Annual Report for 2007

Balance.

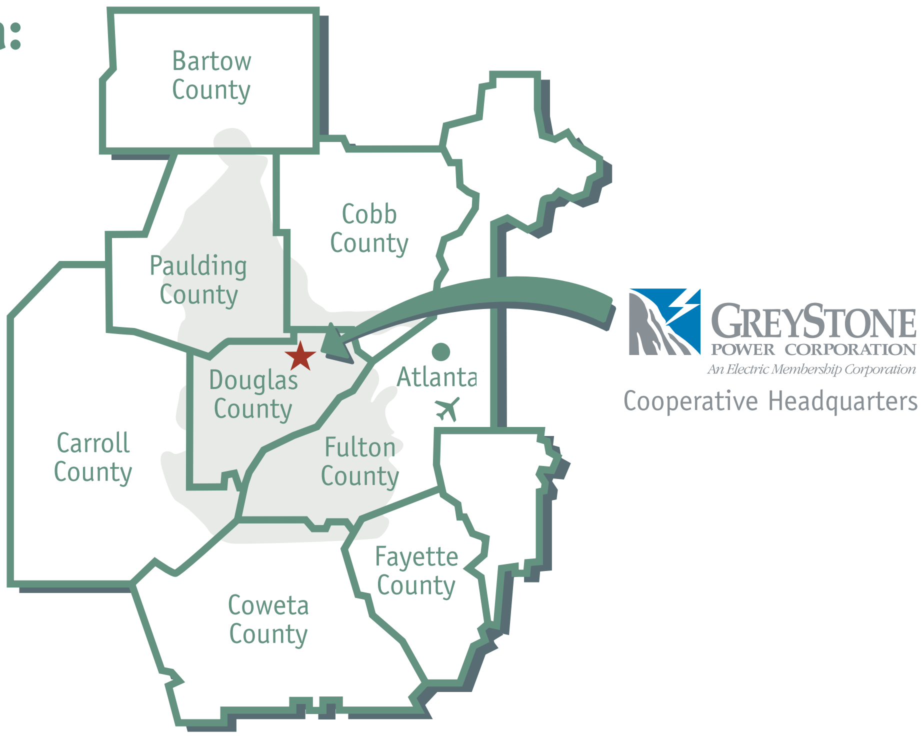
balancing your need for energy with a bright future

GreyStone
Power Corporation
An Electric Membership Corporation

Our Mission:

To provide reliable and cost-competitive electric and related services that position the Cooperative as the utility of choice.

Service Area:



Key Statistics:

	Number of Meters	Operating Revenue	Miles of Line	Kilowatt-Hours Sold
1967	15,532	$ 1,572,769	1,589.80	97,822,829
1977	30,675	$ 14,278,153	2,331.01	398,185,851
1987	44,759	$ 43,216,253	3,008.08	657,982,362
1997	66,167	$ 81,089,982	3,998.62	1,103,875,300
2007	112,535	$210,440,864	6,417.59	2,608,503,312

Contents

A message from the Chairman and President/CEO

GreyStone Chairman Calvin Earwood and President/CEO Gary Miller

Balance. We strive for that at GreyStone Power, whether it's balancing your need for energy with concern for the environment or balancing income and expenses in order to provide affordable rates.

For example, innovative technology enables us to provide the best electric service, while saving on fuel costs. In 2007, we launched our automated meter reading (AMI) project. Over the next three years we plan to replace every meter, so each one automatically sends its reading to our office.

That means we will no longer need to have someone come to your home each month to read your meter, saving both money and resources for fuel. Eventually, you won't even have to call us to report an outage. Your meter will do it for you.

Members have told us that reliable electric service is just as valuable as saving money. Last year, according to the Average Service Availability Index, GreyStone members had power an average 99.98 percent of the time.

GreyStone Power members enjoy some of the lowest electric rates in Georgia. According to the Georgia Public Service Commission's seasonal surveys on electric rates, GreyStone Power's winter rate, (that's the rate from November through May), was the lowest in the state among both Georgia Power and the other 41 electric co-ops.

Our summer rates (between June and October), were well below Georgia Power and 18th overall among other cooperatives in the state. When you average the summer and winter rates, it is clear that GreyStone Power members are paying some of the lowest power costs in Georgia.

Unfortunately, energy costs are rising. No doubt you're also aware of climate change concerns and the need to develop renewable energy sources. Our elected officials are debating on how to respond, as well as reduce our dependence on foreign oil. Whatever your opinion is on these issues, one thing is certain – they will have a dramatic effect on the cost of electricity in the future.

We've been working to expand our use of renewable energy through Green Power EMC, a partnership of 38 electric cooperatives in Georgia. But renewable energy is not going to be enough to meet the increasing demand for electricity.

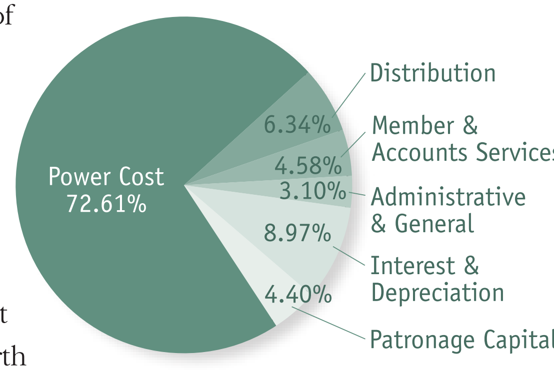
Here in the Southeast, we don't have the adequate wind to generate a dependable supply of electricity. Also, energy produced from wind and solar sources currently costs three times what we pay for wholesale power today.

Because of the immediate need for additional energy and the high cost and unreliability of renewables, we have partnered with nine other Georgia co-ops to develop plans for a state-of-the art coal-based plant. The plant, located in Washington County, would generate 850 megawatts using the latest in clean-coal technology. The plant's highly efficient design would result in a per-unit cost of electricity significantly lower than comparable plants. That would result in keeping rates more stable for the people we serve while assuring a dependable supply of electricity is available. Once in operation the plant would be the cleanest coal plant in the state.

GreyStone has also secured very favorable power purchase contracts, but these contracts expire at the end of 2010. We are negotiating contract extensions, as well as examining other options.

Unfortunately, it appears that due to the political, environmental and fuel cost volatility, we anticipate an increase in wholesale power costs between now and 2011 of approximately 38 percent. In our business, the cost of produced power accounts for nearly 73 cents of every dollar we spend to deliver energy to your door. We will continue to look for ways to mitigate rate increases.

Where Your Money Goes



This increase is unavoidable, but rest assured that with guidance from your Board of Directors, we will press lawmakers to ensure that electricity costs won't spiral out of control if Congress enacts a carbon emissions law. We will continue to fight for you to make sure that the actions we take as a nation are worth what we pay in electric bills in the years ahead.

Any margins – or *profits* as they are called in an investor-owned business – are returned periodically to GreyStone members. In 2007, we returned more than $3 million to members, bringing the total returned through 2007 to $38 million.

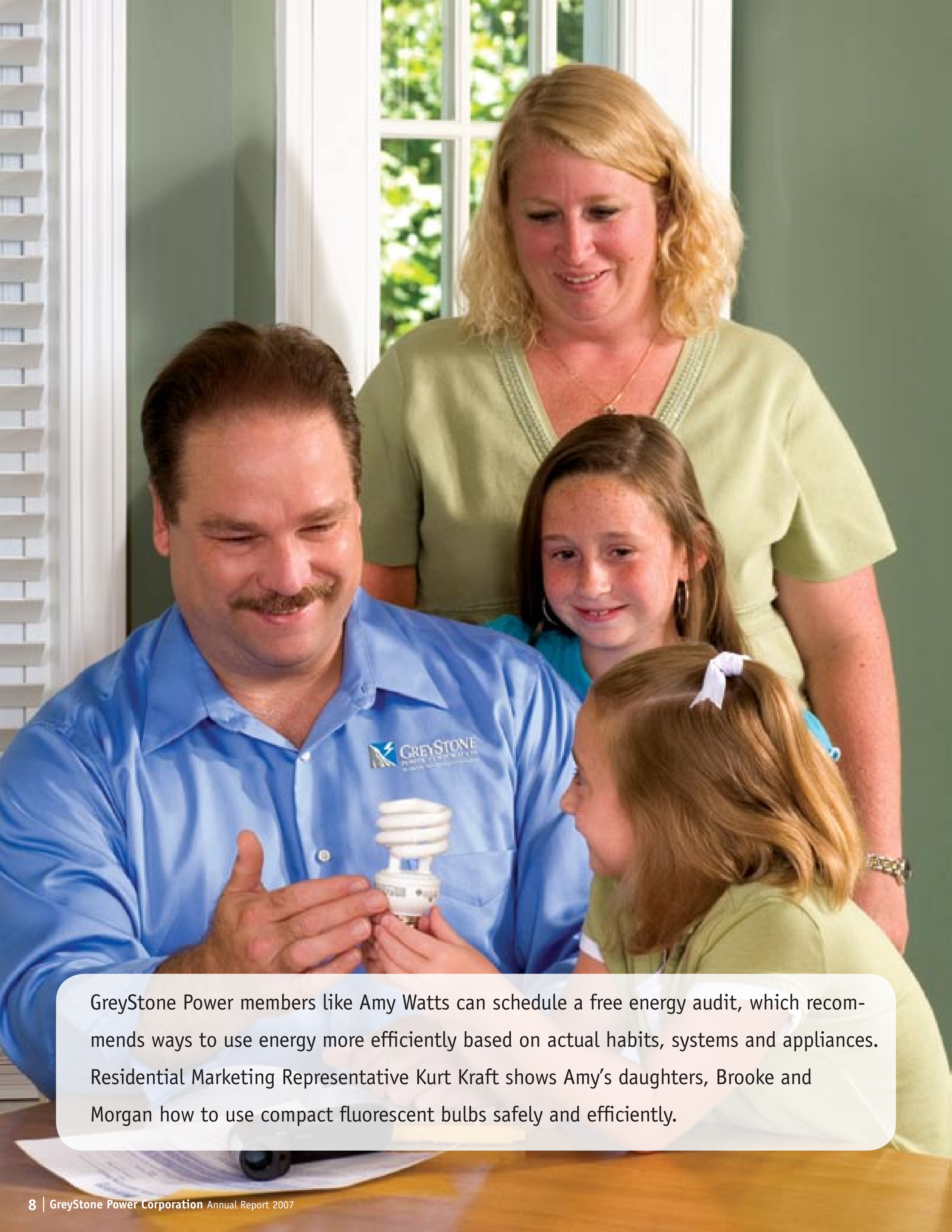
Yet, often the value GreyStone provides can't be measured purely in dollars and cents. We balance being a healthy business with being a good neighbor to the community. That's why we were honored this year when the Douglas County Chamber of Commerce named GreyStone Power as Large Business of the Year.

We work hard to provide value to our members, whether it's through helping save energy in the home, providing innovative technology, ensuring reliable service or giving you the simple value of providing your children with educational opportunities and leadership training. It's a pleasure to serve you as we balance your need for energy with a very bright future.

Gary Miller
President/CEO

Calvin Earwood
Chairman of the Board

The GreyStone Power Board of Directors and President/CEO include: *Front row (L-R):* Chairman Calvin Earwood, District 1: Paulding/Bartow counties; Secretary-Treasurer Jennifer DeNyse, District 5: Carroll and Douglas counties; Vice Chairman John Walton, District 2: Paulding County; President/CEO Gary Miller. *Back row (L-R):* Milton Jones, District 7: Fulton County; Burnell Redding, District 4: Carroll and Douglas counties; Charles Rutland, District 3: Douglas and Paulding counties; Ed Garrard, District 9: Cobb County; Maribeth Wansley, District 6: Fulton, Fayette and Coweta counties and Fred Wallace, District 8: Douglas County.



GreyStone Power members like Amy Watts can schedule a free energy audit, which recommends ways to use energy more efficiently based on actual habits, systems and appliances. Residential Marketing Representative Kurt Kraft shows Amy's daughters, Brooke and Morgan how to use compact fluorescent bulbs safely and efficiently.

Employees recycle everything from wire to computer parts to paper.

Balancing the need to provide reliable electricity with the responsibility of environmental stewardship is a priority at GreyStone Power. In 2007, your cooperative purchased one Toyota Prius® vehicle and has leased two others to wisely use fuel, and the co-op is currently using a 20 percent alternative fuel mixed with diesel fuel to power the fleet of 64 different vehicles, including trucks, tractors and trenchers. With this change, GreyStone used 18,000 less gallons of fossil fuel than it would have otherwise.

The same employees who operate those vehicles also recycle parts used in building and maintaining the power delivery system. Four large bins on each work dock provide a place for linemen to recycle these items after a long day working on the lines. *(See graph on page 11.)*

Office employees recycle everything from computer parts to paper. Last year, a shredding service collected and recycled 11 tons of paper from the Douglasville and Dallas offices. GreyStone Power has also replaced every incandescent bulb in its offices with compact fluorescents.

Three residential marketing representatives work with GreyStone members to help them use energy more efficiently, as well. One of the most comprehensive ways is through an energy audit. A specialist goes to a member's home and physically inspects the house's heating and cooling system, windows, lighting, water heater, appliances and other key aspects that affect energy use.

The representative asks the member a series of questions about when and how they use energy. After reviewing all the information, the specialist makes recommendations for making the house more energy-efficient and for the member to use energy more wisely. In addition to saving electricity, the member can reduce energy bills by following that advice. Many families benefited from this free service in 2007. To sign up, a member may simply call GreyStone Power to schedule an appointment.

Linemen like Matt Freeman and Aaron Parrott use biofuel to power their vehicles.

While on the Web site, check out the *Home Energy Calculator* and the *Home Energy Saver* tools.

For those who like to follow directions, a free and helpful booklet is available at *www.greystonepower.com* or through the mail. Simply call 770-942-6576 or e-mail your request for the *Plug into Home Energy Savings* booklet to *memberservices@greystonepower.com*. A Spanish version is also available.

While on the Web site, check out the Home Energy Calculator and the Home Energy Saver tools. They will enable you to see how making energy-efficient changes can make a big difference in how much energy you consume.

The co-op's newsletters, *Member Matters* in *Georgia Magazine* and *The GreyStone Report*, also offer energy-saving tips. You can send your questions or tips to GreyStone Power, and they may be published with the energy specialist's answers in the newsletters.

Did you know?
Heating and cooling your home uses more energy than any other source. Just as a tune-up for your car improves gas mileage, a tune-up for your heating and cooling system can improve efficiency and comfort.

Materials Recycled in 2007

- 1,016 lbs. Computer Parts
- 2,613 Lamps
- 1,373 Wood Wire Reels
- 72 Steel Conduit Reels
- 176.5 tons of Aluminum
- 200 lbs. Copper
- 43 tons of Steel

Top left: Wayne Glover, director of commercial marketing, drives a Toyota Prius® vehicle to conserve fuel as he visits area businesses.

Top right: Caulking around doors and windows is one of the most cost-effective ways members can make their homes more energy-efficient.

Bottom right: Lizzie Bowen, public relations and communications assistant/food services coordinator, like other GreyStone Power employees, recycles all kinds of paper.

Bottom left: Steve Jenkins, line foreman, puts wire into one of four recycling bins for materials used in construction and maintenance of the power delivery system.

The graph on the left shows many of the materials that are recycled.

At Hiram High School, GreyStone and Green Power EMC have installed a grid-tied inverter that feeds power into the school's electrical system. Students and teachers may use system data for studies of math, science, and the environment.

Since inception, Green Power EMC has generated more than 126,346,381 kilowatt-hours of green energy.

Balancing the need to be a healthy business while serving the community is at the heart of GreyStone Power. That's why the co-op, as part of the Partners in Education program, supports schools throughout the service area in a multitude of ways.

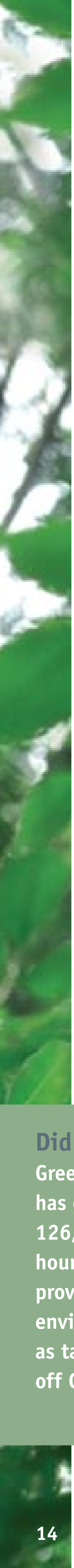
Through Green Power EMC, GreyStone works with the Paulding County school system for Sun Power for Schools. The cooperative partners with 38 others in the state to run Green Power EMC, a not-for-profit cooperative that produces electricity from cleaner, greener Georgia sources and adds it to the co-ops' power supply mix. Both home and business consumers can support cleaner, renewable energy to supply a portion of their electric needs.

Green Power EMC taps "green" resources such as biomass, solar, and water to generate electricity. Since inception, the effort has generated more than 126,346,381 kilowatt-hours of green energy, providing the same environmental benefits as taking 124,898 cars off Georgia's roads, or planting 177,979 acres in trees.

The Sun Power for Schools program educates students about renewable energy and its impact on the environment. At Hiram High School, GreyStone and Green Power EMC have installed a grid-tied inverter that feeds power into the school's electrical system. The photovoltaic system, overlooking the stadium at the school, harnesses energy from the sun and provides online data monitoring to the classroom. Students and teachers may use system data for studies of math, science, and the environment.

This commitment to quality education is also reflected in the Clower Scholarship program. In 2007, two $2,500 scholarships were awarded to Chattahoochee Technical College student and Hiram member Burtrum Burt and to West Central Technical College student and Douglasville member Mechelle Pulliam. The Tim B. Clower Scholarship is awarded annually by GreyStone to two deserving technical students in honor of former President/CEO Tim Clower and his dedication to technical education.

GreyStone Power member Mechelle Pulliam (L) was selected to receive one of two $2,500 scholarships awarded by GreyStone through the Tim B. Clower scholarship fund. West Central Technical College Campus Director Lisa Doney congratulates Mechelle.



Being a member of GreyStone Power has its privileges, as people saw in fall of 2007 when they received a Co-op Connections membership card.

Six local high school juniors represented GreyStone Power on the 2007 Youth Tour to Washington, D.C. They joined more than 1,500 students from across the nation to experience the nation's capital and to learn about leadership and public service, as well as the rural electrification program.

GreyStone supports many civic and charitable organizations locally including working with the Cultural Arts Council of Douglasville-Douglas County. Employees from the cooperative serve as project volunteers and members of the board of directors for the Council and for many other organizations and clubs in the area including Relay for Life, March of Dimes, Boys & Girls Club, Literacy Council, S.H.A.R.E. House, Sertoma, Rotary Club, and United Way.

In 2007, United Way in Douglas County honored GreyStone Power's employees, directors and retirees with the Commitment to Community Award. Last year, members of the GreyStone family donated $20,500 to United Way, helping more than 28,000 children and adults in Paulding and Douglas counties. Through payroll deductions and donations, more than 400 programs – like the Boys and Girls Club, Douglas Senior Services and Shepherd's Rest Ministries – benefited.

Being a member of GreyStone Power has its privileges, as people saw in fall of 2007 when they received a Co-op Connections membership card. The card offers discounts on a wide range of services, including prescriptions, oil changes, spa treatments, restaurants, day care, chiropractic services and jewelry. More than 150 businesses, both here and across the nation, offer discounts to GreyStone Power members through the Co-op Connections Card. A list of participating businesses may be found at *www.greystonepower.com*.

Did you know?
Green Power EMC has generated over 126,346,381 kilowatt-hours of green energy, providing the same environmental benefits as taking 124,898 cars off Georgia's roads.

Clockwise from top left: Six deserving youth represented GreyStone Power on the 2007 Youth Tour to Washington, D.C. *Back row (L-R)* Bramwel Kithuka, Sawyer Miller, Justin Chester. *Front row (L-R)* Olivia Drain, Dayana Diaz, and Rosemary Gay.

GreyStone Power member Jimmy Haddle paints a room at the Douglas County Boys and Girls Club during the United Way Day of Caring.

Members Marie Washington *(L)* and Teresa Smith *(R)* fill a care package with basic items like shampoo and soap to distribute to women in need at S.H.A.R.E House. GreyStone Power members help fund the program's assistance to victims of domestic violence through Operation Round Up.

GreyStone Power delivered Co-op Connections discount cards to all members in the fall of 2007.

GreyStone member Steve Nygren, with his daughter Garnie, stands in front of Serenbe, an energy-efficient community founded by he and his wife, Marie, in the new city of Chattahoochee Hill Country near Palmetto. The Inn at Serenbe was the first GreyStone commercial member to sign up for Green Power EMC.

GreyStone Power employees are working to energize the community from the inside out.

Balancing the need to support area businesses with helping them use energy resources wisely is essential to economic development at GreyStone Power. The co-op's trained professionals provide businesses with expert energy advice. Specific answers can be found through online energy analysis and energy libraries on the "Commercial Services" section of *www.greystonepower.com*. Professional on-site consultations and services, including walk-through energy audits and infrared thermal imaging are available to members of GreyStone.

Commercial members can also support Green Power EMC, which plugs into "green" resources such as biomass, solar, and water to generate electricity. The Inn at Serenbe was GreyStone's first commercial member to support the effort. As Green Power members, The Inn helps fund research into new ways to develop cleaner, greener energy in Georgia, like Plant Carl. The renewable energy plant, which opens this fall, will generate 20 megawatts of electricity as the first poultry litter-to-energy operation in Georgia. Green Power participants also support current green power generation at several solar, landfill and hydroelectric sites.

But the GreyStone Power team does more than help build more energy-efficient buildings. They are at the core of community organizations, like the Douglas County Chamber of Commerce, where GreyStone employees serve on the board. The Chamber's monthly GreyStone Power Luncheon has succeeded as a networking event, and many GreyStone employees serve on – or chair – Chamber committees.

Working with the Chamber, GreyStone has helped launch the new *Douglasjobs.com* Career Center, created the new Hispanic Businesspersons Roundtable, provided human resources training opportunities and assisted with many other programs and ideas. Employees are working to energize the community from the inside out.

GreyStone Power supports the Cultural Arts Council of Douglasville/Douglas County in many ways, so it was a fitting moment when Douglas County Chamber Board Chairman and GreyStone employee Ed Cahill presented the "Small Business of the Month" award to Laura Lieberman, executive director.

The Douglas County School System chose GreyStone Power over Georgia Power to supply energy to two new schools being built on Mason Creek Road.

EMC Security, GEMC Federal Credit Union, Fleet Services and Gas South offer additional services to members and others.

As a way to provide additional services to members, GreyStone Power with Jackson EMC and Walton EMC, owns EMC Security.

EMC Security offers security and fire protection for as low as $16.95 per month. Advanced burglar and fire alarm systems provide 24-hour monitoring. In addition, protection for medical response is also available.

Other technologies include advanced wiring, central vacuum, home theater and entertainment, and whole house audio/video. A wide range of commercial and industrial products and services include card access DVR, cameras, and remote access.

As of Dec. 31, 2007 there were a total of 4,117 active customers enrolled in EMC Security services. Information is available at *www.emcsecurity.com.*

Other services available to GreyStone Power members are through GEMC Federal Credit Union. With offices located in GreyStone's Douglasville and Dallas offices this is a full-service credit union.

The credit union provides a wide array of financial services. These include low-interest loans and mortgages, free dividend-paying checking and high dividend savings accounts, supported by courteous, knowledgeable representatives.

As of April 30, the credit union had a total membership of 11,280. Of those, 4,652 – or 41.2 percent – were GreyStone Power members.

GEMC Federal Credit Union has total assets of $67,831,897. GreyStone Power members represent $21,048,848 or 31.1 percent of the total assets.

GreyStone has more than 70 years of experience in servicing the co-op's utility vehicles. In 1995, as the need for service grew dramatically, Fleet Services became a full-service operation for fellow EMCs, telephone companies and other companies with utility fleets.

In 2007, Fleet Services serviced and maintained GreyStone's 176 pieces of equipment and provided repairs and maintenance for 40 other companies. This resulted in outside revenues of more than $430,000.

Did you know?
By signing up to begin receiving e-statements from GEMC FCU, you can save a tree and plant a tree! With every new e-statement user, GEMC FCU will donate money to help plant new trees in Georgia.

Employee Achievements

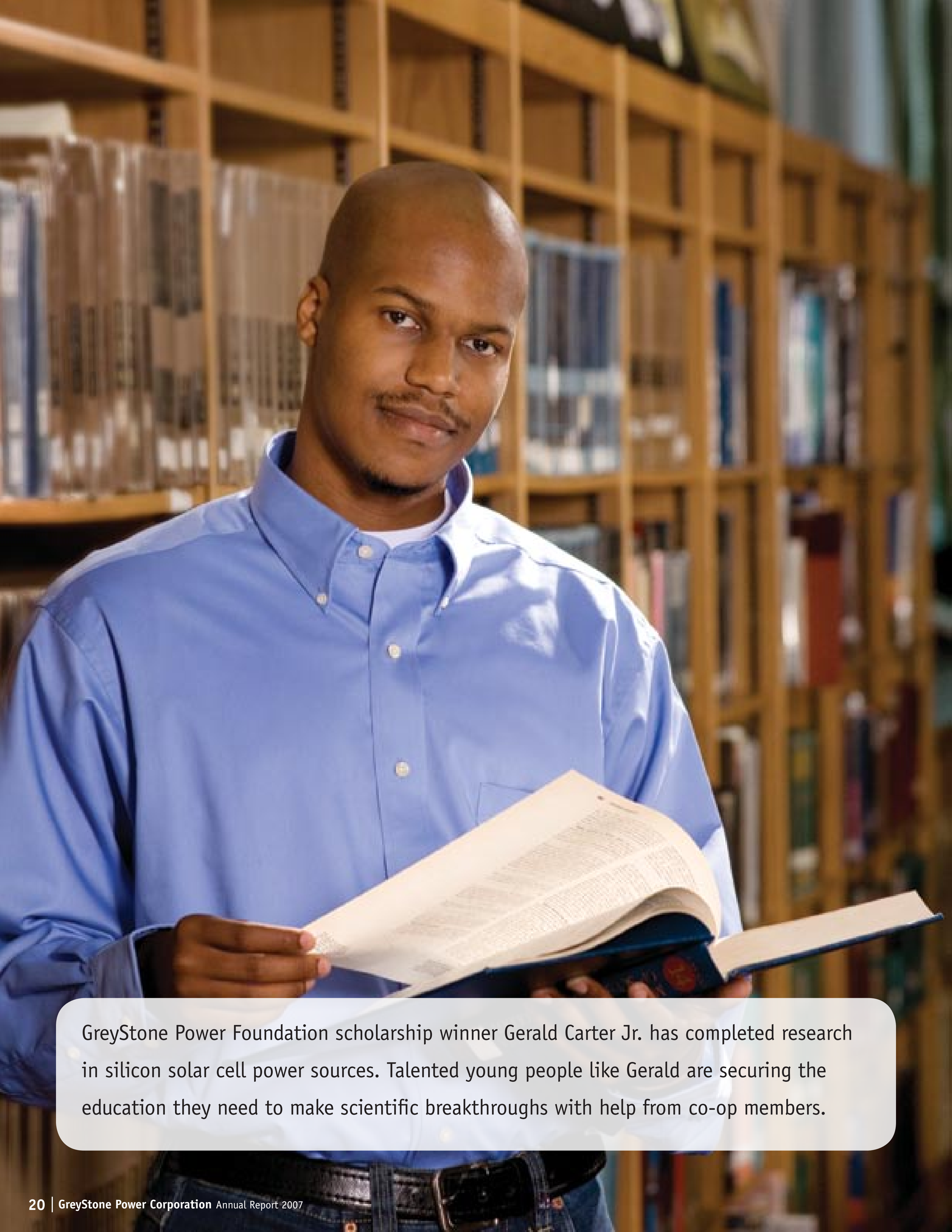
Clockwise from top left: In 2007, GreyStone Power linemen competed against more than 200 teams at the International Lineman's Rodeo and won third place overall in the EMC division. They included *(L-R)* Patrick LeCroy, Tim Costner and Josh Jones.

Junior Achievement of Georgia, Inc. recognized Ebony Cintron-Hawes for her involvement with their program College Pipeline Experience and for her work to help young people understand the "economics of life" during the 2006-2007 school year.

Megan McKoy *(L)* received the "Above and Beyond" award for selflessly giving time and service to Douglas County United Way. Doris Isaacs, chairman of the group, presented the award.

Marcita Scharnhorst, vice president of human resources, was named one of the Top Ten Business Women in the nation by the American Business Women's Association for her business and community efforts.

Not pictured: GreyStone's public relations and communications department, under the direction of Vicki Harshbarger, took home top honors in the 2007 Spotlight on Excellence awards program, sponsored by the Council of Rural Electric Communicators and NRECA. The co-op's member newsletter, a feature story written by Megan McKoy and a photo taken by Kizzy Howell were all named among the top-rated communication efforts in the nation.



GreyStone Power Foundation scholarship winner Gerald Carter Jr. has completed research in silicon solar cell power sources. Talented young people like Gerald are securing the education they need to make scientific breakthroughs with help from co-op members.

Helping the community through GreyStone Power Foundation & Operation Round Up®

Balancing the responsibility to give back with the opportunity to "round up" electric service bills is good for the community. That's why almost 24,000 GreyStone Power members agree to have their electric bills rounded up to the next dollar through Operation Round Up®. The money is distributed by GreyStone Power Foundation, Inc. whose board is made up of members from across the service area. The annual contribution per member averages $6.

In 2007 alone, the organization contributed $253,865 to 29 deserving organizations, $28,242 to 42 needy individuals and $15,000 in support of five educational scholarships thanks to GreyStone members who donate to Operation Round Up.

Scholarships are awarded to GreyStone Power members or their children who are seniors in high school or enrolled in college for fall 2007. The recipients are selected by the Foundation's board of directors based on academic achievement, community involvement and need.

Hundreds of applications are received each year for help with items ranging from medical bills, food and other necessities, medications and community support programs. Applications are reviewed and approved by community volunteers who make up the GreyStone Power Foundation, Inc., the governing body of Operation Round Up.

Organizations who have been helped include S.H.A.R.E. House, a domestic violence intervention center; the Christian Aid Center, a widely known resource for those who have fallen on hard times; and the Boys & Girls Club.

More information about Operation Round Up may be found on the GreyStone Web site, *www.greystonepower.com*. All donations are tax deductible, and 100 percent of funds raised directly support those who need assistance.

Christian Aid CEO/President Ron Dotson (second from left) receives $10,000 from Operation Round Up to benefit the Center. Pam Cline (L), the Center's Coordinator, also happily accepted the check.

The Boys & Girls Club stresses the importance of academics. Malachi Townsend (L) and Quindarius Williams (R) explain an educational computer program to Operation Round Up Board Member Stephanie Rakestraw.

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October 18, 2007

REPORT OF INDEPENDENT ACCOUNTANTS

The Board of Directors
GreyStone Power Corporation

We have audited the accompanying balance sheets of GreyStone Power Corporation as of August 31, 2007 and 2006 and the related statements of revenue, members' equity and cash flows for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 GreyStone Power Corporation as of August 31, 2007 and 2006 and the results of its operations and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 18, 2007 on our consideration of GreyStone Power Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the result of our audits.

McNair, McLemore, Middlebrooks & Co., LLP

McNAIR, McLEMORE, MIDDLEBROOKS & CO., LLP

GREYSTONE POWER CORPORATION
BALANCE SHEETS
AUGUST 31

ASSETS

	2007	2006
Utility Plant		
Electric Plant in Service-At Cost	$323,991,946	$290,584,670
Construction Work in Progress	17,901,147	14,727,294
Gross Utility Plant	341,893,093	305,311,964
Accumulated Provision for Depreciation	(57,371,658)	(52,120,174)
	284,521,435	253,191,790
Other Property and Investments		
Investments in Associated Organizations	15,099,446	13,260,115
Notes Receivable	110,821	151,306
Other Investments	312,625	294,232
	15,522,892	13,705,653
Current Assets		
Cash and Cash Equivalents	35,202,453	37,693,963
Accounts Receivable (Less Accumulated Provision for Uncollectible Accounts of $648,041 in 2007 and $364,500 in 2006)	21,915,690	21,343,327
Current Portion of Notes Receivable	44,777	63,086
Materials and Supplies	4,721,215	2,919,619
Other	1,596,923	1,606,739
	63,481,058	63,626,734
Deferred Debits	1,379,132	491,015
Total Assets	$364,904,517	$331,015,192

The accompanying notes are an integral part of these balance sheets.

GREYSTONE POWER CORPORATION
BALANCE SHEETS
AUGUST 31

EQUITIES AND LIABILITIES

	2007	2006
Equities		
Membership Fees	$ 992,461	$ 945,733
Patronage Capital	129,390,884	119,410,210
Other	3,263,287	3,134,590
	133,646,632	123,490,533
Long-Term Debt	185,450,266	163,509,842
Other Long-Term Liabilities		
Accumulated Provision for Postretirement Benefits Other Than Pensions	-	940,416
Current Liabilities		
Lines-of-Credit	-	5,000,000
Current Maturities of Mortgage Notes	5,519,000	4,936,000
Accounts Payable	21,259,051	18,257,651
Consumer Deposits	13,713,030	10,097,073
Other	5,316,538	4,783,677
	45,807,619	43,074,401
Total Equities and Liabilities	$364,904,517	$331,015,192

The accompanying notes are an integral part of these balance sheets.

GREYSTONE POWER CORPORATION
STATEMENTS OF REVENUE
FOR THE YEARS ENDED AUGUST 31

	2007	2006
Operating Revenue and Patronage Capital	$210,440,864	$199,148,040
Operating Expenses		
Cost of Power	152,810,724	143,037,956
Distribution Operations	6,982,527	5,425,471
Distribution Maintenance	6,357,013	5,653,359
Consumer Accounts	7,826,301	6,805,409
Consumer Service and Information	1,801,658	1,384,930
Administrative and General	6,527,513	5,864,713
Depreciation	9,653,339	8,795,944
	191,959,075	176,967,782
Operating Margins Before Interest Expense	18,481,789	22,180,258
Interest Expense	9,216,702	8,823,574
Operating Margins After Interest Expense	9,265,087	13,356,684
Nonoperating Margins	1,886,328	1,712,745
Generation and Transmission Cooperative Capital Credits	1,689,150	762,327
Other Capital Credits and Patronage Capital Allocations	395,609	358,926
Net Margins	$ 13,236,174	$ 16,190,682

The accompanying notes are an integral part of these statements.

GREYSTONE POWER CORPORATION
STATEMENTS OF MEMBERS' EQUITY
FOR THE YEARS ENDED AUGUST 31, 2007 AND 2006

	Total Equities	Membership Fees	Patronage Capital	Other Equities
Balance, August 31, 2005	$109,406,020	$886,302	$105,325,711	$3,194,007
Net Margins	16,190,682		16,190,682	
Membership Fees	59,431	59,431		
Donated Capital	15,857			15,857
Retirement of Patronage Capital	(2,106,183)		(2,106,183)	
Retired Capital Credit Gains	(75,274)			(75,274)
Balance, August 31, 2006	123,490,533	945,733	119,410,210	3,134,590
Net Margins	13,236,174		13,236,174	
Membership Fees	46,728	46,728		
Donated Capital	50,473			50,473
Retirement of Patronage Capital	(3,255,500)		(3,255,500)	
Retired Capital Credit Gains	78,224			78,224
Balance, August 31, 2007	$133,646,632	$992,461	$129,390,884	$3,263,287

The accompanying notes are an integral part of these statements.

GREYSTONE POWER CORPORATION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED AUGUST 31

	2007	2006
Cash Flows From Operating Activities		
Net Margins	$13,236,174	$16,190,682
Adjustments to Reconcile Net Margins to Net Cash Provided by Operating Activities		
Depreciation	10,277,689	9,497,045
Amortization	125,567	34,449
Patronage Capital from Associated Organizations	(2,181,872)	(1,207,704)
Postretirement Benefits	1,014,076	1,112,628
Change In		
Accounts Receivable	(572,362)	(1,405,583)
Other Current Assets	9,816	12,850,285
Accounts Payable	3,001,400	3,126,655
Other Current Liabilities	532,861	(184,886)
	25,443,349	40,013,571
Cash Flows from Investing Activities		
Extension and Replacement of Plant	(40,685,135)	(34,247,183)
Plant Removal Costs	(1,534,061)	(1,421,674)
Material Salvaged	611,862	325,998
Deferred Debits	(888,117)	48,209
Materials and Supplies	(1,801,596)	(19,964)
Return of Equity from Associated Organizations	216,974	212,196
Notes Receivable	58,793	71,785
Decrease in Investments	(18,393)	10
	(44,039,673)	(35,030,623)
Cash Flows from Financing Activities		
Advances of Long-Term Debt	20,000,000	14,159,370
Membership Fees	46,728	59,431
Principal Repayment of Long-Term Debt	(5,217,212)	(5,915,824)
Retirement of Patronage Capital	(3,255,500)	(2,106,183)
Consumer Deposits	3,615,957	3,028,356
Other Equities	128,697	(59,417)
Lines-of-Credit	(5,000,000)	1,000,000
Advance Payments on Long-Term Debt Unapplied	7,740,636	(375,281)
Funding of Postretirement Medical Benefits	(1,954,492)	(1,401,081)
	16,104,814	8,389,371
Net Increase (Decrease) in Cash and Cash Equivalents	(2,491,510)	13,372,319
Cash and Cash Equivalents-Beginning	37,693,963	24,321,644
Cash and Cash Equivalents-Ending	$35,202,453	$37,693,963
Supplemental Disclosure of Cash Flow Information		
Cash Payments of Interest	$ 9,245,745	$ 8,641,513

The accompanying notes are an integral part of these statements.

NOTES TO FINANCIAL STATEMENTS

(1) Summary of Significant Accounting Policies

Accounting policies of the Corporation reflect practices appropriate to the electric utility industry. The following describes the more significant of those policies.

Nature of Operations

GreyStone Power Corporation is a not-for-profit corporation organized to provide electric service to its members. The Corporation operates as a cooperative whereby all monies in excess of cost of providing electric service are capital, at the moment of receipt, and are credited to each member's capital account.

Long-Lived Assets

The Corporation evaluates long-lived assets for impairment when events or changes in circumstances indicate that the carrying value of such assets may not be recoverable. The determination of whether an impairment has occurred is based on either a specific regulatory disallowance or an estimate of undiscounted future cash flows attributable to the assets, as compared with the carrying value of the assets. If an impairment has occurred, the amount of the impairment recognized is determined by estimating the fair value of the assets and recording a provision for loss if the carrying value is greater than the fair value. For assets identified as held for sale, the carrying value is compared to the estimated fair value less the cost to sell in order to determine if an impairment provision is required. Until the assets are disposed of, their estimated fair value is reevaluated when circumstances or events change.

Accounting standards require the present value of the ultimate cost for an asset's future retirement be recorded in the period in which the liability is incurred. The cost should be capitalized as part of the related long-lived asset and depreciated over the asset's useful life. The Corporation has no legal retirement obligations related to its distribution facilities; therefore, a liability for the removal of these assets will not be recorded. Management believes the actual cost of removal, even though not a legal obligation, will be recovered through rates over the life of the distribution assets.

Utility Plant

Utility plant is capitalized at cost less related contributions in aid of construction. In general, utility plant is capitalized at the time it becomes part of an operating unit and has been energized. However, certain items of plant referred to as special equipment items (meters, transformers, oil circuit reclosers, etc.) are capitalized at the time of purchase along with related estimated cost of installation.

Depreciation and Maintenance

Depreciation of the capitalized cost is provided using composite straight-line rates. When property subject to depreciation is retired or otherwise disposed of in the normal course of business, its capitalized cost and its cost of removal less salvage are charged to the accumulated provision for depreciation.

Provision has been made for depreciation of distribution plant at straight-line rates of 2.3 to 4.4 percent per annum.

Depreciation of general plant is provided on a straight-line basis over the estimated useful lives of the various assets. The rates range from 2 to 25 percent per annum.

The costs of maintenance, repairs and replacements of minor items of property are charged to maintenance expense accounts.

Accounts Receivable

An allowance is made for doubtful accounts based on experience and other circumstances which may affect the ability of consumers to meet their obligations. Accounts considered uncollectible are charged against the allowance. Receivables are reported on the balance sheets net of such accumulated allowance.

Materials and Supplies

Materials and supplies are stated at lower of cost or market. Cost is determined by the moving average method of inventory valuation.

Cash Equivalents

For purposes of the statement of cash flows, cash equivalents include time deposits, certificates of deposit and all highly liquid debt instruments with original maturities of three months or less.

Equities and Margins

The Corporation is organized and operates under the cooperative form of organization. As such, patronage capital or margins are allocated to patrons on the basis of individual consumption of electric energy. Under provisions of the long-term debt agreements, until the total equities and margins equal or exceed 30 percent of the total assets of the Corporation, the return to patrons of capital contributed by them is limited. The Corporation's equities were 36.6 and 37.3 percent of total assets as of August 31, 2007 and 2006, respectively.

Operating Revenues and Patronage Capital

Operating revenues which include patronage capital are billed monthly to consumers. Electricity which had been used by members of the Corporation but had not been billed to the members was not recorded. This unbilled electric revenue approximated $11,530,000 and $10,094,000 for the years ended August 31, 2007 and 2006, respectively.

Cost of Purchased Power

Cost of power is expensed as consumed.

Capital Credits from Associated Organizations

The Corporation accounts for capital credits in associated organizations in accordance with the requirements of Statement of Position 85-3. Capital credits are the result of member patrons providing substantial capital to the organizations. Capital investments are made primarily to obtain an economical source of product to the member and not with the expectation of typical returns. The investments are accounted for as follows:

- At cost, reduced if the carrying amount cannot be fully recovered.
- Refunds are recognized upon notification by the organization or when patronage occurs if it is probable that:
  - a patronage refund will be declared,
  - events confirming the receipt of a patronage refund are expected to occur,
  - the amount of the refund can be reasonably determined, and
  - the accrual can be consistently made from year to year.

Based on the above process, management has made the decision to record all capital credits at cost as patronage occurs, except those related to Oglethorpe Power Corporation (OPC). This decision was based on management's inability to determine if a refund will be declared and when such a refund could be expected to occur.

In addition, management reviews the balance recorded in previous years as patronage occurred and adjusts the carrying cost if, in their opinion, the carrying value will not be fully recovered. Factors reviewed and considered in this process include:

- Financial forecast,
- Debt requirements,
- Market conditions and other factors.

The carrying value of OPC capital credits adjustment totals $29,948,309 and $28,686,309 for the years ended August 31, 2007 and 2006, respectively.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management 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. Estimates also affect the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Fair Value of Financial Instruments

Financial instruments include cash and cash equivalents, other investments and long-term debt. Investments in associated organizations are not considered a financial instrument because they represent nontransferable interest in associated organizations.

The carrying value of cash and cash equivalents and other investments approximates fair value because of the short maturity of those instruments. Additional information pertinent to the value of long-term debt is provided in the footnote for long-term debt.

Income Taxes

The Corporation operates under the Internal Revenue Code Section 501(c)(12) as a tax-exempt cooperative. Accordingly, no provision for income taxes has been made in the financial statements.

New Accounting Pronouncements

In September 2006, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) *No. 158, Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans – an amendment of FASB Statements No. 87, 88, 106, and 132(R)*. SFAS No. 158 requires an employer that sponsors a defined benefit postretirement plan to report the current economic status (the overfunded or underfunded status) of the plan in its balance sheet, to measure the plan assets and plan obligations as of the balance sheet date, and to include enhanced disclosures about the plan. The Corporation was required to adopt the recognition and disclosure provisions of SFAS No. 158 for the fiscal year ended August 31, 2007 and will be required to adopt the measurement date provision for the fiscal year ending August 31, 2008.

(2) Utility Plant

Listed below are the major classes of the electric utility plant as of August 31:

	2007	2006
Distribution Plant	$290,990,025	$258,714,826
General Plant	33,001,921	31,869,844
Electric Plant in Service	323,991,946	290,584,670
Construction Work In Progress	17,901,147	14,727,294
	$341,893,093	$305,311,964

(3) Investments in Associated Organizations

	2007	2006
National Rural Utilities Cooperative Finance Corporation		
Membership Fee	$ 1,000	$ 1,000
Capital Term Certificates	2,086,507	2,212,074
Capital Credits	887,342	913,862
Georgia Rural Electric Service Corporation		
Capital Credits	1,183,344	924,271
GEMC Workers' Compensation Fund		
Capital Credits	97,251	94,821
Southeastern Data Cooperative, Inc.		
Capital Credits	81,020	70,781
Georgia Transmission Corporation		
Membership Fee	5	5
Contributed Capital	2,860,384	2,860,384
Capital Credits	5,368,332	4,001,656
CoBank		
Membership Fee	1,000	1,000
Capital Credits	606,829	600,357
Georgia Systems Operations Corporation		
Capital Credits	10,702	8,886
Smarr EMC		
Membership Fee	5	5
Contributed Capital	474,582	474,582
Capital Credits	1,327,865	1,007,207
Federated Rural Electric Membership Exchange		
Subscriber Equity	113,253	89,199
Green Power EMC		
Membership Fee	25	25
	$ 15,099,446	$ 13,260,115

(4) Deferred Debits

Deferred debits are comprised of the following as of August 31:

	2007	2006
Transportation Costs	$ 227,538	$ 94,753
Alarm Security Accounts	-	55,588
AMR Project	913,760	-
Other	237,834	340,674
	$ 1,379,132	$ 491,015

(5) Patronage Capital

	2007	2006
Assignable	$ 5,469,121	$ 10,716,699
Assigned	160,265,183	141,781,431
	165,734,304	152,498,130
Retired	(36,343,420)	(33,087,920)
	$129,390,884	$ 119,410,210

(6) Other Equities

	2007	2006
Nonoperating Margins	$ 50,517	$ 50,517
Operating Margins	56,108	56,108
Donated Capital	184,937	134,464
Retired Capital Credits-Gain	2,972,617	2,894,393
Capital Losses	(892)	(892)
	$ 3,263,287	$ 3,134,590

(7) Long-Term Debt

Long-term debt consists primarily of mortgage notes payable to the United States of America acting through the Rural Utilities Service (RUS), National Rural Utilities Cooperative Finance Corporation (NRUCFC), Federal Financing Bank (FFB) and CoBank. The notes are secured by a mortgage agreement among the Corporation, RUS, NRUCFC, FFB and CoBank. Substantially all the assets of the Corporation are pledged as security for long-term debt of the Corporation. The notes generally have 35-year maturity periods and are payable on an installment basis.

Other long-term debt has a five-year maturity period and is payable on an installment basis.

Holder of Note	Interest Rate	2007	2006
RUS	4.45% to 5.5%	$111,220,568	$ 93,441,533
RUS Cushion-of-Credit	5.00%	-	(7,740,636)
NRUCFC	3.6% to 5.9%	20,187,009	21,927,684
FFB	4.46% to 4.92%	58,297,353	59,486,078
CoBank	6.52%	1,264,336	1,331,183
		190,969,266	168,445,842
Maturities Due Within One Year		(5,519,000)	(4,936,000)
		$185,450,266	$163,509,842

The Corporation has a $26,700,000 line-of-credit at 6.3 and 7.9 percent with NRUCFC which had no outstanding balance as of August 31, 2007 and 2006. The Corporation also has a $20,000,000 line-of-credit at 6.52 percent with CoBank which had outstanding balances of $-0- and $5,000,000 as of August 31, 2007 and 2006, respectively.

Principal maturities of long-term debt approximate $5,519,000 for the ensuing five years.

The Corporation has unadvanced loan funds totaling $367,000 on commitment from NRUCFC and unadvanced loan funds totaling $12,213,000 on commitment from RUS. The availability of the funds is contingent on the Corporation's compliance with one or more preconditions set forth in the mortgage agreements.

The Corporation had made unapplied advance payments to the RUS Cushion-of-Credit program. Under this program the Corporation may make voluntary deposits into a special cushion-of-credit account. The cushion-of-credit account balance accrues interest to the Corporation at a rate of 5 percent per annum. The use of the cushion-of-credit account is restricted to funding the future debt service payments that the Corporation is obligated to pay against its outstanding indebtedness to RUS.

Fair value of long-term debt is not materially different from cost-based borrowing rates for debt with similar maturities at the balance sheet date.

(8) RETIREE BENEFITS

Pension Plan (Defined Benefit)

Pension benefits for substantially all employees of the Corporation are provided through participation in the National Rural Electric Cooperative Association (NRECA) Retirement and Security Program, a defined benefit plan qualified under Section 401 and tax exempt under 501 (a) of the Internal Revenue Code. The Corporation makes annual contributions to the program equal to the amounts recorded for the pension expense. Total pension cost of $2,041,904 and $1,907,473 was charged to operations for the years ended August 31, 2007 and 2006, respectively. In this multi-employer plan, which is available to all member cooperatives of NRECA, the accumulated benefits and plan assets are not determined or allocated separately by individual employer.

Defined Contribution Plan

The Corporation also provides additional employee benefits to substantially all employees through the NRECA sponsored defined contribution Savings Plan (401-k). In this defined contribution plan, the Corporation's contributory portion of costs of this plan totaled $31,976 and $5,532 for the years ended August 31, 2007 and 2006, respectively.

Postretirement Healthcare Benefits

The Corporation provides medical benefits and life insurance to qualified retirees, directors and attorneys. The Corporation had previously adopted SFAS No. 106, *Employers' Accounting for Postretirement Benefits Other than Pensions*. This standard requires cooperatives to recognize the estimated future cost of providing healthcare and any other postretirement benefits on an accrual basis.

The Corporation also adopted the recognition provisions of FASB Statement 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans-An Amendment of FASB Statements No. 87, 88, 106 and 132(R)*, as of August 31, 2007, which requires that the funded status of defined benefit pension and other postretirement plans be fully recognized in the balance sheets. The application of FASB Statement No. 158 had no effect on individual line items in the balance sheets because there were no significant amounts which had not been recorded.

The status of the Corporation's postretirement healthcare plan as of August 31, 2007 is detailed as follows:

Accumulated Postretirement Benefit Obligation	
Retirees, Dependents and Others	$ 2,446,000
Fully Eligible Active Plan Participants	1,713,100
Actives Not Yet Fully Eligible	4,378,400
Expense Less Benefits Paid Since January 1, 2003	3,920,403
Total Accumulated Postretirement Benefit Obligation	12,457,903
Fair Value of Assets	(12,559,579)
Funded Status (Prepaid)	$ (101,676)

Employer Contributions	$ 1,965,635
Plan Participant Contributions	$ -
Benefits Paid	$ 221,492

Amounts recognized in the balance sheets consisted of:

Current Assets	$ 101,676

Other changes in benefit obligations recognized in patronage capital are as follows:

Service Cost	$ 367,100
Interest Cost	545,300
Total Recognized in Net Periodic Cost	$ 912,400

For measurement purposes, a 6.5 percent annual rate of increase in the per capita cost of covered healthcare benefits was assumed for 2007. The rate was assumed to decrease gradually to 5.5 percent by the year 2009 and remain at that level thereafter. The health care cost trend rate assumption has a significant effect on the amounts reported. Increasing the assumed health care cost trend rates by one percentage point in each year would increase the accumulated postretirement benefit obligation as of August 31, 2007 by $1,576,400 and the aggregate of the service and interest cost components of postretirement expense for the year then ended by $182,100.

The weighted average discount rate used in determining the accumulated postretirement benefit obligation was 7 percent.

The benefits to be paid for the next five years are expected to be comparable to the current payments of $221,492.

The following table sets forth the weighted-average asset allocations of the Corporation's postretirement medical benefits at August 31, 2007 and 2006 by asset category.

Year	Money Market Funds	Bond Funds	Stock Funds	Totals
2007	2.6%	58.4%	39.0%	100.00%
2006	14.1%	49.3%	36.6%	100.00%

The Corporation employs a total-return investment approach whereby a mix of equities and fixed income investments is used to maximize the long-term return of plan assets for a prudent level of risk. Risk tolerance is established through careful consideration of plan liabilities, plan funded status and corporate financial condition. Investment risk is measured and monitored on an ongoing basis through quarterly investment portfolio reviews and annual liability measurements.

The Corporation estimates that it will make $1,250,000 in voluntary contributions to its postretirement medical plan in 2008.

(9) Commitments

The Corporation has a wholesale power contract with OPC through 2050. Under the terms of the contract, the Corporation is responsible for 5.8921 percent of OPC's fixed costs. The Corporation's portion of these costs, which totaled approximately $29,916,000 for the year ended August 31, 2007, are expected to be at the same level for future years.

The Corporation entered into a power purchase agreement with Smarr EMC for a facility known as the Smarr Energy Facility. Under the terms of the agreement, the Corporation is responsible for 6.9417 percent of the Smarr Energy Facility fixed costs. In addition, the Corporation has agreed to guarantee 3.9080 percent of the indebtedness of Smarr EMC related to the Sewell Creek Facility. The total indebtedness for the facility as of December 31, 2006 was approximately $116,225,000.

The Corporation entered into power purchase agreements dated November 1, 2001, related to the Chattahoochee Energy Facility and the Talbot Energy Facility. These facilities are owned by OPC, and under the terms of the agreements, the Corporation is responsible for 6.8084 percent of the Chattahoochee Energy Facility fixed costs and 20.7685 percent of the Talbot Energy Facility fixed costs. The Corporation's portion of these fixed costs, which totaled approximately $2,271,000 for the Chattahoochee Energy Facility and $5,264,600 for the Talbot Energy Facility for the year ended August 31, 2007, are expected to be at the same level for future years. The agreements are in effect through December 31, 2025.

The Corporation has an agreement with Progress Ventures, Inc. to provide power requirement needs through December 31, 2010. As part of the agreement, the Corporation has agreed to meet certain financial covenants or provide credit enhancement in accordance with the terms of the agreement. The Corporation currently meets the required covenants.

Under current law, the Corporation has the ability to recover these costs from its members; however, any change to existing laws could adversely affect the ability to recover these costs.

(10) Concentration of Credit Risk

Financial instruments that potentially subject the Corporation to concentrations of credit risk consist principally of cash and cash equivalents and consumer accounts receivable. The Corporation maintains its cash balances in financial institutions; cash balances throughout the year periodically exceed federally insured deposit limits of $100,000.

At August 31, 2007, commercial paper of NRUCFC in the amount of $31,723,000, which was held by the Corporation, was included in cash and cash equivalents. The amount is not secured or otherwise subject to federally insured deposit liability coverage.

Concentrations of credit risk with respect to consumer accounts receivable are limited due to the large number of customers comprising the Corporation's customer base.

This annual report is printed on 100 percent recycled paper with 100 percent post-consumer waste. The use of this recycled paper reduces solid waste disposal and lessens landfill dependency. This paper was also produced using wind-generated power. The use of this paper for this project prevented 1,217 lbs. of greenhouse gases and helped preserve more than 13 trees for the future. In addition, vegetable inks were used for printing. These inks are more environmentally-friendly than petroleum-based inks.

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GREYSTONE
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