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Quarter Report

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, 2004 and 2003.

Operations:

Total revenues for the quarter and twelve months ended March 31, 2004 increased 1.1% and 8.9%, respectively, when compared to the same periods in 2003. The increase is primarily due to higher member sales, which reflect higher demand and energy revenues for both periods. The average wholesale member power cost, including all rate schedules, increased 1.4% to 60.67 mills per kilowatt hour (kWh) for the quarter ended and increased 5.1% to 51.89 mills/kWh for the twelve months ended March 31, 2004. Non-fuel revenues for the quarter and twelve months ended increased 3.8% and .3%, respectively, compared to the same periods in the previous year. Non-fuel revenues for the quarter ended March 31, 2004 increased primarily due to greater quantities of demand and energy sold, while those for the twelve months ended period were relatively unchanged, though fuel revenues increased 16.0%. This increase was the result of higher natural gas prices and purchased power fuel related costs. The fuel revenues per kWh charged to members for the twelve months ended increased 12.1% when compared to the same period in 2003. Energy sales to non-members, measured in kWh, and average price per kWh sold, decreased for the quarter ended, and increased for the twelve months ended.

Fuel expenses associated with generation facilities decreased 7.4% for the quarter and increased 8.2% for the twelve months ended March 31, 2004. The decrease in fuel expense for the quarter ended is primarily due to reduced generation attributed to a greater number of outage days than in the previous year. Higher fuel expense for the twelve months ended March 31, 2004 is primarily due to a 5.8% increase in kWh generated at Seminole Generating Station (SGS) and a significant increase in natural gas prices used to supply the Payne Creek Generating Station (PCGS). SGS cost per kWh generated decreased for the quarter and twelve months ended 4.4% and 2.2%, respectively. This lower cost per kWh is primarily due to increased utilization of low cost petroleum coke used to supply a portion of the plant's fuel needs. Although natural gas requirements at PCGS decreased for the quarter and twelve months ended, higher natural gas prices caused a significant increase in the cost per kWh generated when compared to the previous year. Other production expenses increased 11.9% for the quarter ended and 3.9% for the twelve months ended March 31, 2004. The increase for the quarter ended is primarily due to higher maintenance costs associated with additional outage periods at SGS and PCGS. The increase for the twelve months ended reflects higher maintenance costs at PCGS. Transmission expense increased for the quarter and twelve months

ended March 31, 2004 primarily due to higher demand sales to member systems.

Purchased power costs increased 9.2% for the quarter ended and 17.4% for the twelve months ended March 31, 2004 primarily due to an increase in energy quantities purchased and in the fuel component of purchased power. Administrative and General expense increased for the quarter ended March 31, 2004 primarily due to an increase in employee benefits and consulting expenses, but decreased for the twelve months ended due to full amortization in 2002 of the Walker County judgment.

Net interest expense was lower for the quarter and twelve months ended March 31, 2004 due to lower variable interest rates. Interest income decreased for the twelve months ended March 31, 2004 due to lower short-term interest rates, but increased for the quarter due to higher investment balances associated with the loan fund investment (see current assets). Other non-operating income, net increased for the current quarter due to gains on nuclear decommissioning trust fund trading securities (NDTF), while the increase for the twelve months ended March 31, 2004 was due to both the NDTF gains and to sales of excess SO₂ allowances. Similar sales of SO₂ allowances were not made in the prior twelve months ended because of depressed market prices.

Financial Position:

Utility plant, net decreased by \$11.9 million at March 31, 2004 compared to March 31, 2003, primarily due to depreciation, partially offset by utility plant additions. These additions primarily related to SGS and PCGS capital improvements and initial payments associated with equipment on order for the 2006 peaking plant, reflected in construction work in process. The increase in investments was primarily due to a scheduled increase in the Lease Termination Fund, offset by the normal redemption of certain capital and subordinated term certificates.

Current assets increased due to a substantial addition to other current investments, reflecting the receipt of the proceeds of the final loan funds for the PCGS project. These loan funds reimbursed Seminole for general funds that had been used to pay a portion of the project costs. While these funds are not expected to be needed until early 2005, the loan commitment was scheduled to expire in early 2004, therefore the funds were drawn near the end of 2003 and invested to mature in late 2004. The decrease in receivables represents a decrease in unrecovered fuel adjustment true-up revenues. The increase in other current assets is due to increases in the fair value of natural gas hedges and the related NYMEX margin account established to facilitate natural gas hedging transactions.

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

March 31

	2004	2003
ASSETS		
Utility plant:		
Plant in service	\$ 1,076,028	\$ 1,073,433
Construction work in progress	14,912	4,448
	1,090,940	1,077,881
Less accumulated depreciation and amortization	(449,300)	(424,303)
Utility plant, net	641,640	653,578
Investments:		
Investments in associated organizations	2,317	3,012
Funds held by trustees	67,450	64,030
Total investments	69,767	67,042
Current assets:		
Cash and cash equivalents	66,219	66,872
Other current investments	43,264	3,111
Receivables, principally for sales of electricity	65,189	78,361
Inventories, at average cost:		
Materials and supplies	18,805	18,852
Fuel	21,822	23,599
Prepayments and other	12,768	7,902
Total current assets	228,067	198,697
Deferred charges:		
Regulatory	20,448	33,843
Non-regulatory	35,389	38,147
Total deferred charges	55,837	71,990
	<u>\$ 995,311</u>	<u>\$ 991,307</u>
EQUITY AND LIABILITIES		
Equity:		
Memberships	\$ 1	\$ 1
Patronage capital	100,087	99,810
Other margins and equities	9,966	7,720
Donated capital	32	32
Total equity	110,086	107,563
Long-term liabilities:		
Long-term debt	741,454	736,268
Obligations under capital leases	0	146
Other	14,823	7,584
Total long-term liabilities	756,277	743,998
Current liabilities:		
Current portion of:		
Long-term debt	36,427	32,429
Obligations under capital leases	146	274
Accounts payable	43,762	37,340
Other accrued liabilities	30,309	44,632
Total current liabilities	110,644	114,675
Deferred gain on sale-leaseback of plant	8,082	9,498
Other deferred credits	10,222	15,573
	<u>\$ 995,311</u>	<u>\$ 991,307</u>
Current ratios	2.06	1.73

Regulatory deferred charges decreased primarily due to scheduled amortization of previously deferred expenses relating to the termination of certain coal transportation contracts. Non-Regulatory deferred charges decreased primarily due to the scheduled amortization of deferred debt costs and related refinancing premiums.

Total equity increased \$2.5 million, reflecting twelve months ended net margins of \$0.9 million, and an increase of \$2.2 million in Other Comprehensive Income, offset by a patronage capital retirement of \$0.6 million.

Long-term debt increased in 2004 due to \$39.8 million in loan draws from the remaining available FFB debt for the PCGS project, offset by scheduled principal payments. Other long-term liabilities increased mostly due to the recognition of an Asset Retirement Obligation for Crystal River 3 (CR3) nuclear decommissioning of \$6.7 million. Seminole had previously classified this liability in deferred credits, whereas recently issued RUS guidelines categorize this item in other long-term liabilities.

Current liabilities decreased \$4.0 million in 2004. Other accrued liabilities decreased \$14.3 million primarily associated with accrued natural gas purchases. The current portion of long-term debt increased \$4.0 million from 2003. The increase in accounts payable is due to increases in purchased power invoices for March purchases outstanding at period-end, offset by a decrease associated with the timing of other payments at each period end.

The decrease in other deferred credits results from transferring the existing CR3 nuclear decommissioning liability balance to other long-term liabilities.

Working capital at March 31, 2004 of \$117.4 million was \$33.4 million higher than last year. This increase in working capital reflects an increase in other current investments, a decrease in other accrued liabilities, and an increase in prepayments and other, offset by a decrease in receivables, an increase in accounts payable, and an increase in the current portion of long-term debt. Seminole had a current ratio of 2.1 at the end of March 2004 and 1.7 at the end of March 2003.

Other Matters:

On April 6, 2004, RUS approved amendments to the Wholesale Power Contracts (WPC) between Seminole and each of seven of Seminole's ten distribution cooperative members, representing approximately 57% of Seminole's current load. These amendments extend the initial term of the WPC for those seven members by 25 years, through 2045. The amendments did not alter the members' obligation to purchase substantially all of their electric power and energy requirements from Seminole during the term of the WPC. The three members that have not entered into amendments to extend the initial term of their WPC with Seminole are Clay Electric Cooperative, Inc. (Clay), Lee County Electric Cooperative, Inc. (Lee), and Suwannee Valley Electric Cooperative, Inc., representing approximately 20%, 21%, and 2% respectively, of Seminole's current load. Discussions continue among Seminole and all of its members regarding additional amendments to the WPC that could result in some or all of these three members also extending the initial term of their WPC with Seminole.

On April 27, Seminole was formally served with a complaint filed on December 30, 2003 in Clay County, FL, by two of its largest members, Clay and Lee. The complaint raises contractual and fiduciary duty claims related to the adoption of rate schedule SECI-7, which was approved by both the Seminole Board of Trustees and RUS in late 1998 and implemented effective January 1, 1999. While Seminole denies the allegations, the parties have been involved in settlement discussions and have agreed that during the continuing course of these discussions, Seminole will not be required to serve its formal response to the complaint.

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

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**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	
	2004	2003	2004	2003
Operating revenue	\$ 214,576	\$ 212,343	\$ 800,927	\$ 735,320
Operating expenses:				
Operation:				
Fuel	59,780	64,524	265,384	245,242
Other production expenses	20,454	18,272	79,003	76,005
Purchased power	71,371	65,358	302,906	257,987
Transmission	10,377	10,125	39,126	38,118
Administrative and general	5,808	5,170	20,045	22,382
Depreciation and amortization	8,530	8,382	34,370	33,133
Lease of coal-fired plant	6,626	6,699	26,575	27,052
	<u>182,946</u>	<u>178,530</u>	<u>767,409</u>	<u>699,919</u>
Operating margins before interest charges	31,630	33,813	33,518	35,401
Interest charges net of amounts capitalized	9,822	10,145	39,955	41,610
Operating margins/(deficits)	<u>21,808</u>	<u>23,668</u>	<u>(6,437)</u>	<u>(6,209)</u>
Patronage capital credits	1	0	27	24
Net operating margins/(deficits)	<u>21,809</u>	<u>23,668</u>	<u>(6,410)</u>	<u>(6,185)</u>
Nonoperating income:				
Interest income	1,225	1,014	4,395	4,614
Other income, net	125	30	2,879	91
Net margins/(deficits)	<u>23,159</u>	<u>24,712</u>	<u>864</u>	<u>(1,480)</u>
Patronage capital, beginning of period	76,928	75,098	99,810	101,894
Patronage capital retirements	0	0	(587)	(604)
Patronage capital, end of period	<u>\$ 100,087</u>	<u>\$ 99,810</u>	<u>\$ 100,087</u>	<u>\$ 99,810</u>
*Megawatt hours sold - members	3,474,803	3,447,434	14,983,860	14,493,386
Megawatt hours sold - non-members	55,412	90,490	360,211	325,188
*Wholesale member power cost - mills/kWh	60.67	59.86	51.89	49.37
Total sales - mills/kWh	60.24	59.40	51.66	49.08
TIER			1.02	0.97
DSC			1.01	0.94

*All rate schedules

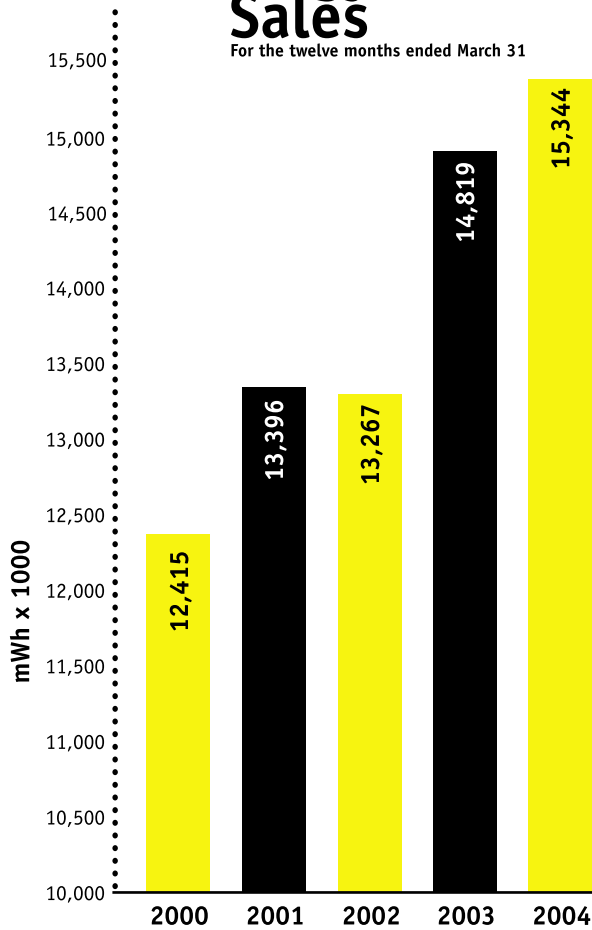
Cash Flows

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

	Three Months Ended March 31		Twelve Months Ended March 31	
	2004	2003	2004	2003
Cash flows from operating activities:				
Net margins (deficits)	\$ 23,159	\$ 24,712	\$ 864	\$ (1,480)
Adjustments to reconcile to cash:				
Depreciation and amortization	12,887	12,875	54,213	54,178
Amortization of gain on lease/leaseback transactions	(310)	(300)	(1,251)	(1,206)
Lease expense/lease payment difference	(206)	(35)	(516)	173
Change in assets and liabilities:				
Receivables	16,688	1,388	13,165	(18,536)
Inventories	(5,882)	7,631	1,824	3,512
Prepayments and other	3,356	2,447	(4,078)	3,962
Deferred charges	26	(1,804)	(2,597)	(5,183)
Other long-term liabilities	(4)	0	(6)	0
Accounts payable	9,645	(3,429)	6,422	10,372
Other accrued liabilities	2,589	15,456	(13,100)	(11,648)
Total adjustments	38,789	34,229	54,076	35,624
Net cash provided by operating activities	61,948	58,941	54,940	34,144
Cash flows from investing activities:				
Utility plant additions, net of retirements	(5,538)	(1,701)	(21,772)	(12,282)
Proceeds from investments, net	(2,670)	(2,678)	(39,932)	7,717
Net cash used in investing activities	(8,208)	(4,379)	(61,704)	(4,565)
Cash flows from financing activities:				
Proceeds from long-term borrowings	0	0	39,838	0
Payments of long-term debt	(13,308)	(11,989)	(32,866)	(36,613)
Payments of capital lease obligations	(140)	(129)	(274)	(252)
Payments of patronage capital credits	0	0	(587)	(604)
Net cash provided by/(used in) financing activities	(13,448)	(12,118)	6,111	(37,469)
Net increase/(decrease) in cash and cash equivalents	\$ 40,292	\$ 42,444	\$ (653)	\$ (7,890)

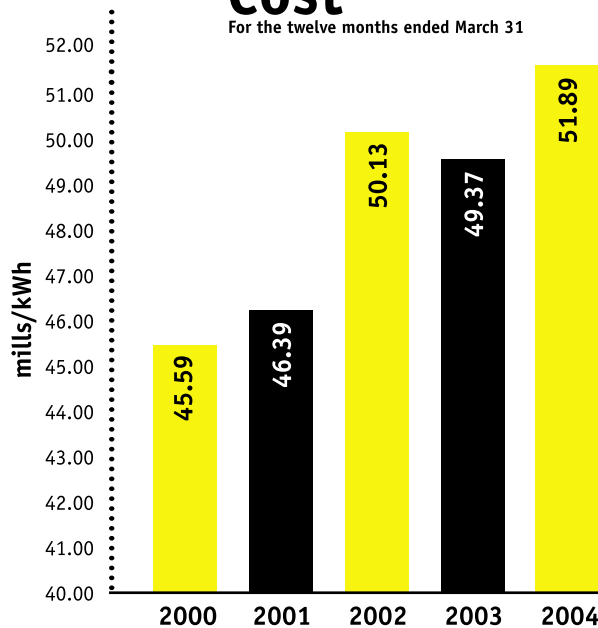
Total Energy Sales

For the twelve months ended March 31



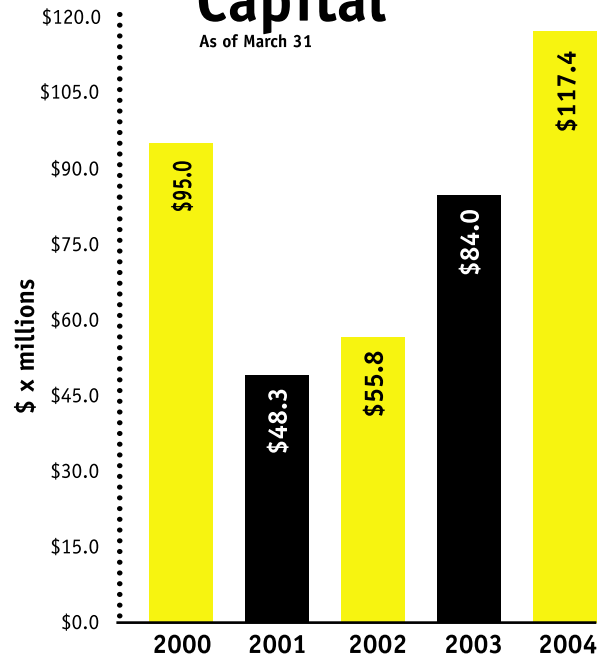
Wholesale Member Cost

For the twelve months ended March 31



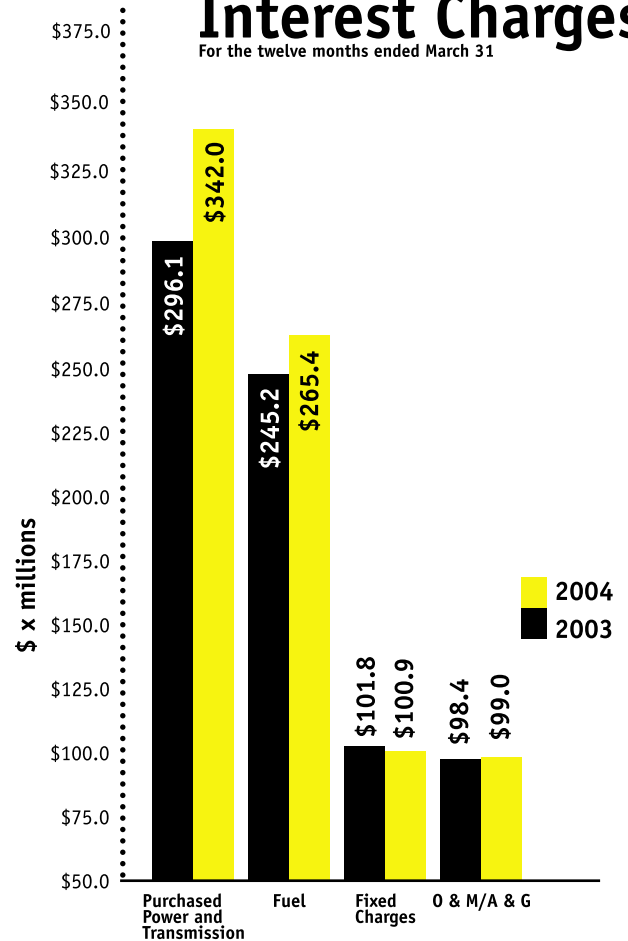
Working Capital

As of March 31



Operating Expenses & Interest Charges

For the twelve months ended March 31



Board Officers

John W. Drake
President
Mal Green
Vice President
Robert W. Strickland
Secretary/Treasurer

Chief Executive Officer

Richard J. Midulla
Executive Vice President &
General Manager

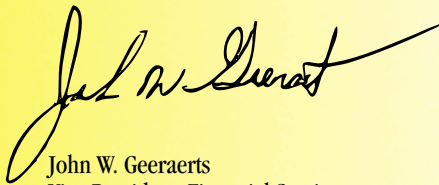
Please direct inquiries to:

Seminole Electric Cooperative, Inc.
Vice President, Financial Services
P.O. Box 272000
Tampa, FL 33688-2000
(813) 963-0994
Email: info@seminole-electric.com
Web Address:
www.seminole-electric.com

**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

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 2003 annual report.



John W. Geeraerts
Vice President, Financial Services
April 30, 2004



P.O. Box 272000
Tampa, FL 33688-2000
(813) 963-0994