VERMONT YANKEE
NUCLEAR POWER CORPORATION
185 OLD FERRY ROAD, PO BOX 7002, BRATTLEBORO, VT 05302-7002
(802) 257-5271

May 9, 2000
BVY 00-42

U.S. Nuclear Regulatory Commission
ATTN: Document Control Desk
Washington, D.C. 20555

Subject: **Vermont Yankee Nuclear Power Station**
License No. DPR-28 (Docket No. 50-271)
Vermont Yankee Nuclear Power Corporation - 1999 Annual Report

In accordance with 10CFR50.71(b), attached is a copy of Vermont Yankee Nuclear Power Corporation's 1999 annual financial report including certified financial statements.

We trust that the information provided is adequate; however, should you have questions or require additional information, please contact Mr. John J. Boguslawski at (802) 258-4136.

Sincerely,

VERMONT YANKEE NUCLEAR POWER CORPORATION

for Gautam Sen
Licensing Manager

Attachment
cc: USNRC Region 1 Administrator
USNRC Resident Inspector – VYNPS
USNRC Project Manager – VYNPS
Vermont Department of Public Service

M004

SUMMARY OF VERMONT YANKEE COMMITMENTS

BVY NO.: 00-42

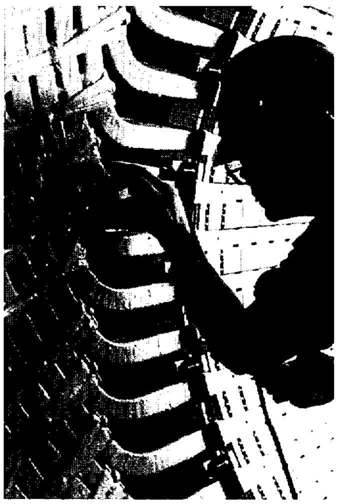
The following table identifies commitments made in this document by Vermont Yankee. Any other actions discussed in the submittal represent intended or planned actions by Vermont Yankee. They are described to the NRC for the NRC's information and are not regulatory commitments. Please notify the Licensing Manager of any questions regarding this document or any associated commitments.

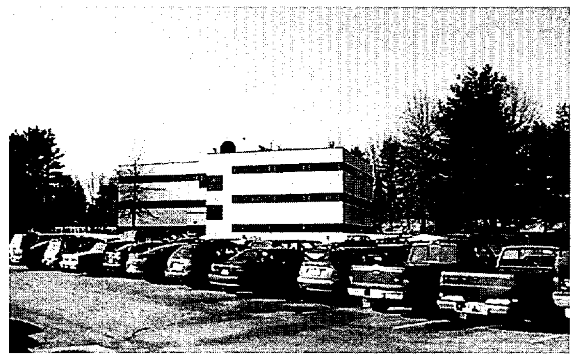
COMMITMENT	COMMITTED DATE OR "OUTAGE"
None	N/A









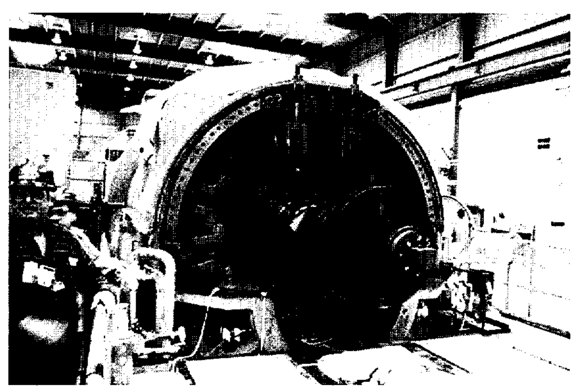
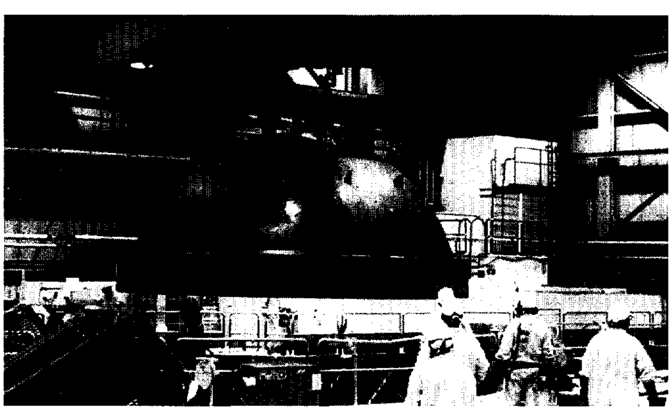
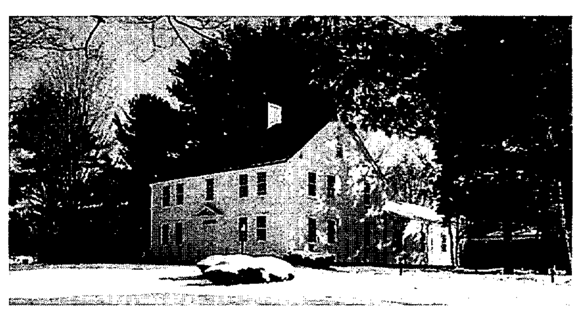


Vermont Yankee

Nuclear Power Corporation

1999 Annual Report



Vermont Yankee
1999 Annual Report

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Vermont Yankee Nuclear Power Corporation

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President's Letter

Vermont Yankee celebrated several achievements in 1999. When the breakers were opened for a scheduled refueling outage on October 29, the plant had completed 372 days of continuous operation, exceeding its previous continuous run record of 350 days, set in April 1993. The 34-day refueling outage came in eight days ahead of schedule and was one of the shortest, best-planned and executed outages in the company's history.

The Continuous Process Improvement (CPI) program continues to pay dividends with improved work processes throughout the company. During 1999, CPI team initiatives resulted in direct cost savings of over $1.2 million and additional power output valued at more than $0.7 million.

Vermont Yankee exceeded established incentive goals in every area of operation this year by achieving eight out of eight safety indicators, meeting outage goals for safety, schedule, and post-outage operation, and attaining a capacity factor of 90.9%, which is the best performance ever in an outage year.

In mid-October, following several months of due diligence and negotiations, the Vermont Yankee Board of Directors accepted a purchase bid from AmerGen Energy Company and signed an Asset Purchase Agreement on November 17. Under the Agreement, AmerGen will purchase the plant, related assets and liabilities, and the liability for decommissioning the plant at the end of its operating life. The estimated purchase price will range from $10 million to $23.5 million, depending on the actual closing date.

In conjunction with the sale of the plant, Vermont Yankee will initially purchase 61.5% of the net capacity produced by the plant and sell that power to certain of the current sponsor companies under their individual power contracts with Vermont Yankee. Several significant regulatory approvals are necessary from agencies, including the Nuclear Regulatory Commission, Federal Energy Regulatory Commission, the Internal Revenue Service, and the Vermont Public Service Board.

Until the sale is completed, Vermont Yankee will continue to be fully responsible for the operation of the plant. After closing, AmerGen will be licensed by the NRC to own and operate the plant and will assume responsibility for the day-to-day operation.

A long-awaited license amendment was received in December allowing VY to expand its fuel pool capacity from 2,870 to 3,353 assemblies. The increased capacity gives the plant full core reserve discharge capability through the fall 2008 outage.

Thanks to the hard work and dedication of all Vermont Yankee's employees, 1999 was a truly exceptional year.

Ross P. Barkhurst

Ross P. Barkhurst

Description of Business

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

The Plant commenced commercial operation on November 30, 1972, and except during maintenance and refueling outages, has been in full operation since that time. The Plant is licensed by the Nuclear Regulatory Commission to operate until 2012.

Located on the west bank of the Connecticut River 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 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, 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 Vermont Yankee's 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 Company	20.0
The Connecticut Light and Power Company	9.5
Central Maine Power Company	4.0
Public Service Company of New Hampshire	4.0
Cambridge Electric Light Company	2.5
Montaup Electric Company	2.5
Western Massachusetts Electric Company	2.5
	100.0%

See Note 1 to the Financial Statements for discussion on the possible sale of the Plant and related assets and liabilities.

Comparative Highlights

	1999	1998	% Change
Financial (Dollars in millions):			
Operating revenues	**$208.8**	$195.2	7.0
Net income	**6.5**	7.1	(8.5)
Total assets	**685.3**	635.9	7.8
Average number of shares of common stock outstanding (thousands)	**392.5**	392.5	0.0
Per Share of Common Stock:			
Basic earnings per common share	**$16.49**	$18.15	(9.2)
Dividends paid per common share	**18.31**	17.25	6.1
Book value per common share (year-end)	**137.40**	139.23	(1.3)
Operating:			
Kilowatt-hour sales (billions)	**4.06**	3.36	20.8
Cost per kilowatt-hour (cents)	**5.14**	5.81	(11.5)

Common Stock Ownership

Stock Owner	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
The Connecticut Light and Power Company	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
Cambridge Electric Light Company	2.5	9,801
Montaup Electric 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
Village of Lyndonville Electric Department	0.6	2,387
	100.0%	392,481

Financial Review

Operating revenues of the Company are billed and received from its Sponsors based on the terms of its Power Contracts. Under those contracts, the Sponsors are severally required to pay the Company an amount equal to their respective entitlement share of the Company's total fuel and operating expenses, return on net unit investment, and an amount designated to meet anticipated decommissioning costs at the end of the nuclear electric generating plant's useful life.

1999 was a record-setting year for plant operations. The Plant was shut down for refueling and maintenance as scheduled on October 29, 1999, following a record-setting 372 days of continuous operation. In 1999 the Company produced more electricity (4,059,107 net megawatt hours) and operated with the highest capacity factor (90.9% of maximum design capability) ever for a year with a refueling and maintenance shutdown.

Operating revenues increased in 1999 from 1998 by $13.6 million, or 7.0%, primarily due to higher nuclear fuel expense, maintenance expense and other operating expense. Nuclear fuel expense increased by $1.9 million in 1999 from 1998, as a result of higher generation in the record-setting year. There were refueling and maintenance shutdowns in both years. The Plant operates on refueling cycles of approximately 18 months and the last scheduled refueling prior to the 1999 shutdown was completed in June 1998. The timing of the shutdowns contributed to increased operating and maintenance expenses in 1999 from 1998 as much of the outage planning costs for the 1998 shutdown were incurred in 1997 (the prior year). This was not the case for the 1999 shutdown which occurred later in the year. Other factors contributing to increased operating and maintenance expenses in 1999 include costs associated with the sale of the Plant, increased incentive compensation costs as a result of the superior achievements in 1999, and costs incurred related to year 2000 readiness.

Depreciation expense decreased by $1.1 million in 1999 from the 1998 level as a result of having fully reserved for depreciation on certain short life property. Property tax increased by $1.5 million due to 1999 legislation which raised the Company's education property tax assessment.

Other income, net of associated income tax, decreased by $0.3 million in 1999 due to lower after-tax earnings on the fixed income investments in the Spent Fuel Disposal Fee Defeasance Trust. Total interest expense was virtually unchanged from the 1998 level.

Net income, computed in accordance with the Company's formula rate approved by the Federal Energy Regulatory Commission ("FERC") decreased by $0.7 million in 1999 due to smaller differences between the Company's net unit investment and total capitalization. Income tax expense decreased by $0.6 million primarily as a consequence of the lower net income.

Report of Independent Public Accountants

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

We have audited the accompanying balance sheets of Vermont Yankee Nuclear Power Corporation as of December 31, 1999 and 1998, and the related statements of income and retained earnings and cash flows for each of the three years in the period ended December 31, 1999. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Vermont Yankee Nuclear Power Corporation as of December 31, 1999 and 1998, and the results of its operations and cash flows for each of the three years in the period ended December 31, 1999, in conformity with generally accepted accounting principles.

Arthur Andersen L.L.P.

Boston, Massachusetts
January 19, 2000

Statements of Income and Retained Earnings

	Years ended December 31,		
	1999	**1998**	**1997**
	(In thousands except per share data)		
Operating revenues	**$208,812**	$195,249	$173,106
Operating expenses:			
Nuclear fuel expense (NOTES 4 and 8)	**18,834**	15,902	19,232
Other operating expense	**94,694**	89,441	83,360
Maintenance expense	**40,232**	34,494	17,162
Depreciation and amortization expense	**15,973**	17,059	15,889
Decommissioning expense (NOTE 3)	**12,559**	12,625	12,582
Taxes on income (NOTE 10)	**1,903**	2,223	1,762
Property and other taxes	**9,685**	8,223	9,158
Total operating expenses	**193,880**	179,967	159,145
Operating income	**14,932**	15,282	13,961
Other income (expense):			
Net earnings on decommissioning trust (NOTES 3 and 5)	**8,864**	7,969	8,229
Decommissioning expense (NOTE 3)	**(8,864)**	(7,969)	(8,229)
Allowance for equity funds used during construction	**84**	36	60
Earnings on spent fuel disposal defeasance trust (NOTE 5)	**4,748**	5,341	5,492
Taxes on other income (NOTE 10)	**(1,669)**	(1,911)	(1,760)
Other, net	**(200)**	(226)	(224)
Total other income	**2,963**	3,240	3,568
Income before interest expense	**17,895**	18,522	17,529
Interest expense:			
Interest on long-term debt	**6,736**	6,423	5,910
Interest on spent fuel disposal fee obligation (NOTE 8)	**4,953**	5,104	4,985
Allowance for borrowed funds used during construction	**(265)**	(130)	(200)
Total interest expense	**11,424**	11,397	10,695
Net income	**6,471**	7,125	6,834
Retained earnings at beginning of year	**1,546**	1,191	1,700
	8,017	8,316	8,534
Dividends declared	**7,187**	6,770	7,343
Retained earnings at end of year	**$830**	$1,546	$1,191
Average number of shares outstanding	**392**	392	392
Net income per share of common stock outstanding	**$16.49**	$18.15	$17.41
Dividends per share of common stock outstanding	**$18.31**	$17.25	$18.71

See accompanying notes to financial statements.

Balance Sheets

Assets

	December 31, 1999	December 31, 1998
	(Dollars in thousands)	
Utility plant:		
Electric plant, at cost (NOTE 6):	**$418,955**	$410,574
Less accumulated depreciation	**282,893**	269,494
	136,062	141,080
Construction work in progress	**4,530**	3,731
Net electric plant	**140,592**	144,811
Nuclear fuel, at cost:		
Assemblies in reactor	**69,016**	66,476
Spent fuel	**372,101**	353,856
	441,117	420,332
Less accumulated amortization of burned nuclear fuel	**399,962**	386,835
	41,155	33,497
Less accumulated amortization of final core nuclear fuel	**11,035**	10,317
Net nuclear fuel	**30,120**	23,180
Net utility plant	**170,712**	167,991
Long-term investments, at fair market value:		
Decommissioning trust (NOTES 3, 5 and 7)	**247,044**	228,423
Spent fuel disposal fee defeasance trust (NOTES 5, 7 and 8)	**101,526**	98,143
Total long-term investments	**348,570**	326,566
Current assets:		
Cash and cash equivalents	**7,970**	93
Accounts receivable from sponsors	**15,587**	12,680
Other accounts receivable	**2,366**	4,183
Materials and supplies, net of amortization	**16,743**	16,150
Prepaid expenses	**3,158**	3,841
Total current assets	**45,824**	36,947
Deferred charges:		
Deferred decommissioning costs (NOTE 3)	**30,698**	21,391
Deferred low-level waste facility expenses (NOTES 4 and 14)	**26,040**	26,195
Accumulated deferred income taxes (NOTE 10)	**31,498**	28,097
Deferred design basis documentation costs (NOTE 4)	**15,776**	11,885
Deferred DOE enrichment site decontamination and decommissioning fee (NOTE 4)	**9,404**	10,350
Net unamortized loss on reacquired debt	**1,788**	1,970
Other deferred charges (NOTES 4 and 5)	**4,982**	4,482
Total deferred charges	**120,186**	104,370
	$685,292	$635,874

See accompanying notes to financial statements.

Balance Sheets

Capitalization and Liabilities

	December 31, 1999	December 31, 1998
	(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	**14,226**	14,226
Treasury stock (7,533 shares at cost)	**(1,130)**	(1,130)
Retained earnings	**830**	1,546
Total common stock equity	**53,927**	54,643
Long-term obligations, net (NOTES 6 and 7)	**97,350**	93,274
Total capitalization	**151,277**	147,917
Commitments and contingencies (NOTES 3, 13 and 14)		
Spent fuel disposal fee and accrued interest (NOTES 7 and 8)	**108,774**	103,821
Current liabilities:		
Accounts payable	**1,083**	488
Accrued expenses (NOTE 2)	**28,568**	16,261
Accrued low-level waste expenses (NOTE 14)	**4,490**	5,282
Accrued taxes	**1,590**	2,177
Accrued interest	**1,585**	1,708
Other accrued liabilities	**9,571**	6,334
Total current liabilities	**46,887**	32,250
Deferred credits and other liabilities:		
Accrued decommissioning costs (NOTE 3)	**289,970**	260,141
Accumulated deferred income taxes (NOTE 10)	**39,175**	41,780
Accrued low-level waste facility expenses (NOTES 4 and 14)	**23,436**	23,591
Accrued DOE enrichment site decontamination and decommissioning fee (NOTE 4)	**7,284**	8,281
Accrued employee benefits (NOTE 12)	**10,055**	8,696
Net regulatory tax liability (NOTE 10)	**4,546**	4,965
Accumulated deferred investment tax credits	**3,888**	4,432
Total deferred credits and other liabilities	**378,354**	351,886
	$685,292	$635,874

See accompanying notes to financial statements.

Statements of Cash Flows

	Years ended December 31,		
	1999	1998	1997
	(Dollars in thousands)		
Cash flows from operating activities:			
Net income	$6,471	$7,125	$6,834
Adjustments to reconcile net income to net cash provided by operating activities:			
Amortization of nuclear fuel	13,845	11,590	14,716
Depreciation and amortization	15,973	17,059	15,889
Decommissioning expense	12,559	12,625	12,582
Deferred tax expense	(6,424)	(8,524)	(2,025)
Amortization of deferred investment tax credits	(545)	(543)	(534)
Nuclear fuel disposal fee interest accrual	4,953	5,104	4,985
Interest and dividends on disposal fee defeasance trust	(3,383)	(5,133)	(5,535)
(Increase) decrease in accounts receivable	(1,090)	943	(2,228)
(Increase) decrease in prepaid expense	683	529	98
(Increase) decrease in materials and supplies inventory	(593)	646	637
Increase (decrease) in accounts payable and accrued liabilities	15,347	(2,114)	2,011
Increase (decrease) in interest and taxes payable	(710)	225	755
Other	(1,728)	(3,057)	(3,921)
Total adjustments	48,887	29,350	37,430
Net cash provided by operating activities	55,358	36,475	44,264
Cash flows from investing activities:			
Electric plant additions and retirements	(10,686)	(19,113)	(5,322)
Nuclear fuel additions	(20,785)	(748)	(21,401)
Payments to decommissioning trust	(12,898)	(12,403)	(12,901)
Payments to spent fuel disposal fee defeasance trust	0	(1,000)	(8,000)
Net cash used for investing activities	(44,369)	(33,264)	(47,624)
Cash flows from financing activities:			
Dividend payments	(7,187)	(6,770)	(7,343)
Series I Bonds Sinking Fund Payments	(5,418)	0	0
Payments of long-term obligations	(328,000)	(236,751)	(76,458)
Borrowings under long-term agreements	337,493	236,268	90,187
Net cash (used for) provided by financing activities	(3,112)	(7,253)	6,386
Net increase (decrease) in cash and cash equivalents	7,877	(4,042)	3,026
Cash and cash equivalents at beginning of year	93	4,135	1,109
Cash and cash equivalents at end of year	$7,970	$93	$4,135

See accompanying notes to financial statements.

Notes to Financial Statements

NOTE 1. Nature of Business and Proposed Sale of Assets

Vermont Yankee Nuclear Power Corporation ("the Company") was incorporated under the laws of the State 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 electric generating plant ("the Plant"). The Company's common stock is owned by thirteen utilities, nine of which are the Sponsoring utilities that are entitled 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, 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 sponsoring utilities and their respective entitlement percentages of Vermont Yankee's capacity and output are as follows: Central Vermont Public Service Corporation with 35.0%, Green Mountain Power Corporation with 20.0%, New England Power Company with 20.0%, The Connecticut Light and Power Company with 9.5%, Central Maine Power Company with 4.0%, Public Service Company of New Hampshire with 4.0%, Cambridge Electric Light Company with 2.5%, Montaup Electric Company with 2.5%, and Western Massachusetts Electric Company with 2.5% ("the Sponsors").

The Plant commenced commercial operation on November 30, 1972, and except during maintenance and refueling outages, has been in full operation since that time. The Plant has a gross maximum dependable capacity of approximately 535 megawatts and is licensed by the Nuclear Regulatory Commission to operate until 2012, though there is no assurance that it will do so. Other nuclear plants, including some in the Northeast with similar ownership structures have been shut down prior to the end of their license life for economic reasons. The Federal Energy Regulatory Commission, which regulates the rates charged by the Company under the Power Contracts, has allowed plants that are shut down prematurely for economic reasons to recover the as yet unrecovered costs at the time of the shutdown, if it is determined that the decision to shut down was prudent. These unrecovered costs include undepreciated plant and unfunded nuclear decommissioning costs. The Company prepares periodic economic studies. Study results to date have determined that it is economical to continue to operate the Plant.

On November 17, 1999, following several months of due diligence and negotiations, the Company executed an Asset Purchase Agreement with AmerGen Energy Company, LLC (AmerGen) under which the Company will transfer the Plant, related assets and liabilities including the liability to decommission the Plant, and certain transmission facilities to AmerGen. In conjunction with the sale of the Plant, AmerGen and the Company entered into a Power Purchase Agreement (PPA) whereby the Company will purchase initially 61.5% of the net capacity produced by the Plant from AmerGen and sell that power to certain of the Sponsors under their individual Power Contracts, as amended by 1999 Amendatory Agreements. The PPA extends through March 21, 2012, with buyout options for the Company in 2006 and 2007.

Also on November 17, 1999, the Company executed a Transmission Asset Purchase Agreement with Vermont Electric Power Company, Inc., ("VELCO") under which the Company will transfer certain transmission facilities associated with the Plant to VELCO. These assets are primarily the switchyard facilities located at the Plant site. An Interconnection Agreement between VELCO and AmerGen was also executed on November 17, 1999, under which VELCO will provide interconnection service to AmerGen to interconnect the Plant with the VELCO transmission system. VELCO is a related party since it is owned

56.8% by Central Vermont Public Service Corporation and 29.5% by Green Mountain Power Corporation, each of which is a major shareholder of the Company.

The Company estimates that the price to be paid by AmerGen for the non-transmission assets will range from $10 million to $23.5 million, depending on when the sale occurs. The Company must transfer funds of approximately $313 million to AmerGen at the time of the sale in return for AmerGen accepting the Company's obligations to decommission the Plant and to pay the Texas, Maine and Vermont Low-Level Waste Compact fees. The Company estimates that the price to be paid by VELCO for the transmission assets will be $1.5 million. In order to have sufficient funds to transfer to AmerGen, the Company will need to finance or refinance a total of up to approximately $135 million at rates available at the time of sale.

The above agreements are subject to several conditions including approvals or specific rulings by the Nuclear Regulatory Commission, the Federal Energy Regulatory Commission, the Vermont Public Service Board and the Internal Revenue Service. As such, execution of the Agreements does not provide assurance that the sales will occur.

No loss is expected to be incurred as a result of the sale of the Company's assets and related liabilities. The Company expects that any difference between the book values of the assets and liabilities transferred and the net sale proceeds will be a regulatory asset collectable from the Sponsors over the current remaining license life of the Plant under the Power Contracts as amended. The Company estimates the amount of these "stranded costs" to be approximately $235 million.

NOTE 2. Summary of Significant Accounting Policies

(a) Regulations and Operations

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.

The Company recognizes revenue pursuant to the terms of the Power Contracts and Additional Power Contracts filed with the FERC. 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, plus an allowed return on equity (11.0% since August 1, 1994). Such contracts also obligate the Sponsors to make decommissioning payments through the end of the Plant's service life and 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 3.59%, 4.06% and 3.98% for the years 1999, 1998 and 1997, respectively.

The cost of additions, including replacements and betterments of units of property, is charged to electric plant. Maintenance and repairs of property, and replacements and renewals of items determined to be less than units of property are charged to maintenance expense. The cost of property retired, plus removal or disposal costs, less salvage, is charged to accumulated 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.

In conformity with rates authorized by the FERC, 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 operating license.

(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 operating license.

(e) Long-term Funds

The Company accounts for its investments in long-term funds at fair value as required by Statement of Financial Accounting Standards No. 115. See NOTE 5 for further discussion of this accounting method.

(f) Amortization of Loss on Reacquired Debt

The difference between the amount paid upon reacquisition of any debt security and the face value thereof, adjusted for any unamortized premium or discount, related unamortized debt expense and reacquisition costs, applicable to the reacquired debt, is deferred by the Company and amortized to expense on a straight-line basis over the remaining life of the new debt issuance consistent with the rate treatment authorized by the FERC.

(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 is recovered in cash over the Plant's service life or as nuclear fuel is used through higher revenues associated with higher depreciation and amortization expense.

AFUDC was capitalized at overall effective rates of 6.29%, 5.96% and 6.04%, for 1999, 1998 and 1997, respectively, using the gross rate method.

(h) Decommissioning

The Company is accruing the estimated costs of decommissioning its Plant over the Plant's remaining NRC license life. Any amendments to these estimated costs are accounted for prospectively. See NOTE 3 for further detail.

(i) Taxes on Income

The Company accounts for taxes on income under the liability method. See NOTE 10 for a further discussion of the accounting for taxes on other income.

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) Accrued Expenses

Accrued Expenses represents the Company's best estimate of costs incurred for which no invoice has been received by the Balance Sheet date. The amount shown for 1999 includes $5.7 million in capital project costs, $10.3 million in refueling and maintenance shutdown project costs for the shutdown completed in December 1999 and $12.6 million in other operating and maintenance costs.

(l) Reclassifications

The Company makes reclassifications of information presented in prior period financial statements to conform with the current period when considered significant.

(m) Earnings per Common Share

Basic 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. Diluted earnings per common share have not been disclosed as they do not differ from basic earnings per share.

(n) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the Company to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 3. Decommissioning

The Company accrues estimated decommissioning costs for its nuclear plant over its remaining NRC licensed life. The accrual is currently based on a 1994 site study by an independent engineering firm and a settlement agreement approved by the FERC for rates effective January 1, 1995. The study assumes decommissioning will be accomplished by the prompt removal and dismantling method (DECON) which requires that radioactive materials be removed from the plant site and all buildings and facilities be dismantled immediately after shutdown. The study estimates that approximately seven years would be required to dismantle the Plant at shutdown, remove non-fuel wastes and restore the site, and that spent fuel would be stored on-site in a dry fuel storage facility until 2025. The FERC approved settlement agreement allowed $312.7 million, in 1993 dollars, as the estimated decommissioning cost. This allowed amount is used to compute the Company's liability and billings to the Sponsors. Based on the study's assumed cost escalation rate of 5.4% per annum and an expiration of the Plant's operating license in the year 2012, the estimated current cost of decommissioning is $428.7 million and, at the end of 2012, is approximately $816.6 million. The present value of the pro rata portion of decommissioning costs recorded to date is $290.0 million.

Under the FERC approved settlement agreement for rates effective January 1, 1995, the Company was required to file a revised schedule of decommissioning collections with the FERC based on an updated site study by April 1, 1999. On May 13, 1999, in light of the ongoing discussions involving the possible sale of the Company's nuclear plant, the FERC approved a settlement agreement extending the required filing date to April 1, 2000. The settlement agreement restricts the effective date of any revised schedule of decommissioning collections to no earlier than 120 days after the filing. On January 6, 2000, the Company submitted a filing to the FERC requesting approval of the sale of the nuclear generating plant to AmerGen Energy Company, LLC. The sale of the Plant would transfer responsibility for decommissioning the Plant to the new owner and make a revised schedule of decommissioning collection unnecessary.

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 trust assets are also deferred. These deferred costs will be amortized to expense as they are funded over the remaining life of the Company's operating license.

Cash received from Sponsors for plant decommissioning costs is deposited directly 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., collections pursuant to FERC authorization which are not currently deductible). Earnings on the Decommissioning Trust assets are recorded in other income, with an equal and offsetting amount representing the current period decommissioning cost funded by such earnings reflected as decommissioning expense. On December 31, 1999, the fair market value of the Decommissioning Trust was $247.0 million including pre-tax unrealized appreciation of $37.4 million, and funds held by the Trust were invested in corporate bonds, government securities and equities. See NOTE 5 for further detail.

The staff of the Securities and Exchange Commission has questioned certain current accounting practices of the electric utility industry regarding the recognition, measurement and classification of decommissioning costs for nuclear generating stations in the financial statements of electric utilities. In response to these questions, the Financial Accounting Standards Board ("FASB") has a project on its agenda to review the accounting for obligations associated with the retirement of long-lived assets, including decommissioning of nuclear power plants. If the proposed guidance is adopted, the principal impact on the Company's financial statements would be an increase in the accrued decommissioning costs to the present value of the total obligation, with a corresponding increase in electric plant. The Company does not believe the changes proposed would have an adverse effect on the results of operations due to its current and future ability to recover costs from the Sponsors.

NOTE 4. Deferred Charges, Credits and Other Liabilities

In October 1992, Congress passed the Energy Policy Act of 1992. The Act requires, among other things, that certain utilities help pay for the cleanup of the DOE's enrichment facilities over a fifteen year period. The Company's annual fee is based on its historical share of enrichment services provided by the DOE and is indexed to inflation. The fees are not adjusted for subsequent business as the DOE's cost of sales now includes 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 1999, the Company paid the eighth of the fifteen annual charges. As of December 31, 1999, the Company had recognized a current accrued liability of $1.2 million for the fee payment expected to be made in 2000, a non-current liability of $7.3 million for the expected six annual fee payments that are due subsequent to 2000 and a corresponding regulatory asset of $9.4 million which represents the total amount includible in future billings to the Sponsors under the Power Contracts.

In 1994, the states of Vermont, Maine and Texas each ratified legislation to join a low-level radioactive waste disposal compact for the purpose of disposing of low-level radioactive waste in the state of Texas. The Company has recorded a non-current liability of $23.4 million to recognize the $27.5 million compact fund requirements less amounts on deposit with the State of Vermont and a corresponding deferred debit of $26.0 million which represents the total amount to be included in future billings to the Sponsors under the Power Contracts. The Compact was ratified by the U.S. Congress in 1998. See NOTE 14 for further detail.

During 1996, Vermont Yankee initiated a Design Basis Documentation project expected to be complete by December 31, 2001. This project was undertaken to incorporate all design documentation into a centralized system. The objective is to ensure that Vermont Yankee maintains its safety margins in connection with any plant modifications. The Design Basis Documentation project will create a set of design basis documents which will support more efficient systematic problem solving, maintenance, and system overview. This effort supports the safe, cost effective, long-term operation of the Plant. The Company received FERC approval in 1996 to recognize deferred charges for these unrecovered study costs and amortize the costs through billings to Sponsors over the remaining license life of the Plant. As of December 31, 1999 the Company had recorded deferred charges of $15.8 million net of amortization related to this initiative.

NOTE 5. Long-term Investments

Under generally accepted accounting principles, the Company must account for its investments in certain debt or equity securities by classifying each such security as either trading, available-for-sale or held-to-maturity. Both trading and available-for-sale securities must be reflected on the balance sheet at their aggregate fair values. Held-to-maturity securities are reflected on the balance sheet at amortized cost.

The Company classifies securities in the Decommissioning Trust as available-for-sale. As of December 31, 1999, the Decommissioning Trust had a net unrealized gain of $37.4 million which reduces deferred decommissioning costs because the Company will not realize this gain, rather, the gain will be used to reduce future billings to Sponsors.

The Company also classifies securities held in the Spent Fuel Disposal Fee Defeasance Trust as available-for-sale. As of December 31, 1999, the reported Trust balance includes net unrealized losses of $0.7 million with a corresponding increase reflected in Other Deferred Charges.

The cost and estimated market value of long-term investments at December 31, are as follows (Dollars in thousands):

	1999		1998	
	Cost	Market Value	Cost	Market Value
Decommissioning Trust:				
US Treasury obligations	**$82,568**	**$80,623**	$65,457	$68,674
Municipal obligations	**45,190**	**44,222**	48,542	50,365
Corporate bonds	**28,176**	**27,377**	30,680	31,623
Stocks	**40,556**	**81,682**	38,814	70,666
Accrued interest and money market funds	**13,140**	**13,140**	7,095	7,095
	209,630	**247,044**	190,588	228,423
Spent Fuel Disposal Fee Defeasance Trust:				
US Treasury obligations	**79,219**	**78,715**	85,457	85,899
Municipal obligations	**9,087**	**9,063**	8,427	8,594
Corporate bonds	**10,561**	**10,373**	2,981	2,971
Accrued interest and money market funds	**3,375**	**3,375**	679	679
	102,242	**101,526**	97,544	98,143
Total long-term investments	**$311,872**	**$348,570**	$288,132	$326,566

Pursuant to the Company's arrangements with its Sponsors, the difference between market value and cost of the Decommissioning Trust has been recorded as a decrease to deferred decommissioning costs. The Company's contracts with its Sponsors provide for full recovery of decommissioning costs and any excess or shortage in the fund, including those resulting from investment performance, will be refunded to or collected from Sponsors.

The securities included in the Spent Fuel Disposal Trust represent funds invested by the Company for which the earnings and principal will be used to pay the DOE fee for spent fuel discharged prior to April 7, 1983. See NOTE 8 for further details. Although the Company collected this fee from its Sponsors in rates, it has elected to defer payment as permitted by the contract with the DOE. Since any gains (losses) have the effect of reducing (increasing) the amount of funding necessary to cover the required payment upon delivery of spent fuel to DOE, the Company has included the difference between cost and market value of the Spent Fuel Disposal Trust as a decrease to Other Deferred Charges.

At December 31, gross unrealized gains and losses pertaining to the long-term investment securities in the Decommissioning Trust and the Spent Fuel Disposal Fee Defeasance Trust were as follows (Dollars in thousands):

	1999	1998
Unrealized gains on US Treasury obligations	**$ 248**	$ 4,129
Unrealized losses on US Treasury obligations	**(2,697)**	(470)
Unrealized gains on municipal obligations	**113**	2,265
Unrealized losses on municipal obligations	**(1,105)**	(275)
Unrealized gains on corporate bonds and notes	**3**	977
Unrealized losses on corporate bonds and notes	**(990)**	(44)
Unrealized gains on stocks	**41,271**	31,930
Unrealized losses on stocks	**(145)**	(78)
	$36,698	$38,434

For the years ended December 31, gross realized gains and losses pertaining to the long-term investment securities were as follows (Dollars in thousands):

	1999	1999		1998	1998	
	Total Sale Proceeds	Gross Realized		Total Sale Proceeds	Gross Realized	
		Gain	Loss		Gain	Loss
Decommissioning	$180,245	$2,485	$(2,909)	$189,570	$1,724	$(1,121)
Spent fuel disposal fee defeasance*	$157,279	$662	$(740)	$68,009	$424	$(20)

*Includes maturity of short-term Commercial Paper

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

	1999 Decommissioning Trust	1999 Disposal Fee Defeasance Trust	1998 Decommissioning Trust	1998 Disposal Fee Defeasance Trust
Within one year	$ 1,640	$20,675	$ 4,850	$34,785
One to five years	31,470	64,476	27,678	51,295
Five to ten years	64,608	2,671	62,092	1,935
Over ten years	56,442	4,800	63,498	7,805
	$154,160	$92,622	$158,118	$95,820

NOTE 6. Long-term Obligations

A summary of long-term obligations at December 31, is as follows (Dollars in thousands):

	1999	1998
First mortgage bonds: Series I - 6.48% due 2009	$70,427	$75,845
Commercial Paper - Eurodollar Credit Agreement	26,923	17,429
Total long-term obligations	$97,350	$93,274

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.

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 totaling $3.7 million. Annual cash sinking fund requirements for the Series I first mortgage bonds of $5.4 million began in November 1999.

The Company's $75.0 million Eurodollar Credit Agreement extends through July 19, 2001 subject to two optional one-year extensions. The Company issued commercial paper under this agreement with weighted average interest rates of 5.35% for 1999 and 5.68% for 1998. 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. Borrowings under this agreement were $26.9 million at December 31, 1999.

NOTE 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):

	1999		1998	
	Cost Amount	**Estimated Fair Value**	Cost Amount	Estimated Fair Value
Decommissioning Trust	**$209,630**	**$247,044**	$190,588	$228,423
Spent Fuel Disposal Fee Defeasance Trust	**102,242**	**101,526**	97,544	98,143
Long-term debt	**97,350**	**88,875**	93,274	95,303
Spent fuel disposal fee and accrued interest	**108,774**	**108,774**	103,821	103,821

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.

NOTE 8. Spent Fuel Disposal Fee

Under the Nuclear Waste Policy Act of 1982, the DOE is responsible for the selection and development of repositories for, and the disposal of, spent nuclear fuel and high-level radioactive waste. The Company, as required by that Act, has signed a contract with the DOE to provide for the disposal of spent nuclear fuel and high-level radioactive waste from its nuclear generation station beginning no later than January 31, 1998; however, this delivery schedule has not been met and is expected to be delayed significantly. It is not certain when the DOE will accept spent nuclear fuel and high-level radioactive waste from the Company and other owners of nuclear power plants. These delays by the DOE have caused the Company to consider other costly alternatives for storing high-level waste.

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 6, 1983, and a fee payable quarterly equal to one mill per kilowatt-hour of nuclear generated and sold electricity after April 6, 1983. Although the $39.3 million for the one-time fee has been collected from the Sponsors in rates, the Company has elected to defer payment to the DOE as permitted by the DOE contract. The fee plus accrued interest must be paid no later than the first delivery of spent fuel to the DOE repository. Interest accrues on the unpaid obligation based on the thirteen-week Treasury Bill rate and is compounded quarterly. Through 1999, the Company has accumulated $101.5 million in an irrevocable trust to be used exclusively for defeasing this obligation ($108.8 million including accrued interest) at some future date, provided the DOE complies with the terms of the aforementioned contract.

The Company has primary responsibility for the interim storage of its spent nuclear fuel. The Plant is currently able to operate with the ability to discharge the entire reactor core to the spent fuel storage pool through the year 2001 refueling outage. In 1999 the Company received an NRC license amendment allowing the installation of additional storage racks in the existing spent fuel pool. When installed, the additional storage racks will increase the capacity of the spent fuel pool to allow full core discharge capability through the year 2008 refueling outage. The Company is also investigating other options for additional storage capacity beyond the year 2001.

In November 1997, the U.S. District Court of Appeals for the D.C. Circuit ruled that the lack of an interim storage facility does not excuse the DOE from meeting its contract obligation to begin accepting spent nuclear fuel no later than January 31, 1998. The ruling said, however, that the 1982 federal law could not require the DOE to accept waste when it did not have a suitable storage facility. The court directed the plaintiffs to pursue relief under terms of their contracts with the DOE. Based on this ruling, since the DOE did not take the spent nuclear fuel as scheduled, it may have to pay contract damages.

In May 1998, the same court denied petitions from 60 states and state agencies and 41 utilities, including the Company, asking the court to compel the DOE to submit a program, beginning immediately, for disposing of spent nuclear fuel. The petitions were filed after the DOE defaulted on its January 31, 1998, obligation to begin accepting the fuel. The court directed the Company and other plaintiffs to pursue relief under the terms of their contracts with the DOE.

In a petition filed in August 1998, the court's May 1998 decision was appealed to the U.S. Supreme Court. In November 1998, the Supreme Court declined to review the lower court ruling that said utilities should go to court and seek monetary damages from the DOE.

Also, in November 1998, the U.S. Court of Federal Claims granted summary judgement in favor of Yankee Atomic Power Co., which was the first of 10 utilities to sue at the court. The Court ruled that the DOE violated a commitment to remove spent nuclear fuel from civilian nuclear power plants, but left the amount of damages for later determination by the Court. Since then, the Court has stayed further action in the matter pending a ruling from the Court of Federal Appeals as to the jurisdiction of the Court of Claims over this matter.

In April 1999, a different judge in the U.S. Court of Federal Claims issued a contrary decision in a case involving another utility. The judge rejected the claim of Northern States Power Company saying that the utility "must pursue claims through the administrative remedies established in the Standard Contract" at the agency level before it can sue the DOE in the courts. Northern States Power Company has appealed the decision.

NOTE 9. Short-term Borrowings

The Company had lines of credit from various banks which totaled $6.3 million at December 31, 1999 and 1998. The maximum amount of short-term borrowings outstanding at any month-end was approximately $0.7 million for 1999 and none for 1998. The average daily amount of short-term borrowings outstanding was approximately $0.2 million for 1999 and $0.2 million for 1998 with weighted average interest rates of 7.30% in 1999 and 7.76% in 1998. There were no amounts outstanding under these lines of credit as of December 31, 1999 and 1998.

NOTE 10. Taxes on Income

The Company uses the liability method of accounting for income taxes. 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").

For certain items, the Company's allowed rates have recognized income tax expense on a different method. As a result, the Company has recognized net liabilities to Sponsors of $4.5 million as of December 31, 1999, and $5.0 million as of December 31, 1998, representing taxes collected from them in excess of amounts that would have been recorded under the liability method. These amounts will be systematically returned to Sponsors by reducing future power bills.

The components of income tax expense for the years ended December 31, are as follows (Dollars in thousands):

	1999	1998	1997
Taxes on operating income:			
Current federal income tax	**$6,841**	$8,648	$3,187
Deferred federal income tax	**(5,494)**	(6,995)	(3,418)
Current state income tax	**2,031**	2,642	1,134
Deferred state income tax	**(930)**	(1,529)	1,393
Investment tax credit adjustment	**(545)**	(543)	(534)
	1,903	2,223	1,762
Taxes on other income:			
Current federal income tax	**1,606**	1,762	1,722
Current state income tax	**63**	149	38
	1,669	1,911	1,760
Total income taxes	**$3,572**	$4,134	$3,522

The Company's effective income tax rates differed from the federal statutory rate of 35% for the years ended December 31, as follows:

	1999	1998	1997
Federal statutory rate	**35.0%**	35.0%	35.0%
State income taxes, net of federal income tax benefit	**7.5**	7.3	7.1
Change in state tax rate, net of federal tax benefit	**0.0**	0.0	9.3
Investment credit	**(5.4)**	(4.7)	(5.3)
Book depreciation in excess of tax basis	**2.1**	2.6	2.8
Change in excess deferred tax due to state tax rate change	**0.0**	0.0	(9.3)
Flowback of excess deferred taxes	**(2.6)**	(3.2)	(3.9)
Other	**(1.0)**	(0.3)	(1.0)
	35.6%	36.7%	34.7%

The significant components of deferred tax expense for the years ended December 31, are as follows (Dollars in thousands):

	1999	1998	1997
Decommissioning expense not currently deductible	**$(1,844)**	$(1,509)	$(1,654)
Tax depreciation (under) over financial statement depreciation	**(3,226)**	(4,359)	(676)
Tax fuel amortization (under) over financial statement amortization	**1,038**	(404)	1,516
Tax loss on reacquisition of debt (under) over financial statement expense	**(75)**	(75)	(52)
Pension expense deduction (under) over financial statement expense	**(627)**	(450)	(269)
Postemployment benefits deduction (under) over financial statement expense	**99**	(555)	(473)
Materials and supplies deduction (under) over financial statement expense	**(124)**	43	307
Low-level waste deduction (under) over financial statement expense	**327**	(661)	737
Flowback and other change in excess deferred taxes	**(264)**	(356)	(1,343)
Other, net	**(1,728)**	(198)	(118)
	$(6,424)	$(8,524)	$(2,025)

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities at December 31, are presented below (Dollars in thousands):

	1999	1998
Deferred tax assets:		
Accumulated amortization of final nuclear core	$4,561	$4,264
Nuclear decommissioning liability	13,126	10,948
Regulatory liabilities	3,181	3,526
Accumulated deferred investment credit	1,607	1,832
Accumulated amortization of materials and supplies	2,859	2,713
Pension and retiree benefit liabilities	5,097	4,568
Accrued low-level waste disposal costs	1,856	2,183
Other	2,361	811
Total gross deferred tax assets	34,648	30,845
Less valuation allowance	(3,150)	(2,748)
Net deferred tax assets	31,498	28,097
Deferred tax liabilities:		
Plant and equipment	(35,622)	(37,802)
Other	(3,553)	(3,978)
Total gross deferred tax liabilities	(39,175)	(41,780)
Net deferred tax liability	$(7,677)	$(13,683)

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

NOTE 11. Supplemental Cash Flow Information

The following information supplements the cash flow information provided in the Statements of Cash Flows (Dollars in thousands):

Cash paid during the year for:	1999	1998	1997
Interest (net of amount capitalized)	$6,350	$5,978	$5,330
Income taxes	$13,174	$14,815	$6,242

NOTE 12. Pension, Post Retirement and Other Benefit Plans

The Company has two qualified defined benefit pension plans which together cover substantially all of its employees. The benefits provided under these plans are based on final average earnings, integrated with Social Security benefits. The Company also has a supplemental unfunded nonqualified pension plan for certain employees providing benefits based on final earnings. In addition, the Company has two postretirement welfare benefit plans providing healthcare and life insurance benefits to retired employees (and their covered spouses).

The Company has two severance plans which together provide substantially all of its employees with continuing income and other benefits for a period of time in the event of a layoff. The individual benefits provided under these plans are based on the employee's final base salary and years of service with the Company. Since the benefits provided under these plans are event driven and no such event has occurred, the plans have had no impact on the results of operations or financial position of the Company. The anticipated sale of Company's assets is not expected to result in a significant payment of benefits under these plans as substantially all of the Company's employees are expected to be transferred to the new owner at the time of the sale and the new owner would accept these plans.

The following tables reconcile the beginning and ending benefit obligation balances for the plans:

Pension plan benefits (aggregated)	**1999**	**1998**
Beginning of year benefit obligation	**$31,253**	$26,123
Service cost	**1,855**	1,588
Interest cost	**2,224**	1,979
Actuarial loss (gain)	**(4,456)**	2,452
Disbursements	**(737)**	(688)
Plan Amendments	**4**	0
Settlements/curtailments	**0**	(201)
End of year benefit obligation	**$30,143**	$31,253

Postretirement welfare plan benefits (aggregated)	**1999**	**1998**
Beginning of year benefit obligation	**$11,716**	$12,502
Service cost	**1,046**	1,010
Interest cost	**768**	801
Participant contributions	**8**	6
Actuarial loss (gain)	**(2,240)**	(2,363)
Disbursements	**(233)**	(240)
Plan Amendments	**(404)**	0
End of year benefit obligation	**$10,661**	$11,716

The following tables reconcile the beginning and ending fair value of assets for the plans:

Pension plan assets (aggregated)	**1999**	**1998**
Beginning of year fair value of assets	**$33,724**	$29,590
Actual return on assets	**1,469**	4,737
Company contributions	**98**	85
Disbursements	**(737)**	(688)
End of year fair value of assets	**$34,554**	$33,724

Postretirement welfare plan assets (aggregated)	**1999**	**1998**
Beginning of year fair value of assets	**$12,249**	$9,923
Actual return on assets	**301**	1,291
Company contributions	**396**	1,358
Disbursements (net)	**(225)**	(323)
End of year fair value of assets	**$12,721**	$12,249

Plan assets consist primarily of cash equivalent funds, fixed income securities and equity securities.

The following tables reconcile the funded status of the plans as of December 31:

Pension plans (aggregated)	1999	1998
Projected benefit obligation (PBO)	**$(30,143)**	$(31,253)
Fair value of assets (FVA)	**34,554**	33,724
PBO less than (in excess of) FVA	**4,411**	2,471
Unrecognized prior service cost	**1,067**	1,163
Unrecognized net transition obligation	**648**	711
Unrecognized actuarial loss (gain)	**(15,408)**	(12,185)
Net amount recognized	**$(9,282)**	$(7,840)
Amounts recognized in the balance sheets:		
Accrued benefit liability	**$(9,282)**	$(7,840)
Additional minimum liability	**(191)**	(392)
Intangible asset	**191**	392
Net amount recognized	**$(9,282)**	$(7,840)

Postretirement welfare plans (aggregated)	1999	1998
Accumulated postretirement benefit obligation (APBO)	**$(10,661)**	$(11,716)
Fair value of assets (FVA)	**12,721**	12,248
APBO less than (in excess of) FVA	**2,060**	532
Unrecognized net transition obligation	**6,494**	7,439
Unrecognized actuarial loss (gain)	**(8,353)**	(7,319)
Net amount recognized	**$ 201**	$ 652
Amounts recognized in the balance sheets:		
Prepaid benefit cost	**$1,485**	$1,468
Accrued benefit liability	**(1,284)**	(816)
Net amount recognized	**$ 201**	$ 652

Net periodic benefit costs recognized for the periods ended December 31 are as follows:

Pension benefits (aggregated)	1999	1998	1997
Service cost	**$1,856**	$1,588	$1,095
Interest cost	**2,224**	1,979	1,673
Expected return on assets	**(2,463)**	(2,170)	(1,916)
Net amortization:			
Prior service cost	**100**	100	110
Net actuarial loss (gain)	**(253)**	(269)	(405)
Net transition obligation	**63**	63	63
Total amortization	**(90)**	(106)	(232)
Loss (gain) recognized due to settlement/curtailment	**0**	(106)	(145)
Net periodic benefit cost	**$1,527**	$1,185	$ 475

Postretirement welfare benefits (aggregated)	1999	1998	1997
Service cost	**$1,046**	$1,010	$700
Interest cost	**768**	801	802
Expected return on assets	**(914)**	(756)	(595)
Net amortization:			
Net actuarial loss (gain)	**(580)**	(448)	(370)
Net transition obligation	**541**	572	889
Total amortization	**(39)**	124	519
Net periodic benefit cost	**$861**	$1,179	$1,426

The following weighted average assumptions were used as of December 31:

	1999	1998	1997
Discount rate	**7.50%**	6.75%	7.00%
Compensation scale	**4.00%**	4.00%	4.00%
Expected return on assets:			
Management VEBA (post-tax)	**6.00%**	6.00%	6.00%
All other plan assets	**8.50%**	8.50%	8.50%

For measurement purposes, a 6.5% percent annual rate of increase in the per capita cost of covered health care benefits was assumed for 2000. The rate was assumed to decrease to 5.5% percent for 2001 and remain at that level thereafter. A one percentage point change in assumed health care cost trend rates would have the following effects on the information for the postretirement welfare plans:

	1% Increase	1% Decrease
Effect on total service and interest cost components	$375	$(298)
Effect on accumulated postretirement benefit obligation	$1,964	$(1,579)

NOTE 13. Lease Commitments

The Company leases equipment and systems under noncancelable operating leases. Charges against income for leases were approximately $7.2 million in 1999 and $7.3 million in 1998 and 1997.

Minimum future lease payments as of December 31, 1999 are as follows (Dollars in thousands):

Fiscal years ended	Annual Leases
2000	$ 4,762
2001	4,618
2002	4,618
2003	4,618
2004	4,618
Thereafter	2,309

Included in the above lease payments is the cost of low-pressure turbines constructed by General Electric Corporation valued at approximately $30.8 million including installation costs when installed in 1995. Under the lease agreement which commenced on July 1, 1995, the Company will make 120 monthly payments of $384,834.

NOTE 14. Commitments and Contingencies

(a) Low-level Waste

In 1998, the U.S. Congress approved the tri-state compact between Vermont, Texas and Maine to site a facility in Texas for the disposal of low-level radioactive waste. Also in 1998, the proposed Texas low-level waste disposal site in Hudspeth County was rejected because of geological and socioeconomic concerns. Various parties have proposed alternative sites in Texas. Because of delays in the ratification and siting processes, the Company cannot predict when a facility in Texas will be licensed and built. However, it is unlikely that waste disposal under the compact will begin prior to 2002. The Company has been disposing low-level waste at other active sites and currently has the capacity to store all of its low-level waste on site until the year 2004. If the Texas facility is not available by that date, other options will continue to be pursued. The accompanying financial statements include a $4.5 million cost estimate to dispose of waste currently stored on site. The actual cost of disposal could differ from these estimates. Any difference in costs would likely be collected from or refunded to the Sponsors and would not have a material impact on the Company.

Under the proposed compact, Vermont will pay Texas up to $27.5 million to site, license and construct the disposal facility. The Company has received approval from FERC to recover the cost of this compact from Sponsors over the remaining license life of the Plant, commencing with the first payment to Texas.

The Company has recorded a non-current liability of $23.4 million to recognize the $27.5 million compact fund requirements less the remaining fund balance from the State of Vermont, and a corresponding deferred debit of $26.0 million which represents the total amount to be included in future billings to Sponsors under the Power Contracts. The deferred debit and deferred credit amounts have both decreased by $0.2 million from the amounts reflected in 1998 as a result of earnings on the State of Vermont fund balance.

(b) Nuclear Fuel

The Company has several "requirements based" contracts for the four components (uranium, conversion, enrichment and fabrication) used to produce nuclear fuel. These contracts are executed only if the need or requirement for fuel arises. Under these contracts, any disruption of operating activity would allow the Company to cancel or postpone deliveries until actually required. The contracts extend through various time periods and contain clauses to allow the Company the option to extend the agreements. Negotiation of new contracts and renegotiation of existing contracts routinely occurs, often focusing on one of the four components at a time. The price of the 1999 reload was approximately $21 million. Future reload costs will depend on market and contract prices.

On January 20, 1997, the Company entered into an agreement with a former uranium supplier whereby the supplier could opt to terminate a production purchase agreement dated August 4, 1978. Although there had been no transactions under the production purchase agreement for several years, the Company maintained certain financial rights. In consideration for the option to terminate the production purchase agreement and the subsequent exercise of the option, the Company received $0.6 million in 1997 which was recorded as an offset to nuclear fuel expense. The potential future payments to be received over a ten-year period, range from $0.0 million to $1.6 million. No payments were received in either 1999 or 1998 under this agreement. Due to the uncertainty of this transaction, the potential benefits will be recorded on a cash basis.

(c) Insurance

The Price-Anderson Act currently sets the statutory limit of liability from a single incident at a nuclear power plant to $9.5 billion. Any damages beyond $9.5 billion are indemnified under the Price-Andersen Act, 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 $9.3 billion per incident by assessing each of the 106 reactor units that are currently subject to the Program in the United States a total of $88.1 million, limited to a maximum assessment of $10 million per incident per nuclear unit in any one year. The maximum assessment is adjusted at least every five years to reflect inflationary changes.

The above insurance now covers all workers employed at nuclear facilities for bodily injury claims. The Company had previously 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 no longer participates in this retrospectively based worker policy and has replaced this policy with the guaranteed cost coverage mentioned above. The Company does however retain a potential obligation for retrospective adjustments due to past operations of several smaller facilities that did not join the new program. These exposures will cease to exist no later than December 31, 2007. Vermont Yankee's maximum retrospective obligation remains at $3.1 million. The Secondary Financial Protection layer, as referenced above, would be in excess of the Master Worker policy.

Insurance has been purchased from Nuclear Electric Insurance Limited ("NEIL") to cover the costs of property damage, decontamination or premature decommissioning resulting from a nuclear incident. All companies insured with NEIL are subject to retroactive assessments if losses exceed the accumulated funds available. The maximum potential assessment against the Company with respect to NEIL losses arising during the current policy year is $10.7 million. 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.

(d) Industry Restructuring and Other Regulatory Developments

The electric utility industry is in a period of potential transition which may result in a shift away from cost of service and return on equity based rates to market based rates. Most states in which the Company's Sponsors operate, including Vermont, are exploring or, in some cases, have implemented plans to bring greater competition, customer choice, and market influence to the industry while retaining the benefits associated with the current regulatory system.

The Company cannot predict what effect these restructuring plans will have on the Company or its Sponsors. It is possible, however, that these restructuring orders or other regulatory actions could have a material adverse effect on the Sponsors, which could, in turn, have a material adverse effect on the Company.

(e) Year 2000 Issue (unaudited)

The so-called "Year 2000 Issue" was the concern among all businesses that various critical software applications and embedded systems would be unable to correctly process dates beyond December 31, 1999. A failure to correct critical Year 2000 processing problems prior to January 1, 2000, could have resulted in material adverse operational and financial consequences if the affected systems either ceased to function or produced erroneous data.

The Company experienced no failures or business interruptions as a result of the transition from December 31, 1999, to January 1, 2000. All required work relating to the so-called "Year 2000 issues," including testing for the leap year date of February 29, 2000, was completed in 1999. The work consisted of analysis, remediation, testing, contingency plan development, and regulatory reporting in preparation for the transition from December 31, 1999, to January 1, 2000, and beyond. Total cost incurred in 1999 relating to this work was approximately $1.4 million.

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Chairman
Vermont Yankee Nuclear Power Corporation
Brattleboro, VT
President and Chief Executive Officer
Central Vermont Public Service Corporation
Rutland, VT

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(1) Resigned May 26, 1999
(2) Elected May 26, 1999
(3) Resigned August 17, 1999
(4) Elected August 17, 1999
(5) Resigned February 23, 2000
(6) Elected February 23, 2000

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Controller and Secretary

JOHN A. RITSHER, Esq.
Assistant Secretary (3)

NANCY S. MALMQUIST
Assistant Secretary (4)

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(1) Elected July 19, 1999, Resigned August 17, 1999
(2) Elected October 27, 1999
(3) Resigned February 23, 2000
(4) Elected February 23, 2000

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