont vendors, and dividends to Vermont shareholders. The chart to the right shows the amount of these payments during 1993.



Economic Impact

Community Involvement

Vermont Yankee makes corporate contributions to organizations or programs which benefit a significant portion of the community and generally improve the quality of life in the area. The company is an annual benefactor to many health and human service agencies, supports a variety of educational programs, particularly those focusing on math, science and the environment, participates in programs to introduce adults and children to the performing arts, and sponsors local sporting events, teams, and youth activities. In addition to direct donations by the company, many Vermont Yankee employees contribute countless volunteer hours to organizations in the tri-state region.

Funding for Decommissioning

Vermont Yankee continues to fund the ultimate decommissioning of our plant with the goal of restoring the plant site to its original condition once we have concluded operations. At the end of 1993, these funds and expected future tax benefits totalled $101 million out of a current projected decommissioning cost of $253 million. We expect to continue to contribute to our decommissioning fund at a level necessary to achieve full funding at the end of our operating license in 2012.

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 1993 from 1992 by $4.2 million, or 2.4%, 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 $1.7 million, or 8.1%, in 1993 from 1992 as a result of an 8.1% decrease in electrical generation. Due to additional emergent work required in 1993, the Plant was shut down for a total of 81 days compared to just 45 days in 1992.

Other operating expenses increased $1.0, million, or 1.4%, and maintenance expense increased $3.5 million, or 12.7%, in 1993 from 1992. These increases are the result of costs associated with the maintenance and repair efforts completed during 1993 plant shutdowns and other operating projects completed during the year including station air compressor replacements, fire barrier seal repairs, and modifications to the turbine building roof vents.

Decommissioning expense increased $0.7 million, or 6.3%, in 1993 primarily as a result of the inflation factor included in the Company's decommissioning rate schedule, as approved by the Federal Energy Regulatory Commission. Depreciation expense increased $0.5 million, or 3.4%, in 1993 due to an increase in depreciable assets. Two major additions, a new spent fuel pool cooling system and new feedwater heaters, were placed in service in 1993.

In November, 1993, the Company issued $75.8 million of Series I 6.48% first mortgage bonds and applied the proceeds to retire the remaining Series D 10.125%, Series E 9.875%, Series F 9.375%, Series G 8.94% and Series H 8.25% first mortgage bonds. The Company estimates that this first mortgage bond refinancing will result in a net decrease in 1994 interest expense of $1.6 million and a total savings (measured over the lives of the retired bonds) of $7.8 million.

STATEMENTS of income & retained earnings

Years ended December 31,	1993	1992	1991
	(Dollars in thousands except per share amounts)		
Operating revenues	$180,145	$175,919	$151,722
Operating expenses:			
Nuclear fuel expense	19,526	21,240	24,864
Other operating expense	74,013	72,967	59,666
Maintenance	31,405	27,878	13,664
Depreciation	13,707	13,253	11,800
Decommissioning expense (NOTE 2)	11,315	10,649	8,065
Taxes on income (NOTE 10)	3,777	3,401	3,485
Property and other taxes	9,961	10,227	10,294
Total operating expenses	163,704	159,615	131,838
Operating income	16,441	16,304	19,884
Other income and (deductions):			
Net earnings on decommissioning fund (NOTES 2 and 5)	5,653	5,395	4,423
Decommissioning expense (NOTE 2)	(5,653)	(5,395)	(4,423)
Allowance for equity funds used during construction	92	89	124
Interest	1,550	2,046	1,377
Taxes on other income (NOTE 10)	(623)	(756)	(447)
Other, net	(232)	(199)	(917)
	787	1,180	137
Income before interest expense	17,228	17,484	20,021
Interest expense:			
Interest on long-term debt	7,281	7,101	7,684
Interest on disposal costs of spent nuclear fuel (NOTE 8)	2,450	2,801	4,312
Allowance for borrowed funds used during construction	(297)	(339)	(465)
Total interest expense	9,434	9,563	11,531
Net income	7,794	7,921	8,490
Retained earnings at beginning of year	1,178	1,166	1,982
	8,972	9,087	10,472
Dividends declared	7,905	7,909	9,306
Retained earnings at end of year	$ 1,067	$ 1,178	$ 1,166
Average number of shares outstanding in thousands	392	392	394
Net income per average share of common stock outstanding	$ 19.86	$ 20.18	$ 21.56
Dividends per average share of common stock outstanding	$ 20.14	$ 20.15	$ 23.71

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS.

BALANCE sheets

Assets

	December 31, 1993	1992
	(Dollars in thousands)	
Utility plant:		
Electric plant, at cost (NOTE 6)	$374,736	$ 362,278
Less accumulated depreciation	198,389	185,263
	176,347	177,015
Construction work in progress	597	6,408
Net electric plant	176,944	183,423
Nuclear fuel, at cost (NOTE 6):		
Assemblies in reactor	69,063	74,025
Fuel in process	-	5,236
Spent fuel	287,700	259,199
	356,763	338,460
Less accumulated amortization of burned nuclear fuel	317,039	302,362
	39,724	36,098
Less accumulated amortization of final core nuclear fuel	7,220	6,487
Net nuclear fuel	32,504	29,611
Net utility plant	209,448	213,034
Current assets:		
Cash and temporary investments	2,349	1,922
Accounts receivable from sponsors	12,235	15,407
Other accounts receivable	4,522	2,715
Materials and supplies	17,081	16,862
Prepaid expenses	3,949	4,381
Total current assets	40,136	41,287
Deferred charges:		
Deferred decommissioning costs (NOTE 2)	34,379	34,389
Accumulated deferred income taxes (NOTE 10)	18,231	10,378
Deferred DOE enrichment site decontamination and decommissioning fee (NOTE 4)	18,627	18,143
Net unamortized loss on reacquired debt	2,942	-
Other deferred charges (NOTE 4)	3,643	4,994
Total deferred charges	77,822	67,904
Long-term funds at amortized cost:		
Decommissioning fund (NOTES 2, 5, and 7)	98,880	82,091
Disposal fee defeasance fund (NOTES 5, 7, and 8)	43,484	33,892
Total long-term funds	142,364	115,983
	$469,770	$438,208

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

CAPITALIZATION AND LIABILITIES

	December 31, 1993	1992
	(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	1,067	1,178
Total common stock equity	54,164	54,275
Long-term obligations, net (NOTES 6 and 7)	79,636	74,193
Total capitalization	133,800	128,468
Commitments and contingencies (NOTES 2, 14 and 15)		
Disposal fee and accrued interest for spent nuclear fuel (NOTES 7 and 8)	80,688	78,239
Current liabilities:		
Accrued liabilities	28,063	22,743
Accounts payable	2,117	2,591
Accrued interest	635	974
Accrued taxes	1,206	1,472
Total current liabilities	32,021	27,780
Deferred credits:		
Accrued decommissioning costs (NOTE 2)	134,614	117,601
Accumulated deferred income taxes	56,478	58,963
Net regulatory tax liability (NOTE 10)	8,351	-
Accumulated deferred investment tax credits	7,013	7,590
Net unamortized gain on reacquired debt	-	1,732
Accrued DOE enrichment site decontamination and decommissioning fee (NOTE 4)	15,966	17,220
Other deferred credits	839	615
Total deferred credits	223,261	203,721
	$469,770	$438,208

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

STATEMENTS of cash flows

Years ended December 31,	1993	1992	1991
	(Dollars in thousands)		
Cash flows from operating activities:			
Net income	$ 7,794	$ 7,921	$ 8,490
Adjustments to reconcile net income to net cash provided by operating activities:			
Amortization of nuclear fuel	15,410	18,143	21,002
Depreciation	13,707	13,253	11,800
Decommissioning expense	11,315	10,649	8,065
Deferred tax expense	(979)	(2,169)	(801)
Amortization of deferred investment tax credits	(577)	(641)	(740)
Nuclear fuel disposal fee interest accrual	2,450	2,802	4,312
Interest and dividends on disposal fee defeasance fund	(1,402)	(1,385)	(1,495)
(Increase) decrease in accounts receivable	1,365	688	(129)
(Increase) decrease in prepaid expenses	432	(1,159)	163
(Increase) in materials and supplies inventory	(219)	(454)	(1,531)
Increase (decrease) in accounts payable and accrued liabilities	4,846	(7,453)	5,495
Increase (decrease) in interest and taxes payable	(605)	306	(760)
Other	(1,228)	(1,410)	(1,665)
Total adjustments	44,515	31,170	43,716
Net cash provided by operating activities	52,309	39,091	52,206
Cash flows from investing activities:			
Electric plant additions	(7,229)	(10,750)	(6,596)
Nuclear fuel additions	(18,303)	(4,707)	(18,444)
Payments to decommissioning fund	(11,250)	(10,612)	(8,323)
Payments to disposal fee defeasance fund	(8,190)	(5,190)	(8,216)
Net cash used in investing activities	(44,972)	(31,259)	(41,579)
Cash flows from financing activities:			
Dividend payments	(7,905)	(7,909)	(9,306)
Purchase of treasury stock	-	-	(1,131)
Issuance of Series H first mortgage bonds, net	-	-	10,374
Issuance of Series I first mortgage bonds, net	75,125	-	-
Retirement of first mortgage bonds including redemption costs	(74,629)	(6,521)	(13,178)
Payments of long-term obligations	(137,911)	(107,763)	(53,419)
Borrowings under long-term agreements	138,410	111,215	53,798
Net cash used in financing activities	(6,910)	(10,978)	(12,862)
Net increase (decrease) in cash and temporary investments	427	(3,146)	(2,235)
Cash and temporary investments at beginning of year	1,922	5,068	7,303
Cash and temporary investments at end of year	$ 2,349	$ 1,922	$ 5,068

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS.

NOTES to financial statements

1 Summary of Significant Accounting Policies

a Regulations and Operations

Vermont Yankee Nuclear Power Corporation ("the Company") is subject to regulations prescribed by the Federal Energy Regulatory Commission ("FERC"), and the Public Service Board of the State of Vermont with respect to accounting and other matters. 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.

Prior to November 1993, the Company was subject to regulation by the Securities and Exchange Commission. As a result of the debt refinancing discussed in NOTE 5, the Company is no longer subject to such regulation.

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 (12.25% since December 1, 1989). 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, which extends to March 2012. Depreciation expense was equivalent to overall effective rates of 3.74%, 3.56% and 3.23% for the years 1993, 1992 and 1991, 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.

The Company amortizes to expense on a straight-line basis 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, in conformity with rates authorized by the FERC.

d Amortization of Materials and Supplies

The Company amortizes to expense a formula amount designed to fully amortize the cost of the material and supplies inventory that is expected to be on hand at the expiration of the Plant's NRC operating license.

NOTES to financial statements

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.

f Amortization of Gain and Loss 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 unamortized 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 applicable 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 through higher revenues associated with higher depreciation and amortization expense. AFUDC was capitalized at overall effective rates of 5.92%, 6.82% and 6.98% for 1993, 1992 and 1991, 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.

i Taxes on Income

Effective January 1, 1993, the Company began accounting for taxes on income under the liability method required by Statement of Financial Accounting Standard 109. See Note 10 for a further discussion of this change in accounting.

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

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.

k Reclassifications

Certain information in the 1992 and 1991 financial statements has been reclassified to conform with the 1993 presentation.

l Earnings per Common 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.

2 DECOMMISSIONING

The Company accrues estimated decommissioning costs for its nuclear plant over its remaining NRC licensed life based on studies by an independent engineering firm that 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 cost. 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 current cost of decommissioning is $253 million and, at the end of 2012, is approximately $769 million. The present value of the pro rata portion of decommissioning costs recorded to date is $134.6 million. On December 31, 1993, the balance in the Decommissioning Trust was $98.9 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 decommissioning costs applicable to operations of the Plant for prior periods. Current period decommissioning costs not funded through billings to Sponsors or earnings 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.

In 1994, 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. Filings are required to be made within four years of the most recent FERC approval of decommissioning cost estimates and rates.

Cash received from Sponsors for plant decommissioning costs is deposited into the Vermont Yankee Decommissioning Trust in either the Qualified Fund (i.e., amounts currently deductible pursuant to the IRS regulations) 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 and offsetting amount representing the current period decommissioning cost funded by such earnings reflected as decommissioning expense.

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 as discussed in NOTE 3.

3 FERC RATE CASE MATTERS

On April 27, 1989, Vermont Yankee filed an application with the NRC to extend the term of the operating license from 2007 to 2012 so that the Plant may operate for 40 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 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 of approximately $3.5 million for both 1992 and 1993, and similar reductions are expected in future years.

On March 26, 1993, the FERC initiated a review of the return on common equity component of the formula rates included in the Company's Power Contracts. On October 22, 1993, the FERC approved a settlement whereby the Company retained its 12.25% authorized rate of return on common equity and agreed to credit monthly power billings by approximately $139,000 beginning in June, 1993.

In 1994, the Company will submit a rate filing to the FERC which will include, among other things, a revised estimate of decommissioning costs and a revised schedule of future annual decommissioning fund collections.

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 15-year period. The Company's annual fee 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. The Act stipulates that the annual fee shall be fully recoverable in rates in the same manner as other fuel costs.

In 1993, the DOE billed, and the Company paid, the first of the 15 annual fees. As of December 31, 1993, the Company has recognized a current accrued liability of $2.6 million for the two fee payments expected to be made in 1994, a deferred credit of $16.0 million for the 12 annual fee payments that are due subsequent to 1994 and a corresponding regulatory asset of $18.6 million which represents the total amount includable in future billings to the purchasers under the Power Contracts. While these amounts are reflected in these financial statements, the Company is reviewing the DOE's calculation of the annual fee and believes that the annual fee will ultimately be reduced.

Approximately $2.1 and $3.3 million of the $3.6 and $5.0 million in other deferred charges at December 31, 1993 and 1992, 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.

5 LONG-TERM FUNDS

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

	1993		1992	
	Book value	Market value	Book value	Market value
	(Dollars in thousands)			
Decommissioning fund:				
U.S. Treasury obligations	$17,262	18,666	$22,000	$23,067
Municipal obligations	79,755	84,576	57,141	59,009
Accrued interest and money market funds	1,863	1,863	2,950	2,950
	98,880	105,105	82,091	85,026
Disposal fee defeasance fund:				
Short-term investments	39,870	39,870	26,457	26,457
Corporate bonds and notes	3,195	3,083	6,110	5,940
Accrued interest and money market funds	419	419	1,325	1,325
	43,484	43,372	33,892	33,722
Total long-term fund investments	**$142,364**	**$148,477**	**$115,983**	**$118,748**

At December 31, 1993 and 1992, gross unrealized gains and losses pertaining to the long-term investment securities were as follows:

	1993	1992
	(Dollars in thousands)	
Unrealized gains on U.S. Treasury obligations	$ 1,431	$ 1,071
Unrealized losses on U.S. Treasury obligations	$ (27)	$ (4)
Unrealized gains on Municipal obligations	$ 4,843	$ 1,895
Unrealized losses on Municipal obligations	$ (22)	$ (27)
Unrealized losses on corporate bonds and notes	$ (112)	$ (170)

Maturities of short-term obligations, bonds and notes (face amount) at December 31, 1993, are as follows (dollars in thousands):

Within one year	$42,200
Two to five years	16,977
Five to seven years	19,670
Over seven years	57,860
	$136,707

NOTES to financial statements

NOTE 6 *Long-term Obligations*

A summary of long-term obligations at December 31, 1993 and 1992, is as follows:

	1993	1992
	(Dollars in thousands)	
First mortgage bonds:		
Series B - 8.50% due 1998	$ -	$1,307
Series C - 7.70% due 1998	-	1,612
Series D - 10.125% due 2007	-	23,147
Series E - 9.875% due 2007	-	5,703
Series F - 9.375% due 2007	-	5,704
Series G - 8.94% due 1995	-	25,000
Series H - 8.25% due 1996	-	8,388
Series I - 6.48% due 2009	75,845	-
Total first mortgage bonds	75,845	70,861
Eurodollar Agreement Commercial Paper	3,791	3,292
Unamortized premium on debt	-	40
Total long-term obligations	**$79,636**	**$74,193**

The first mortgage bonds are issued under, have the terms and provisions set forth in, and are secured by an Indenture of Mortgage dated as of October 1, 1970, between the Company and the Trustee, as modified and supplemented by 13 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.

On July 1, 1993, the Company retired the outstanding Series B and Series C first mortgage bonds. In November 1993, the Company issued $75.8 million of Series I first mortgage bonds stated to mature on November 1, 2009. The Company applied the proceeds of the bond issuance principally to retire the remaining Series D, Series E, Series F, Series G and Series H first mortgage bonds, including call premiums totalling $3.7 million based on the early redemption of the bonds. Cash sinking fund requirements for the Series I first mortgage bonds are $5.4 million annually beginning November 1999.

The Company has a $75.0 million Eurodollar Credit Agreement that expires on December 31, 1995, subject to three optional one-year extensions. The Company issued commercial paper under this agreement with weighted average interest rates of 3.22% for 1993 and 3.95% for 1992. Payment of the commercial paper is supported by the Eurodollar Credit Agreement, which is secured by a second mortgage on the Company's generating facility.

7 Disclosures About the Fair Value of Financial Instruments

The carrying amounts for cash and temporary investments, trade receivables, accounts receivable from sponsors, accounts payable and accrued liabilities approximate their fair values because of the short maturity of these instruments. The fair values of long-term funds are estimated based on quoted market prices for these or similar investments. 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 as of December 31 are summarized as follows (dollars in thousands):

	1993		1992	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Decommissioning fund	$98,880	$105,105	$82,091	$85,026
Disposal fee defeasance fund	43,484	43,372	33,892	33,722
Long-term debt	79,636	77,361	74,193	78,235
Disposal fee and accrued interest	80,688	80,688	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 judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

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 quarterly fee of 1 mil per kwh of electricity generated and sold, 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 1993, the Company deposited approximately $37.5 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.

NOTES to financial statements

On December 31, 1991, the DOE issued an amended final rule modifying 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 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.

The DOE is refunding the overpayments, including interest, to utilities over a four-year period ending in 1995 via credits against quarterly payments. 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, 1993 and 1992, respectively, approximately $0.9 and $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, 1993 and 1992. The maximum amount of short-term borrowings outstanding at any month-end during 1993, 1992 and 1991 was approximately $0.2 million, $0.6 million and $0.4 million, respectively. The average daily amount of short-term borrowings outstanding was approximately $0.3 million for 1993, and $0.1 million for 1992 and 1991 with weighted average interest rates of 5.75% in 1993, 6.12 % in 1992 and 8.19% in 1991. There were no amounts outstanding under these lines of credit as of December 31, 1993 and 1992.

10 *Taxes on Income*

In February, 1992, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes", which required the Company to change from the deferred method to the liability method of accounting for income taxes on January 1, 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 ("temporary differences").

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 adoption of this new statement has not and is not expected to have a material impact on the Company's cash flow, results of operations or financial position because of the effect of rate regulation, the Company was required 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 temporary differences turn around and are recovered or settled in rates. In addition, this new statement required 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 35% federal tax rate. The Company has applied the provisions of this new statement without restating prior year financial statements.

The components of income tax expense for the years ended December 31, 1993, 1992 and 1991, are as follows:

	1993	1992	1991
		(Dollars in thousands)	
Taxes on operating income:			
Current federal income tax	$ 4,236	$ 4,926	$ 4,003
Deferred federal income tax	(1,059)	(1,840)	(1,285)
Current state income tax	1,097	1,285	1,024
Deferred state income tax	80	(329)	483
Investment tax credit adjustment	(577)	(641)	(740)
	3,777	3,401	3,485
Taxes on other income:			
Current federal income tax	496	598	353
Current state income tax	127	158	94
	623	756	447
Total income taxes	$ 4,400	$ 4,157	$ 3,932

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

	1993	1992	1991
Federal statutory rate	35.0%	34.0%	34.0%
State income taxes, net of federal income tax benefit	6.9	6.1	6.1
Investment credit	(4.7)	(5.3)	(6.0)
Book depreciation in excess of tax basis	2.0	1.9	1.7
AFUDC equity	0.6	0.9	0.9
Flowback of excess deferred taxes	(3.6)	(3.1)	(6.7)
Other	(0.1)	(0.1)	1.7
	36.1%	34.4%	31.7%

NOTES to financial statements

The items comprising deferred income tax expense are as follows:

	1993	1992	1991
		(Dollars in thousands)	
Decommissioning expense not currently deductible	$ (351)	$ (104)	$ 14
Tax depreciation over (under) financial statement depreciation	(978)	(679)	955
Tax fuel amortization over (under) financial statement amortization	(255)	(637)	(1,389)
Tax loss on reacquisition of debt over (under) financial statement expense	1,887	187	178
Pension expense not currently deductible	(167)	(192)	(562)
Postemployment benefits deduction over (under) financial statement expense	67	(141)	-
Amortization of materials and supplies not currently deductible	(335)	(343)	(239)
Low-level waste deduction over (under) financial statement expense	(596)	139	825
Flowback of excess deferred taxes	(442)	(376)	(828)
Other	191	(23)	245
	$ (979)	$ (2,169)	$ (801)

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities at December 31, 1993, and January 1, 1993, are presented below:

	December 31, 1993	January 1, 1993
	(Dollars in thousands)	
Deferred tax assets:		
Accumulated amortization of final nuclear core	$ 2,914	$ 2,559
Nuclear decommissioning liability	2,810	2,291
Regulatory liabilities	5,856	6,793
Accumulated deferred investment credit	2,830	2,984
Accumulated amortization of materials and supplies	2,281	1,851
Other	2,771	4,591
Total gross deferred tax assets	19,462	21,069
Less valuation allowance	1,231	1,142
Net deferred tax assets	18,231	19,927
Deferred tax liabilities:		
Plant and equipment	(51,258)	(51,399)
Other	(5,220)	(5,574)
Total gross deferred tax liabilities	(56,478)	(56,973)
Net deferred tax liability	$(38,247)	$(37,046)

The valuation allowance is the result of a provision in Vermont tax law which limits refunds resulting from carrybacks of net operating losses.

11 *Supplemental Cash Flow Information*

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

(Dollars in thousands)	1993	1992	1991
Cash paid during the year for:			
Interest (net of amount capitalized)	$ 7,632	$ 7,062	$ 7,990
Income taxes	$ 7,070	$ 6,192	$ 4,793

NOTES to financial statements

NOTE 12 *Pension Plans*

The Company has two noncontributory 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, 1993 and 1992, is as follows:

	December 31,	
	1993	1992
	(Dollars in thousands)	
Vested benefits	$ 8,882	$ 6,548
Nonvested benefits	1,338	918
Accumulated benefit obligation	10,220	7,466
Additional benefits related to future compensation levels	8,540	7,728
Projected benefit obligation	18,760	15,194
Fair value of plan assets, invested primarily in equities and bonds	16,343	13,791
Projected benefit obligation in excess of plan assets	$ 2,417	$ 1,403

The increase in the projected benefit obligation from $15.2 million in 1992 to $18.8 million in 1993 is the result of additional service accruals, interest costs and changed plan assumptions.

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 that is included in the balance sheet appear on page 27.

	December 31,	
	1993	1992
	(Dollars in thousands)	
Unrecognized net transition obligation	$ 996	$ 1,057
Unrecognized net gain	(4,086)	(4,939)
Pension liability included in balance sheet	4,866	4,610
Unrecognized prior service costs	641	675
Projected benefit obligation in excess of plan assets	$ 2,417	$ 1,403

The following are pension plan assumptions as of December 31, 1993 and 1992:

	December 31,	
	1993	1992
Discount rate	7.0%	8.0%
Compensation scale	5.5%	6.5%
Expected return on assets	8.5%	8.5%

Net pension expense for the three years ending December 31, 1993, included the following components:

	1993	1992	1991
	(Dollars in thousands)		
Service cost - benefits earned	$ 1,141	$ 1,275	$ 1,147
Interest cost on projected benefit obligation	1,288	1,305	1,104
Actual (return) loss on plan assets	(1,792)	(867)	(2,124)
Net amortization and deferral	631	78	1,452
Net pension expense	$ 1,268	$ 1,791	$ 1,579

NOTES to financial statements

NOTE 13 *Postretirement Benefits Other Than Pensions*

The Company adopted Statement of Financial Accounting Standards No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions" (SFAS 106), on January 1, 1992. This statement requires companies to use accrual accounting for postretirement benefits other than pensions. Prior to 1992, the Company accrued and collected a portion of postretirement benefits costs through decommissioning billings while the remaining cost was expensed when benefits were paid. The incremental cost, above the amount collected through decommissioning billings, approximately $2.4 million, is now accrued and since January 1992, has been included in the Company's monthly power billings to Sponsors. 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.

The following table presents the plan's funded status reconciled with amounts recognized in the Company's balance sheets as of December 31, 1993, and December 31, 1992 (dollars in thousands):

	1993	1992
Accumulated postretirement benefit obligation:		
Retirees	$ 1,078	$ 1,277
Fully eligible active plan participants	921	1,332
Other active participants	8,071	9,935
Total accumulated postretirement benefit obligation	10,070	12,544
Fair value of plan assets, invested primarily in short-term investments	2,457	1,595
Accumulated postretirement benefit obligation in excess of plan assets	**$ 7,613**	**$10,949**
Unrecognized net transition obligation	$ 7,933	$10,314
Unrecognized net gain	(1,980)	(126)
Accrued postretirement benefit cost collected through decommissioning billings and included in accrued liabilities	1,660	761
Accumulated postretirement benefit obligation in excess of plan assets	**$ 7,613**	**$10,949**

The net periodic postretirement benefit cost for 1993 and 1992 includes the following components (dollars in thousands):

	1993	1992
Service cost	$ 735	$ 958
Interest cost	652	941
Net amortization and deferral	350	543
Net periodic postretirement benefit cost	$ 1,737	$ 2,442

For measurement purposes, a 15% annual rate of increase in the per capita cost of covered benefits (i.e., health care cost trend rate) was assumed for 1993; the rate was assumed to decrease gradually to 6% 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, 1993, by $2.2 million and the aggregate of the service and interest cost components of net periodic postretirement benefit cost for the year ended December 31, 1993, by $0.3 million. The weighted-average discount rate used in determining the accumulated postretirement benefit obligation was 7% at December 31, 1993.

The change in the accumulated postretirement benefit obligation from $12.5 million in 1992 to $10.0 million in 1993 is the result of adjustments made to reflect a lower actual medical cost increase during 1993 than projected. The reduction in the unrecognized net transition obligation from $10.3 million in 1992 to $7.9 million in 1993 is primarily the result of elimination of Medicare Part B coverage.

14 Lease Commitments

The Company leases equipment and systems under noncancelable operating leases. Charges against income for rentals under these leases were approximately $3.7 million, $2.6 million and $3.7 million in 1993, 1992 and 1991, respectively. Minimum future rentals as of December 31, 1993, are as follows:

Fiscal years ended	Annual rentals (Dollars in thousands)
1994	$ 3,283
1995	3,060
1996	2,878
1997	2,798
1998 and after	5,053

The Company has entered into an agreement with General Electric Capital Corporation to lease turbine components being constructed by General Electric Corporation valued at approximately $29 million including installation costs. Under the lease agreement, the Company will make 120 monthly payments of $342,358 each commencing on the later of (1) April 15, 1995, or (2) the commissioning date of the equipment. The lease will also include the sale and leaseback of a $2 million turbine rotor forging previously owned by the Company. The lease will be classified as an operating lease for accounting purposes.

The construction contract requires progress payments to be paid by Vermont Yankee prior to installation of the equipment. Just prior to delivery of the equipment, the lessor will reimburse Vermont Yankee for these payments and will continue to make the remaining payments until the commencement date of the lease. During the time period subsequent to equipment delivery before the equipment is commissioned, the

Company will pay interim rent to the lessor based on the amount of outstanding progress payments. The final documentation of the lease is currently being negotiated, and if a final agreement cannot be reached, the Company would be responsible for substantial termination payments.

NOTE 15 COMMITMENTS AND CONTINGENCIES

a *Low-level Waste*

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 Radioactive Waste Authority ("VLLRWA") for the period April 1993 through June 1994, currenly 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. Payments made to the VLLRWA, not pertaining directly to the siting and construction of a low-level waste disposal facility, are being expensed currently.

In parallel with siting a low-level radioactive waste facility in Vermont, there has been a three-state effort between Vermont, Maine, and Texas to form a compact to site such a facility in Texas. The Texas Legislature has approved, and Governor Ann Richards of Texas has signed into law, a bill that would form such a compact. On November 2, 1993, Maine voters ratified the compact. Early during its 1994 session, the Vermont Legislature is scheduled to vote to approve entry into the compact. Following approval by the Vermont Legislature, the compact will require approval of the U.S. Congress.

If the compact is successful and proceeds on schedule, Vermont Yankee would begin sending its waste to a Texas facility during 1997. Under the proposed compact, Vermont would pay the State of Texas $25 million ($12.5 million when the U.S. Congress ratifies the compact and $12.5 million when the facility opens). In addition, Vermont must pay $2.5 million ($1.25 million when Congress ratifies the compact and $1.25 million when the facility is licensed) for community assistance projects in Hudspeth County, Texas, where the facility is to be located. Vermont would also pay one-third of the Texas Low-Level Radioactive Waste Disposal Compact Commission's expenses until the facility opens. The disposal fees for generators in Vermont and Maine would then be set at a level that is the same for generators in Texas. The Company anticipates recovering the costs of the compact from sponsors.

b *Nuclear Fuel*

The Company has approximately $165 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.

c *Insurance*

The Price-Anderson Act, as amended, currently limits public liability from a single incident at a nuclear power plant to $9.4 billion. Any damages beyond $9.4 billion are indemnified under an agreement with the NRC, but subject to Congressional approval. The first $200 million of liability coverage is the maximum provided by private insurance. The Secondary Financial Protection program is a retrospective

insurance plan providing additional coverage up to $9.2 billion per incident by assessing retrospective premiums of $79.3 million against each of the 116 reactor units that are currently subject to the Program in the United States, limited to a maximum assessment of $10 million per incident per nuclear unit in any one year. The maximum assessment is to be adjusted at least every five years to reflect inflationary changes.

The above insurance covers all workers employed at nuclear facilities prior to January 1, 1988, for bodily injury claims. The Company has purchased a Master Worker insurance policy with limits of $200 million with one automatic reinstatement of policy limits to cover workers employed on or after January 1, 1988. Vermont Yankee's estimated contingent liability for a retrospective premium on the Master Workers policy as of December 1993 is $3.1 million. The Secondary Financial Protection program referenced above provides coverage in excess of the Master Worker policy.

Insurance has been purchased from Nuclear Electric Insurance Limited (NEIL II) to cover the costs of property damage, decontamination or premature decommissioning resulting from a nuclear incident. All companies insured with NEIL II are subject to retroactive assessments if losses exceed the accumulated funds available to NEIL II. The maximum potential assessment against the Company with respect to losses arising during the current policy year is $5.8 million at the time of a first loss and $12.3 million at the time of a subsequent loss. The Company's liability for the retrospective premium adjustment for any policy year ceases six years after the end of that policy year unless prior demand has been made.

"We have an obligation to successfully and safely manage all facets of nuclear technology in order to produce competitively-priced electricity for Vermonters and other New Englanders."

NOTES to financial statements

SCHEDULE I: MARKETABLE SECURITIES - OTHER INVESTMENTS

(Dollars in Thousands)

Name of Issuer and Title of Each Issue	Number of Shares or Units - Principal Amounts of Bonds and Notes	Cost of Each Issue *	Market Value of Each Issue at 12/31/93	Amount at Which Each Portfolio of Equity Security Issues and Each Other Security Issue Is Carried on the Balance Sheet
Decommissioning fund:				
U.S. Treasury obligations	$ 16,252	$ 17,262	$ 18,666	$ 17,262
Municipal obligations	78,055	79,755	84,576	79,755
Money market funds and accrued interest	1,863	1,863	1,863	1,863
	$ 96,170	$ 98,880	$105,105	$ 98,880
Disposal fee defeasance fund:				
Short-term investments	$ 40,200	$ 39,870	$ 39,870	$ 39,870
Corporate bonds and notes	3,200	3,195	3,083	3,195
Money market funds and accrued interest	419	419	419	419
	$ 43,819	$ 43,484	$ 43,372	$ 43,484

* Cost includes accrued interest and amortization of premiums and discounts.

Schedule V: Property, Plant and Equipment

Years Ended December 31,	1993	1992	1991
		(Dollars in Thousands)	
Electric Plant:			
Land and land rights	$ 1,397	$ 1,127	$ 984
Structures and improvements	61,887	61,868	61,515
Reactor, turbogenerator and accessory equipment	304,388	292,561	285,808
Transmission equipment	5,948	5,606	6,141
Other	1,116	1,116	1,116
Construction work in progress	597	6,408	4,188
	375,333	368,686	359,752
Nuclear Fuel:			
Assemblies in reactor	69,063	74,025	83,213
Fuel in process	-	5,236	637
Fuel in stock	-	-	22,863
Spent fuel	287,700	259,199	227,040
	356,763	338,460	333,753
Total	$732,096	$707,146	$693,505

Neither total additions of $25,361,000, $15,167,000 or $25,002,000 nor total retirements of $411,000, $1,526,000, or $0 for the years ended December 31, 1993, 1992 and 1991, respectively, exceeded 10% of the utility plant balance at the end of the year.

NOTES to financial statements

SCHEDULE VI - ACCUMULATED DEPRECIATION, DEPLETION AND AMORTIZATION OF PROPERTY, PLANT AND EQUIPMENT

Years Ended December 31, 1993, 1992 and 1991

(Dollars in Thousands)

	Balance Beginning of Year	Additions Charged to Costs and Expenses	Retirements	Other Charges and (Deduct)	Balance At End of Year
Accumulated depreciation of electric plant: (A)					
1993	$185,263	$13,707	$ (411)	$(170) (B)	$198,389
1992	173,827	13,253	(1,526)	(291) (B)	185,263
1991	162,065	11,800	-	(38) (B)	173,827
Accumulated amortization of nuclear fuel:					
1993	308,848	19,526	-	(4,115) (C)	324,259
1992	291,013	21,240	-	(3,405) (C)	308,848
1991	270,011	24,864	-	(3,862) (C)	291,013
Total accumulated depreciation and amortization					
1993	494,111	33,234	(411)	(4,286)	522,648
1992	464,840	34,493	(1,526)	(3,696)	494,111
1991	432,076	36,664	-	(3,900)	464,840

(A) Electric plant is being depreciated on the straight-line method at rates designed to fully depreciate all depreciable properties by 2012. (See NOTE 1 to the financial statements).

(B) Represents net salvage and removal costs.

(C) Represents disposal costs of spent nuclear fuel.

INDEPENDENT auditors' report

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

We have audited the accompanying balance sheet of Vermont Yankee Nuclear Power Corporation as of December 31, 1993, and the related statements of income and retained earnings and cash flows for the year then ended. 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 audit. The financial statements of Vermont Yankee Nuclear Power Corporation as of December 31, 1992 and 1991, were audited by other auditors whose report, dated February 5, 1993, expressed an unqualified opinion on those statements and included an additional paragraph discussing the Company's 1992 change in accounting for postretirement benefits other than pensions.

We conducted our audit 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 audit provides 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 as of December 31, 1993, and the results of its operations and cash flows for the year then ended, in conformity with generally accepted accounting principles.

As discussed in NOTE 10 of the accompanying financial statements, effective January 1, 1993, the Company adopted the provisions of Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes."

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as whole. The supplementary schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Arthur Andersen & Co.

Boston, Massachusetts
January 27, 1994

BOARD of directors

FREDERIC E. GREENMAN, Vice President and General Counsel, New England Power Company, Westborough, Massachusetts

R. EDWARD HANSON, Vice President, Production Operations, Central Maine Power Company, Augusta, Maine *

JOSEPH HARRINGTON, Vice President, New England Power Company, Vice President and Director of Research and Development, New England Power Service Company, Westborough, Massachusetts **

DOUGLAS G. HYDE, President and Chief Executive Officer, Green Mountain Power Corporation, South Burlington, Vermont

JOHN B. KEANE, Vice President and Treasurer, Northeast Utilities, Hartford, Connecticut

F. RAY KEYSER, JR., Esq., Keyser, Crowley, Meub, Layden, Kulig and Sullivan, P.C., Chairman, Central Vermont Public Service Corporation, Rutland, Vermont

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JOHN F. OPEKA, Executive Vice President, 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 **

STEPHEN E. SCACE, Vice President, Nuclear Operations Services, Northeast Utilities, Hartford, Connecticut *

A. NORMAN TERRERI, Senior Vice President and Chief Operating Officer, 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

ROBERT H. YOUNG, Executive Vice President and Chief Operating Officer, Central Vermont Public Service Corporation, Rutland, Vermont

* Elected February 2, 1994 ** Resigned February 2, 1994

OFFICERS

THOMAS C. WEBB, Chairman

J. GARY WEIGAND, President and Chief Executive Officer

DONALD A. REID, Vice President, Operations

JAMES P. PELLETIER, Vice President, Engineering

BRUCE W. WIGGETT, Vice President, Finance and Treasurer

JOHN P. O'CONNOR, Secretary

THOMAS W. BENNET, JR., Manager of Financial Planning, Assistant Treasurer

JOHN A. RITSHER, Esq., Assistant Secretary

Vermont Yankee Nuclear Power Corporation

1993 Annual Report

CONTENTS

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, excepting maintenance and refueling outages, has been in full operation since that time. The Plant's license, originally due to expire in December 2007, has been extended to March 2012.

Located in Vernon, Vermont, the facility has a gross maximum dependable capacity of approximately 535 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 its operation. The names of the sponsors and their respective entitlement percentages of capacity and output 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

1993 marked Vermont Yankee's twenty-first year of operation. Since going on line in 1972, we've generated over 73 billion kilowatt hours of electricity. In the last two decades, the national demand for electricity has grown more than 60 percent and nuclear power has surpassed oil, natural gas and hydropower to become the second largest source in the nation.

The state of Vermont leads the nation with the highest percentage of total electrical generation coming from nuclear power, 79.5%, ten percent more than any other state. As Vermont's only nuclear power plant, we have an obligation to successfully and safely manage all facets of nuclear technology in order to produce competitively-priced electricity for Vermonters and other New Englanders.

This year, we successfully refinanced our long-term mortgage debt at a rate three percent lower than the existing rate, and extended our loan period until 2009, a date more consistent with the current operating license of the plant. We also received approval from our Board of Directors to upgrade our low-pressure turbines in 1995 — an improvement which is expected to increase our electrical output to 548 megawatts and ensure continued overall reliability of the plant.

Another component of Vermont Yankee's operation process is the efficient and safe disposal of low-level radioactive waste. A proposed compact between Texas, Vermont and Maine to dispose of low-level radioactive waste in Texas is nearing completion. The compact has been ratified by both Texas and Maine. Vermont is expected to consider a bill during early 1994 to authorize its participation.

Other achievements, financial as well as performance, are highlighted in this Annual Report. From the information in the following pages, it's apparent why, when measured against the standards of excellence set by the industry, Vermont Yankee continues to be recognized for our consistently high level of performance.

Gary Weigand

J. Gary Weigand

HIGHLIGHTS

	1993	1992	% Change
Financial (dollars in millions):			
Operating revenues	$180.1	$175.9	2.4
Net income	7.8	7.9	(1.3)
Total assets	469.8	438.2	7.2
Average number of shares of common stock outstanding (thousands)	392	392	0.0
Per Share of Common Stock:			
Earnings per average common share	$19.86	$20.18	(1.6)
Dividends paid per common share	20.14	20.15	0.0
Book value per common share (year end)	138.01	138.29	(0.2)
Operating:			
Kilowatt-hour sales (billions)	3.4	3.7	(8.1)
Cost per kilowatt-hours (cents)	5.34	4.71	13.4
Number of employees (year end)	338	338	0.0

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

MANAGEMENT review

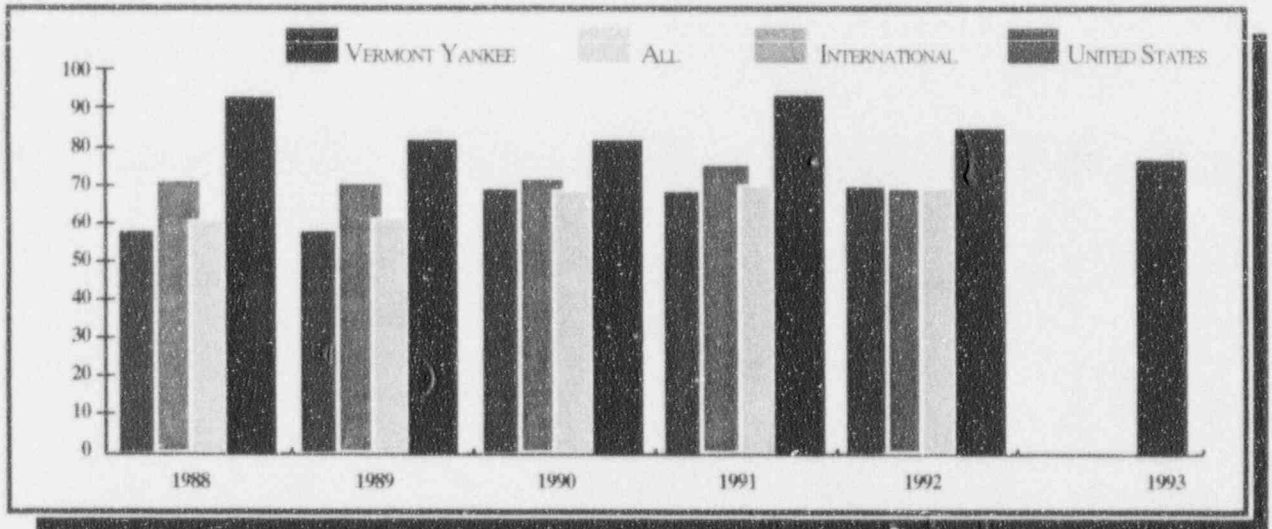
Plant Performance

Capacity Factor

Vermont Yankee continues to be a world class nuclear power plant. For the five-year period 1987-92, Vermont Yankee's average capacity factor was 86.8%. This is 36% higher than the U.S. industry average and 21% higher than the international average. Although 1993 U.S. and international capacity factors are not yet available for comparison, Vermont Yankee's capacity factor of 76.4% is expected to continue our record of exceeding both U.S. and international average capacity factors.

Plant Improvements

Since the plant commenced commercial operation in 1972, Vermont Yankee has made capital investments exceeding $207 million (original plant cost was $183 million). These investments have enhanced plant safety and reliability. We continue to invest in plant improvements. Significant expenditures over the last ten years include replacement of our recirculation pipe, main transformer, several feedwater heaters, as well as improvement in plant safety systems and fuel design. During 1995, we plan to retrofit our two low-pressure turbines. This project will replace existing equipment with improved materials and



Capacity Factors: Vermont Yankee vs Industry Averages

design which will contribute to increased turbine efficiency and durability. All of these improvements are consistent with our goal to be a safe, reliable source of electricity for the next 20 years and to have the capability of operating an additional 20 years if desired.

Low-Level Radioactive Waste Disposal

Vermont Yankee is moving forward with an ultimate solution for its low-level radioactive waste disposal. While we are able to dispose of our low-level radioactive waste in Barnwell, South Carolina, through June 1994, the State of Vermont is in the process of completing an agreement to enter into a compact with Texas and Maine for disposal of low-level radioactive waste in Texas. The compact has been ratified by both Texas and Maine. The Vermont Legislature is expected to consider a bill early during 1994 which would authorize Vermont's participation in the compact. If approved by the State of Vermont, the compact will be submitted to the U.S. Congress for ratification.

Outage Lengths

Vermont Yankee has significantly outperformed the industry on average in its ability to limit downtime during refueling outages. The plant has an operating cycle of eighteen months and must be shut down at the end of an operating cycle for refueling, maintenance, and construction activities. Our refueling outages are approximately 42% shorter than the industry average.

YEAR	VERMONT YANKEE	U.S. BWR INDUSTRY AVERAGE
1988		86
1989	57	99
1990	45	86
1991		84
1992	45	97
1993	57	78

Refueling Outage Length (Days)

Industrial Accident Rate

Over the past two years, Vermont Yankee has devoted considerable attention to raising the standards for industrial safety in our company. Our efforts have included development of a comprehensive safety manual, extensive employee training, and an incentive award system. We are particularly proud of our zero lost-time accident rate achieved during 1993.

MANAGEMENT review

Plant Economics

Vermont Yankee, despite having the handicap of being a small plant, has operation and maintenance costs that compare favorably with the industry as illustrated by the chart to the right:

(1) Excluding Fuel and Administrative and General Expenses

* Non-refueling year ** Not available

YEAR	VERMONT YANKEE	INDUSTRY AVERAGE
1989	1.49	1.50
1990	1.94	1.47
1991	1.22*	1.48
1992	1.95	1.83
1993	2.36	N/A**

Operation & Maintenance Costs (Cents per KW)[1]

Fuel Economics

Vermont Yankee's fuel costs continue to be below the industry average as illustrated in this table:

(1) Includes spent fuel disposal fees.

(2) Includes DOE enrichment site cleanup fee.

* Not available

YEAR	VERMONT YANKEE	INDUSTRY AVERAGE
1989	0.76	0.76
1990	0.67	0.72
1991	0.61	0.68
1992	0.57	0.65
1993	0.58[2]	N/A*

Fuel Costs (Cents per KWH)[1]

Total Cost of Power

Vermont Yankee continues to be a low-cost producer of electricity. The table to the right illustrates Vermont Yankee's cost per kilowatt hour of electricity generated:

(1) Inclusive of all costs.

(2) Since commercial operations began in 1972.

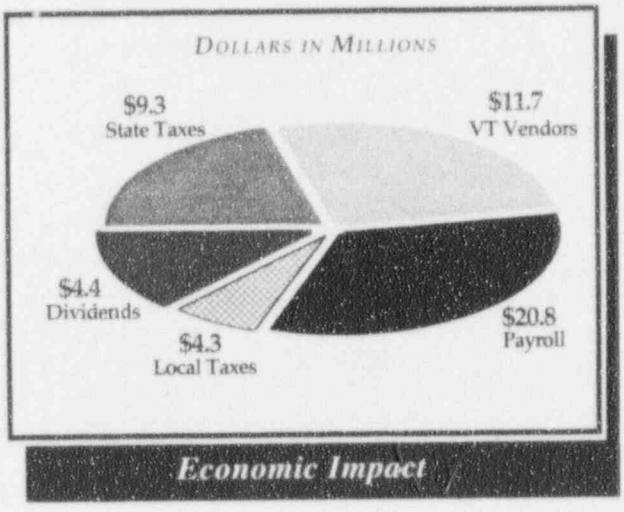
* Non-refueling year

YEAR	VERMONT YANKEE
1989	4.04
1990	4.61
1991	3.69*
1992	4.70
1993	5.34
5-YEAR AVERAGE	4.48
CUMULATIVE COST OF POWER	3.23[2]

Total Cost of Power (Cents per KWH)[1]

Impact on the Vermont Economy

In addition to providing to Vermont utilities 55% of the electricity we produce, Vermont Yankee makes substantial direct contributions to the Vermont economy in the form of employee wages, state and local taxes and fees, payments to Vermont vendors, and dividends to Vermont shareholders. The chart to the right shows the amount of these payments during 1993.



Economic Impact

Community Involvement

Vermont Yankee makes corporate contributions to organizations or programs which benefit a significant portion of the community and generally improve the quality of life in the area. The company is an annual benefactor to many health and human service agencies, supports a variety of educational programs, particularly those focusing on math, science and the environment, participates in programs to introduce adults and children to the performing arts, and sponsors local sporting events, teams, and youth activities. In addition to direct donations by the company, many Vermont Yankee employees contribute countless volunteer hours to organizations in the tri-state region.

Funding for Decommissioning

Vermont Yankee continues to fund the ultimate decommissioning of our plant with the goal of restoring the plant site to its original condition once we have concluded operations. At the end of 1993, these funds and expected future tax benefits totalled $101 million out of a current projected decommissioning cost of $253 million. We expect to continue to contribute to our decommissioning fund at a level necessary to achieve full funding at the end of our operating license in 2012.

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 1993 from 1992 by $4.2 million, or 2.4%, 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 $1.7 million, or 8.1%, in 1993 from 1992 as a result of an 8.1% decrease in electrical generation. Due to additional emergent work required in 1993, the Plant was shut down for a total of 81 days compared to just 45 days in 1992.

Other operating expenses increased $1.0, million, or 1.4%, and maintenance expense increased $3.5 million, or 12.7%, in 1993 from 1992. These increases are the result of costs associated with the maintenance and repair efforts completed during 1993 plant shutdowns and other operating projects completed during the year including station air compressor replacements, fire barrier seal repairs, and modifications to the turbine building roof vents.

Decommissioning expense increased $0.7 million, or 6.3%, in 1993 primarily as a result of the inflation factor included in the Company's decommissioning rate schedule, as approved by the Federal Energy Regulatory Commission. Depreciation expense increased $0.5 million, or 3.4%, in 1993 due to an increase in depreciable assets. Two major additions, a new spent fuel pool cooling system and new feedwater heaters, were placed in service in 1993.

In November, 1993, the Company issued $75.8 million of Series I 6.48% first mortgage bonds and applied the proceeds to retire the remaining Series D 10.125%, Series E 9.875%, Series F 9.375%, Series G 8.94% and Series H 8.25% first mortgage bonds. The Company estimates that this first mortgage bond refinancing will result in a net decrease in 1994 interest expense of $1.6 million and a total savings (measured over the lives of the retired bonds) of $7.8 million.

STATEMENTS of income & retained earnings

Years ended December 31,	1993	1992	1991
	(Dollars in thousands except per share amounts)		
Operating revenues	$180,145	$175,919	$151,722
Operating expenses:			
Nuclear fuel expense	19,526	21,240	24,864
Other operating expense	74,013	72,967	59,666
Maintenance	31,405	27,878	13,664
Depreciation	13,707	13,253	11,800
Decommissioning expense (NOTE 2)	11,315	10,649	8,065
Taxes on income (NOTE 10)	3,777	3,401	3,485
Property and other taxes	9,961	10,227	10,294
Total operating expenses	163,704	159,615	131,838
Operating income	16,441	16,304	19,884
Other income and (deductions):			
Net earnings on decommissioning fund (NOTES 2 and 5)	5,653	5,395	4,423
Decommissioning expense (NOTE 2)	(5,653)	(5,395)	(4,423)
Allowance for equity funds used during construction	92	89	124
Interest	1,550	2,046	1,377
Taxes on other income (NOTE 10)	(623)	(756)	(447)
Other, net	(232)	(199)	(917)
	787	1,180	137
Income before interest expense	17,228	17,484	20,021
Interest expense:			
Interest on long-term debt	7,281	7,101	7,684
Interest on disposal costs of spent nuclear fuel (NOTE 8)	2,450	2,801	4,312
Allowance for borrowed funds used during construction	(297)	(339)	(465)
Total interest expense	9,434	9,563	11,531
Net income	7,794	7,921	8,490
Retained earnings at beginning of year	1,178	1,166	1,982
	8,972	9,087	10,472
Dividends declared	7,905	7,909	9,306
Retained earnings at end of year	$ 1,067	$ 1,178	$ 1,166
Average number of shares outstanding in thousands	392	392	394
Net income per average share of common stock outstanding	$ 19.86	$ 20.18	$ 21.56
Dividends per average share of common stock outstanding	$ 20.14	$ 20.15	$ 23.71

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

BALANCE sheets

ASSETS

	December 31, 1993	1992
	(Dollars in thousands)	
Utility plant:		
Electric plant, at cost (NOTE 6)	$374,736	$ 362,278
Less accumulated depreciation	198,389	185,263
	176,347	177,015
Construction work in progress	597	6,408
Net electric plant	176,944	183,423
Nuclear fuel, at cost (NOTE 6):		
Assemblies in reactor	69,063	74,025
Fuel in process	-	5,236
Spent fuel	287,700	259,199
	356,763	338,460
Less accumulated amortization of burned nuclear fuel	317,039	302,362
	39,724	36,098
Less accumulated amortization of final core nuclear fuel	7,220	6,487
Net nuclear fuel	32,504	29,611
Net utility plant	209,448	213,034
Current assets:		
Cash and temporary investments	2,349	1,922
Accounts receivable from sponsors	12,235	15,407
Other accounts receivable	4,522	2,715
Materials and supplies	17,081	16,862
Prepaid expenses	3,949	4,381
Total current assets	40,136	41,287
Deferred charges:		
Deferred decommissioning costs (NOTE 2)	34,379	34,389
Accumulated deferred income taxes (NOTE 10)	18,231	10,378
Deferred DOE enrichment site decontamination and decommissioning fee (NOTE 4)	18,627	18,143
Net unamortized loss on reacquired debt	2,942	-
Other deferred charges (NOTE 4)	3,643	4,994
Total deferred charges	77,822	67,904
Long-term funds at amortized cost:		
Decommissioning fund (NOTES 2, 5, and 7)	98,880	82,091
Disposal fee defeasance fund (NOTES 5, 7, and 8)	43,484	33,892
Total long-term funds	142,364	115,983
	$469,770	$438,208

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS.

CAPITALIZATION AND LIABILITIES

	December 31, 1993	1992
	(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	1,067	1,178
Total common stock equity	54,164	54,275
Long-term obligations, net (NOTES 6 and 7)	79,636	74,193
Total capitalization	133,800	128,468
Commitments and contingencies (NOTES 2, 14 and 15)		
Disposal fee and accrued interest for spent nuclear fuel (NOTES 7 and 8)	80,688	78,239
Current liabilities:		
Accrued liabilities	28,063	22,743
Accounts payable	2,117	2,591
Accrued interest	635	974
Accrued taxes	1,206	1,472
Total current liabilities	32,021	27,780
Deferred credits:		
Accrued decommissioning costs (NOTE 2)	134,614	117,601
Accumulated deferred income taxes	56,478	58,963
Net regulatory tax liability (NOTE 10)	8,351	-
Accumulated deferred investment tax credits	7,013	7,590
Net unamortized gain on reacquired debt	-	1,732
Accrued DOE enrichment site decontamination and decommissioning fee (NOTE 4)	15,966	17,220
Other deferred credits	839	615
Total deferred credits	223,261	203,721
	$469,770	$438,208

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

STATEMENTS of cash flows

Years ended December 31,	1993	1992	1991
	(Dollars in thousands)		
Cash flows from operating activities:			
Net income	$ 7,794	$ 7,921	$ 8,490
Adjustments to reconcile net income to net cash provided by operating activities:			
Amortization of nuclear fuel	15,410	18,143	21,002
Depreciation	13,707	13,253	11,800
Decommissioning expense	11,315	10,649	8,065
Deferred tax expense	(979)	(2,169)	(801)
Amortization of deferred investment tax credits	(577)	(641)	(740)
Nuclear fuel disposal fee interest accrual	2,450	2,802	4,312
Interest and dividends on disposal fee defeasance fund	(1,402)	(1,385)	(1,495)
(Increase) decrease in accounts receivable	1,365	688	(129)
(Increase) decrease in prepaid expenses	432	(1,159)	163
(Increase) in materials and supplies inventory	(219)	(454)	(1,531)
Increase (decrease) in accounts payable and accrued liabilities	4,846	(7,453)	5,495
Increase (decrease) in interest and taxes payable	(605)	306	(760)
Other	(1,228)	(1,410)	(1,665)
Total adjustments	44,515	31,170	43,716
Net cash provided by operating activities	52,309	39,091	52,206
Cash flows from investing activities:			
Electric plant additions	(7,229)	(10,750)	(6,596)
Nuclear fuel additions	(18,303)	(4,707)	(18,444)
Payments to decommissioning fund	(11,250)	(10,612)	(8,323)
Payments to disposal fee defeasance fund	(8,190)	(5,190)	(8,216)
Net cash used in investing activities	(44,972)	(31,259)	(41,579)
Cash flows from financing activities:			
Dividend payments	(7,905)	(7,909)	(9,306)
Purchase of treasury stock	-	-	(1,131)
Issuance of Series H first mortgage bonds, net	-	-	10,374
Issuance of Series I first mortgage bonds, net	75,125	-	-
Retirement of first mortgage bonds including redemption costs	(74,629)	(6,521)	(13,178)
Payments of long-term obligations	(137,911)	(107,763)	(53,419)
Borrowings under long-term agreements	138,410	111,215	53,798
Net cash used in financing activities	(6,910)	(10,978)	(12,862)
Net increase (decrease) in cash and temporary investments	427	(3,146)	(2,235)
Cash and temporary investments at beginning of year	1,922	5,068	7,303
Cash and temporary investments at end of year	$ 2,349	$ 1,922	$ 5,068

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS.

NOTES to financial statements

1 Summary of Significant Accounting Policies

a Regulations and Operations

Vermont Yankee Nuclear Power Corporation ("the Company") is subject to regulations prescribed by the Federal Energy Regulatory Commission ("FERC"), and the Public Service Board of the State of Vermont with respect to accounting and other matters. 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.

Prior to November 19.3, the Company was subject to regulation by the Securities and Exchange Commission. As a result of the debt refinancing discussed in NOTE 6, the Company is no longer subject to such regulation.

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 (12.25% since December 1, 1989). 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, which extends to March 2012. Depreciation expense was equivalent to overall effective rates of 3.74%, 3.56% and 3.23% for the years 1993, 1992 and 1991, 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.

The Company amortizes to expense on a straight-line basis 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, in conformity with rates authorized by the FERC.

d Amortization of Materials and Supplies

The Company amortizes to expense a formula amount designed to fully amortize the cost of the material and supplies inventory that is expected to be on hand at the expiration of the Plant's NRC operating license.

NOTES to financial statements

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.

f Amortization of Gain and Loss 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 unamortized 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 applicable 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 through higher revenues associated with higher depreciation and amortization expense. AFUDC was capitalized at overall effective rates of 5.92%, 6.82% and 6.98% for 1993, 1992 and 1991, 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.

i Taxes on Income

Effective January 1, 1993, the Company began accounting for taxes on income under the liability method required by Statement of Financial Accounting Standard 109. See Note 10 for a further discussion of this change in accounting.

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

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.

k Reclassifications

Certain information in the 1992 and 1991 financial statements has been reclassified to conform with the 1993 presentation.

l Earnings per Common 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.

2 DECOMMISSIONING

The Company accrues estimated decommissioning costs for its nuclear plant over its remaining NRC licensed life based on studies by an independent engineering firm that 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 cost. 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 current cost of decommissioning is $253 million and, at the end of 2012, is approximately $769 million. The present value of the pro rata portion of decommissioning costs recorded to date is $134.6 million. On December 31, 1993, the balance in the Decommissioning Trust was $98.9 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 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.

In 1994, 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. Filings are required to be made within four years of the most recent FERC approval of decommissioning cost estimates and rates.

Cash received from Sponsors for plant decommissioning costs is deposited into the Vermont Yankee Decommissioning Trust in either the Qualified Fund (i.e., amounts currently deductible pursuant to the IRS regulations) 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 and offsetting amount representing the current period decommissioning cost funded by such earnings reflected as decommissioning expense.

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 as discussed in NOTE 3.

3 FERC RATE CASE MATTERS

On April 27, 1989, Vermont Yankee filed an application with the NRC to extend the term of the operating license from 2007 to 2012 so that the Plant may operate for 40 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 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 of approximately $3.5 million for both 1992 and 1993, and similar reductions are expected in future years.

On March 26, 1993, the FERC initiated a review of the return on common equity component of the formula rates included in the Company's Power Contracts. On October 22, 1993, the FERC approved a settlement whereby the Company retained its 12.25% authorized rate of return on common equity and agreed to credit monthly power billings by approximately $139,000 beginning in June, 1993.

In 1994, the Company will submit a rate filing to the FERC which will include, among other things, a revised estimate of decommissioning costs and a revised schedule of future annual decommissioning fund collections.

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 15-year period. The Company's annual fee 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. The Act stipulates that the annual fee shall be fully recoverable in rates in the same manner as other fuel costs.

In 1993, the DOE billed, and the Company paid, the first of the 15 annual fees. As of December 31, 1993, the Company has recognized a current accrued liability of $2.6 million for the two fee payments expected to be made in 1994, a deferred credit of $16.0 million for the 12 annual fee payments that are due subsequent to 1994 and a corresponding regulatory asset of $18.6 million which represents the total amount includable in future billings to the purchasers under the Power Contracts. While these amounts are reflected in these financial statements, the Company is reviewing the DOE's calculation of the annual fee and believes that the annual fee will ultimately be reduced.

Approximately $2.1 and $3.3 million of the $3.6 and $5.0 million in other deferred charges at December 31, 1993 and 1992, 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.

5 *Long-term Funds*

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

	1993		1992	
	Book value	Market value	Book value	Market value
	(Dollars in thousands)			
Decommissioning fund:				
U.S. Treasury obligations	$17,262	18,666	$22,000	$23,067
Municipal obligations	79,755	84,576	57,141	59,009
Accrued interest and money market funds	1,863	1,863	2,950	2,950
	98,880	105,105	82,091	85,026
Disposal fee defeasance fund:				
Short-term investments	39,870	39,870	26,457	26,457
Corporate bonds and notes	3,195	3,083	6,110	5,940
Accrued interest and money market funds	419	419	1,325	1,325
	43,484	43,372	33,892	33,722
Total long-term fund investments	**$142,364**	**$148,477**	**$115,983**	**$118,748**

At December 31, 1993 and 1992, gross unrealized gains and losses pertaining to the long-term investment securities were as follows:

	1993	1992
	(Dollars in thousands)	
Unrealized gains on U.S. Treasury obligations	$ 1,431	$ 1,071
Unrealized losses on U.S. Treasury obligations	$ (27)	$ (4)
Unrealized gains on Municipal obligations	$ 4,843	$ 1,895
Unrealized losses on Municipal obligations	$ (22)	$ (27)
Unrealized losses on corporate bonds and notes	$ (112)	$ (170)

Maturities of short-term obligations, bonds and notes (face amount) at December 31, 1993, are as follows (dollars in thousands):

Within one year	$42,200
Two to five years	16,977
Five to seven years	19,670
Over seven years	57,860
	$136,707

NOTES to financial statements

NOTE 6 *Long-term Obligations*

A summary of long-term obligations at December 31, 1993 and 1992, is as follows:

	1993	1992
	(Dollars in thousands)	
First mortgage bonds:		
Series B - 8.50% due 1998	$ -	$1,307
Series C - 7.70% due 1998	-	1,612
Series D - 10.125% due 2007	-	23,147
Series E - 9.875% due 2007	-	5,703
Series F - 9.375% due 2007	-	5,704
Series G - 8.94% due 1995	-	25,000
Series H - 8.25% due 1996	-	8,388
Series I - 6.48% due 2009	75,845	-
Total first mortgage bonds	75,845	70,861
Eurodollar Agreement Commercial Paper	3,791	3,292
Unamortized premium on debt	-	40
Total long-term obligations	**$79,636**	**$74,193**

The first mortgage bonds are issued under, have the terms and provisions set forth in, and are secured by an Indenture of Mortgage dated as of October 1, 1970, between the Company and the Trustee, as modified and supplemented by 13 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.

On July 1, 1993, the Company retired the outstanding Series B and Series C first mortgage bonds. In November 1993, the Company issued $75.8 million of Series I first mortgage bonds stated to mature on November 1, 2009. The Company applied the proceeds of the bond issuance principally to retire the remaining Series D, Series E, Series F, Series G and Series H first mortgage bonds, including call premiums totalling $3.7 million based on the early redemption of the bonds. Cash sinking fund requirements for the Series I first mortgage bonds are $5.4 million annually beginning November 1999.

The Company has a $75.0 million Eurodollar Credit Agreement that expires on December 31, 1995, subject to three optional one-year extensions. The Company issued commercial paper under this agreement with weighted average interest rates of 3.22% for 1993 and 3.95% for 1992. Payment of the commercial paper is supported by the Eurodollar Credit Agreement, which is secured by a second mortgage on the Company's generating facility.

7 Disclosures About the Fair Value of Financial Instruments

The carrying amounts for cash and temporary investments, trade receivables, accounts receivable from sponsors, accounts payable and accrued liabilities approximate their fair values because of the short maturity of these instruments. The fair values of long-term funds are estimated based on quoted market prices for these or similar investments. 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 as of December 31 are summarized as follows (dollars in thousands):

	1993		1992	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Decommissioning fund	$98,880	$105,105	$82,091	$85,026
Disposal fee defeasance fund	43,484	43,372	33,892	33,722
Long-term debt	79,636	77,361	74,193	78,235
Disposal fee and accrued interest	80,688	80,688	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 judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

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 quarterly fee of 1 mil per kwh of electricity generated and sold, 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 1993, the Company deposited approximately $37.5 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.

NOTES to financial statements

On December 31, 1991, the DOE issued an amended final rule modifying 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 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.

The DOE is refunding the overpayments, including interest, to utilities over a four-year period ending in 1995 via credits against quarterly payments. 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, 1993 and 1992, respectively, approximately $0.9 and $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, 1993 and 1992. The maximum amount of short-term borrowings outstanding at any month-end during 1993, 1992 and 1991 was approximately $0.2 million, $0.6 million and $0.4 million, respectively. The average daily amount of short-term borrowings outstanding was approximately $0.3 million for 1993, and $0.1 million for 1992 and 1991 with weighted average interest rates of 5.75% in 1993, 6.12 % in 1992 and 8.19% in 1991. There were no amounts outstanding under these lines of credit as of December 31, 1993 and 1992.

10 *Taxes on Income*

In February, 1992, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes", which required the Company to change from the deferred method to the liability method of accounting for income taxes on January 1, 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 ("temporary differences").

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 adoption of this new statement has not and is not expected to have a material impact on the Company's cash flow, results of operations or financial position because of the effect of rate regulation, the Company was required 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 temporary differences turn around and are recovered or settled in rates. In addition, this new statement required 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 35% federal tax rate. The Company has applied the provisions of this new statement without restating prior year financial statements.

The components of income tax expense for the years ended December 31, 1993, 1992 and 1991, are as follows:

	1993	1992	1991
		(Dollars in thousands)	
Taxes on operating income:			
Current federal income tax	$ 4,236	$ 4,926	$ 4,003
Deferred federal income tax	(1,059)	(1,840)	(1,285)
Current state income tax	1,097	1,285	1,024
Deferred state income tax	80	(329)	483
Investment tax credit adjustment	(577)	(641)	(740)
	3,777	3,401	3,485
Taxes on other income:			
Current federal income tax	496	598	353
Current state income tax	127	158	94
	623	756	447
Total income taxes	$ 4,400	$ 4,157	$ 3,932

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

	1993	1992	1991
Federal statutory rate	35.0%	34.0%	34.0%
State income taxes, net of federal income tax benefit	6.9	6.1	6.1
Investment credit	(4.7)	(5.3)	(6.0)
Book depreciation in excess of tax basis	2.0	1.9	1.7
AFUDC equity	0.6	0.9	0.9
Flowback of excess deferred taxes	(3.6)	(3.1)	(6.7)
Other	(0.1)	(0.1)	1.7
	36.1%	34.4%	31.7%

NOTES to financial statements

The items comprising deferred income tax expense are as follows:

	1993	1992	1991
		(Dollars in thousands)	
Decommissioning expense not currently deductible	$ (351)	$ (104)	$ 14
Tax depreciation over (under) financial statement depreciation	(978)	(679)	955
Tax fuel amortization over (under) financial statement amortization	(255)	(637)	(1,389)
Tax loss on reacquisition of debt over (under) financial statement expense	1,887	187	178
Pension expense not currently deductible	(167)	(192)	(562)
Postemployment benefits deduction over (under) financial statement expense	67	(141)	-
Amortization of materials and supplies not currently deductible	(335)	(343)	(239)
Low-level waste deduction over (under) financial statement expense	(596)	139	825
Flowback of excess deferred taxes	(442)	(376)	(828)
Other	191	(23)	245
	$ (979)	$ (2,169)	$ (801)

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities at December 31, 1993, and January 1, 1993, are presented below:

	December 31, 1993	January 1, 1993
	(Dollars in thousands)	
Deferred tax assets:		
Accumulated amortization of final nuclear core	$ 2,914	$ 2,559
Nuclear decommissioning liability	2,810	2,291
Regulatory liabilities	5,856	6,793
Accumulated deferred investment credit	2,830	2,984
Accumulated amortization of materials and supplies	2,281	1,851
Other	2,771	4,591
Total gross deferred tax assets	19,462	21,069
Less valuation allowance	1,231	1,142
Net deferred tax assets	18,231	19,927
Deferred tax liabilities:		
Plant and equipment	(51,258)	(51,399)
Other	(5,220)	(5,574)
Total gross deferred tax liabilities	(56,478)	(56,973)
Net deferred tax liability	$(38,247)	$(37,046)

The valuation allowance is the result of a provision in Vermont tax law which limits refunds resulting from carrybacks of net operating losses.

11 *Supplemental Cash Flow Information*

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

(Dollars in thousands)	1993	1992	1991
Cash paid during the year for:			
Interest (net of amount capitalized)	$ 7,632	$ 7,062	$ 7,990
Income taxes	$ 7,070	$ 6,192	$ 4,793

NOTES to financial statements

NOTE 12 *Pension Plans*

The Company has two noncontributory 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, 1993 and 1992, is as follows:

	December 31, 1993	1992
	(Dollars in thousands)	
Vested benefits	$ 8,882	$ 6,548
Nonvested benefits	1,338	918
Accumulated benefit obligation	10,220	7,466
Additional benefits related to future compensation levels	8,540	7,728
Projected benefit obligation	18,760	15,194
Fair value of plan assets, invested primarily in equities and bonds	16,343	13,791
Projected benefit obligation in excess of plan assets	$ 2,417	$ 1,403

The increase in the projected benefit obligation from $15.2 million in 1992 to $18.8 million in 1993 is the result of additional service accruals, interest costs and changed plan assumptions.

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 that is included in the balance sheet appear on page 27.

	December 31,	
	1993	1992
	(Dollars in thousands)	
Unrecognized net transition obligation	$ 996	$ 1,057
Unrecognized net gain	(4,086)	(4,939)
Pension liability included in balance sheet	4,866	4,610
Unrecognized prior service costs	641	675
Projected benefit obligation in excess of plan assets	$ 2,417	$ 1,403

The following are pension plan assumptions as of December 31, 1993 and 1992:

	December 31,	
	1993	1992
Discount rate	7.0%	8.0%
Compensation scale	5.5%	6.5%
Expected return on assets	8.5%	8.5%

Net pension expense for the three years ending December 31, 1993, included the following components:

	1993	1992	1991
		(Dollars in thousands)	
Service cost - benefits earned	$ 1,141	$ 1,275	$ 1,147
Interest cost on projected benefit obligation	1 288	1,305	1,104
Actual (return) loss on plan assets	(1,792)	(867)	(2,124)
Net amortization and deferral	631	78	1,452
Net pension expense	$ 1,268	$ 1,791	$ 1,579

NOTES to financial statements

NOTE 13 *Postretirement Benefits Other Than Pensions*

The Company adopted Statement of Financial Accounting Standards No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions" (SFAS 106), on January 1, 1992. This statement requires companies to use accrual accounting for postretirement benefits other than pensions. Prior to 1992, the Company accrued and collected a portion of postretirement benefits costs through decommissioning billings while the remaining cost was expensed when benefits were paid. The incremental cost, above the amount collected through decommissioning billings, approximately $2.4 million, is now accrued and since January 1992, has been included in the Company's monthly power billings to Sponsors. 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.

The following table presents the plan's funded status reconciled with amounts recognized in the Company's balance sheets as of December 31, 1993, and December 31, 1992 (dollars in thousands):

	1993	1992
Accumulated postretirement benefit obligation:		
Retirees	$ 1,078	$ 1,277
Fully eligible active plan participants	921	1,332
Other active participants	8,071	9,935
Total accumulated postretirement benefit obligation	10,070	12,544
Fair value of plan assets, invested primarily in short-term investments	2,457	1,595
Accumulated postretirement benefit obligation in excess of plan assets	**$ 7,613**	**$10,949**
Unrecognized net transition obligation	$ 7,933	$10,314
Unrecognized net gain	(1,980)	(126)
Accrued postretirement benefit cost collected through decommissioning billings and included in accrued liabilities	1,660	761
Accumulated postretirement benefit obligation in excess of plan assets	**$ 7,613**	**$10,949**

The net periodic postretirement benefit cost for 1993 and 1992 includes the following components (dollars in thousands):

	1993	1992
Service cost	$ 735	$ 958
Interest cost	652	941
Net amortization and deferral	350	543
Net periodic postretirement benefit cost	$ 1,737	$ 2,442

For measurement purposes, a 15% annual rate of increase in the per capita cost of covered benefits (i.e., health care cost trend rate) was assumed for 1993; the rate was assumed to decrease gradually to 6% 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, 1993, by $2.2 million and the aggregate of the service and interest cost components of net periodic postretirement benefit cost for the year ended December 31, 1993, by $0.3 million. The weighted-average discount rate used in determining the accumulated postretirement benefit obligation was 7% at December 31, 1993.

The change in the accumulated postretirement benefit obligation from $12.5 million in 1992 to $10.0 million in 1993 is the result of adjustments made to reflect a lower actual medical cost increase during 1993 than projected. The reduction in the unrecognized net transition obligation from $10.3 million in 1992 to $7.9 million in 1993 is primarily the result of elimination of Medicare Part B coverage.

14 Lease Commitments

The Company leases equipment and systems under noncancelable operating leases. Charges against income for rentals under these leases were approximately $3.7 million, $2.6 million and $3.7 million in 1993, 1992 and 1991, respectively. Minimum future rentals as of December 31, 1993, are as follows:

Fiscal years ended	Annual rentals (Dollars in thousands)
1994	$ 3,283
1995	3,060
1996	2,878
1997	2,798
1998 and after	5,053

The Company has entered into an agreement with General Electric Capital Corporation to lease turbine components being constructed by General Electric Corporation valued at approximately $29 million including installation costs. Under the lease agreement, the Company will make 120 monthly payments of $342,358 each commencing on the later of (1) April 15, 1995, or (2) the commissioning date of the equipment. The lease will also include the sale and leaseback of a $2 million turbine rotor forging previously owned by the Company. The lease will be classified as an operating lease for accounting purposes.

The construction contract requires progress payments to be paid by Vermont Yankee prior to installation of the equipment. Just prior to delivery of the equipment, the lessor will reimburse Vermont Yankee for these payments and will continue to make the remaining payments until the commencement date of the lease. During the time period subsequent to equipment delivery before the equipment is commissioned, the

Company will pay interim rent to the lessor based on the amount of outstanding progress payments. The final documentation of the lease is currently being negotiated, and if a final agreement cannot be reached, the Company would be responsible for substantial termination payments.

NOTE 15 COMMITMENTS AND CONTINGENCIES

a *Low-level Waste*

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 Radioactive Waste Authority ("VLLRWA") 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. Payments made to the VLLRWA, not pertaining directly to the siting and construction of a low-level waste disposal facility, are being expensed currently.

In parallel with siting a low-level radioactive waste facility in Vermont, there has been a three-state effort between Vermont, Maine, and Texas to form a compact to site such a facility in Texas. The Texas Legislature has approved, and Governor Ann Richards of Texas has signed into law, a bill that would form such a compact. On November 2, 1993, Maine voters ratified the compact. Early during its 1994 session, the Vermont Legislature is scheduled to vote to approve entry into the compact. Following approval by the Vermont Legislature, the compact will require approval of the U.S. Congress.

If the compact is successful and proceeds on schedule, Vermont Yankee would begin sending its waste to a Texas facility during 1997. Under the proposed compact, Vermont would pay the State of Texas $25 million ($12.5 million when the U.S. Congress ratifies the compact and $12.5 million when the facility opens). In addition, Vermont must pay $2.5 million ($1.25 million when Congress ratifies the compact and $1.25 million when the facility is licensed) for community assistance projects in Hudspeth County, Texas, where the facility is to be located. Vermont would also pay one-third of the Texas Low-Level Radioactive Waste Disposal Compact Commission's expenses until the facility opens. The disposal fees for generators in Vermont and Maine would then be set at a level that is the same for generators in Texas. The Company anticipates recovering the costs of the compact from sponsors.

b *Nuclear Fuel*

The Company has approximately $165 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.

c *Insurance*

The Price-Anderson Act, as amended, currently limits public liability from a single incident at a nuclear power plant to $9.4 billion. Any damages beyond $9.4 billion are indemnified under an agreement with the NRC, but subject to Congressional approval. The first $200 million of liability coverage is the maximum provided by private insurance. The Secondary Financial Protection program is a retrospective

insurance plan providing additional coverage up to $9.2 billion per incident by assessing retrospective premiums of $79.3 million against each of the 116 reactor units that are currently subject to the Program in the United States, limited to a maximum assessment of $10 million per incident per nuclear unit in any one year. The maximum assessment is to be adjusted at least every five years to reflect inflationary changes.

The above insurance covers all workers employed at nuclear facilities prior to January 1, 1988, for bodily injury claims. The Company has purchased a Master Worker insurance policy with limits of $200 million with one automatic reinstatement of policy limits to cover workers employed on or after January 1, 1988. Vermont Yankee's estimated contingent liability for a retrospective premium on the Master Workers policy as of December 1993 is $3.1 million. The Secondary Financial Protection program referenced above provides coverage in excess of the Master Worker policy.

Insurance has been purchased from Nuclear Electric Insurance Limited (NEIL II) to cover the costs of property damage, decontamination or premature decommissioning resulting from a nuclear incident. All companies insured with NEIL II are subject to retroactive assessments if losses exceed the accumulated funds available to NEIL II. The maximum potential assessment against the Company with respect to losses arising during the current policy year is $5.8 million at the time of a first loss and $12.3 million at the time of a subsequent loss. The Company's liability for the retrospective premium adjustment for any policy year ceases six years after the end of that policy year unless prior demand has been made.

"We have an obligation to successfully and safely manage all facets of nuclear technology in order to produce competitively-priced electricity for Vermonters and other New Englanders."

NOTES to financial statements

SCHEDULE I: MARKETABLE SECURITIES - OTHER INVESTMENTS

(Dollars in Thousands)

Name of Issuer and Title of Each Issue	Number of Shares or Units - Principal Amounts of Bonds and Notes	Cost of Each Issue *	Market Value of Each Issue at 12/31/93	Amount at Which Each Portfolio of Equity Security Issues and Each Other Security Issue Is Carried on the Balance Sheet
Decommissioning fund:				
U.S. Treasury obligations	$ 16,252	$ 17,262	$ 18,666	$ 17,262
Municipal obligations	78,055	79,755	84,576	79,755
Money market funds and accrued interest	1,863	1,863	1,863	1,863
	$ 96,170	$ 98,880	$105,105	$ 98,880
Disposal fee defeasance fund:				
Short-term investments	$ 40,200	$ 39,870	$ 39,870	$ 39,870
Corporate bonds and notes	3,200	3,195	3,083	3,195
Money market funds and accrued interest	419	419	419	419
	$ 43,819	$ 43,484	$ 43,372	$ 43,484

* Cost includes accrued interest and amortization of premiums and discounts.

SCHEDULE V: PROPERTY, PLANT AND EQUIPMENT

Years Ended December 31,	1993	1992 (Dollars in Thousands)	1991
Electric Plant:			
Land and land rights	$ 1,397	$ 1,127	$ 984
Structures and improvements	61,887	61,868	61,515
Reactor, turbogenerator and accessory equipment	304,388	292,561	285,808
Transmission equipment	5,948	5,606	6,141
Other	1,116	1,116	1,116
Construction work in progress	597	6,408	4,188
	375,333	368,686	359,752
Nuclear Fuel:			
Assemblies in reactor	69,063	74,025	83,213
Fuel in process	-	5,236	637
Fuel in stock	-	-	22,863
Spent fuel	287,700	259,199	227,040
	356,763	338,460	333,753
Total	$732,096	$707,146	$693,505

Neither total additions of $25,361,000, $15,167,000 or $25,002,000 nor total retirements of $411,000, $1,526,000, or $0 for the years ended December 31, 1993, 1992 and 1991, respectively, exceeded 10% of the utility plant balance at the end of the year.

NOTES to financial statements

SCHEDULE VI - ACCUMULATED DEPRECIATION, DEPLETION AND AMORTIZATION OF PROPERTY, PLANT AND EQUIPMENT

Years Ended December 31, 1993, 1992 and 1991

(Dollars in Thousands)

	Balance Beginning of Year	Additions Charged to Costs and Expenses	Retirements	Other Charges and (Deduct)	Balance At End of Year
Accumulated depreciation of electric plant: (A)					
1993	$185,263	$13,707	$ (411)	$(170) (B)	$198,389
1992	173,827	13,253	(1,526)	(291) (B)	185,263
1991	162,065	11,800	-	(38) (B)	173,827
Accumulated amortization of nuclear fuel:					
1993	308,848	19,526	-	(4,115) (C)	324,259
1992	291,013	21,240	-	(3,405) (C)	308,848
1991	270,011	24,864	-	(3,862) (C)	291,013
Total accumulated depreciation and amortization					
1993	494,111	33,234	(411)	(4,286)	522,648
1992	464,840	34,493	(1,526)	(3,696)	494,111
1991	432,076	36,664	-	(3,900)	464,840

(A) Electric plant is being depreciated on the straight-line method at rates designed to fully depreciate all depreciable properties by 2012. (See NOTE 1 to the financial statements).

(B) Represents net salvage and removal costs.

(C) Represents disposal costs of spent nuclear fuel.

INDEPENDENT auditors' report

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

We have audited the accompanying balance sheet of Vermont Yankee Nuclear Power Corporation as of December 31, 1993, and the related statements of income and retained earnings and cash flows for the year then ended. 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 audit. The financial statements of Vermont Yankee Nuclear Power Corporation as of December 31, 1992 and 1991, were audited by other auditors whose report, dated February 5, 1993, expressed an unqualified opinion on those statements and included an additional paragraph discussing the Company's 1992 change in accounting for postretirement benefits other than pensions.

We conducted our audit 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 audit provides 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 as of December 31, 1993, and the results of its operations and cash flows for the year then ended, in conformity with generally accepted accounting principles.

As discussed in NOTE 10 of the accompanying financial statements, effective January 1, 1993, the Company adopted the provisions of Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes."

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as whole. The supplementary schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Arthur Andersen & Co.

Boston, Massachusetts
January 27, 1994

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ROBERT H. YOUNG, Executive Vice President and Chief Operating Officer, Central Vermont Public Service Corporation, Rutland, Vermont

* Elected February 2, 1994 ** Resigned February 2, 1994

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