Seminole Electric COOPERATIVE, INC.

IN PARTNERSHIP WITH THOSE WE SERVE

2nd Quarter Report 2008

**LETTER TO OUR MEMBERS:**

## To Our Members:

Seminole Electric Cooperative, Inc. (Seminole) is pleased to present the enclosed interim consolidated financial statements including balance sheets, statements of revenue and expenses and patronage capital, and statements of cash flow as of or for the periods ended June 30, 2008 and 2007.

## Operations:

Total revenues increased 12%, 8%, and 7% for the quarter, year-to-date, and the twelve months ended June 30, 2008, compared to the same periods in 2007. Member revenues increased for the quarter due to a 7% increase in the average wholesale rate and a 3% increase in kWh sold. Member revenues increased for the year-to-date due to a 4% increase in the average wholesale rate and a 2% increase in kWh sold. Member revenues increased for the twelve months ended June 30, 2008 due to increases of 8% in fuel and 6% in non-fuel related costs, as well as a 3% increase in kWh sold.

Fuel expenses associated with generation facilities were 6% higher, 12% lower, and 21% lower for the quarter, year-to-date, and the twelve months ended June 30, 2008. Fuel expense for the Midulla Generating Station (MGS) combined cycle unit was 152% higher, 31% lower, and 72% lower for the quarter, year-to-date, and twelve months ended June 30, 2008. This was due to a return to service this quarter of the steam turbine/generator at MGS from an associated outage that began in April 2007. This was offset for the twelve months ended June 30, 2008 by fuel consumption on behalf of the MGS peaking plant, which began commercial operation December 1, 2006. Fuel costs at the MGS peaking plant decreased 97% and 84% for the quarter and year-to-date due to peaking unit outages. Fuel costs at the Seminole Generating Station (SGS) increased for the quarter and year-to-date ended June 30, 2008 compared to the same periods in 2007, primarily due to increased generation. Fuel cost per MWh generated at SGS increased by 1.0% rising to $22.16 per MWh for the twelve months ended June 30, 2008 compared to $21.94 per MWh for the same period in 2007. Other production expenses decreased 12%, 3%, and 4% for the quarter, year-to-date, and the twelve months ended June 30, 2008 when compared to the same period in 2007. This was primarily due to timing differences in maintenance costs at MGS and SGS, and service outages at MGS.

Purchased power costs increased 20%, 25%, and 29% for the quarter, year-to-date, and the twelve months ended June 30, 2008. The increase is attributable to the MGS steam turbine/generator outage. Transmission expense decreased 8% for the year-to-date due to a Federal Energy Regulatory Commission (FERC) mandated refund of certain prior period excess charges from a Seminole transmission provider.

Net interest expense was 2% lower for the quarter due to scheduled debt payments. Net interest expense was 3% higher for the twelve months ended June 30, 2008 primarily due to the addition of interest expense associated with the MGS peakers in December 2006. Interest income was 10% higher for the year-to-date 2008 compared to 2007 mainly due to interest received associated with the above mentioned 2008 transmission refund. Interest Income was 10% lower for the quarter and 8% lower for the twelve months ended June 30, 2008 mostly due to lower investment balances. Other income decreased for all periods due to declines in sulfur dioxide ($SO_2$) allowance sales compared to 2007, combined with unrealized losses for Nuclear Decommissioning Trust Fund traded securities.

## Financial Position:

The increase in utility plant net of depreciation and retirements of $144.6M primarily is associated with pollution control improvements to SGS Units 1 and 2. Investments held by trustees and special funds investments increased $10.7M due to Rural Utilities Services (RUS) Cushion of Credit investments, along with a scheduled increase in the SGS Unit 1 lease termination fund.

Current assets decreased $15.9M from 2007, primarily due to decreases in receivables, fuel inventory, current deferred charges, and other current investments, offset by an increase in prepayments and other, materials and supplies inventory, and cash and cash equivalents. Receivables decreased due to Member prepayments. Fuel inventory decreased due to planned reductions for the coal stock-pile, offset by the acquisition of natural gas seasonal storage. Current deferred charges decreased because the current quarter-end deferred gas hedge valuation resulted in a deferred credit. Prepayments increased primarily due to increases in the fair value and quantity of natural gas hedges.

Regulatory deferred charges increased $3.5M in 2008, primarily due to Preliminary Survey and Investigation expenditures incurred for proposed base load capacity, and refinancing costs associated with the refunding of the Pollution Control Revenue Bonds, offset by scheduled amortization of deferred debt costs.

Total equity decreased $1.7M from 2007, reflecting twelve months ended net deficit of $1.2M, combined with a decrease of $0.5M in other comprehensive income for the unrealized actuarial loss on postretirement health care coverage.

Long-term debt increased in 2008 by $84.0M mainly due to prepayments from Members and line of credit use in lieu of approved loan draws awaiting disbursement. This increase was partially offset by scheduled principal payments on existing long-term debt facilities. Long-term liabilities increased by $10.0M due to an $8.4M increase in retention on long-term contracts, an $0.8M increase in long-term employee benefits, and an $0.8M scheduled accretion of an Asset Retirement Obligation on behalf of Crystal River 3 nuclear decommissioning.

Total current liabilities increased $49.2M over 2007. The current portion of long-term debt increased $4.0M. Accounts payable increased $37.0M principally due to purchased power payables and other payables. Current deferred credits increased due to current valuation of our natural gas hedges being a $35.0M unrealized gain in 2008. Other accrued liabilities decreased $26.8M mainly due to decreases of $19.2M in accrued fuel adjustment, $7.5M in interest payables resulting from 2nd quarter scheduled debt service payment timing, and $10.6M in accrued purchased power. This was offset by increases of $7.1M in accrued fuel payables. Deferred credits increased by $1.3M due to the long-term portion of unrealized gains on natural gas hedges.

Working capital at June 30, 2008 of $3.0M was $65.2M lower than the previous year. Working capital decreased primarily due to an increase in accounts payable and an increase in current deferred credits. Details of these increases are provided in the current liabilities explanation. A decrease in accounts receivable also materially reduced working capital as described in the current assets explanation. This was offset by a decrease in other accrued liabilities, which also is covered in the current liabilities explanation, and an increase in prepayments and other. Seminole has approved RUS guaranteed loans of $426M, $215M of which is expected to be received in early August, and available lines of credit totaling $440M. Seminole achieved a current ratio of 1.01 at the end of June 2008 compared to 1.38 for the previous year.

## Other Matters:

On June 13, 2008 the 5th District Court of Appeals reversed the Florida Department of Environmental Protection (FDEP) Secretary's order denying site certification for the SGS Unit-3 project, and instructed the Secretary to grant said certification with directions. The FDEP filed a Motion for a Rehearing and on July 16, the court again ruled in favor of Seminole and its planned clean coal project, by denying the FDEP's Motion for Rehearing.

After an extended outage to repair the steam turbine/generator, the MGS combined cycle facility returned to full capability on June 6th.

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 2007 annual report.

John W. Geeraerts
Assistant General Manager
and Chief Financial Officer
July 31, 2008

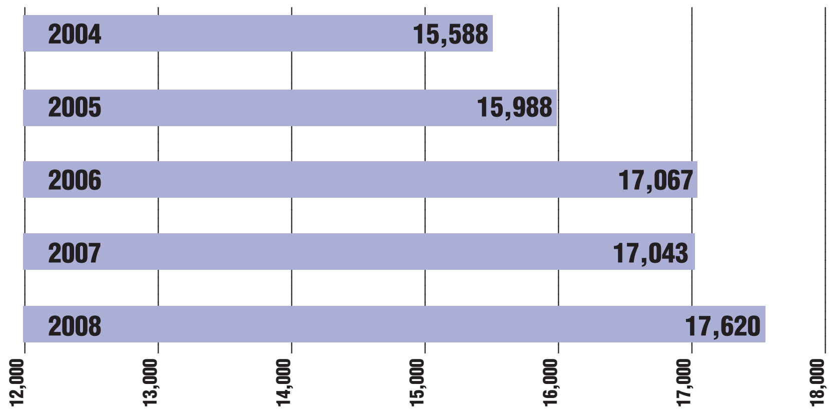
# Consolidated Balance Sheets

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

| | June 30 2008 | June 30 2007 |
|---|---|---|
| **ASSETS** | | |
| **Utility plant:** | | |
| Plant in service | $ 1,590,997 | $ 1,574,956 |
| Construction work in progress | 191,337 | 43,112 |
| | 1,782,334 | 1,618,068 |
| Less accumulated depreciation and amortization | (551,585) | (531,884) |
| Utility plant, net | 1,230,749 | 1,086,184 |
| **Investments:** | | |
| Investments in associated organizations | 2,364 | 2,240 |
| Investments held by trustees | 74,770 | 64,210 |
| Total investments | 77,134 | 66,450 |
| **Current assets:** | | |
| Cash and cash equivalents | 6,644 | 3,344 |
| Other current investments | 17,050 | 18,783 |
| Receivables, principally for sales of electricity | 99,012 | 119,220 |
| Inventories, at average cost: | | |
| Materials and supplies | 25,085 | 21,506 |
| Fuel | 62,684 | 68,924 |
| Prepayments and other | 19,149 | 11,351 |
| Current portion of regulatory deferred charges | 3,927 | 6,371 |
| Total current assets | 233,551 | 249,499 |
| Non current regulatory deferred charges | 53,107 | 49,561 |
| Total assets | $ 1,594,541 | $ 1,451,694 |
| **EQUITIES AND LIABILITIES** | | |
| **Equities:** | | |
| Memberships | $ 1 | $ 1 |
| Patronage capital | 103,968 | 105,185 |
| Donated capital | 32 | 32 |
| Accumulated comprehensive loss | (543) | 0 |
| Total equities | 103,458 | 105,218 |
| **Long-term liabilities:** | | |
| Debt | 1,223,424 | 1,139,403 |
| Other | 35,749 | 25,721 |
| Total long-term liabilities | 1,259,173 | 1,165,124 |
| **Current liabilities:** | | |
| Current portion of long-term debt | 45,550 | 41,528 |
| Accounts payable | 97,450 | 60,451 |
| Other accrued liabilities | 52,512 | 79,301 |
| Current deferred credits | 35,055 | 72 |
| Total current liabilities | 230,567 | 181,352 |
| Other deferred credits | 1,343 | 0 |
| Total equities and liabilities | $ 1,594,541 | $ 1,451,694 |
| Current ratios | 1.01 | 1.38 |

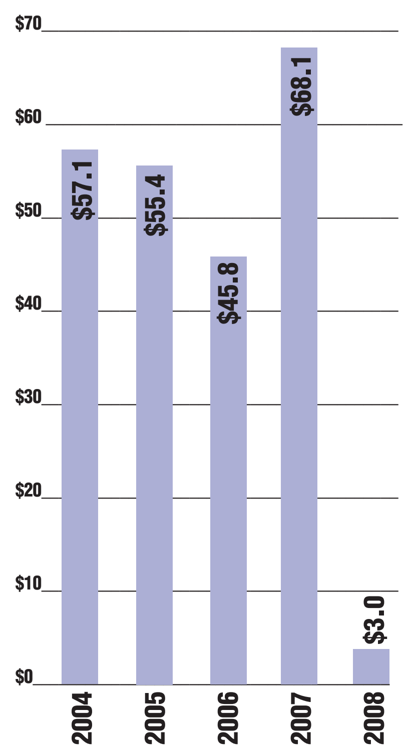
## TOTAL ENERGY SALES (MWh x 1000)

(For the twelve months ended June 30)



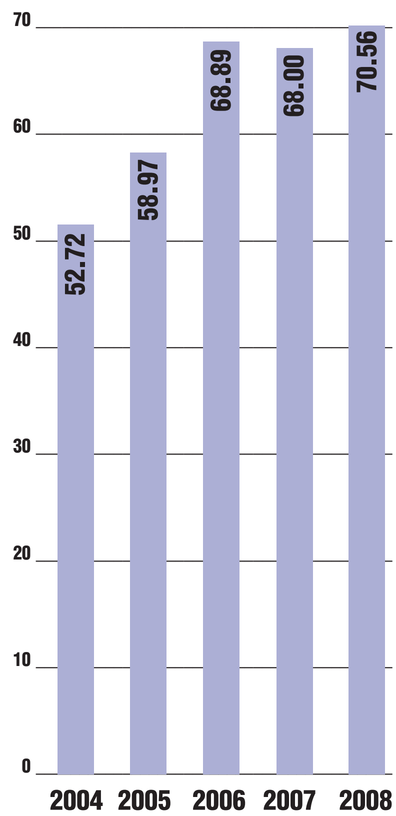

## WORKING CAPITAL

(As of June 30)
$ x millions




## WHOLESALE MEMBER COST

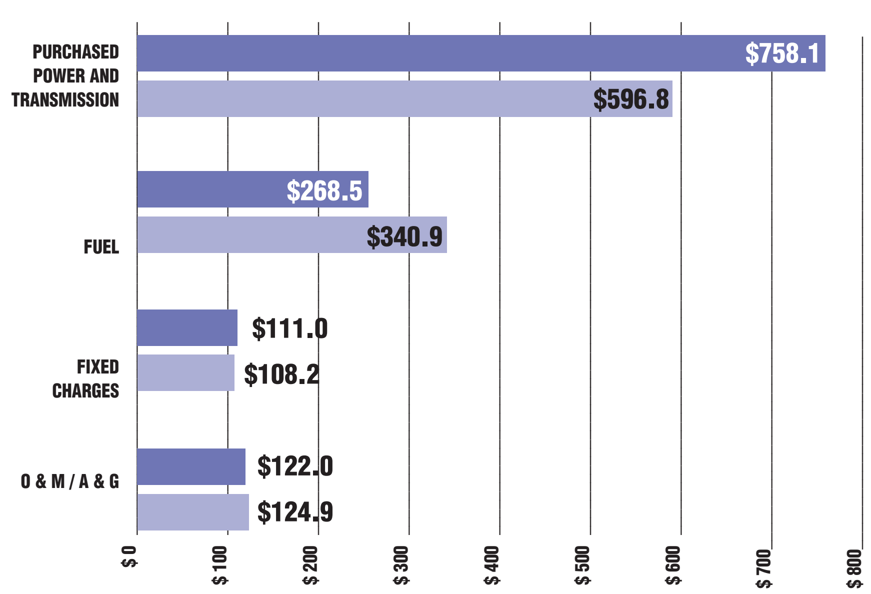
(For the twelve months ended June 30)
mills/kWh




## OPERATING EXPENSES & INTEREST CHARGES

(For the twelve months ended June 30)

2008
2007




$ x millions

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

| | For the Three Months Ended June 30, 2008 | For the Three Months Ended June 30, 2007 | For the Six Months Ended June 30, 2008 | For the Six Months Ended June 30, 2007 | For the Twelve Months Ended June 30, 2008 | For the Twelve Months Ended June 30, 2007 |
|---|---|---|---|---|---|---|
| Operating revenues | $ 308,497 | $ 275,521 | $ 600,784 | $ 558,888 | $ 1,252,238 | $ 1,167,525 |
| Operating expenses: | | | | | | |
| Operation: | | | | | | |
| Fuel | 67,491 | 63,572 | 125,972 | 142,339 | 268,484 | 340,912 |
| Other production expenses | 26,398 | 30,108 | 50,281 | 52,076 | 98,747 | 103,368 |
| Purchased power | 202,565 | 169,250 | 343,713 | 274,156 | 714,433 | 553,659 |
| Transmission | 11,373 | 11,165 | 21,090 | 22,976 | 43,637 | 43,116 |
| Administrative and general | 6,117 | 5,187 | 12,680 | 11,233 | 23,345 | 21,534 |
| Depreciation and amortization - non-fuel | 12,205 | 12,399 | 24,255 | 24,638 | 48,604 | 47,593 |
| Total operating expenses | 326,149 | 291,681 | 577,991 | 527,418 | 1,197,250 | 1,110,182 |
| Operating margin/(deficit) before interest expense | (17,652) | (16,160) | 22,793 | 31,470 | 54,988 | 57,343 |
| Interest expense, net of amounts capitalized | 15,408 | 15,773 | 31,416 | 31,454 | 62,439 | 60,605 |
| Operating margin/(deficit) | (33,060) | (31,933) | (8,623) | 16 | (7,451) | (3,262) |
| Other income: | | | | | | |
| Interest | 1,672 | 1,851 | 3,499 | 3,178 | 5,897 | 6,383 |
| Other | 350 | 3,769 | 224 | 3,881 | 337 | 4,354 |
| Net margin/(deficit) | (31,038) | (26,313) | (4,900) | 7,075 | (1,217) | 7,475 |
| Patronage capital, beginning of year | 135,006 | 131,498 | 108,868 | 98,110 | 105,185 | 97,710 |
| Patronage capital retirements | 0 | 0 | 0 | 0 | 0 | 0 |
| Patronage capital, end of year | $ 103,968 | $ 105,185 | $ 103,968 | $ 105,185 | $ 103,968 | $ 105,185 |
| * Megawatt hours sold - members | 4,395,539 | 4,282,482 | 8,206,220 | 8,072,270 | 17,367,970 | 16,860,000 |
| Megawatt hours sold - non-members | 83,384 | 24,378 | 177,591 | 64,186 | 252,059 | 183,420 |
| * Wholesale member power cost - mills/kWh | 68.15 | 63.53 | 71.15 | 68.27 | 70.56 | 68.00 |
| Total sales - mills/kWh | 68.40 | 63.48 | 71.09 | 68.14 | 70.52 | 67.97 |
| TIER | | | | | 0.98 | 1.13 |
| DSC | | | | | 1.04 | 1.15 |

* All rate schedules

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

| | For the Three Months Ended June 30, 2008 | For the Three Months Ended June 30, 2007 | For the Six Months Ended June 30, 2008 | For the Six Months Ended June 30, 2007 | For the Twelve Months Ended June 30, 2008 | For the Twelve Months Ended June 30, 2007 |
|---|---|---|---|---|---|---|
| Cash flows from operating activities: | | | | | | |
| Net margin/(deficit) | $ (31,038) | $ (26,313) | $ (4,900) | $ 7,075 | $ (1,217) | $ 7,475 |
| Adjustments to reconcile to net cash provided by operating activities: | | | | | | |
| Depreciation and amortization | 13,403 | 13,280 | 26,342 | 26,513 | 51,816 | 51,145 |
| Amortization of deferred gain on lease/leaseback | (310) | (310) | (620) | (620) | (1,241) | (1,241) |
| Change in assets and liabilities: | | | | | | |
| Receivables | (16,044) | (24,625) | 225 | (29,100) | 20,199 | 14,491 |
| Inventories | (11,054) | (14,482) | (3,625) | (18,811) | 2,662 | (37,479) |
| Other current assets | 12,073 | 12,224 | 28,933 | 16,420 | 30,393 | 28,061 |
| Deferred charges | (3,035) | (13,516) | (2,728) | (5,585) | (4,666) | (11,429) |
| Other long-term liabilities | 3,336 | 2,377 | 2,748 | 2,472 | 7,236 | 3,216 |
| Accounts payable | 37,330 | 10,136 | 38,273 | 3,178 | 36,999 | 18,491 |
| Other accrued liabilities | (7,215) | 8,443 | 16,061 | 30,530 | (25,060) | (10,820) |
| Total adjustments | 28,484 | (6,473) | 105,609 | 24,997 | 118,338 | 54,435 |
| Net cash provided by/(used in) operating activities | (2,554) | (32,786) | 100,709 | 32,072 | 117,121 | 61,910 |
| Cash flows from investing activities: | | | | | | |
| Capital expenditures | (70,887) | (14,599) | (96,109) | (24,663) | (193,751) | (95,213) |
| Purchases of investments | (25,096) | (143,087) | (26,094) | (143,692) | (27,232) | (148,214) |
| Proceeds from maturities of investments | 18,091 | 142,419 | 18,283 | 142,939 | 21,632 | 147,179 |
| Net cash used in investing activities | (77,892) | (15,267) | (103,920) | (25,416) | (199,351) | (96,248) |
| Cash flows from financing activities: | | | | | | |
| Proceeds from line-of-credit | 277,345 | 129,261 | 661,301 | 273,063 | 1,194,175 | 381,563 |
| Payments of line-of-credit | (268,615) | (94,403) | (722,689) | (265,473) | (1,181,668) | (346,705) |
| Proceeds from long-term borrowings: | | | | | | |
| new borrowings | 88,105 | 0 | 90,757 | 13,823 | 124,151 | 29,154 |
| refinancings | 0 | 125,250 | 0 | 125,250 | 0 | 125,250 |
| Payments of long-term debt: | | | | | | |
| scheduled payments | (10,003) | (8,861) | (19,581) | (25,427) | (51,128) | (40,281) |
| refinancings | 0 | (125,250) | 0 | (125,250) | 0 | (125,250) |
| Payments of patronage capital credits | 0 | 0 | 0 | 0 | 0 | 0 |
| Net cash provided by/(used in) financing activities | 86,832 | 25,997 | 9,788 | (4,014) | 85,530 | 23,731 |
| Net increase/(decrease) in cash and cash equivalents | 6,386 | (22,056) | 6,577 | 2,642 | 3,300 | (10,607) |
| Cash and cash equivalents, beginning of year | 258 | 25,400 | 67 | 702 | 3,344 | 13,951 |
| Cash and cash equivalents, end of year | $ 6,644 | $ 3,344 | $ 6,644 | $ 3,344 | $ 6,644 | $ 3,344 |

**Board Officers**

Mal Green
*President*

Robert W. Strickland
*Vice President*

Malcolm V. Page
*Secretary/Treasurer*

**Chief Executive Officer**

Timothy S. Woodbury
*Executive Vice President & General Manager*

**Please direct inquiries to:**

Seminole Electric Cooperative, Inc.
*Assistant General Manager and Chief Financial Officer*

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Web Address:
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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*

## 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.**

Seminole Electric
COOPERATIVE, INC.
IN PARTNERSHIP WITH THOSE WE SERVE

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