

**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, 2007 and 2006.

**Operations:**

Total revenues decreased 3% for the quarter and increased 4% for the twelve months ended March 31, 2007, when compared to the same periods in 2006. Member revenues decreased 3.2% for the quarter due to a 6% decrease in the average wholesale rate and a 3.3% increase in kWh sold. The average wholesale member power cost increased 1% to 67.55 mills per kWh for the twelve months ended March 31, 2007. For the twelve months ended March 31, 2007, the increase in wholesale member power cost was primarily due to increased non-fuel related costs. For the quarter, the decrease in wholesale member power cost is due to economic dispatch of coal generation vs. natural gas, and/or purchased power.

Fuel expenses associated with generation facilities were 11% lower for the quarter, and 7% higher for the twelve months ended March 31, 2007. Fuel for the Payne Creek Generating Station (PCGS) was lower for the quarter due to less generation, although at higher costs/kWh. Natural gas costs per dekatherm consumed at PCGS increased by 14% and 15%, respectively, for the quarter and twelve months ended when compared to the same periods in 2006. Additionally, the PCGS peaking plant started commercial operation December 1, 2006, increasing fuel expense from the previous periods. Fuel costs at the Seminole Generating Station (SGS) increased for all periods ended March 31, 2007 compared to the previous periods due to both higher generation and higher delivered costs for both coal and petcoke. Fuel cost per MWh generated at SGS increased by 10% rising to \$21.69 per MWh for the twelve months ended March 31, 2007 compared to

\$19.67 per MWh for the same period 2006. Other production expenses decreased 11% for the quarter, and increased 11% for the twelve months ended March 31, 2007 when compared to the same period in 2006 primarily due to timing differences in maintenance costs at PCGS and SGS.

Purchased power costs decreased 5% for the quarter and were comparable to 2006 for the twelve months ended March 31, 2007. The decrease is attributable to higher Seminole owned generation resulting in lower interchange purchases. Transmission expense increased 14% for the quarter and 4% for the twelve months ended March 31, 2007.

Net interest expense was 5% higher for the quarter and 36% higher for the twelve months ended March 31, 2007 due to the addition of debt issued to reacquire SGS Unit 2, the addition of financing for the PCGS peaking plant, and higher variable interest rates. Interest income was 9% higher for the quarter and 12% higher for the twelve months ended March 31, 2007 compared to 2006 mainly due to higher interest rates earned on general funds investment balances. Other income, net for the quarter and twelve months ended March 31, 2007 shows a negative variance of \$4.7M and \$4.4M primarily due to timing of excess SO<sub>2</sub> allowance sales.

**Financial Position:**

The increase in utility plant net of depreciation and retirements of \$86.3M is chiefly associated with the new PCGS peaking units, related transmission system improvements, pre-construction costs associated with SGS Unit 3 and pollution control improvements to SGS Units 1 and 2. Funds held by trustees and special funds investments increased \$3.7M mainly due to the scheduled increase in the Unit 1 lease termination fund, and an increase in the NDTE.

Current assets increased \$3.5M from 2006, primarily due to increases in fuel inventory, offset by a decrease in receivables.

Regulatory deferred charges decreased \$15.0M in 2007, primarily reflecting the change in fair value of natural gas hedging

contracts and the scheduled amortization of deferred debt costs. This was partially offset by the addition of financing costs associated with the SGS Unit 2 reacquisition and refinancing premiums for certain Federal Financing Bank debt.

Total equity increased \$10.8M from 2006, reflecting twelve months ended net margins of \$13.9M, offset by a decrease of \$2.5M in other comprehensive income for recognition of fair value of natural gas hedging contracts, and a patronage capital retirement of \$0.6M.

Long-term debt increased in 2007 by \$31.8M mainly due to loan draws for the PCGS peaking project, offset by scheduled principal payments on outstanding debt. The \$3.1M increase in other long-term liabilities primarily reflects a \$1.9M increase in retention on long-term contracts, the \$0.6M scheduled accretion of the Asset Retirement Obligation for Crystal River 3 nuclear decommissioning, and a \$0.6M increase in long-term employee benefits.

Total current liabilities increased \$23.4M over 2006. The current portion of long-term debt increased \$3.3M primarily due to the current portion of the PCGS peaking project debt. Other accrued liabilities increased \$20.0M due to increases of \$27.8M in accrued fuel adjustment, and \$8.2M in interest payables, offset by decreases of \$8.6M in accrued purchased power and \$5.7M in accrued fuel payables.

The increase in the deferred credits represents a \$9.5M natural gas hedge unrealized gain.

Working capital at March 31, 2007 of \$46.0M was \$20.0M lower than the previous year. Working capital decreased due to reduced accounts receivable, increases in other accrued liabilities, and in the current portion of long term debt, offset by an increase in fuel and materials and supplies inventories. Seminole achieved a current ratio of 1.26 at the end of March 2007 compared to 1.42 for the previous year.

**Other Matters:**

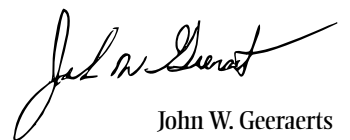
PCGS sustained a major failure in the 150 MW steam turbine/generator on April 14, 2007.

Both combustion turbine units are being temporarily retrofitted and inspected for non-combined cycle operation. Target date for CT operation stands at June 1, 2007. The steam unit assessment has not been completed at this time.

Most preparatory work has been completed for the issuance of two series of Pollution Control Revenue Refunding Bonds. The new bond series will represent two tranches of \$62,625,000 totaling \$125,250,000. (Series 2007A and 2007B) Proceeds will be used to redeem the 1984 series D, H and S bonds. The new bonds are expected to be issued on May 3, 2007.

The Florida Department of Environmental Protection remanded the approval of the SGS Unit 3 siting order back to the Administrative Law Judge for additional information regarding the projects' environmental impacts.

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 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 2006 annual report.



John W. Geeraerts  
Sr. Vice President and  
Chief Financial Officer  
April 30, 2007

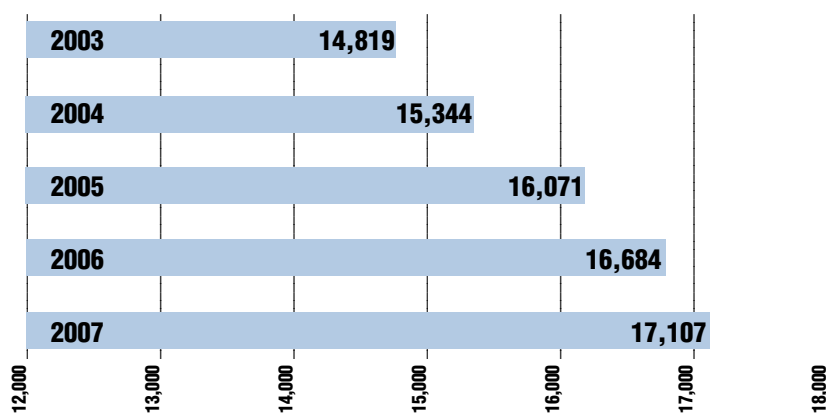
## Consolidated Balance Sheets

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

	March 31	
	2007	2006
<b>ASSETS</b>		
<b>Utility plant:</b>		
Plant in service	\$ 1,572,045	\$ 1,421,243
Construction work in progress	42,258	77,453
	<u>1,614,303</u>	<u>1,498,696</u>
<b>Less accumulated depreciation and amortization</b>		
	<u>(524,087)</u>	<u>(494,788)</u>
<b>Utility plant, net</b>	<b>1,090,216</b>	<b>1,003,908</b>
<b>Investments:</b>		
Investments in associated organizations	2,223	2,236
Funds held by trustees and special funds-restricted	77,554	73,822
<b>Total investments</b>	<b>79,777</b>	<b>76,058</b>
<b>Current assets:</b>		
Cash and cash equivalents	25,400	24,644
Other current investments	3,772	3,590
Receivables, principally for sales of electricity	94,595	117,063
<b>Inventories, at average cost:</b>		
Materials and supplies	21,735	20,665
Fuel	54,213	31,098
Prepayments and other	25,443	24,584
<b>Total current assets</b>	<b>225,158</b>	<b>221,644</b>
<b>Regulatory deferred charges</b>	<b>44,405</b>	<b>59,355</b>
	<u>\$ 1,439,556</u>	<u>\$ 1,360,965</u>
<b>EQUITIES AND LIABILITIES</b>		
<b>Equities:</b>		
Memberships	\$ 1	\$ 1
Patronage capital	131,498	118,201
Accumulated comprehensive income	0	2,457
Donated capital	32	32
<b>Total equities</b>	<b>131,531</b>	<b>120,691</b>
<b>Long-term liabilities:</b>		
Long-term debt	1,096,405	1,064,635
Other	22,866	19,767
<b>Total long-term liabilities</b>	<b>1,119,271</b>	<b>1,084,402</b>
<b>Current liabilities:</b>		
<b>Current portion of:</b>		
Long-term debt	57,909	54,607
Accounts payable	50,315	50,060
Other accrued liabilities	70,972	51,107
<b>Total current liabilities</b>	<b>179,196</b>	<b>155,774</b>
<b>Other deferred credits</b>	<b>9,558</b>	<b>98</b>
	<u>\$ 1,439,556</u>	<u>\$ 1,360,965</u>
<b>Current ratios</b>	<b>1.26</b>	<b>1.42</b>

## TOTAL ENERGY SALES\* (MWh x 1000)

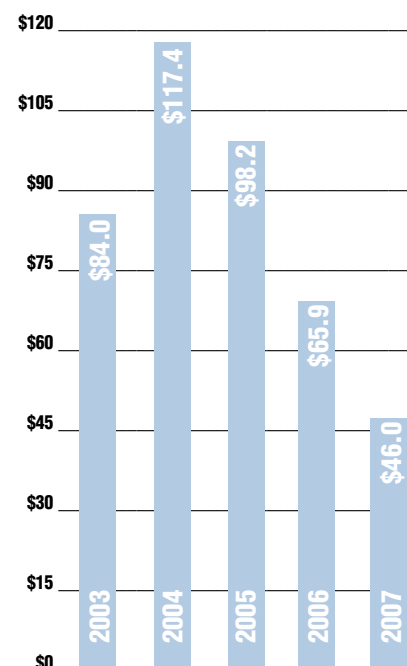
(For the twelve months ended March 31)



## WORKING CAPITAL

(As of March 31)

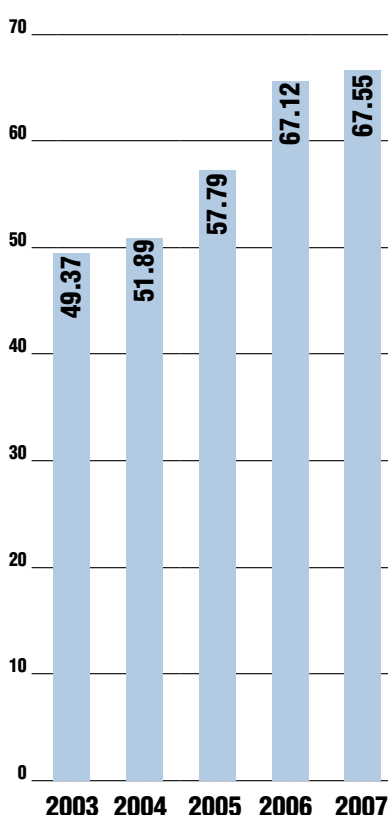
\$ x millions



## WHOLESALE MEMBER COST

(For the twelve months ended March 31)

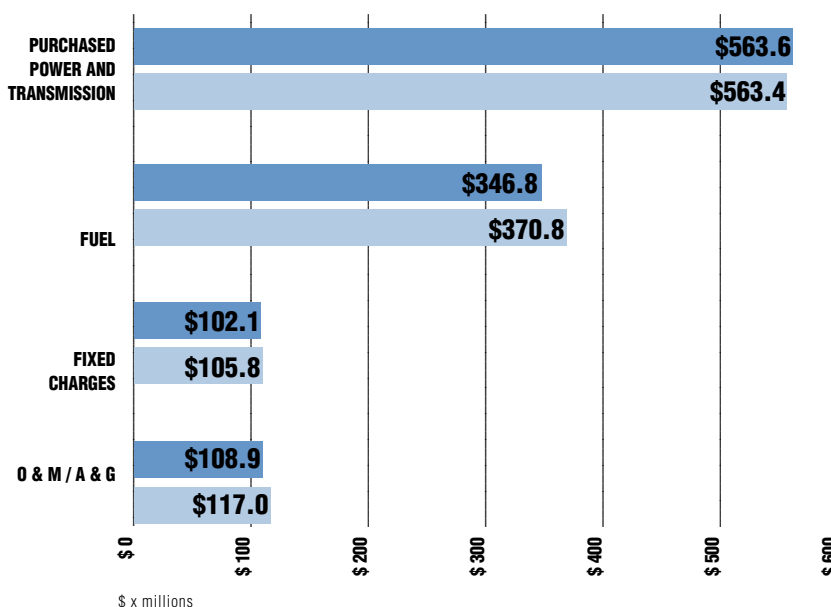
mills/kWh



## OPERATING EXPENSES & INTEREST CHARGES

(For the twelve months ended March 31)

2006  
2007



**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	
	2007	2006	2007	2006
Operating revenue	\$ 283,367	\$ 293,121	\$ 1,163,671	\$ 1,124,238
Operating expenses:				
Operation:				
Fuel	78,767	88,216	370,765	346,824
Other production expenses	21,968	24,651	95,851	86,391
Purchased power	104,906	109,920	521,308	523,368
Transmission	11,811	10,361	42,051	40,245
Administrative and general	6,046	6,290	21,092	22,465
Depreciation and amortization	12,239	11,063	46,293	37,734
Lease of coal-fired plant	0	0	0	20,671
Total operating expenses	235,737	250,501	1,097,360	1,077,698
Operating margins before interest expense	47,630	42,620	66,311	46,540
Interest expense net of amounts capitalized	15,681	14,921	59,495	43,651
Operating margins	31,949	27,699	6,816	2,889
Nonoperating income:				
Interest income	1,327	1,249	5,876	5,254
Other income, net	112	4,783	1,247	5,690
Net margins	33,388	33,731	13,939	13,833
Patronage capital, beginning of period	98,110	84,470	118,201	104,944
Patronage capital retirements	0	0	(642)	(576)
Patronage capital, end of period	\$ 131,498	\$ 118,201	\$ 131,498	\$ 118,201
* Megawatt hours sold - members	3,787,488	3,665,307	16,899,267	16,371,147
Megawatt hours sold - non-members	39,808	61,508	207,961	312,657
* Wholesale member power cost - mills/kWh	73.67	78.63	67.55	67.12
Total sales - mills/kWh	73.42	78.12	67.48	66.86
TIER			1.24	1.27
DSC			1.13	1.14
* All rate schedules				

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

	Three Months Ended March 31		Twelve Months Ended March 31	
	2007	2006	2007	2006
Cash flows from operating activities:				
Net margins	\$ 33,388	\$ 33,731	\$ 13,939	\$ 13,833
Adjustments to reconcile to cash:				
Depreciation and amortization	13,233	11,994	49,883	39,768
Amortization of gain on lease/leaseback transactions	(310)	(310)	(1,241)	(1,241)
Lease expense/lease payment difference	0	0	0	(1,295)
Changes in assets and liabilities:				
Receivables	(4,475)	15,083	22,462	(12,863)
Inventories	(4,329)	(9,315)	(24,185)	(3,732)
Prepayments and other	4,196	(21,911)	14,654	(30,992)
Deferred charges	8,695	(235)	4,241	(1,207)
Other long-term liabilities	95	285	1,897	1,050
Accounts payable	(6,958)	(6,755)	255	(6,080)
Other accrued liabilities	22,087	(1,711)	19,842	8,239
Total adjustments	32,234	(12,875)	87,808	(8,353)
Net cash provided by operating activities	65,622	20,856	101,747	5,480
Cash flows from investing activities:				
Capital expenditures	(10,828)	(25,430)	(132,369)	(371,328)
Purchases of investments	(605)	(3,950)	(5,411)	(8,419)
Proceeds from investments	520	523	4,779	22,726
Net cash used in investing activities	(10,913)	(28,857)	(133,001)	(357,021)
Cash flows from financing activities:				
Proceeds of line-of-credit	143,802	116,270	255,057	236,265
Payments of line-of-credit	(171,070)	(121,970)	(255,057)	(236,265)
Proceeds from long-term borrowings	13,823	57,522	78,952	357,522
Payments of long-term debt	(16,566)	(23,214)	(46,300)	(38,673)
Payments of patronage capital credits	0	0	(642)	(576)
Net cash provided by/ (used in) financing activities	(30,011)	28,608	32,010	318,273
Net increase/(decrease) in cash and cash equivalents	\$ 24,698	\$ 20,607	\$ 756	\$ (33,268)



#### **Board Officers**

Mal Green  
*President*

Robert W. Strickland  
*Vice President*

Malcolm V. Page  
*Secretary/Treasurer*

#### **Chief Executive Officer**

Richard J. Midulla  
*Executive Vice President &  
General Manager*

#### **Please direct inquiries to:**

Seminole Electric Cooperative, Inc.  
*Senior Vice President and  
Chief Financial Officer*

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

Email: [info@seminole-electric.com](mailto:info@seminole-electric.com)  
Web Address:  
[www.seminole-electric.com](http://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*

### **OUR MISSION**

**To be the preferred provider of wholesale energy services for our Members.**

### **OUR VISION**

**To be a leading competitor in the Florida energy market, trusted and respected by our Members, employees, business partners, and community.**

**To provide our employees a safe, challenging and rewarding work environment, where pride and commitment are the hallmark of our operations.**

### **OUR VALUES**

**We uphold the highest ethical and professional standards.**

**We believe that Cooperative ownership and principles are the cornerstone of our success.**

**We affirm that innovation, communication, accountability, and teamwork are essential ingredients to achieve Member satisfaction.**

**We are committed to improving the quality of life in our communities.**

**We are responsible stewards of our environment.**



IN PARTNERSHIP WITH THOSE WE SERVE

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