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Quarter Report

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Letter to our members

To Our Members:

Seminole Electric Cooperative, Inc. (Seminole) is pleased to present the enclosed interim consolidated financial statements which include balance sheets, statements of revenue and expenses and patronage capital, and statements of cash flows as of or for the periods ended March 31, 2003 and 2002.

Operations:

Total revenues increased for the quarter ended and twelve months ended March 31, 2003, compared to the same periods during 2002. Revenues from members increased 10.7% for the quarter ended and 10.0% for the twelve months ended March 31, 2003 when compared to 2002. Energy sales were 10.3% higher for the quarter ended and 11.7% higher for the twelve months ended March 31, 2003. Due primarily to higher natural gas and oil prices, fuel revenues per kilowatt hour (kWh) for the quarter and twelve months ended March 31, 2003 increased 30.2% and 7.4% respectively, when compared to 2002. Non-fuel revenues were 8.6% lower for the quarter ended March 31, 2003, primarily due to a 9.6% decrease in demand sales. The decrease in demand sales, despite Seminole's setting a new record peak of 3,988 MW in January 2003, resulted from very mild weather during the months of February and March 2003. Non-fuel revenues for both twelve months ended periods were essentially the same. Wholesale member cost per kWh increased 0.4% for the quarter ended and decreased 1.5% for the twelve months ended March 31, 2003 when compared to 2002. Non-member revenues and the average price per kWh sold increased for the quarter ended and twelve months ended March 31, 2003 when compared to the same periods in 2002. Provided within are two graphs showing a five-year trend of wholesale member cost (mills/kWh) and total energy sales to members and non-members.

Fuel expense increased for the quarter and twelve months ended March 31, 2003 primarily due to greater natural gas requirements at the Payne Creek Generating Station (PCGS), which began commercial operation on January 1, 2002. For the quarter ended, PCGS fuel costs were higher due to an increase in the volume of natural gas purchases and a higher average cost per dekatherm. The cost per ton of fuel at the Seminole Generating Station (SGS) decreased for the quarter and twelve months ended March 31, 2003 when compared to the previous year. Other production expenses increased 4% for the quarter ended and 17% for the twelve months ended. The increase in the twelve months ended is primarily due to expenses incurred in the operation and maintenance of PCGS, as well as higher charges

associated with operation and maintenance of SGS. Purchased power expense increased 31% for the quarter ended, reflecting a 34% increase in the amount of energy purchased at higher energy costs but lower capacity prices. Transmission expense decreased for the quarter and increased for the twelve months ended. This is indicative of lower demand sales to member systems for the quarter ended and higher demand sales to member systems for the twelve months ended. Administrative and General expenses decreased for the quarter ended March 31, 2003, primarily due to full amortization of the Walker County settlement in 2002. Depreciation and Amortization for the twelve months ended is higher due to the addition of the PCGS to Seminole's asset base beginning in January 2002.

Net interest expense was higher for the twelve months ended March 31, 2003 primarily due to discontinuing the capitalization of interest related to construction of PCGS at December 31, 2002. Net interest expense was lower for the year-to-date ended March 31, 2003 primarily due to lower debt balances. Presented within is a graph showing various components of expenses for the twelve months ended March 31, 2003, compared to 2002.

Non-operating income, net, principally interest income, decreased from all periods in 2002. Interest income decreased for the year-to-date and twelve months ended March 31, 2003 due to lower short-term interest rates. Other Income, net decreased for the current quarter due greater losses on nuclear decommissioning trust fund trading securities. Other Income, net decreased for the twelve months ended March 31, 2003 due to \$.9 million of sales of excess SO₂ allowances in December 2001, and greater losses on nuclear decommissioning trust fund trading securities in 2003.

Financial Position:

Utility plant, net decreased by \$21.4 million at March 31, 2003 compared to March 31, 2002, primarily due to depreciation. The decrease in investments was primarily due to the closing of the escrow account related to the Walker County litigation and the normal redemption by the issuer of certain capital and subordinated term certificates held by Seminole, partially offset by a scheduled increase in the Lease Termination Fund.

Current assets increased approximately \$7.8 million from last year. The primary sources of cash and cash equivalents for

letter, continued on next page

SEMINOLE ELECTRIC COOPERATIVE, INC.
CONSOLIDATED BALANCE SHEETS
(Unaudited) (Thousands)

March 31

	<u>2003</u>	<u>2002</u>
ASSETS		
Utility plant:		
Plant in service	\$ 1,073,433	\$ 1,069,138
Construction work in progress	4,448	4,755
	<u>1,077,881</u>	<u>1,073,893</u>
Less accumulated depreciation and amortization	<u>(424,303)</u>	<u>(398,961)</u>
Utility plant, net	653,578	674,932
Investments:		
Investments in associated organizations	3,012	3,475
Funds held by trustees	64,030	69,258
Total investments	67,042	72,733
Current assets:		
Cash and cash equivalents	66,872	74,762
Other current investments	3,111	3,007
Receivables, principally for sales of electricity	78,361	59,825
Inventories, at average cost:		
Materials and supplies	18,852	18,359
Fuel	23,599	28,300
Prepayments and other	7,916	6,688
Total current assets	<u>198,711</u>	<u>190,941</u>
Deferred charges:		
Regulatory	31,541	69,661
Non-Regulatory	38,147	39,633
Total deferred charges	<u>69,688</u>	<u>109,294</u>
	<u>\$ 989,019</u>	<u>\$ 1,047,900</u>
EQUITY AND LIABILITIES		
Equity:		
Memberships	\$ 1	\$ 1
Patronage capital	99,810	101,894
Other margins and equities	5,432	3,885
Donated capital	32	32
Total equity	105,275	105,812
Long-term liabilities:		
Long-term debt	736,268	772,959
Obligations under capital leases	146	420
Other	7,584	7,072
Total long-term liabilities	743,998	780,451
Current liabilities:		
Current portion of:		
Long-term debt	32,429	30,204
Obligations under capital leases	274	252
Accounts payable	37,340	26,968
Other accrued liabilities	44,632	77,688
Total current liabilities	<u>114,675</u>	<u>135,112</u>
Deferred gain on sale-leaseback of plant	9,498	10,913
Other deferred credits	15,573	15,612
	<u>\$ 989,019</u>	<u>\$ 1,047,900</u>
Current ratios	1.73	1.41

the twelve months ended March 31, 2003 were net margins adjusted for non-cash items (primarily depreciation), an increase in accounts payable, and proceeds from investments, net. Uses of cash and cash equivalents included payments of long-term debt, an increase in receivables, utility plant additions, and an increase in other accrued liabilities. The increase in other current investments resulted from the purchase of short-term investments. The increase in receivables represents an increase in unrecovered fuel adjustment true-up of \$17.1 million, and increased March sales of \$1.4 million. The decrease in inventories at March 31, 2003, compared to the same period last year, is mainly due to a decrease in coal and petcoke inventory of at SGS. The increase in other current assets is due to increases in the fair value of the natural gas hedges and the NYMEX margin account established to facilitate natural gas hedging transactions.

The decrease in regulatory deferred charges is primarily associated with the full amortization of the Walker County settlement, the amortization of costs relating to the termination of certain coal transportation contracts, and proceeds from sales of marine equipment. The decrease in non-regulatory deferred charges is mostly the amortization of debt costs of \$2.2 million, offset by an increase in capitalized software of \$0.7 million.

Total equity decreased \$0.5 million, reflecting twelve months ended net deficits of \$1.5 million, and a \$0.6 million patronage capital credit retirement in 2002, offset by an increase in Other Comprehensive Income (OCI) of \$1.6 million. OCI occurs as a result of adopting Statement of Financial Accounting Standards No. 133 (SFAS 133). Pursuant to SFAS 133, unrealized gains and losses related to changes in the fair value of cash flow hedges are recorded in OCI. Long-term liabilities decreased primarily by scheduled payments of debt principal, offset by a scheduled increase in the Lease Termination Obligation of \$2.1 million, and an increase in operating provisions of \$0.5 million.

Current liabilities were lower primarily due to the payment of the Walker County settlement and decreases in accrued fuel adjustment true-up, interest, and purchased power payables, offset by increases in accruals for PCGS natural gas purchases, accounts payable due to various payment timing differences, and the current portion of long-term debt.

Working capital at March 31, 2003 of \$84.0 million was \$28.2 million higher than last year. This change in working capital was due to decreases in other accrued liabilities and increases in receivables, offset by increases in accounts payable, a decrease in cash and cash equivalents, a decrease in fuel inventory, and an increase in the current portion of long-term debt. Seminole had a current ratio of 1.73 at the end of March 2003 compared to 1.41 for the previous year.

Other Matters:

Resulting from an all-source bidding process, in February 2003 the Seminole Board of Trustees approved and amendment to a contract with Progress Energy of Florida for the purchase of an additional 150 MW of peaking and/or intermediate capacity, beginning in late 2006. In March 2003, the Seminole Board of Trustees approved a contract with Pratt & Whitney Power Systems for the purchase of five aero-derivative peaking generators representing approximately 300 MW of capacity, to be placed in service by Seminole in late 2006.

The accompanying consolidated balance sheets, statements of operations and statements of cash flows are unaudited. However, in the opinion of management, all adjustments

**SEMINOLE ELECTRIC COOPERATIVE, INC.
CONSOLIDATED STATEMENTS OF REVENUE AND EXPENSES AND PATRONAGE CAPITAL
(Unaudited) (Thousands)**

	Three months ended March 31		Twelve months ended March 31	
	2003	2002	2003	2002
Operating revenue	\$ 212,343	\$ 190,793	\$ 735,320	\$ 665,648
Operating expenses:				
Operation:				
Fuel	64,524	53,425	245,242	184,851
Other production expenses	18,272	17,521	76,005	64,757
Purchased power	65,358	49,819	257,987	266,777
Transmission	10,125	10,853	38,118	33,367
Administrative and general	5,170	6,203	22,382	22,075
Depreciation and amortization	8,382	8,301	33,133	27,906
Lease of coal-fired plant	6,699	6,762	27,052	27,668
	<u>178,530</u>	<u>152,884</u>	<u>699,919</u>	<u>627,401</u>
Operating margins before interest charges	33,813	37,909	35,401	38,247
Interest charges net of amounts capitalized	10,145	10,607	41,610	34,587
Operating margins/(deficits)	<u>23,668</u>	<u>27,302</u>	<u>(6,209)</u>	<u>3,660</u>
Patronage capital credits	0	6	24	80
Net operating margins/(deficits)	<u>23,668</u>	<u>27,308</u>	<u>(6,185)</u>	<u>3,740</u>
Nonoperating income:				
Interest income	1,014	1,162	4,614	5,547
Other income, net	30	71	91	1,340
Net margins/(deficits)	<u>24,712</u>	<u>28,541</u>	<u>(1,480)</u>	<u>10,627</u>
Patronage capital, beginning of period	75,098	73,353	101,894	91,829
Patronage capital retirements	0	0	(604)	(562)
Patronage capital, end of period	<u>\$ 99,810</u>	<u>\$ 101,894</u>	<u>\$ 99,810</u>	<u>\$ 101,894</u>
Megawatt hours sold - members	3,447,434	3,125,141	14,493,386	12,972,115
Megawatt hours sold - non-members	90,490	93,355	325,188	294,843
Wholesale member cost - mills/kWh	59.86	59.64	49.37	50.13
Total sales - mills/kWh	59.40	58.71	49.08	49.67
TIER			0.97	1.22
DSC			0.94	1.20

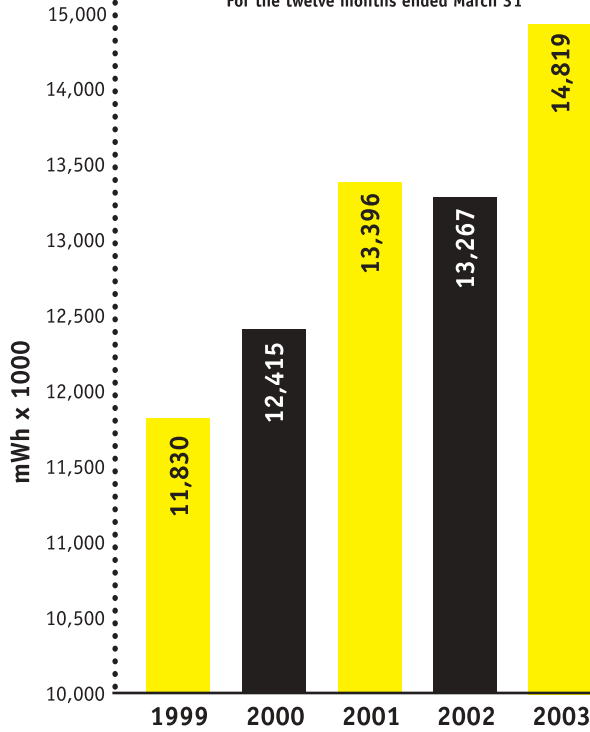
Cash Flows

SEMINOLE ELECTRIC COOPERATIVE, INC. CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited) (Thousands)

	Three months ended March 31		Twelve months ended March 31	
	2003	2002	2003	2002
Cash flows from operating activities:				
Net margins (deficits)	\$ 24,712	\$ 28,541	\$ (1,480)	\$ 10,627
Adjustments to reconcile to cash:				
Depreciation and amortization	12,560	13,733	53,863	47,856
Gain on lease/leaseback transactions	(300)	(292)	(1,206)	(1,168)
Lease expense/lease payment difference	(35)	139	173	874
Change in assets and liabilities:				
Receivables	1,388	7,665	(18,536)	37,162
Inventories	7,631	(2,128)	3,512	(9,930)
Prepayments and other	1,459	(1,374)	1,036	(1,554)
Deferred charges	(501)	151	(1,942)	3,998
Other long-term liabilities	0	(2)	0	(2)
Accounts payable	(3,429)	(8,601)	10,372	(31,852)
Other accrued liabilities	15,456	14,165	(11,648)	11,461
Total adjustments	34,229	23,456	35,624	56,845
Net cash provided by operating activities	58,941	51,997	34,144	67,472
Cash flows from investing activities:				
Utility plant additions, net of retirements	(1,701)	(1,327)	(12,282)	(39,318)
Proceeds from investments, net	(2,678)	(3,795)	7,717	(8,315)
Net cash used in investing activities	(4,379)	(5,122)	(4,565)	(47,633)
Cash flows from financing activities:				
Proceeds from long-term borrowings	0	0	0	40,205
Payments of long-term debt	(11,989)	(5,026)	(36,613)	(24,006)
Payments of capital lease obligations	(129)	(118)	(252)	(232)
Payments of patronage capital credits	0	0	(604)	(562)
Net cash provided by/(used in) financing activities	(12,118)	(5,144)	(37,469)	15,405
Net increase/(decrease) in cash and cash equivalents	\$ 42,444	\$ 41,731	\$ (7,890)	\$ 35,244

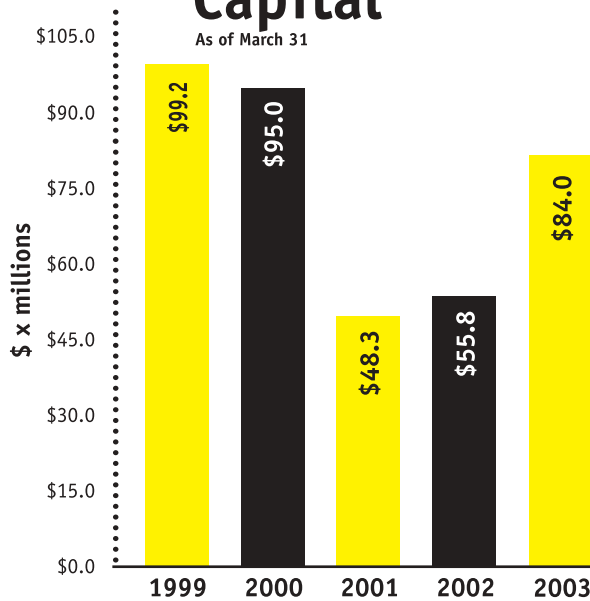
Total Energy Sales

For the twelve months ended March 31



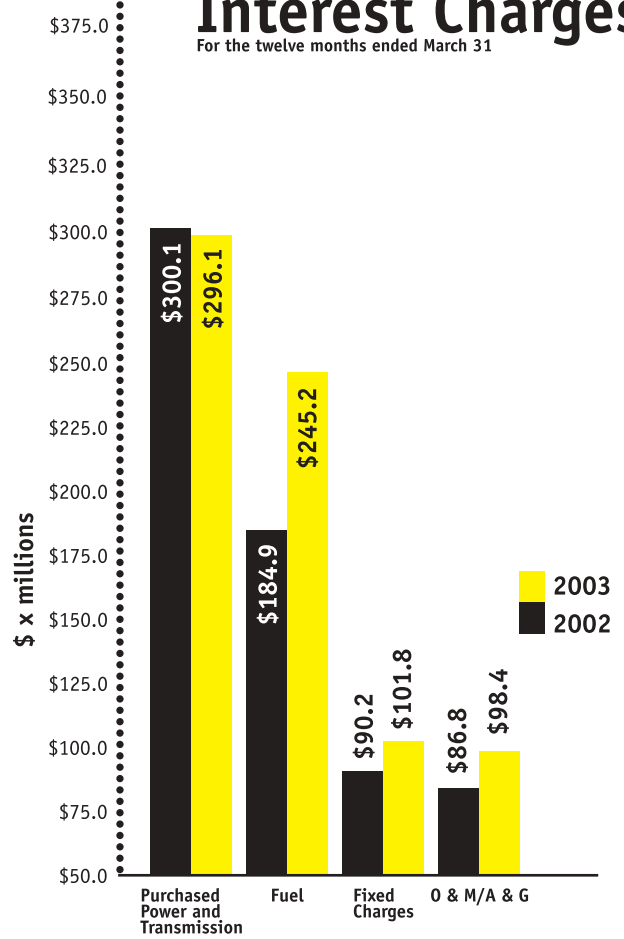
Working Capital

As of March 31



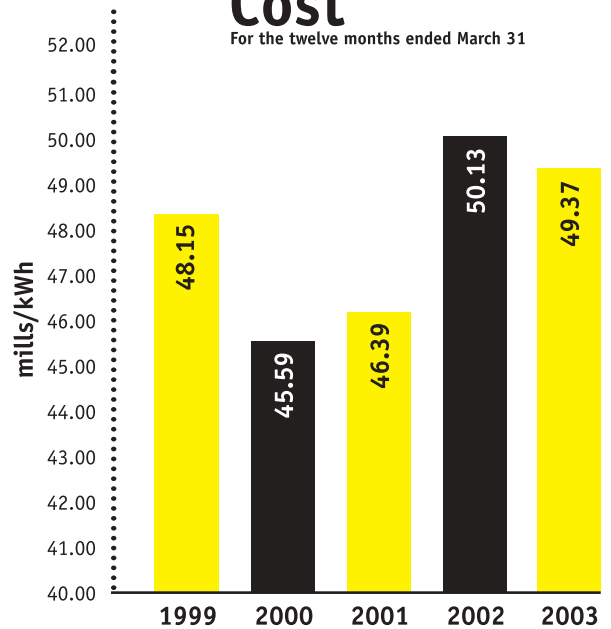
Operating Expenses & Interest Charges

For the twelve months ended March 31



Wholesale Member Cost

For the twelve months ended March 31



Board Officers

John W. Drake
President
Mal Green
Vice President
William C. Phillips
Secretary/Treasurer
William T. Mulcay, Jr.
Assistant Secretary/Treasurer

Chief Executive Officer

Richard J. Midulla
Executive Vice President & General Manager

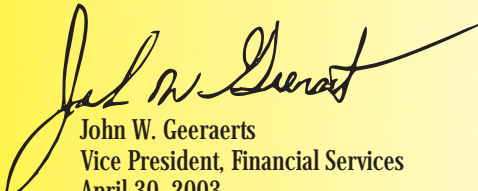
Please direct inquiries to:

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Owned by those we serve – 10 member distribution cooperatives:

Central Florida Electric Cooperative
Chiefland, FL
Clay Electric Cooperative
Keystone Heights, FL
Glades Electric Cooperative
Moore Haven, FL
Lee County Electric Cooperative
North Fort Myers, FL
Peace River Electric Cooperative
Wauchula, FL
Sumter Electric Cooperative
Sumterville, FL
Suwannee Valley Electric Cooperative
Live Oak, FL
Talquin Electric Cooperative
Quincy, FL
Tri-County Electric Cooperative
Madison, FL
Withlacoochee River
Electric Cooperative
Dade City, FL

(consisting only of normal recurring adjustments) have been made and this report constitutes a fair and accurate representation of the consolidated financial position and operation of Seminole and its subsidiaries for the periods presented. These statements are prepared in accordance with generally accepted accounting principles and, in all material respects, in accordance with the RUS Uniform System of Accounts. Certain reclassifications have been made to previously reported amounts to conform to current classifications. There has been no change to net margins as previously reported. These statements should be read in conjunction with the financial statements and related notes included in Seminole's 2002 annual report.



John W. Geeraerts
Vice President, Financial Services
April 30, 2003



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