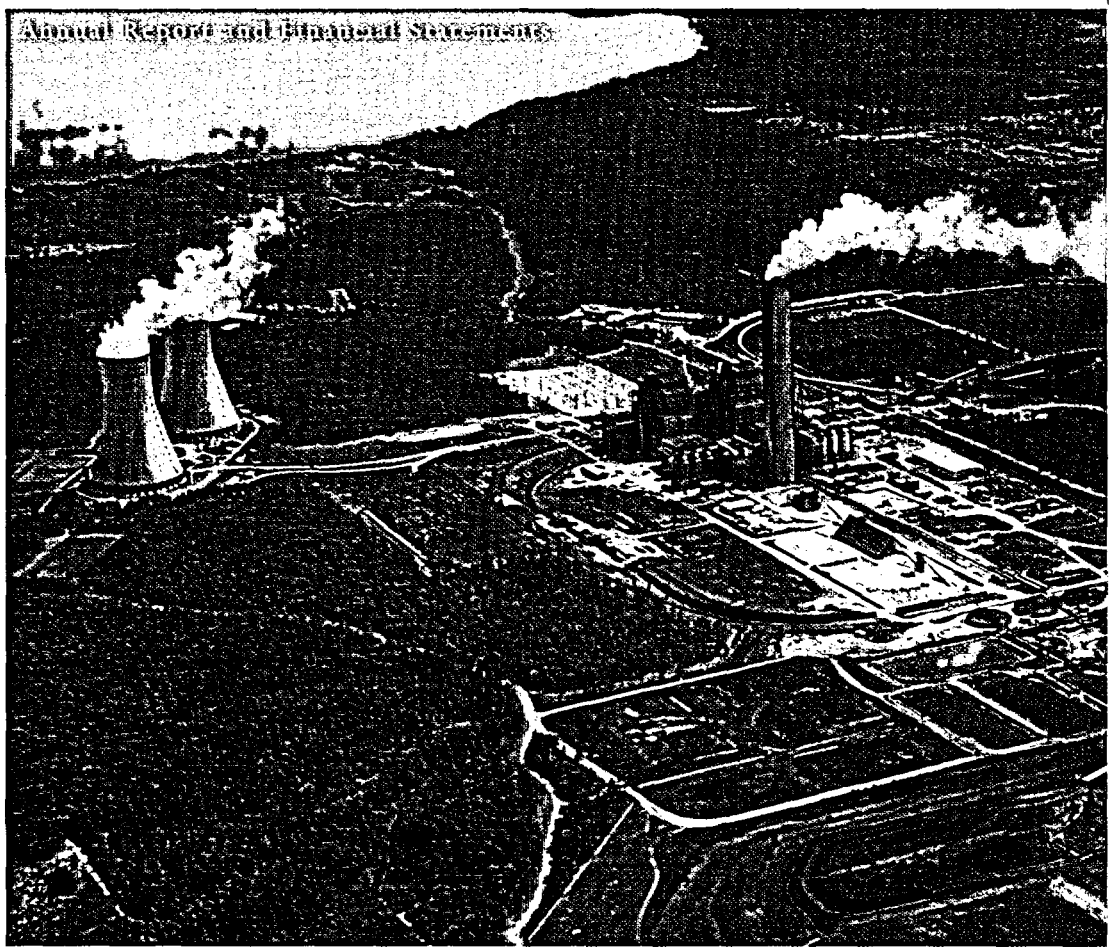
AN EXTENDED PARTNERSHIP

SEMINOLE ELECTRIC COOPERATIVE, INC.
2002 ANNUAL REPORT

Contents

2002 Annual Report and Financial Statements



MISSION To be the preferred provider of wholesale energy services for our members.

VISION To be a leading competitor in the emerging energy market, trusted and respected by our customers, employees, and community. Through devotion to customer satisfaction and continually striving to exceed expectations, we will provide the best value in wholesale energy service. We will provide employees a challenging and rewarding work environment, where pride and commitment are the hallmark of our operations.

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 quality, innovation, communication and teamwork are essential ingredients to achieve customer satisfaction.

We improve the quality of life in our communities.

We believe in prudent and cost-effective policies to protect our environment.

Seminole Electric is a generation and transmission cooperative. An estimated 1.5 million individuals and businesses rely on Seminole's 10 member distribution systems for their electric power, in portions of 45 counties throughout Florida.

The primary energy resource serving Seminole's member systems is Seminole Generating Station. This 1300 megawatt, coal-fueled power station is located in Northeast Florida in Putnam County, on the St. Johns River, south of Jacksonville.

Seminole's newest owned resource is Payne Creek Generating Station. This 500 megawatt plant, which primarily uses natural gas as its fuel source, went into commercial service in January 2002. Payne Creek is located in Hardee County in South-central Florida, near Wauchula.

Seminole additionally owns a 14 megawatt share of Progress Energy Florida's Crystal River 3 nuclear plant. This was Seminole's first owned generation. The Cooperative also owns approximately 300 miles of transmission line. These lines interconnect Seminole's generating facilities to our direct serve delivery points and to the Florida state transmission grid.

To supplement its owned resources and economically serve member needs, Seminole has a portfolio of purchased power agreements with other utilities, independent power producers and power marketers.

The Cooperative's power supply strategy is to maintain a diversified portfolio. Diversification provides rate stability by reducing dependence on a single fossil fuel type and reducing exposure to resulting price fluctuations.

Seminole is managed by an executive team and governed by a Board of Trustees. The Seminole Board is comprised of three representatives from each of its 10 member systems. Seminole's primary mission is to provide a reliable supply of competitively priced wholesale power to its members.

IN THIS YEAR'S ANNUAL REPORT, WE ARE VERY PLEASED TO FEATURE A GROUP OF MEMBER-OWNERS REPRESENTING EACH OF OUR TEN MEMBER SYSTEMS.

WE THANK THEM FOR SHARING THEIR STORIES.

WHEN YOU READ THEIR STORIES, THE MESSAGE IS LOUD AND CLEAR: ELECTRIC COOPERATIVES EXCEL AT CUSTOMER SERVICE BECAUSE THEY'RE NOT JUST SERVING THEIR CUSTOMERS, THEY'RE SERVING THEIR OWNERS.

Seminole Electric Cooperative 2002 Operating Summary

TOTAL REVENUES	$713,770,716
NET MARGINS	$2,349,557
TOTAL ASSETS	$962,096,327
ENERGY SALES TO MEMBER COOPERATIVES	14,171 GWH
SEMINOLE SYSTEM COINCIDENT PEAK DEMAND	3,456 MW

A Conversation

with the Executive Vice President and General Manager

Richard Midulla joined Seminole in 1978 as an electrical engineer. He has led Seminole since 1997. Midulla quotes Peter Drucker on the critical difference between being leadership and management: "Management is doing things right; leadership is doing the right things." His newest initiative: An analysis and update of Seminole's ethics guidelines, "to ensure we stay on common ground when it comes to how we want to do business."

How satisfied are you with Seminole's 2002 performance?

2002 was a demanding year. Despite our hard work, we had to raise our wholesale rate, primarily due to rising fuel and maintenance costs. We brought a new generating station on line and settled some troublesome litigation. We made changes to strengthen our organization and member services. We had our "A" credit rating reaffirmed by Standard & Poor's. And we negotiated a mutual aid pact for back up generation with a group of Florida's municipal utilities, probably the first such agreement of its kind. I'd have to say I am pleased overall with what we accomplished last year.

S&P says Seminole has a strong capacity for long term viability. Their analysts see value and stability in our customer base. We believe that's a pretty fair assessment of our potential. Right now our members' customer base is about 70 percent residential. These customers don't have a lot of profit potential but they need reliable energy at competitive rates. That's where we come in. If deregulation ever comes to Florida at the retail level these are not the customers other utilities will likely be wooing.

It's always been a good time to be a non-profit cooperative. We like the business of making sure the lights stay on. We believe in the value and the power of cooperative ownership; it's really an advantage. Our investors are also our customers so we're more than a wholesale energy supplier – we're a partner to our members. We share their commitment to their member owners. We exist for one reason – to give our members access to more economic resources than they each could support on their own.

What are Seminole's most important business objectives for 2003?

Our first priority is to meet our members' needs for reliable and economic wholesale energy. The energy has to be available and there when it's needed. That last part is a big challenge because Seminole and its members are TDUs – transmission dependent utilities. So we have to work and sometimes fight to get the service we are entitled to from other utilities that control important portions of the state's transmission grid.

Something that's also important is our commitment to being a good citizen in the communities where we operate. Being a good citizen impacts our decisions in every area, from employee programs to facility operations, including environmental stewardship. Seminole was cited in 2001 as a leader by the Council for Sustainable Florida for our efforts to minimize our environmental impacts. Our goal is to make sure we continue to deserve that recognition.

How does Seminole plan to achieve its goals?

Seminole works from a strategic plan. It's fine tuned on an on-going basis. Our board and executive

A Conversation

CONTINUED

management team are ultimately responsible, but every employee is involved in achieving our goals. Member service is a very important aspect of everyone's job. Many employees also are involved in community service.

We believe people focus on what's measured. We measure and benchmark our key performance indicators, our KPIs. KPI impacts and results help guide our business decisions. We also use teams to identify and address issues where the path isn't clear. Diverse viewpoints and experiences make for better decisions. It's important to maintain a climate where diversity is valued and encouraged.

What are Seminole's biggest challenges?

The regulatory climate is uncertain and no one really knows where fuel prices are heading long term. This complicates planning in a business where you have to work a minimum of three to seven years ahead on supply commitments. One thing we're working on is a system that helps us identify and mitigate those risks that can be managed. We also are working to maintain as much flexibility as we reasonably can to take advantage of changes that bring new opportunities. It's a real balancing act.

Every G&T exists to serve its members. Seminole was formed to serve the joint interests of its member-owned distribution cooperatives. In terms of meters they serve, we have 10 members that vary in size, from some of the largest distribution co-ops in the U.S., to some that mirror the national average. Sometimes their interests can conflict. Part of our role is to help promote a productive dialogue regarding potentially divisive issues, so those differing views can lead to better business decisions.

What do you see as Seminole's key strengths?

When you think of an electric utility you think of generation units and lines. They're essential but it's people who get the energy generated and delivered, and it's people who develop and maintain the supportive relationships you need to operate in an interdependent marketplace.

Reliable service requires the efforts and initiative of the people who run and manage the facilities and handle the supporting functions that enable your operation.

Seminole has nearly 500 employees. They include skilled craftspeople, generalists, specialists, administrative staffers, technicians, professionals, and managers. We have millions of dollars in hard assets but our most important investments are in our people.

We also believe it's important to invest ourselves in the communities where our people live and work. Because we're a member-owned non-profit organization, we don't have a lot of money to donate, but I think we've accomplished more by establishing programs that recognize the contributions of employees who volunteer, and by supporting volunteer teams.

Part of my job, maybe one of the most important parts, is to make sure we have an environment that enables employees to be effective. People need to value each others' contributions. We have to listen and learn from each other. We must take pride in our work and be willing to do whatever it takes, and in turn, Seminole must do right by its workforce. Management's job is to provide needed resources and leadership, and competitive pay and benefits. We must recognize and celebrate good performance. It's also our job to help employees understand our business and what's needed. Many of our jobs can be tough and demanding. People have to know their efforts are appreciated.

What's one key improvement you're working on?

We need to be sure we are recognizing outstanding employee performance, so people know what's valued. We also share the challenge of making sure we get information where it's needed to facilitate good decisions. Today there is so much information available. It's a real challenge to weed out the useful intelligence and then get it to everyone who could benefit.

Another important area for us is risk management. We have several initiatives underway to help us avoid or mitigate potential problems, especially those that stem from factors outside of our control. We also are involved in several projects we expect will improve our processes and performance. Our people already do a very good job. Our focus is continuous improvement.

WE HAVE MILLIONS OF DOLLARS IN HARD ASSETS BUT OUR MOST IMPORTANT INVESTMENTS ARE IN OUR PEOPLE.

What's your future outlook?

There's no crystal ball but I am very positive about where we're headed. Seminole has a solid track record of fiscal responsibility, hard work, and a focus on meeting member needs. Our members are in high growth areas – comparatively speaking. We expect a continued steady increase in member load and we're putting economic resources in place to meet those needs.

Right now the market favors natural gas technologies. The price of that fuel is rising so it's going to be a challenge to mitigate as much as possible the impact on our wholesale rate. We have the advantage of a reliable coal-fueled generating station in northeast Florida. Seminole Generating Station is a reliable and economic source of power, and is dampening the effects of the rise in gas prices for us and our member-owners.

We all know the energy market has been somewhat turbulent. Florida's decision to take a wait and see attitude on deregulation has paid off. Regional electric reliability councils, and federal and state regulators all are working to try to make the system work better. Some that have already transitioned to independent transmission systems are having only limited success, in terms of improvement. We are really fortunate. Florida doesn't have to rework or dismantle a program that has ill-served our interests. We have definitely benefited from staying on the sidelines and we're still there.

Florida represents a lucrative market for outside suppliers that seek to profit from our residents. We believe if we continue to provide value we will continue to be our members' preferred provider.

People used to see co-ops as mom and pop suppliers. Now other and bigger utilities are coming around to what co-ops have known all along: the key to success is customer service. Co-ops are as sophisticated as any municipal or investor-owned supplier. The only difference is we tend to be a bit more cautious when it comes to spending. We know that every dollar we spend must be recovered in our rate. We want to keep that rate as low as we can. Our investors measure their rate of return in terms of their wholesale rate and reliability. The energy must be there at a competitive price.

That's the ultimate measure of our success.

LEFT TO RIGHT: RICHARD J. MIDULLA, EXECUTIVE VICE PRESIDENT AND GENERAL MANAGER; WILSON G. SHEPPARD, PRESIDENT, BOARD OF TRUSTEES

2002

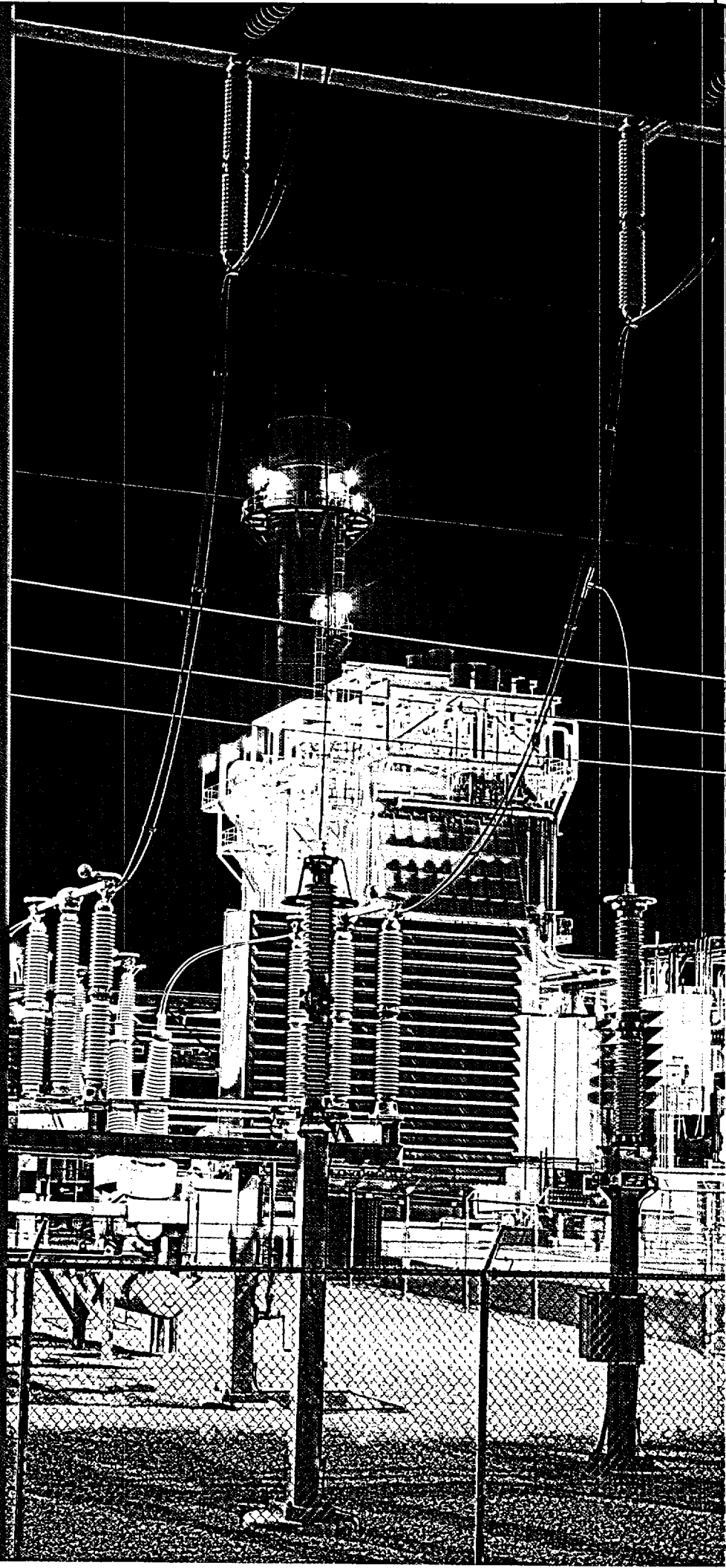
MILESTONES

OPERATIONS

AGREEMENTS

RESOURCES

Seminole's Payne Creek Generating Station started commercial operation on January 1, 2002.



Seminole's Payne Creek Generating Station, a 500 megawatt combined cycle generating facility, began commercial operation on January 1. Payne Creek started commercial operation after demonstrating it was available for service on a reliable basis operating at various load levels for sustained periods during December 2001. The Station consists of a steam turbine and two dual-fueled combustion turbines, each with a heat recovery steam generator. More than 150 people attended the May 2002 dedication.

Also in May, the Gulfstream Natural Gas System pipeline was certified and officially put into operation, with the ability to deliver natural gas to Payne Creek. Previously, Payne Creek had received gas solely from the Florida Gas Transmission Company natural gas pipeline. Now the Cooperative can purchase gas from either or both of these contracted providers, allowing Seminole to get the best possible price on this fuel and its transmission.

In March, Seminole issued a request for proposals for firm, year-round capacity beginning December 1, 2006. The capacity is needed to meet the growing power supply needs of Seminole's 10 member systems, and to replace other purchased power arrangements that are set to expire at that time. As a result of this RFP, Seminole's board adopted a plan in December to meet a 460 megawatt need, through a combination of self build peaking units and purchased power.

On May 2, the Florida Supreme Court ruled that the state Public Service Commission (FPSC) was correct when it ruled that it did not have jurisdiction over Seminole's wholesale rate structure to its members. The decision stemmed from a complaint filed with the FPSC in 1998.

Seminole bought and sold energy on the wholesale market throughout 2002 to benefit its members. One transaction that garnered wide news coverage was a 20 megawatt non-firm sale in September to the New Smyrna Beach Utilities Commission. The sale resulted from the first ever energy auction in Florida. Conducted by GenEnergy of San Francisco, the auction was handled on line in two phases. Both Seminole and New Smyrna benefit from the agreement, which was negotiated on line over a single day.

As of mid-July, Seminole replaced Aquila Merchant Services with ACES Power Marketing, LLC (APM) to handle short-term power trading services. APM's job is to assist Seminole, ensuring the Cooperative is optimizing the use of its supply portfolio in conjunction with other short term market opportunities, for the economic benefit of its members.

In 2002, Standard and Poors reaffirmed Seminole's "A" issuer credit rating (ICR). According to an August S&P report, the ICR reflects Seminole's "strong capacity to meet financial obligations created through debt instruments and contracts."

Rate workshops, developed by Seminole's strategic services group, were conducted to give our members' board members and key employees a better understanding of how power supply decisions are made and how wholesale rates are developed. This initiative is part of Seminole's strategic plan which emphasizes the importance of good communication between Seminole and its members.

In November, Seminole began working with all 10 member systems to conduct a survey of residential members. Results of the survey, which is targeted for completion in early 2003, will be incorporated into Seminole's 2003 load forecast plans, which form the basis for meeting member generation and transmission needs. As a part of this study, Seminole is gauging member interest in renewable energy as a supply option.

Also in November, Seminole signed an agreement with seven municipal electric systems – the first-ever mutual aid agreement negotiated by such a group of electric systems. Participants will help cover an extended failure of each other's designated base load resources under a pre-determined formula. The formula defines how much excess capacity participants are obligated to provide if requested, under what circumstances, at what price. A total of 15 units and 2075 megawatts are covered by the five year agreement, which is renewable in five year terms. Each participant's obligation is determined by its enrolled capacity as a percentage of the total enrolled.

MICHAEL J. BISKIE
DIRECTOR OF HUMAN RESOURCES

SEBRING MARINE INDUSTRIES, DBA MONTEREY BOATS
Williston, Florida

The Partnership with Monterey Boats

"MONTEREY BOATS IS A GOOD MEMBER OF CENTRAL FLORIDA ELECTRIC, AND A GOOD MEMBER OF LEVY COUNTY, EMPLOYING MORE THAN 350 PEOPLE, WHICH MAKES THEM THE COUNTY'S LARGEST EMPLOYER. WE'VE IMPROVED THEIR RELIABILITY BY UPGRADING/MODIFYING POWER LINES AND STRATEGICALLY LOCATING PROTECTIVE DEVICES. WE ALSO EVALUATED THEIR ASSEMBLY LINE AND REDUCED THEIR DEMAND BY SEQUENCING THEIR OPERATIONS."

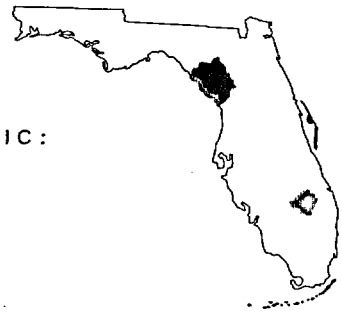
MICHAEL D. HIGH
Director of Engineering, Central Florida Electric

Over the past two decades, Monterey Boats has established itself as a front-runner in the design, development, engineering and building of superior boats for the conscientious marine consumer. Their fiberglass recreational boats, from 18 to 32 feet, are currently priced from $15,000 to more than $150,000. They produce and sell between 1,800 and 2,000 units per year and see an expanding market for their products.

In December 1999, fueled by the large demand for their boats, Monterey moved into a new 220,000 square foot manufacturing facility at its Williston headquarters. In late 2002 the company broke ground on a 65,000 square foot production space expansion. An additional 90,000 square foot plant is planned to break ground about a year after completion of the current expansion.

Michael Biskie, Monterey's director of human resources, says that much of the company's success can be attributed to the fact that Monterey is independently owned and family-operated. This enables quick reaction to market conditions, and efficient decision-making and implementation, as well as a hands-on approach to the process of new product development and customer relations. He added, "When you purchase a Monterey you're not just a new customer, you're considered a new family member."

MICHAEL J. BISKIE "OUR RELATIONSHIP WITH CENTRAL FLORIDA ELECTRIC IS A GOOD ONE. THEY'VE BEEN OUT TO DO ENERGY AUDITS, THEY'VE HELPED WITH USEFUL SUGGESTIONS TO MINIMIZE SURGES DURING PEAK USE TIMES, AND THEY WORKED WITH OUR CONTRACTOR DURING CONSTRUCTION TO MAXIMIZE ENERGY EFFICIENCY. IF WE LOSE ELECTRICITY, WE LOSE PRODUCTION... SO THEY GO THE EXTRA MILE TO MAKE SURE ANY INTERRUPTIONS ARE AS BRIEF AS POSSIBLE."



ABOUT CENTRAL FLORIDA ELECTRIC:

- SITUATED IN NORTH CENTRAL FLORIDA, WITH THE MAJORITY OF ITS MEMBERS IN LEVY, DIXIE AND GILCHRIST COUNTIES
- SERVICE TERRITORY IS PRIMARILY RURAL, WITH AN AVERAGE OF SEVEN MEMBERS PER MILE OF POWER LINE
- OVER THE LAST DECADE, ENERGY SALES HAVE INCREASED AT AN AVERAGE ANNUAL RATE OF MORE THAN SIX PERCENT

DANIEL A. MARTINEZ

SENIOR VICE PRESIDENT, PULP AND BLEACHED BOARD BUSINESS UNIT (RET.)

GEORGIA-PACIFIC, CORPORATE HEADQUARTERS
Atlanta, Georgia
(Current Palatka, Florida resident)

The Partnership with Daniel Martinez

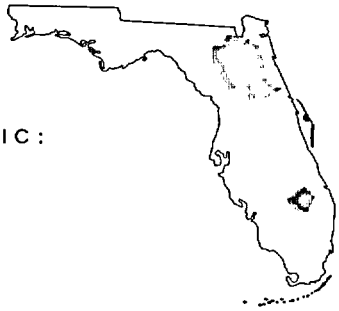
"DANIEL MARTINEZ IS AN IMPORTANT PART OF THIS COMMUNITY. HIS AFFILIATIONS READ LIKE A 'WHO'S WHO' OF PUTNAM COUNTY: PAST CHAIRMAN OF THE PALATKA HOUSING AUTHORITY AND THE PUTNAM COUNTY NURSING HOME AUTHORITY, PAST PRESIDENT OF THE ROTARY CLUB OF PALATKA, RODEHEAVER BOY'S RANCH, THE PUTNAM COUNTY CHAMBER OF COMMERCE. WE'RE PROUD TO HAVE HIM AS A LONG-TIME CLAY ELECTRIC MEMBER."

BILL THOMPSON
Manager, Palatka District Office, Clay Electric

Daniel Martinez was vice president of Georgia Pacific's pulp and paper operations in Palatka, Florida, from 1973 to 1983. He was promoted to senior vice president, pulp and paper manufacturing at G-P's corporate headquarters in Atlanta, until he retired in 1992. Today Martinez stays busy doing consulting work – contracting with vendors and obtaining equipment quotations for companies in Panama, Mexico and Costa Rica. With more than 40 years of experience in the industry, Martinez came to Palatka in 1952 as a research chemical engineer, after earning a degree in chemical engineering from the University of Florida.

He and his wife, Katie, have owned their current Palatka home – and have been Clay Electric members – since 1968. "I receive personalized service from Clay Electric," Martinez said. "Clay personnel are involved in the community; you get to know who Clay Electric is. Most Palatka residents will recognize Bill Thompson (District Manager, Palatka District Office), as Clay Electric."

DANIEL A. MARTINEZ "IF I HAVE A PROBLEM AT MY PALATKA RESIDENCE, I CAN CONTACT CLAY ELECTRIC AND THE PROBLEM IS TAKEN CARE OF QUICKLY. I DON'T HAVE TO GO THROUGH A SERIES OF COMPUTERS TO REACH THEM, I JUST HAVE TO KEY IN MY ACCOUNT NUMBER, AND SOMEONE IS AVAILABLE TO ASSIST ME IMMEDIATELY. IT DOESN'T ALWAYS WORK THAT WAY WITH AN INVESTOR-OWNED UTILITY, WHEN YOU MAY BE SPEAKING TO SOMEONE IN A FAR-AWAY CITY."



ABOUT CLAY ELECTRIC:

- SITUATED IN NORTH FLORIDA, WITH THE MAJORITY OF ITS RESIDENTIAL MEMBERS RESIDING IN CLAY, PUTNAM, ALACHUA AND MARION COUNTIES
- SERVICE TERRITORY IS PRIMARILY RURAL, WITH AN AVERAGE OF 12 MEMBERS PER MILE OF POWER LINE
- OVER THE LAST DECADE, ENERGY SALES HAVE INCREASED AT AN AVERAGE ANNUAL RATE OF NEARLY FIVE PERCENT (2.5 PERCENT RESIDENTIAL, 7.3 PERCENT COMMERCIAL)

TOM SCHELL
ENGINEERING MANAGER

SOUTHERN GARDENS CITRUS
Clewiston, Florida

The Partnership with Southern Gardens Citrus

"GLADES ELECTRIC MAINTAINS THE SUBSTATION SERVING SOUTHERN GARDENS CITRUS TO ENSURE THE BEST POSSIBLE PERFORMANCE OF THE ELECTRICAL DELIVERY SYSTEM. THEIR PROCESSES DEPEND ON RELIABLE POWER. EVEN A SHORT DURATION OUTAGE CAN HAVE A MAJOR IMPACT ON THE OPERATION OF THEIR EQUIPMENT. IN ADDITION TO SUBSTATION MAINTENANCE, SIX 1600 KW DIESEL GENERATORS ARE LOCATED AT THE SITE, PROVIDING STANDBY AND LOAD MANAGEMENT CAPABILITIES. OUR GOAL AT GEC IS TO MINIMIZE THE FREQUENCY AND DURATION OF POWER OUTAGES AT THE SGC FACILITY, ELIMINATING ONE OF THE VARIABLES THAT CAN IMPACT THEIR PROCESSES."

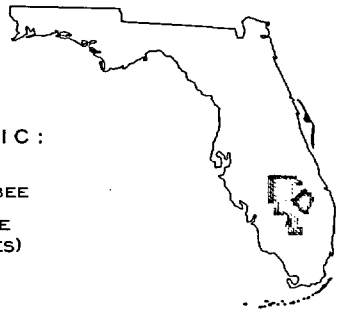
JON DRAPER
Engineering Services Manager, Glades Electric

Southern Gardens Citrus, located in Hendry County about half way between Clewiston and Moore Haven, is one of America's largest producers of 100 percent pure Florida premium orange juice, and the grower and processor of choice for several major national and store brands. They process 20 million boxes of fruit each season, and produce about 600,000 gallons of juice per day. It takes one box – about 90 pounds of fruit – to produce six gallons of juice or one gallon of juice concentrate.

The company's state of the art processing plant is the first new juice processing facility built in Florida in more than two decades. Since it opened in 1994 it has undergone several expansions on its 160-acre site. The plant is located next door to one of Southern Gardens Citrus's three orange groves. With oranges from the company's own groves and those from independent area growers, the oranges never travel more than 60 miles before they're squeezed into juice.

The process of making juice or concentrate is designed to expedite the trip from grove to glass. After the juice is extracted, it's pasteurized and chilled to 34 degrees, then stored in one of 50 one million-gallon aseptic storage tanks. Six more tanks are under construction and will be ready for use in May 2003. These tanks allow juice to be shipped throughout the year, in 5000 gallon tankers, to packaging facilities throughout the United States and Canada.

TOM SCHELL "A FRACTION OF A SECOND GLITCH IN POWER CAN HURT US CONSIDERABLY. LOSS OF POWER CAN BURN THE JUICE DURING PROCESSING, WHICH MEANS LOSS OF PRODUCT. ALSO, DURING STERILIZATION OF OUR PROCESSING EQUIPMENT, A LOSS OF POWER MEANS A FOUR-HOUR CLEANUP BEFORE STARTING UP AGAIN. GLADES HAS DONE AN EXCELLENT JOB FOR US. WE'RE MOST APPRECIATIVE OF THEIR BEING RESPONSIVE TO OUR NEEDS, AND HOW THEY ASSIST OUR SUBSTATION EMPLOYEES IF THEY HAVE QUESTIONS OR PROBLEMS."



ABOUT GLADES ELECTRIC:

- LOCATED IN SOUTH CENTRAL FLORIDA, WEST OF LAKE OKEECHOBEE
- ABOUT HALF OF THEIR MEMBERSHIP IS SERVED FROM THEIR LAKE PLACID DISTRICT OFFICE (HIGHLANDS AND OKEECHOBEE COUNTIES)
- SERVICE AREA IS PRIMARILY RURAL, WITH AN AVERAGE OF SEVEN MEMBERS PER MILE OF LINE. OVER THE PAST DECADE, WINTER PEAK DEMAND HAS INCREASED AT AN ANNUAL RATE OF THREE PERCENT; SUMMER PEAK DEMAND, AT SEVEN PERCENT

ROBERT J. DICTOR
GENERAL MANAGER

MARCO ISLAND MARRIOTT RESORT, GOLF CLUB & SPA
Marco Island, Florida

The Partnership with Marco Island Marriott

"As a key account executive, I work with the Marco Island Marriott on a regular basis. For instance, if they were to experience an interruption of power, I'm available 24/7 to expedite their call and provide information regarding how quickly service will be restored. During their renovation/construction project, I deal directly with the Marriott's general contractor, coordinating our design and construction planning resources. The Marriott only had to make one phone call to get this process in motion. That's the advantage of having a single point of contact for issues ranging from administration to project management."

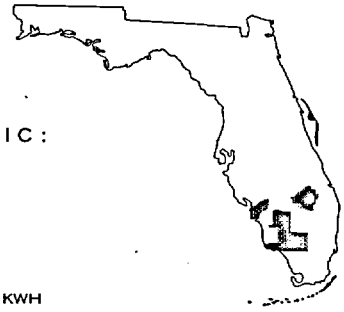
TRICIA DORN
Key Account Executive, Lee County Electric

The Marco Island Marriott, with 735 guest rooms, 62 suites, and 50,000 square feet of meeting space, employs 650 people – more than double the number of the next employer on the Island – which makes it the largest private employer in Southwest Florida. The Resort launched a $50 million renovation last July. When completed, the property's enhancements will include a 24,000 square foot health spa, balconied outdoor seaside treatment terraces and a new 10,000 square foot ballroom. They are also redesigning their two restaurants, golf course, pool, and all guest rooms.

Robert J. Dictor has managed the Marco Island Marriott for the past three years and has been with Marriott for 24 years. He says the reason for the renovation/construction is "to position ourselves as the premiere convention resort hotel in the area."

Lee County Electric Cooperative (LCEC) provides electric service to all of Marco Island, including the Marriott. Tricia Dorn, key account executive for LCEC, is the single point of contact for all their energy needs. She interacts with Dictor and many other Marriott employees, answering questions, solving problems, and providing the excellent customer service they expect.

ROBERT J. DICTOR "In 2002 we were the winner of the Gold Key Award from Meetings and Convention magazine. We've won this award for 24 of the last 25 years. It's particularly gratifying, since subscribers nominate us for the award. We're proud of the quality of our facility...we have a great core of dedicated associates, many who have been here for 15, 20, and 25 years."



ABOUT LEE COUNTY ELECTRIC:

- Located in southwest Florida, with the majority of its residential members in Lee and Collier counties
- The most urban of all of Seminole's members, with an average of 24.2 members per mile of line
- The percentage of households using more than 14,000 kWh annually has increased from 33 percent in 1990 to 51 percent in 2000

NORM NICKERSON
PART OWNER

NICKERSON DAIRIES, DBA NORM NICKERSON AND SONS, INC.
Zolfo Springs, Florida

The Partnership with Nickerson Dairies

"FROM THE VERY BEGINNING IN 1954, WHEN MR. AND MRS. EARLE NICKERSON RELOCATED TO HARDEE COUNTY WITH THEIR THREE CHILDREN, THERE HAS BEEN A CLOSE RELATIONSHIP BETWEEN PEACE RIVER ELECTRIC AND THE NICKERSON FAMILY. AS MODERN TECHNOLOGICAL CHANGES ENHANCED PEACE RIVER ELECTRIC'S WAY OF DOING BUSINESS, THE SAME HAS BEEN TRUE FOR THE NICKERSONS. JUST AS PRECO HAS GROWN FROM A SINGLE MEMBER SERVICE CENTER TO FOUR MEMBER SERVICE CENTERS, THE NICKERSONS ALSO HAVE GROWN FROM ONE DAIRY OPERATION TO FOUR. WE SALUTE THEIR HARD WORK AND CONTINUED SUPPORT OF THE COOPERATIVE SPIRIT."

MIKE ROUSE
Manager, Meter Reading/Special Projects, Peace River Electric

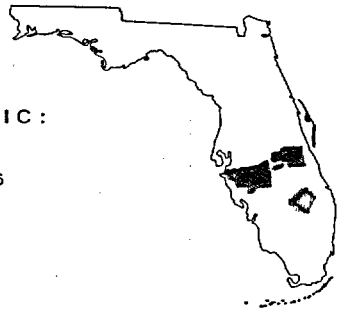
Norm Nickerson and his sons, Joe and Chris, own three dairies – Zolfo Springs, Wauchula and Lemon Grove – located on 600 beautiful acres in Hardee County. They're building a fourth, on the Hardee/Desoto county line, that will add an additional 700 acres to their holdings. Last year, the Nickersons' 2,150 Holstein cows produced 2 ˇ semi-loads – or 12,000 gallons – of milk each day. The milk goes to a farmer cooperative, Southeastern Milk, Inc., then to a Publix milk processing center near Miami, then to more than 200 Publix stores in southeast Florida. "Milk from our dairies is on the shelf in 24 hours," says Nickerson.

The family's business philosophy is "keep it simple." The Nickerson's cows graze on stargrass, established in Florida by University of Florida researchers. Each four-acre paddock is grazed for one day every seven to 10 days. As a supplement, the dairy purchases One Shot™ feed (which combines grain-based energy sources with high fiber commodities such as citrus pulp, cottonseed hulls and soyhulls) from a co-op. The feed is delivered daily.

Nickerson Dairies rate consistently high on cleanliness and milk quality. In 2000, the Nickerson family was named dairy farm family of the year by the Florida Farm Bureau Federation, the state's largest general-interest agricultural organization.

Norm Nickerson formerly served on the board of directors of the Tampa Independent Dairy Farmers, and the Hardee County Farm Bureau board of directors. For more than 15 years, he served on Peace River Electric Co-op's nominating committee.

NORM NICKERSON "PEACE RIVER ELECTRIC HAS CONTINUALLY WORKED WITH US TO MAKE OUR DAIRIES MORE ENERGY EFFICIENT. SINCE WE SELL OUR MILK TO A CO-OP, WE'RE HAPPY TO BE RECEIVING ELECTRICITY FROM A CO-OP."



ABOUT PEACE RIVER ELECTRIC:

- IN SOUTH CENTRAL FLORIDA, MOST OF PEACE RIVER'S MEMBERS LIVE IN HARDEE, MANATEE AND POLK COUNTIES. THEY SERVE 66 PERCENT OF HARDEE COUNTY HOUSEHOLDS
- SERVICE TERRITORY IS PRIMARILY RURAL, WITH AN AVERAGE OF NEARLY NINE MEMBERS PER MILE OF LINE
- OVER THE LAST DECADE, ENERGY SALES HAVE INCREASED AT AN AVERAGE ANNUAL RATE OF 6.2 PERCENT

RANDY STILES
PLANT MANAGER

FLORIDA ROCK INDUSTRIES, INC. (SAND DIVISION)
Astatula, Florida

The Partnership with Florida Rock Industries

"OVER THE YEARS, SUMTER ELECTRIC HAS WORKED VERY CLOSELY WITH FLORIDA ROCK TO PROVIDE THEM WITH THE RELIABILITY AND EXCELLENT SERVICE THEY EXPECT AND DESERVE. AS THEIR PARTNER AND ADVOCATE, I'M COMMITTED TO COMMUNICATING THEIR NEEDS AND UTILIZING EVERY AVAILABLE RESOURCE TO EXCEED THEIR EXPECTATIONS. I'M CONFIDENT THE CHALLENGES WE FACE TOGETHER TODAY WILL STRENGTHEN OUR BOND AND CONTINUE TO SOLIDIFY WHAT I KNOW WILL BE A LONG-LASTING AND POWERFUL PARTNERSHIP."

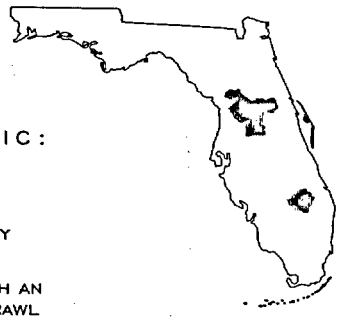
BARBARA SHAW
Key Accounts Manager, Sumter Electric

Florida Rock Industries, Inc., founded in 1945 and headquartered in Jacksonville, Florida, is a major basic construction materials company, and one of the nation's leading producers of construction aggregates (sand, gravel and crushed stone), ready mixed concrete, concrete block, Portland cement and prestressed concrete. Florida Rock operates about 150 mining and processing sites, more than half of which are in Florida.

Their sand mine located near Astatula produces 1.2 million tons of sand annually, which has many applications: Florida Department of Transportation concrete and pipe sand (used to make culvert and specialty pipes), commercial sand (for ready-mixed concrete) and mason sand (used for volleyball courts and to lay brick). In operation since 1963, Florida Rock's employees are proud to say they've had no lost time accidents at this facility in the past 17 years. New employees are required to have eight hours of safety training before they can work in the plant area.

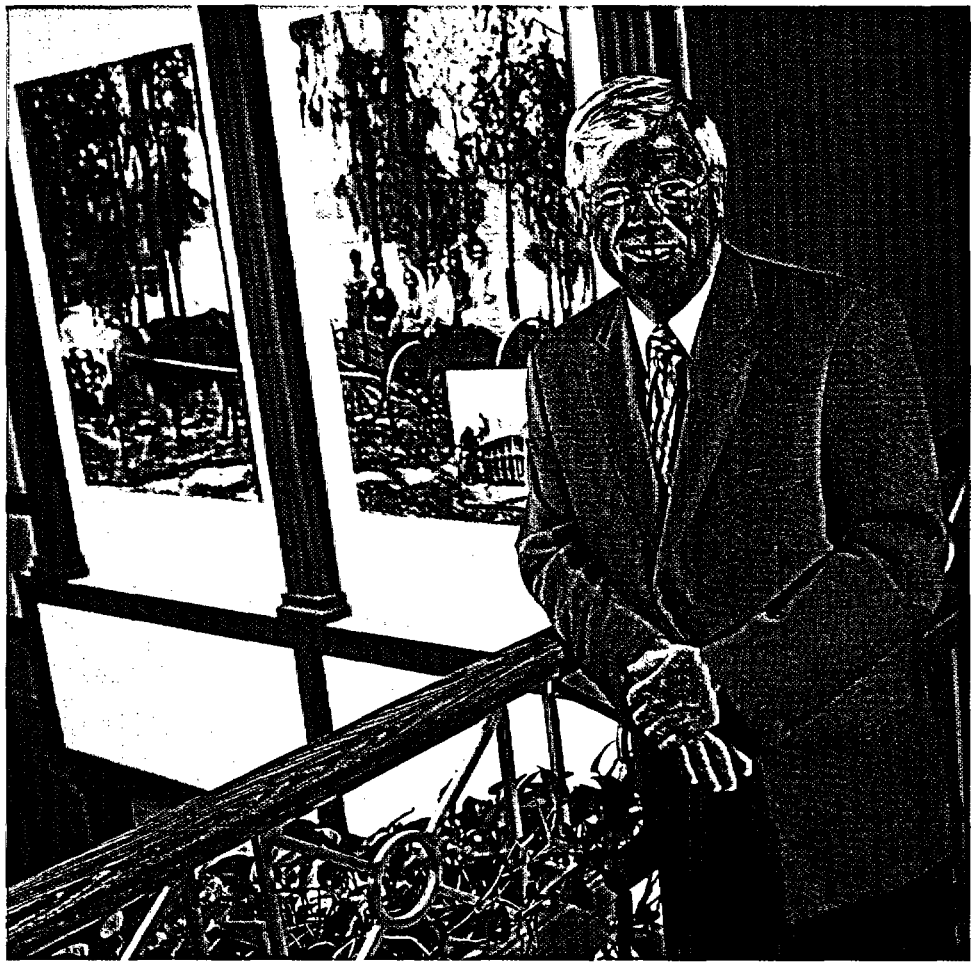
Florida Rock Industries owns its own substation and has built its own distribution lines and switch gear; Sumter Electric supplies power to the site.

RANDY STILES "WE HAVE A GREAT RELATIONSHIP WITH SUMTER ELECTRIC. BARBARA SHAW, OUR KEY ACCOUNTS MANAGER, IS VERY HELPFUL. WE CAN CALL HER DIRECTLY IF WE HAVE A QUESTION OR A PROBLEM...SHE'S JUST A PUSH OF A BUTTON AWAY."



ABOUT SUMTER ELECTRIC:

- LOCATED IN CENTRAL FLORIDA, THE MAJORITY OF SUMTER'S RESIDENTIAL MEMBERS LIVE IN LAKE, MARION, SUMTER AND CITRUS COUNTIES. MORE THAN 70 PERCENT OF SUMTER COUNTY HOUSEHOLDS ARE SERVED BY THE COOPERATIVE
- THEIR SERVICE TERRITORY IS MORE SUBURBAN THAN RURAL, WITH AN AVERAGE OF 13.2 MEMBERS PER MILE OF LINE. SUBURBAN SPRAWL HAS REPLACED LAND THAT IN THE PAST WAS USED FOR AGRICULTURAL PURPOSES
- OVER A 10 YEAR PERIOD, WINTER PEAK DEMAND HAS INCREASED AT AN AVERAGE ANNUAL RATE OF 5.7 PERCENT, SUMMER PEAK DEMAND, AT 7.2 PERCENT



JAMES L. HUMBLES
CEO

ADVENT CHRISTIAN VILLAGE
Dowling Park, Florida

The Partnership with Advent Christian Village

"WE HAVE AN EXCELLENT WORKING RELATIONSHIP WITH THE VILLAGE. WE HAVE WORKED WITH THEM TO CONSOLIDATE A LARGE LOAD AREA FROM SEVERAL METERS TO ONE. THIS ALLOWS THEM TO UTILIZE A BETTER RATE STRUCTURE. THE VILLAGE CAN BE SERVED FROM MULTIPLE SUPPLY POINTS, WHICH ENHANCES RELIABILITY. WE'RE CURRENTLY WORKING WITH VILLAGE PERSONNEL ON AN AUTOMATED SWITCHING SYSTEM TO FURTHER ENHANCE THEIR SERVICE."

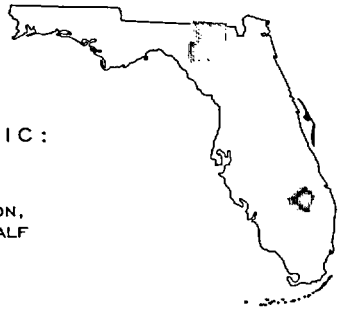
KIRK HEAD
Engineering Supervisor, Suwannee Valley Electric

Advent Christian Village (ACV) is a comprehensive retirement community located southwest of Live Oak on 1400 acres of woodlands. The property encompasses scenic landscapes along the historic Suwannee River. The Village was founded in 1913, originally as an orphanage and retirement home for ministers and missionaries...the oldest in Florida. Today it serves as home for more than 750 residents.

ACV combines a full range of lifestyle and residence options assuring access to long-term quality health care. There are no entrance fees. ACV is operated by 450 employees, which makes them the second largest private employer in Suwannee County.

The community offers a wide variety of rental housing styles and floor plans including apartments and single family homes, in addition to assisted living and skilled nursing homes. River Woods Subdivision and Park of the Pines residents own their homes. Comforts and conveniences, such as 24-hour security and medical personnel, lawn maintenance, transportation, and other benefits, make the Village's atmosphere ideal for worry-free living.

JAMES L. HUMBLES "SUWANNEE VALLEY ELECTRIC GAVE US A RECOMMENDATION REGARDING A NEW METERING SYSTEM FOR THE VILLAGE...SINCE WE IMPLEMENTED THE NEW SYSTEM, IT'S PROVIDED SAVINGS TO US AS WELL AS OUR RESIDENTS. WE'RE DIFFERENT FROM OTHER MEMBERS, BECAUSE OF OUR SPECIAL NEEDS REGARDING HEALTH CARE AND DEALING WITH THE ELDERLY. THEY CAN SUPPLY ELECTRICITY TO US FROM DIFFERENT SUPPLY POINTS, WHICH IS A GREAT COMFORT TO OUR RESIDENTS WHEN FACED WITH THE OCCASIONAL INTERRUPTION OF SERVICE."



ABOUT SUWANNEE VALLEY ELECTRIC:

- LOCATED IN THE NORTH CENTRAL REGION OF FLORIDA, THEIR RESIDENTIAL MEMBERS RESIDE PRIMARILY IN SUWANNEE, HAMILTON, LAFAYETTE AND COLUMBIA COUNTIES. THEY SERVE MORE THAN HALF THE HOUSEHOLDS IN SUWANNEE, HAMILTON AND LAFAYETTE
- THE SERVICE AREA IS PRIMARILY RURAL, WITH AN AVERAGE OF 5.6 MEMBERS PER MILE OF LINE. MORE THAN 70 PERCENT OF THE LAND AREA IS USED FOR AGRICULTURAL PRODUCTION
- ENERGY SALES HAVE INCREASED AT AN AVERAGE ANNUAL RATE OF 5.5 PERCENT OVER THE PAST DECADE

ARTHUR WILSON
GENERAL MANAGER

NORTH FLORIDA LUMBER, INC.
Bristol, Florida

The Partnership with North Florida Lumber

"NORTH FLORIDA LUMBER EXPANDED SEVERAL YEARS AGO, REQUIRING US TO UPGRADE OUR BRISTOL SUBSTATION. A NEW TRANSFORMER AND RELAY EQUIPMENT WERE PURCHASED AND INSTALLED. CAPACITORS WERE SIZED AND PURCHASED, SPECIFICALLY FOR NFL, FOR WHICH WE WERE REIMBURSED BY NFL. THIS INITIAL COST WAS OFFSET BY SUBSTANTIAL SAVINGS ON THEIR POWER BILLS, RESULTING FROM THE IMPROVED POWER FACTOR."

BOBBY KIMBRO
Director of Engineering and Operations Services, Talquin Electric

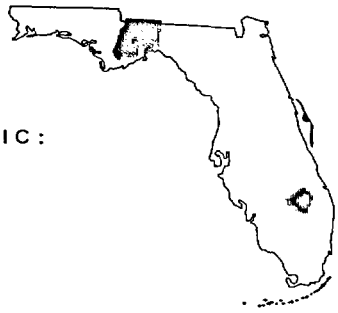
North Florida Lumber, Inc, owned by the Finley McRae family, manufactures southern yellow pine lumber, and lots of it – about 80 million board feet annually, sold primarily east of the Mississippi River, to wholesalers. The company purchases pine trees grown within a 150-mile (or so) radius of their Florida panhandle location, then contracts with loggers to cut the pine and haul it to their facility.

Operational since 1981, the lumber they produce, depending on the grade, is used to build trusses and decks for homes, in addition to distribution poles for Talquin Electric Cooperative.

After logs are delivered to the facility and debarked, they go through a scanning system to determine where the log is to be cut, for each log's highest value. Boards are created in a matter of minutes; North Florida Lumber's facility can process about 12 logs per minute, about 30,000 board feet per hour.

After boards are produced they go through a drying process before they're shipped. North Florida Lumber purchased a new dry kiln in 2002, which dries more efficiently and accurately than their original kiln. Bark and sawdust are mixed together and burned to produce the steam that dries the lumber. Arthur Wilson, general manager, says that "steam dried lumber makes a higher quality product."

ARTHUR WILSON "WE HAVE A GOOD RELATIONSHIP WITH TALQUIN ELECTRIC. THEY'RE RESPONSIVE TO OUR NEEDS. RELIABILITY IS EXCELLENT, ESPECIALLY SINCE WE'RE IN A RURAL AREA. IT'S IMPORTANT IN THIS BUSINESS TO ENSURE THE POWER STAYS ON... AND, THANKS TO TALQUIN, WE DON'T LOSE IT VERY OFTEN."



ABOUT TALQUIN ELECTRIC:

- IN NORTHWEST FLORIDA, SERVING MEMBERS IN LEON, GADSDEN, WAKULLA AND LIBERTY COUNTIES. ABOUT ONE HALF OF THEIR MEMBERS ARE LOCATED IN LEON COUNTY
- PRIMARILY RURAL, WITH AN AVERAGE OF 11.5 MEMBERS PER MILE OF LINE
- EMPLOYMENT IS CONCENTRATED IN GOVERNMENT AND SERVICE INDUSTRIES. MANY PEOPLE ALSO ARE EMPLOYED IN TIMBER AND AGRICULTURAL PRODUCTION
- THE PERCENTAGE OF HOUSEHOLDS USING MORE THAN 14,000 KWH ANNUALLY HAS INCREASED FROM 44 PERCENT IN 1990 TO 56 PERCENT IN 2000

JULIA WALDREP
CURRICULUM COORDINATOR

MADISON COUNTY CENTRAL SCHOOL
Madison, Florida

The Partnership with Madison County Central School

"PRIOR TO CONSTRUCTION OF THE NEW SCHOOL, WE TALKED WITH ENGINEERS, MADISON COUNTY SCHOOL OFFICIALS AND MAINTENANCE SUPERVISORS REGARDING TRI-COUNTY ELECTRIC COOPERATIVE'S HEAT PUMP REBATE PROGRAM. WE CONVINCED THEM TO INSTALL EFFICIENT HEAT PUMPS THROUGHOUT THE PROJECT. BY INSTALLING 81 EFFICIENT HEAT PUMP UNITS, THE MADISON COUNTY SCHOOL SYSTEM RECEIVED A SIGNIFICANT REBATE FROM THE PROGRAM."

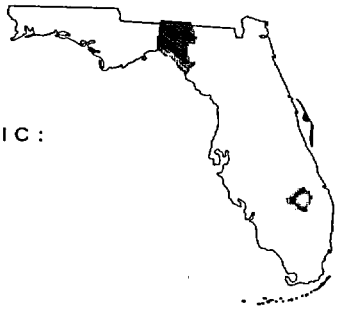
RONALD BASS
General Manager, Tri-County Electric

Madison County Central School serves nearly 1600 pre-kindergarten to 8th grade students, 100 teachers, and more than 70 paraprofessionals, secretaries and custodians. The $25 million school – in its second year of operation – has 96 classrooms, plus a media center, gymnasium, cafeteria, and band room.

The school's curriculum is geared around the state's standards, benchmarks, and grade level expectations. Julia Waldrep develops curriculum for each grade level and ensures that resources are available for implementation. She's also responsible for monitoring student progress through that curriculum, and seeing that teachers have access to the professional development they need to do their jobs.

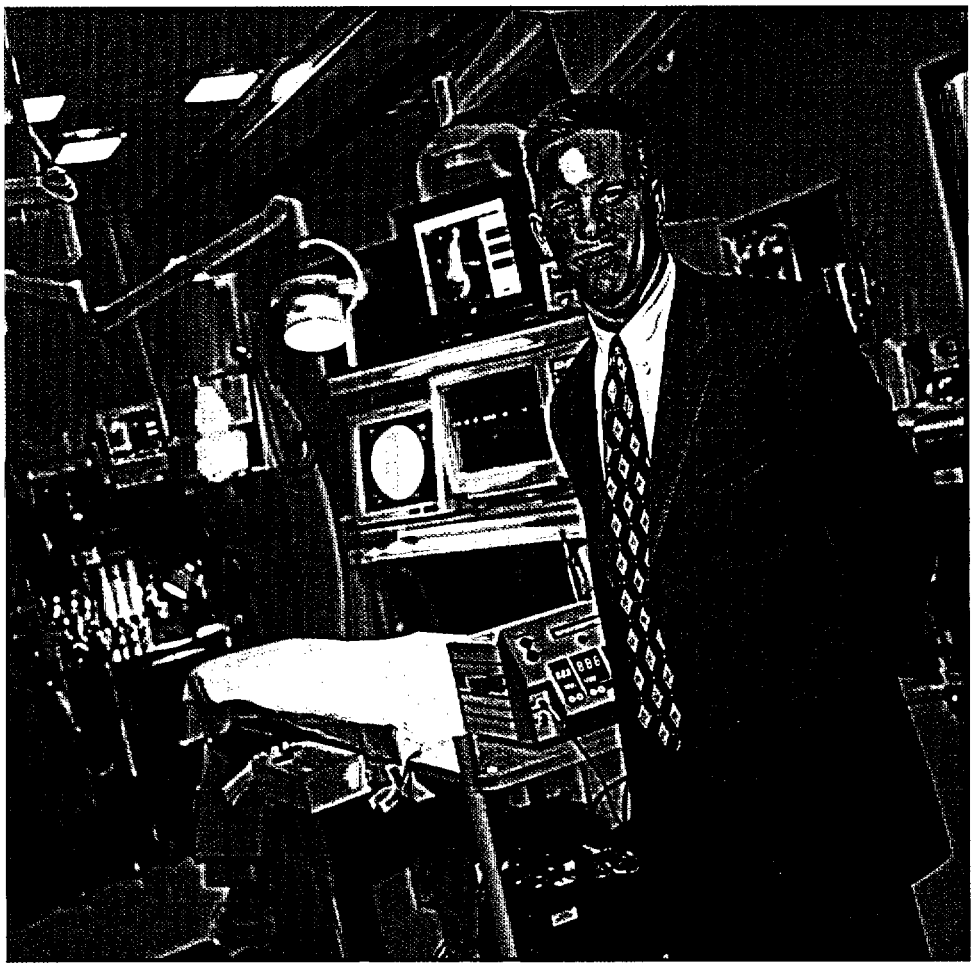
Waldrep has held her position with the Madison County School System for 16 years. Before that she taught kindergarten, first grade, and exceptional students. She holds an undergraduate degree in elementary education from Florida State University, a Master's degree in special education from Nova Southeast University, and is about to complete a specialist's degree in educational leadership from Nova.

JULIA WALDREP "TRI-COUNTY ELECTRIC HAS ALWAYS BEEN GOOD ABOUT PROVIDING SUPPORT TO OUR SCHOOL, WHETHER WE'RE ASKING FOR MENTORS, VOLUNTEERS OR MONETARY CONTRIBUTIONS. WE APPRECIATE THEIR COMMUNITY SUPPORT... IT'S NOT JUST ELECTRIC SERVICE THAT THEY PROVIDE US."



ABOUT TRI-COUNTY ELECTRIC:

- IN NORTHWEST FLORIDA; 98% OF THEIR MEMBERS RESIDE IN TAYLOR, MADISON AND JEFFERSON COUNTIES, SERVING MORE THAN HALF THE HOUSEHOLDS IN THOSE COUNTIES
- MOSTLY RURAL, WITH AN AVERAGE OF 5.4 MEMBERS PER MILE OF LINE
- OVER THE LAST DECADE, WINTER PEAK DEMAND HAS INCREASED AT AN AVERAGE ANNUAL RATE OF 5.9 PERCENT, SUMMER PEAK, AT 4.9 PERCENT



DAVID WILLIAMS
CEO

REGIONAL MEDICAL CENTER BAYONET POINT
Hudson, Florida

The Partnership with Regional Medical Center

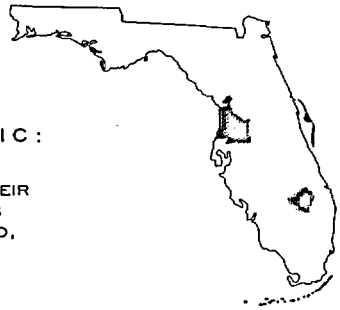
"REGIONAL MEDICAL CENTER IS ONE OF THOSE ACCOUNTS WE'RE PRIVILEGED TO SERVE. THEY HAVE OUR PERSONAL TELEPHONE NUMBERS – THEY KNOW WE'RE AVAILABLE 24/7 TO WORK TOGETHER TO CREATE SOLUTIONS AND SOLVE PROBLEMS. THEY'RE A GREAT PARTNER IN THE COMMUNITY AS WELL, AND WE'VE WORKED TOGETHER IN MANY COMMUNITY ACTIVITIES."

ROBERT J. ARNETT
District Manager, Withlacoochee River Electric, Bayonet Point District Office

Regional Medical Center Bayonet Point is a 290-bed acute care facility. It's also home to a nationally acclaimed heart institute, more than 350 physicians, 1000 employees and 400 volunteers comprising RMC's integrated healthcare delivery team. Regional Medical Center has been designated "Best of the 100 Top Benchmark Hospitals" by *Solucient*, a leading source of health care data and business intelligence, and was named by *U.S. News and World Report* as one of America's best hospitals in heart surgery.

Its Heart Institute is among the largest centers for open heart surgery in Florida, and the largest on the west coast. In 2002, the center's surgeons performed more than 1100 open heart surgeries with outcomes "that are among the best in the country," according to David Williams, CEO. "We're fortunate to have a facility of this quality in west central Florida. It's a real tribute to the efforts of our hospital staff, medical staff and volunteers."

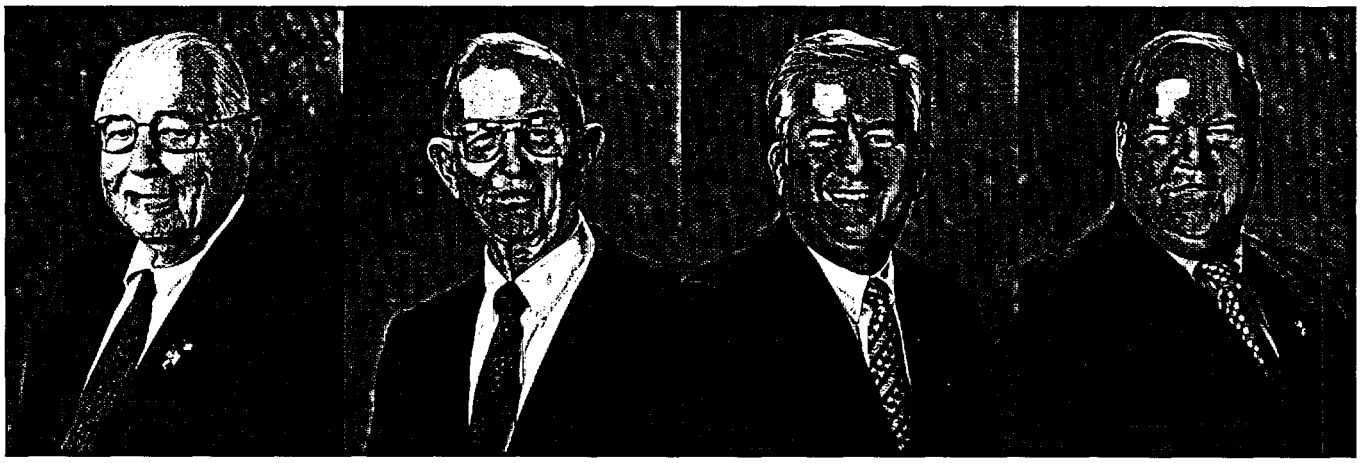
DAVID WILLIAMS "WITHLACOOCHEE RIVER ELECTRIC IS A GREAT VENDOR/PARTNER. WE'RE A MEMBER – NOT JUST A CUSTOMER – AND WE KNOW THAT. THE RELIABILITY OF OUR UTILITY SYSTEMS IS THE BEST IT'S EVER BEEN. THEY WORK VERY CLOSELY WITH US...WE HAVE TWO PEAKING UNITS, USED FOR POWER FAILURES AS WELL AS LOAD SHEDDING...THEY'VE BEEN A LIFESAVER FOR US."



ABOUT WITHLACOOCHEE RIVER ELECTRIC:

- SERVING FIVE COUNTIES IN WEST CENTRAL FLORIDA, MOST OF THEIR RESIDENTIAL MEMBERS RESIDE IN PASCO, HERNANDO AND CITRUS COUNTIES. THEY SERVE MOST OF THE HOUSEHOLDS IN HERNANDO, AND ALMOST HALF OF THE PASCO HOUSEHOLDS
- THE SUNCOAST PARKWAY, A MAJOR TOLL ROAD CONNECTING METROPOLITAN TAMPA TO CRYSTAL RIVER, RUNS THROUGH THEIR SERVICE TERRITORY
- OVER THE LAST DECADE, ENERGY SALES HAVE INCREASED AT AN AVERAGE ANNUAL RATE OF FIVE PERCENT
- PRIMARILY RURAL, AN AVERAGE OF 17.2 MEMBERS PER MILE OF LINE

Board Officers



WILSON G. SHEPPARD
PRESIDENT

JOHN W. DRAKE
VICE PRESIDENT

WILLIAM T. MULCAY, JR.
SECRETARY/TREASURER

WILLIAM C. PHILLIPS
ASSISTANT SECRETARY/TREASURER

The Seminole Board of Trustees

THE SEMINOLE ELECTRIC COOPERATIVE BOARD OF TRUSTEES CONSISTS OF TWO VOTING MEMBERS AND ONE ALTERNATE FROM EACH MEMBER SYSTEM. THE MANAGER OF EACH MEMBER COOPERATIVE SERVES AS A VOTING MEMBER.

Wilson G. Sheppard, from Sumter Electric Cooperative, was elected to his third term as board president in April, 2002. Sheppard is a retired certified public accountant.

In September, General James Dozier (ret.), from Lee County Electric Cooperative, replaced David Gomer as a voting trustee. Frank Garrett replaced Dozier as alternate trustee.

In October, Neal Brown, from Tri-County Electric Cooperative, replaced Evans Brown as voting trustee. Joe P. Burns, Jr. replaced Neal Brown as alternate trustee.

The Seminole Board sets policy and carries out its responsibilities through five committees; Executive, Administrative, Engineering and Operations, Finance and Rate.

The Administrative, Engineering and Operations, and Finance committees are made up of one trustee from each member system.

The Rate committee consists of the member system managers. In 2002, James P. Duncan, Sumter Electric Cooperative, served as chairman of this committee.

The Executive committee consists of the board officers and the immediate past president. The board president serves as chairman of this committee.

Administrative COMMITTEE

CHAIRMAN
L. T. Todd, Glades EC
VICE CHAIRMAN
William T. Mulcay, Jr., Peace River EC

Joe P. Burns, Jr., Tri-County EC
General James Dozier (Ret.), Lee County EC
James P. Duncan, Sumter EC

Mal Green, Talquin EC
W. F. Hart, Suwannee Valley EC
Bennie M. Rivenbark, Withlacoochee River EC
C. M. Smith, Jr., Clay EC
George A. Stephens, Central Florida EC

Engineering and Operations COMMITTEE

CHAIRMAN
Gary Stallons, Talquin EC
VICE CHAIRMAN
Edward I. Ricketson, Central Florida EC

James Aul, Glades EC
Billy E. Brown, Withlacoochee River EC
Neal Brown, Tri-County EC

Floyd I. Gnann, Clay EC
Maurice Henderson, Peace River EC
Pamela M. May, Lee County EC
Earl Muffett, Sumter EC
J. C. Walker, Suwannee Valley EC

Finance COMMITTEE

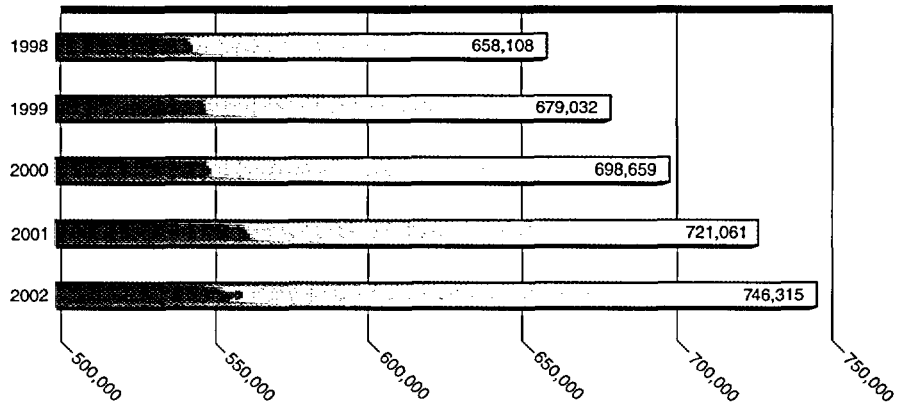
CHAIRMAN
Jerry L. Martin, Suwannee Valley EC
VICE CHAIRMAN
William C. Phillips, Clay EC

Ronald Bass, Tri-County EC
Glen O. Douglas, Peace River EC
John W. Drake, Glades EC

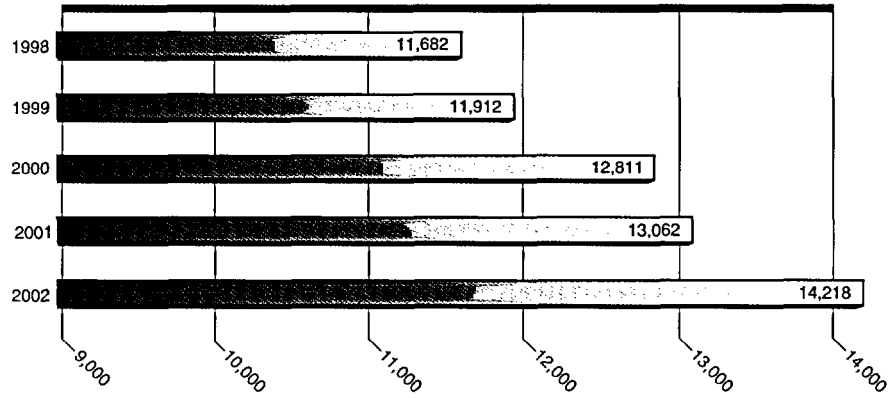
Frank C. Garrett, Lee County EC
James E. Hines, Withlacoochee River EC
Wilson G. Sheppard, Sumter EC
Amos Sumner, Talquin EC
Clyde Townsend, Central Florida EC

2002 STATISTICS

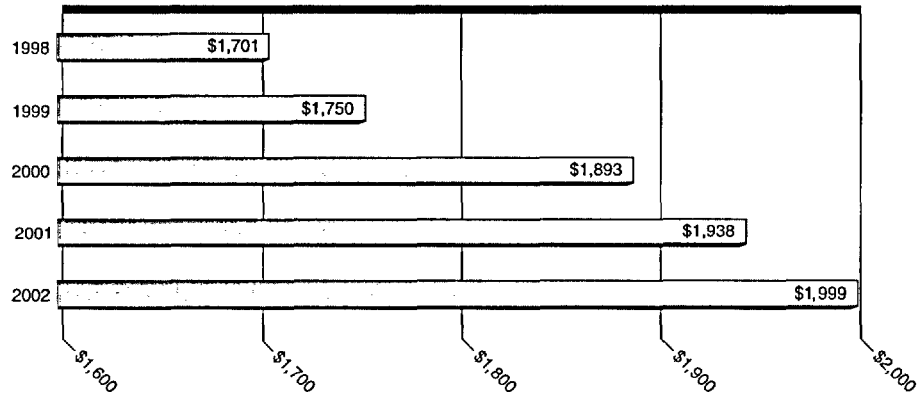
Total Consumers (year end)



Total Energy Requirements* (millions of KWHs)

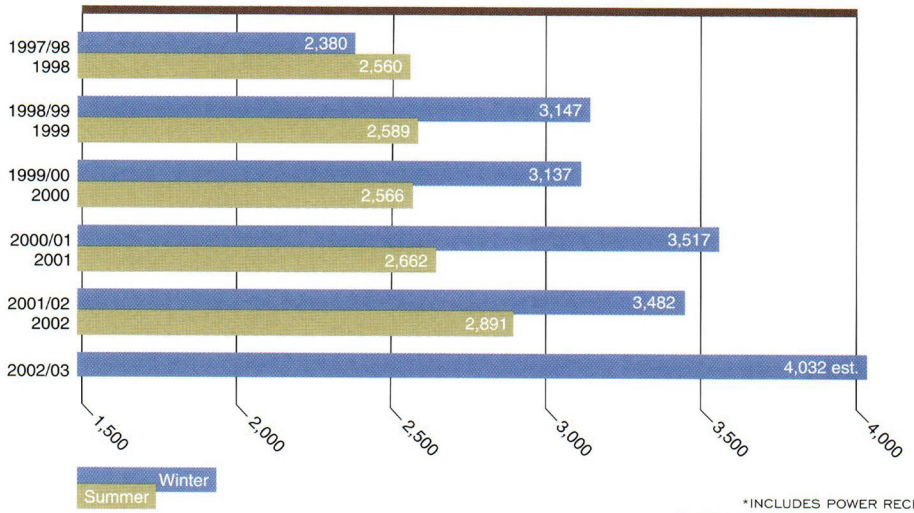


Total Member System Assets (millions of dollars)



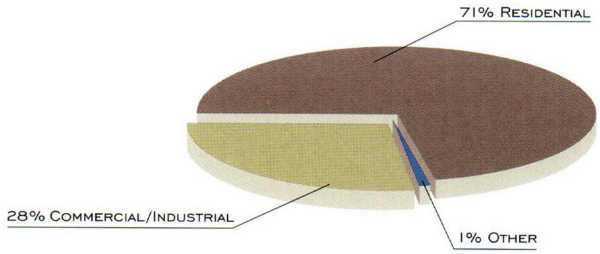
*INCLUDES POWER RECEIVED FROM THE SOUTHEASTERN POWER ADMINISTRATION

Aggregate Coincident Peak Demand* (megawatts MW)

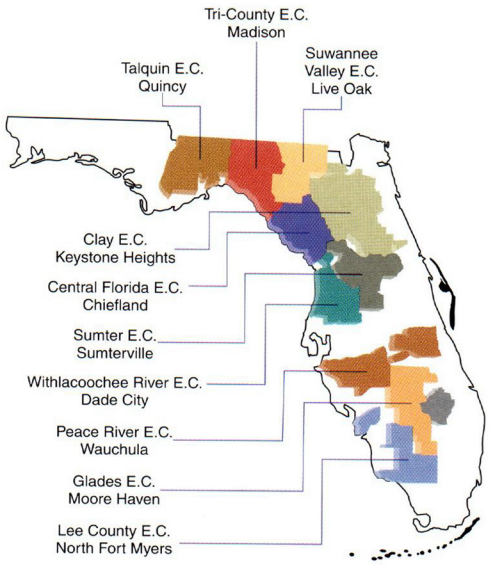


*INCLUDES POWER RECEIVED FROM THE SOUTHEASTERN POWER ADMINISTRATION

Percentage of Total Retail Sales by Class



Ten Member Distribution Cooperatives



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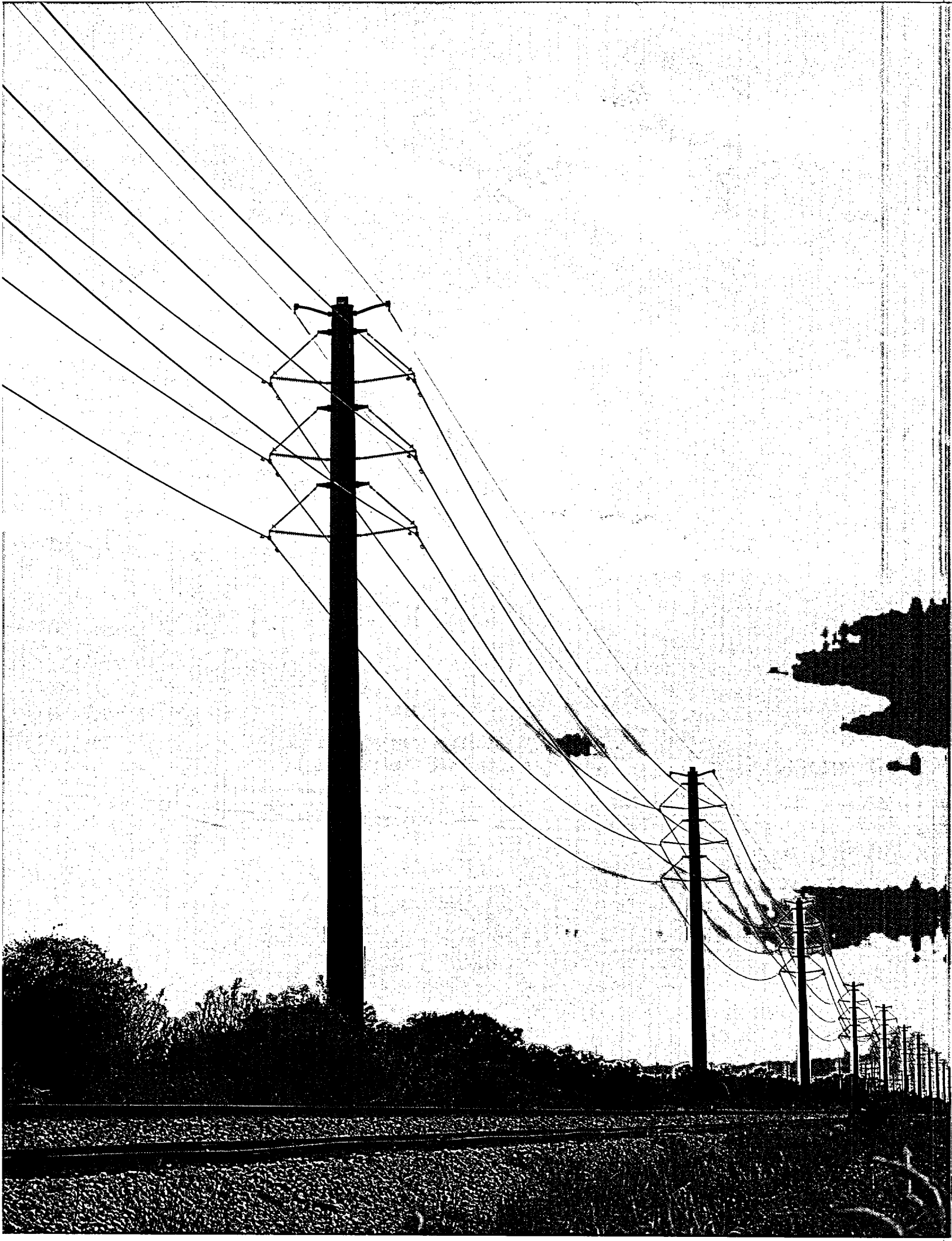


Financial Statements

2002 Seminole Electric Cooperative, Inc.

Selected Financial Data

(DOLLARS IN THOUSANDS)	2002	2001	2000	1999	1998
Operating revenues:					
Sales to members	$ 695,560	$ 650,328	$ 566,858	$ 549,217	$ 543,251
Sales to non-members	10,462	12,128	13,490	7,026	5,380
Other	7,749	6,622	2,308	1,497	11,307
Total operating revenues	713,771	669,078	582,656	557,740	559,938
Operating expenses:					
Fuel and other production expenses	309,397	235,054	213,468	215,590	220,479
Purchased power and transmission	281,294	330,611	273,428	238,898	230,335
Depreciation and amortization	33,053	26,034	25,043	25,046	24,964
Lease of coal-fired plant	27,115	28,056	28,515	28,747	29,250
Other operating expenses	23,415	21,184	17,249	22,415	25,182
Total operating expenses	674,274	640,939	557,703	530,696	530,210
Operating margins	39,497	28,139	24,953	27,044	29,728
Net interest expense	42,071	32,682	35,343	35,720	38,745
Nonoperating income, net	4,924	6,960	12,637	11,198	11,512
Net margins	$ 2,350	$ 2,417	$ 2,247	$ 2,522	$ 2,495
Assets:					
Utility plant, net	$ 660,298	$ 682,856	$ 643,003	$ 520,602	$ 526,466
Investments	66,900	71,314	62,248	61,327	99,361
Current assets	161,649	145,454	195,017	219,451	154,409
Deferred charges	73,249	114,787	116,251	112,315	56,896
	$ 962,096	$ 1,014,411	$ 1,016,519	$ 913,695	$ 837,132
Equity and liabilities:					
Equity	$ 78,412	$ 72,395	$ 71,532	$ 69,915	$ 68,016
Long-term liabilities	756,476	785,393	777,183	712,547	658,592
Current liabilities	101,940	130,122	140,799	105,376	78,929
Deferred gain/ other deferred credits	25,268	26,501	27,005	25,857	31,595
	$ 962,096	$ 1,014,411	$ 1,016,519	$ 913,695	$ 837,132
Utility plant additions	$ 11,908	$ 66,318	$ 147,819	$ 36,223	$ 14,252
Working capital	$ 59,709	$ 15,332	$ 54,218	$ 114,075	$ 75,480
Megawatt hours sold - members	14,171,093	12,946,637	12,727,333	11,849,011	11,619,034
Megawatt hours sold - non-members	328,053	358,307	380,547	214,752	166,936
Wholesale member cost - mills/kWh	49.08	50.23	44.54	46.35	46.76
Total sales - mills/kWh	48.69	49.79	44.27	46.11	46.55

2002

Results of Operations

Total revenues for the year ended December 31, 2002 increased 6.7% compared to last year, while revenues from sales to members increased 7.0% in 2002 compared to 2001. The increase in member revenues resulted from higher demand and energy quantities sold, primarily associated with growing member load requirements. Non-fuel revenues were 8.6% higher, primarily due to a 7.8% increase in demand revenues and a 9.3% increase in non-fuel energy revenues. Fuel related revenues increased 5.3%, reflecting a substantial increase in member energy sales and a 3.7% decrease in the fuel related rate per kWh charged to members. The average wholesale member power cost decreased 2.3% in 2002 to 49.08 mills/kWh from 50.23 mills/kWh in 2001. Energy sales to non-members decreased by 8.4% in 2002 compared to 2001, and prices per kWh decreased by approximately 5.8%. The reduced energy sales to non-members resulted from decreasing quantities of power available due to higher member load requirements. The average non-member revenue per kWh decreased in 2002 to 31.89 mills compared to 33.85 mills in 2001. Other revenues increased during 2002 primarily due to higher sales of synthetic gypsum.

Fuel expenses associated with generation facilities increased 33.8% for 2002 compared to the previous year. This increase is primarily due to natural gas purchases to supply Payne Creek Generating Station (PCGS) which began commercial operations January 1, 2002. The increase due to PCGS was partially offset by lower fuel costs at Seminole Generating Station (SGS). Fuel expense at SGS decreased approximately 7.1%, primarily due to lower coal and transportation costs as well as the increased availability of low cost petroleum coke used to supply a portion of the plant's fuel needs. Other production expenses increased due to costs incurred in the operation and maintenance of PCGS and higher operation and maintenance costs associated with SGS.

Purchased power costs decreased 18.9% in 2002 when compared to 2001. This decrease is primarily due to the expiration of power supply contracts which were replaced by the addition of PCGS generation beginning in January 2002. The increase in transmission expense can be attributed to higher member demand sales in 2002 compared to 2001. Administrative and General expenses increased in 2002 primarily because of the higher amortization expense associated with the Walker County judgment, which was partially offset by a reduction in legal and consulting fees during 2002. Depreciation and amortization increased in 2002 primarily due to the addition of PCGS to Seminole's asset base in January 2002.

The increase in net interest expense resulted from discontinuing the capitalization of interest charged to construction associated with the PCGS project, offset by decreased variable interest rates. Non-operating income, net, principally interest income, decreased from 2001. Interest income decreased due to lower interest on purchased power settlements and refunds and lower interest rates on short term investments. Other non-operating income decreased due to less sales of excess SO_2 allowances in 2002 because of depressed market prices. Significant excess SO_2 allowances from 2002 and prior years are available for future use or sale and are the result of the efficient operation of SGS and its flue gas desulfurization system.

Seminole achieved a net margin of $2.3 million in 2002 which resulted in a Times Interest Earned Ratio (TIER) of 1.05 and a Debt Service Coverage Ratio (DSC) of 1.07. This marks the twentieth straight year that Seminole has achieved or exceeded both TIER and DSC objectives.

Financial Condition

Utility plant, net decreased by $22.6 million due to depreciation of $33.3 million and transfers of $1.2 million, offset by utility plant additions net of retirements of $11.9 million. Utility plant additions primarily related to SGS and PCGS capital improvements and major spare parts purchases.

Current assets increased approximately $16.2 million or 11% from 2001. The cash and cash equivalents balance at the end of 2002 of $24.4 million reflects an $8.6 million decrease from the balance at the end of 2001. Accounts receivable increased $12.3 million, primarily due to increased unrecovered fuel adjustment true-up costs and higher December sales. Fuel inventory at the end of 2002 increased by $5.0 million compared to year end 2001. The increase in prepayments is primarily due to increases in the fair market value of natural gas hedges, along with a NYMEX margin account to facilitate natural gas hedging transactions.

Deferred charges decreased significantly in 2002. A substantial portion of the decrease is due to the settlement of the Walker County litigation. Deferred charges were also reduced by the scheduled amortization of approximately $14.2 million of previously deferred expenses relating to the termination of certain coal transportation contracts, $4.5 million in proceeds from sales of marine equipment, and the scheduled amortization of $2.5 million of deferred debt costs and related refinancing premiums.

For 2002, total equity increased $6.0 million, reflecting current year's net margins of $2.3 million, and an increase of $4.3 million in Other Comprehensive Income (OCI), partially offset by a retirement of a portion of patronage capital. Seminole retired $.6 million in members' patronage capital in 2002, bringing the total-to-date of patronage capital retired to approximately $16.2 million. OCI occurs as a result of adopting Statement of Financial Accounting Standards No. 133 (SFAS No. 133). Pursuant to SFAS No. 133, unrealized gains and losses related to changes in the fair market value of hedges are recorded in OCI.

Long-term liabilities decreased in 2002 primarily due to scheduled principal payments of long-term debt and capital leases.

Current liabilities decreased substantially in 2002 primarily due to the Walker County settlement, a decrease in retention payable on construction contracts and a decrease in accrued fuel adjustment true-up payable. The increase in accounts payable is due to increases in purchased power invoices for December purchases outstanding at year-end, offset by a decrease associated with the timing of payments at each period end.

Working capital at year-end 2002 of $59.7 million was $44.4 million higher than the previous year-end. This increase in working capital reflects a decrease in other current liabilities and increases in receivables, prepayments, and fuel inventory, offset by a decrease in cash and cash equivalents, and an increase in accounts payable. Seminole had a current ratio of 1.6 at the end of 2002 and 1.1 at the end of 2001.

Consolidated Balance Sheets

Assets

FOR THE YEARS ENDED DECEMBER 31,	2002	2001
Utility plant:		
Plant in service	$ 1,072,706,869	$ 838,601,652
Construction work in progress	4,056,718	235,010,818
	1,076,763,587	1,073,612,470
Less accumulated depreciation and amortization	(416,466,162)	(390,756,617)
Utility plant, net	660,297,425	682,855,853
Investments:		
Investments in associated organizations	3,460,364	3,918,762
Funds held by trustees and special funds	63,439,520	67,395,086
Total investments	66,899,884	71,313,848
Current assets:		
Cash and cash equivalents	24,428,385	33,030,974
Receivables, principally for sale of electricity	79,749,297	67,490,466
Inventories, at average cost:		
Materials and supplies	19,039,303	17,639,968
Fuel	31,042,863	26,021,004
Prepayments and other	7,390,074	1,272,484
Total current assets	161,649,922	145,454,896
Deferred charges:		
Regulatory	34,791,822	74,886,947
Non-Regulatory	38,457,274	39,899,725
Total deferred charges	73,249,096	114,786,672
Total assets	$ 962,096,327	$ 1,014,411,269

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS.

Consolidated Balance Sheets

Equities and Liabilities

FOR THE YEARS ENDED DECEMBER 31,	2002	2001
Equities:		
Memberships	$ 1,000	$ 1,000
Patronage capital	75,098,372	73,352,675
Donated capital	31,715	31,715
Other margins and equities	3,281,101	(990,383)
Total equities	78,412,188	72,395,007
Long-term liabilities:		
Long-term debt	748,589,639	778,006,110
Obligations under capital leases	285,872	548,634
Other	7,600,213	6,838,260
Total long-term liabilities	756,475,724	785,393,004
Current liabilities:		
Current portion of:		
Long-term debt	31,547,242	29,649,554
Obligations under capital leases	262,762	241,521
Accounts payable	40,769,302	35,569,235
Other accrued liabilities	29,360,460	64,661,533
Total current liabilities	101,939,766	130,121,843
Deferred gain on sale-leaseback of plant	9,851,391	11,267,160
Other deferred credits	15,417,258	15,234,255
Commitments and contingencies (Notes 10 and 11)		
Total equities and liabilities	$ 962,096,327	$ 1,014,411,269

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS.

Consolidated Statements
of Revenue and Expenses and Patronage Capital

FOR THE YEARS ENDED DECEMBER 31,	2002	2001
Operating revenues	$ 713,770,716	$ 669,077,708
Operating expenses:		
Operation:		
Fuel	234,142,855	175,058,654
Other production expenses	75,253,835	59,994,900
Purchased power	242,448,133	299,071,251
Transmission	38,846,162	31,540,428
Administration and general	23,414,642	21,184,305
Depreciation and amortization - non-fuel	33,052,714	26,033,548
Lease of coal-fired plant	27,114,994	28,056,160
Total operating expenses	674,273,335	640,939,246
Operating margins before interest expense	39,497,381	28,138,462
Interest expense, net of amounts capitalized	42,071,213	32,682,727
Operating deficits	(2,573,832)	(4,544,265)
Patronage capital credits	29,511	74,194
Net operating deficits after interest expense	(2,544,321)	(4,470,071)
Non-operating income:		
Interest income	4,762,831	5,682,927
Other income, net	131,047	1,202,584
Net margins	2,349,557	2,415,440
Patronage capital, beginning of year	73,352,675	71,499,037
Patronage capital retirements	(603,860)	(561,802)
Patronage capital, end of year	$ 75,098,372	$ 73,352,675

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS.

Consolidated Statements
of Comprehensive Income

FOR THE YEARS ENDED DECEMBER 31,	2002	2001
Net margins	$ 2,349,557	$ 2,415,440
Other comprehensive income/(loss):		
Cash flow hedges:		
Beginning balance	(990,383)	0
Net income/(loss) on derivatives	7,423,202	(1,872,970)
Less: Reclassification adjustment for derivative income/(losses) included in net margins	3,151,718	(882,587)
Other comprehensive income/(loss)	3,281,101	(990,383)
Comprehensive income	$ 5,630,658	$ 1,425,057

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS.

Consolidated Statements
of Cash Flows

FOR THE YEARS ENDED DECEMBER 31,	2002	2001
Cash flows from operating activities:		
Net Margins	$ 2,349,557	$ 2,415,440
Adjustments to reconcile to cash:		
Depreciation and amortization	55,035,759	45,033,747
Gain on lease/leaseback	(1,198,442)	(1,168,024)
Lease expense/lease payment difference	346,857	1,051,594
Change in assets and liabilities:		
Receivables	(12,258,831)	35,402,585
Inventories	(6,246,044)	1,171,381
Prepayments and other	(1,797,060)	(567,650)
Deferred charges	(1,290,034)	4,830,580
Other long-term liabilities	(1,546)	(157,665)
Accounts payable	5,200,067	(28,038,920)
Other accrued liabilities	(12,939,586)	(11,750,142)
Total adjustments	24,851,140	45,807,486
Net cash provided by operating activities	27,200,697	48,222,926
Cash flows from investing activities:		
Utility plant additions, net of retirements	(11,908,457)	(66,317,682)
(Purchases of)/proceeds from investments, net	6,600,145	(6,810,740)
Net cash used in investing activities	(5,308,312)	(73,128,422)
Cash flows from financing activities:		
Proceeds from long-term borrowings	0	40,205,000
Payments of long-term debt	(29,649,593)	(28,071,569)
Payments of capital lease obligations	(241,521)	(221,997)
Payments of patronage capital credits	(603,860)	(561,802)
Net cash provided by/(used in) financing activities	(30,494,974)	11,349,632
Net decrease in cash and cash equivalents	(8,602,589)	(13,555,864)
Cash and cash equivalents, beginning of year	33,030,974	46,586,838
Cash and cash equivalents, end of year	$ 24,428,385	$ 33,030,974
Supplemental disclosure: Interest paid	$ 37,808,522	$ 46,849,683

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS.

Notes
to Consolidated Financial Statements

NOTE 1 THE COOPERATIVE:

Seminole Electric Cooperative, Inc. (Seminole) is a generation and transmission cooperative (G & T). It is responsible for meeting the electric power and energy needs of its distribution cooperative members operating within the State of Florida. Seminole's rates are established by its Board of Trustees, which is composed of representatives from each member cooperative.

Seminole constructed and operates Seminole Generating Station (SGS) comprised of two coal-fired generating facilities (Seminole Unit No. 1 and Unit No. 2) near Palatka, Florida with approximately 650 megawatts of net output per unit. These units are connected to the Florida bulk power supply grid through Seminole's 230 kV transmission lines and associated facilities. Both units commenced commercial operation in 1984.

On January 1, 2002, the Payne Creek Generating Station (PCGS) commenced commercial operation. PCGS is a 500 megawatt, gas-fired combined cycle generating facility constructed by Seminole on an existing 1,300 acre site leased from Acuera Corp. (Acuera), a wholly owned subsidiary of Seminole.

At December 31, 2002, 173 employees or approximately 38% of the total workforce were covered by a four year collective bargaining agreement with Utility Workers Union of America expiring on June 30, 2003.

Seminole holds a 1.6994% undivided ownership interest in the Crystal River Unit No. 3 (CR3) nuclear power plant operated by Florida Power Corporation (FPC). Seminole also owns various transmission facilities connecting Seminole to an Independent Power Producer (IPP) as well as individual members to the Florida bulk power grid.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Seminole complies with the Uniform System of Accounts as prescribed by the Rural Utilities Service (RUS). The accounting policies and practices applied by Seminole in the determination of rates are also employed for financial reporting purposes. These policies and practices require management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Under the provisions of Statement of Financial Accounting Standards (SFAS) No. 71, "Accounting for the Effects of Certain Types of Regulation," Seminole's Board of Trustees prescribes rate-making recovery for certain transactions.

The consolidated financial statements include the results of operations and financial position of Seminole, Acuera, Putnam Leasing Company A, Inc., Putnam Leasing Company B, Inc., and Putnam Leasing Company C, Inc., each wholly owned subsidiaries of Seminole. Acuera owns a 1,300 acre site in Hardee County and Polk County, Florida, a portion of which is leased on a nonexclusive basis to an IPP for its use associated with certain generating facilities constructed and owned by the IPP. The three leasing subsidiaries were established to facilitate the completion of the lease/leaseback transactions relating to one of Seminole's coal-fired generating facilities. All significant intercompany transactions have been eliminated.

Operating Revenue

Seminole has wholesale power contracts with each of its members, whereby the members must purchase all electric power and energy which the member shall

require for the operation of its system within the State of Florida from Seminole to the extent that Seminole shall have such power, energy and facilities available. The only exception relates to contracts between several members and the Southeastern Power Administration, which provides less than 1% of the total energy required by all members.

Operating revenue consists primarily of sales of electric power and energy by Seminole and a facilities use charge for Seminole's transmission lines serving a single member cooperative. Member revenues include amounts resulting from a fuel and purchased power adjustment clause which provides for billings to reflect increases or decreases in fuel and fuel related purchased power costs. The levelized adjustment factor is based on costs projected by Seminole for a twelve-month period. Any over-recovery or under-recovery of costs plus an interest factor are to be refunded or billed to the members semiannually. At the members' option, refunds of over-recoveries may be deferred with interest every six months until such time as the member elects to have the over-recovery including accumulated interest refunded. Under-recoveries of approximately $9.9 million and over-recoveries of approximately $8.9 million at December 31, 2002, and 2001, respectively, are recorded in accounts receivable or accrued liabilities until refunded or billed.

Included in operating revenue are approximately $696 million and $651 million of revenue from members for the years ended December 31, 2002 and 2001, respectively, of which approximately $68 million and $64 million primarily related to December sales are included in receivables at December 31, 2002 and 2001, respectively.

Utility Plant

Utility plant owned by Seminole is stated at original cost. Such cost includes applicable supervisory and overhead cost, plus net interest charged during construction. The amounts of interest capitalized during 2002 and 2001 were approximately $.2 million and $10.8 million, respectively. The cost of maintenance and repairs, including renewals and replacements of minor items of property, is charged to operating expense. The cost of replacement of depreciable property units, as distinguished from minor items, is charged to utility plant. The cost of units replaced or retired, including cost of removal, net of any salvage value, is charged to accumulated depreciation. (See Accounting for Asset Retirement Obligations.) Certain leased transportation equipment is valued at the total net present value of minimum lease payments.

Depreciation and Amortization of Utility Plant

Seminole provides for depreciation on owned utility plant using composite rates applied annually on a straight-line basis that will amortize the original cost of depreciable property over its estimated useful life. The average rates for 2002 and 2001 were as follows:

	2002	2001
Combined cycle production plant	3.00%	N/A
Coal-fired production plant	3.10%	3.10%
Transmission plant	2.75%	2.75%
General plant	8.22%	8.05%
Nuclear production plant	4.51%	4.51%

Depreciation expense amounted to approximately $31.1 million and $24.3 million for 2002 and 2001, respectively.

Improvements to the leased coal-fired production plant are amortized over the remaining life of the base lease term. The related composite amortization rates were 7.18% and 7.07% for 2002 and 2001, respectively.

Amortization of leased assets under capital leases amounted to approximately $0.2 million in 2002 and 2001.

Long-Lived Assets

Seminole evaluates, on a regular basis, whether events and circumstances have occurred that indicate the carrying amounts of utility plant and deferred charges may warrant revision or may not be recoverable. Seminole measures impairment of these long-lived assets based on estimated future undiscounted cash flows from operations. At December 31, 2002, the net utility plant and net unamortized deferred charges balances are not considered to be impaired.

Accounting for Asset Retirement Obligations

In June 2001, the Financial Accounting Standards Board issued SFAS No. 143, "Accounting for Asset Retirement Obligations," which is effective for fiscal years beginning after June 15, 2002. The statement requires legal obligations associated with the retirement of long-lived assets to be recognized at their fair value at the time that the obligations are incurred. Upon initial recognition of a liability, that cost should be capitalized as part of the related long-lived asset and allocated to expense over the useful life of the asset. Seminole will adopt SFAS No. 143 on January 1, 2003, and, based on current circumstances, does not believe that the impact of adoption of this statement will have a material impact on Seminole's financial position or results of operations.

Amortization of Deferred Gain on Sale-Leaseback

Deferred gain on sale-leaseback of coal-fired production plant is being amortized on a straight-line basis over the base lease term of twenty-five years commencing in 1985 and is reflected as a reduction of operating expenses. Amortization for 2002 and 2001 was $1.4 million.

Gain on Lease/Leaseback

In December 1997, Seminole entered into three long-term lease/leaseback transactions for a portion of its Palatka generating station. These transactions are characterized as sales and leasebacks for income tax purposes, but are reflected as financing transactions for financial reporting purposes. Beginning in 1998, the net cash benefit to Seminole totaling approximately $27.4 million is being recognized on a straight-line basis over the twenty-three year leaseback period in the amount of approximately $1.2 million annually pursuant to SFAS No. 71 and as authorized by the Board of Trustees.

Deferred Charges: Regulatory

In December 1998 the Seminole Board of Trustees authorized the implementation of an expense deferral plan pursuant to the provisions of SFAS No. 71 relating to costs to be incurred associated with the termination of certain coal transportation contracts. At December 31, 2002 and 2001 deferred charges included the unamortized balance of $27.4 million and $46.5 million, respectively, related to marine equipment lease termination costs, operating costs of the leased

marine equipment subsequent to coal transportation contract terminations and prior to sale, and certain other costs which have been deferred pursuant to this plan. Included in these costs is the net book value of $0 and approximately $6.5 million in 2002 and 2001, respectively, relating to marine transportation equipment acquired when certain capital leases were terminated during 2000. The deferred costs associated with the coal transportation contract terminations are being amortized to fuel expense on a cost per ton basis through 2004, reflecting the shortest remaining term of the contracts terminated. Amortization of deferred costs associated with the coal transportation contract terminations was approximately $14.2 million and $14.9 million in 2002 and 2001, respectively.

In 2001, the Seminole Board of Trustees authorized the implementation of an expense deferral plan pursuant to the provisions of SFAS No. 71, relating to a judgment entered against Seminole in the Circuit Court of Walker County, Alabama in the amount of $22.2 million as a result of the jury's verdict in litigation filed in 1998 regarding a dispute under a certain spot coal contract (Walker County judgment). During the pendency of Seminole's appeal, these deferred charges were being amortized to expense and collected through rates to members over a 60 month period beginning in July 2001. The unamortized balance for these deferred charges was $21.3 million at December 31, 2001. In October 2002, after having adjusted the expense deferral to reflect a settlement agreement reached in the litigation, the amortization rate was changed to provide for the remaining balance of these deferred charges to be fully amortized at December 31, 2002.

Also included in regulatory deferred charges is the net book value of $7.4 million and $7.1 million at December 31, 2002 and 2001, respectively relating to the straight line recognition of the gain on the lease/ leaseback transactions.

Deferred Charges: Non-Regulatory

At December 31, 2002 and 2001, non-regulatory deferred charges included unamortized debt costs and related refinancing premiums of approximately $36.5 million and $39.0 million, respectively. These deferred charges will be recovered through rates over the remaining lives of the related debt ranging up to eighteen years. Amortization of these deferred charges amounted to approximately $2.5 million in 2002 and 2001.

Other non-regulatory deferred charges include primarily software costs. Capitalized software costs are accounted for under Statement of Position 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use" (SOP 98-1), and are included in deferred charges at cost less accumulated amortization. These costs are being amortized over periods up to five years. The amount capitalized under SOP 98-1 as of December 31, 2002 and December 31, 2001 was approximately $2 million and $.9 million respectively, net of amortization of approximately $.2 million and $0, respectively.

Other Deferred Credits

At December 31, 2002 and 2001, other deferred credits primarily included deferred lease expense which represents the difference between cash payments and expense recognized on a straight-line basis related to the operating lease of certain generating facilities, and a reserve for CR3 decommissioning costs. These deferred credits are non-regulatory and have been authorized by the Board of Trustees.

Accounting for Derivatives and Hedging Activities

All derivatives are recognized on the balance sheet at their fair value and changes in fair value of those instruments are recognized as either a component of comprehensive income or in net income, depending on the types of those instruments. On the date that Seminole enters into a derivative contract, Seminole determines whether the derivative is subject to the requirements of SFAS 133 or meets the criteria for exclusion. All contracts requiring SFAS 133 accounting are designated as cash flow hedges, fair value hedges, or as a trading instrument, and formal documentation of relationships between hedging instruments and the hedged items, hedging objective and strategy, and methods for assessing hedge effectiveness both at the hedge's inception and on an ongoing basis is completed. All components of each derivative's gain or loss have been included in the assessment of hedge effectiveness.

To reduce the exposure to natural gas price fluctuation risks, Seminole entered into natural gas hedging transactions in 2002 and 2001. These transactions are designated as cash flow hedges and are deemed to be highly effective, and therefore no ineffective losses were recognized in earnings for 2002 and 2001. For the years ended December 31, 2002 and 2001, net gains of $4.2 million and net losses of $0.9 million, respectively, were reclassified into earnings and are included in "Fuel" in the Consolidated Statement of Revenue and Expenses and Patronage Capital. Other Comprehensive Income reflects a $4.3 million gain and $0.6 million loss related to these transactions as of December 31, 2002 and 2001, respectively. The $0.6 million loss was reclassified into earnings and included in "Fuel" in 2002 when the gas was purchased. The $4.3 million gain at December 31, 2002 is expected to be reclassified into earnings and included in "Fuel" within the next twelve months as gas is purchased. In 2002, Seminole established a NYMEX margin account to facilitate the gas hedging transactions for 2003 and beyond. This margin account is included in "Prepayments and Other" on the Consolidated Balance Sheet. Seminole made an initial deposit for this account and must keep a maintenance margin. The fair market value changes to this account resulted in excess margins of approximately $3.7 million at December 31, 2002. Seminole has a right to call for cash payment from this excess margin, and did so in January, 2003.

On December 13, 2001, Seminole entered into a two-year agreement to swap the variable interest rate on a portion of the pollution control revenue bonds, on which the interest rate varies weekly, for a fixed interest rate of 2.99%. The transaction is designated as a cash flow hedge and is deemed highly effective, and therefore no ineffective losses were recognized in earnings for 2002 and 2001. Other Comprehensive Income reflects losses of $1.0 million and $0.4 million related to the interest rate swap transaction as of December 31, 2002 and 2001 respectively. The losses are reclassified into earnings when the underlying pollution control revenue bond interest is incurred.

Cash Equivalents

Seminole considers all short-term, highly liquid investments with an original maturity of three months or less to be cash equivalents.

Reclassifications

Certain reclassifications have been made to the 2001 statements to conform to current classifications. There were no changes in net margins as previously reported.

Notes
to Consolidated Financial Statements

NOTE 3 UTILITY PLANT:

	DECEMBER 31, 2002	DECEMBER 31, 2001
Owned property:		
Coal-fired production plant	$ 606,429,177	$ 610,358,709
Combined cycle plant	225,378,876	0
Transmission plant	168,252,074	156,564,596
General plant	23,176,516	22,307,224
Nuclear plant, including fuel	23,133,836	23,085,213
	1,046,370,479	812,315,742
Transportation equipment under capital leases	2,538,591	2,538,591
Leasehold improvements of coal-fired production plant	23,797,799	23,747,319
	1,072,706,869	838,601,652
Construction work in progress	4,056,718	235,010,818
	1,076,763,587	1,073,612,470
Accumulated depreciation and amortization:		
Owned property	(402,610,171)	(378,602,331)
Leased transportation equipment	(2,097,134)	(1,846,950)
Leasehold improvements	(11,758,857)	(10,307,336)
	(416,466,162)	(390,756,617)
	$ 660,297,425	$ 682,855,853

NOTE 4 INVESTMENTS:

	DECEMBER 31, 2002	DECEMBER 31, 2001
Investments in associated organizations:		
CFC:		
Membership	$ 1,000	$ 1,000
Capital term certificates	1,445,721	1,448,731
Subordinated term certificates	1,473,213	1,912,375
Patronage capital certificates	527,400	547,048
Other	13,030	9,608
	$ 3,460,364	$ 3,918,762
Funds held by trustees and special funds:		
Pollution control bond funds	$ 15,599,664	$ 15,088,417
Nuclear decommissioning trust fund	4,740,732	4,708,916
Lease termination fund	43,099,124	40,621,734
Walker County judgment escrow fund	0	6,976,019
	$ 63,439,520	$ 67,395,086

Investments in capital and subordinated term certificates and patronage capital certificates are considered to be held-to-maturity investments due to their nature and are carried at cost determined by specific identification.

It is not practical to estimate the fair value of CFC capital term certificates due to the nature and maturity of these investments. Of these investments, $1,445,721 are required as a condition of membership and of loans provided to Seminole by CFC. Of the approximately $1.4 million carrying amounts at December 31, 2002 and 2001, $63,307 matures in 2075 and $918,124 matures in 2080. Both of these amounts pay 5% annual interest. Additionally, $364,283 matures in 2030 and pays 3% annual interest, and $100,007 in 2002 and $103,017 in 2001, bears no interest and amortizes through 2019.

Investments in CFC subordinated term certificates are required as a condition of guarantees provided to others by CFC on behalf of Seminole and are generally priced at market rates at the time of issuance. These investments bear interest at various rates with a combined average of approximately 5.9% and 6.1% at December 31, 2002 and 2001, respectively. At December 31, 2002 and 2001, the estimated fair values of these investments of approximately $1.5 million and $1.9 million, respectively, are based on the current rates offered by CFC for this type of required investment.

Funds held by trustees for pollution control bond funds are recorded at amortized cost and are considered to be held-to-maturity investments. The investments in the nuclear decommissioning trust fund (NDTF) are also considered held-to-maturity except for certain investments held by the NDTF which are invested in equity mutual funds and are valued at market prices. Seminole has recorded a deferred credit in an amount equal to the fund earnings, to produce no net margin effect (see Note 11). At December 31, 2002 and 2001, the estimated fair values of these funds of approximately $20.3 million and $20.1 million, respectively, are based on quoted market prices for the securities held by the trustees.

The lease termination fund, which has been invested in zero coupon government securities with a yield of 6.1% will be held to maturity (2020) and is not marketable; therefore, the fair market value is not determinable.

The Walker County judgment escrow fund was required as a condition for obtaining a supersedeas bond while the case was being appealed (see Note 2). The escrow fund had been invested in a United States short-term Treasury bill with a yield of 1.522%. At December 31, 2001, the estimated fair value of this fund of approximately $6,975,623 was based on quoted market prices for the securities held by the escrow agent.

NOTE 5 LONG-TERM LIABILITIES:

LONG-TERM DEBT	DECEMBER 31, 2002	DECEMBER 31, 2001
First mortgage notes payable to Federal Financing Bank (FFB), guaranteed by RUS, principal due in various installments through 2020, interest at fixed rates, from 4.634% to 7.295%	$ 573,366,396	$ 597,509,978
First mortgage notes payable to RUS, principal due in various installments through 2019, interest at 5.00%	6,496,402	6,802,599
Pollution control revenue bonds payable to the Putnam County Development Authority, guaranteed by CFC, principal due in various installments through 2014, interest at adjustable rates, currently 3.10% and 1.60%	120,350,000	125,300,000
First mortgage notes payable to CFC, principal due in various installments through 2019, interest at adjustable rates, currently 3.40%	7,855,183	8,104,998
Lease termination obligation payable to State Street Bank and Trust at maturity in 2020, interest imputed at a fixed rate of 3.05%	72,068,900	69,938,089
	780,136,881	807,655,664
Less current portion	(31,547,242)	(29,649,554)
	$ 748,589,639	$ 778,006,110

The estimated maturities and annual sinking fund requirements of all long-term debt, at interest rates as of December 31, 2002 for the four years subsequent to December 31, 2003, are presented below:

YEAR ENDING DECEMBER 31,	ANNUAL MATURITIES AND SINKING FUND REQUIREMENTS
2004	$ 33,330,755
2005	$ 35,735,454
2006	$ 38,100,636
2007	$ 40,646,949

During 2001, FFB debt in the amount of $40,205,000 was advanced to Seminole at a weighted average interest rate of 5.14%. At December 31, 2002, approximately $39.8 million of RUS approved loan funds remained available for Seminole to draw pending Seminole meeting RUS requirements for receiving the funds.

Substantially all owned assets and leasehold interests other than the lease termination fund are pledged as collateral for the above mentioned debt to the United States of America (RUS and FFB) and CFC. The lease termination fund is pledged as collateral for the lease termination obligation to State Street Bank and Trust.

At December 31, 2002 and 2001, the estimated fair value of long-term debt including current portion but excluding the lease termination obligation, is approximately $798 million and $775 million, respectively. For Seminole's long-term debt with interest rates substantially fixed to final maturity, and for that portion that is subject to interest rate adjustment more than six months from year end, fair value is estimated based on the present value of the underlying cashflows. For that portion of long-term debt that reprices to market rates at intervals of six months or less, the carrying amount has been used as a reasonable estimate of fair value. The fair value of the lease termination obligation is not determinable since it is not marketable.

Obligations Under Capital Leases

At December 31, 2002, Seminole was obligated under a capital lease of rail transportation equipment which base lease term expires in 2004. The following is a schedule of future lease payments under the lease together with the present value of the net minimum lease payments as of December 31, 2002:

YEAR ENDING DECEMBER 31,	
2003	$ 304,461
2004	304,460
2005	0
2006	0
Thereafter	0
Total minimum lease payments	608,921
Less amount representing interest	(60,287)
Present value of minimum lease payments	548,634
Less current principal portion	$ (262,762)
	$ 285,872

This transportation equipment lease provides for renewal and option to purchase the equipment at fair market value at various dates or upon expiration. During 2002 and 2001, payments under the rail transportation equipment lease in the amount of approximately $0.3 million were included as a cost of fuel inventory and expensed based on the tons of coal burned throughout the year.

NOTE 6 NET MARGINS AND EQUITY RESTRICTIONS:

Under provisions of the RUS mortgage, until total equity equals or exceeds forty percent of total assets, the distribution of capital contributed by members is limited generally to 25% of patronage capital and margins of the next preceding year where, after giving effect to such distribution, the total equity will equal or exceed twenty percent of total assets. Distributions may be made, however, in such amounts as may be approved by RUS through waiver of the aforementioned restrictions. Such distributions to members totaled $603,860 and $561,802 in 2002 and 2001, respectively, representing amounts equal to 25% of 2001 and 2000 net margins, respectively. The RUS mortgage requires Seminole to design its wholesale rates with a view towards maintaining, on a calendar year basis, a Times Interest Earned Ratio (as defined in the agreement) of not less than 1.0 and a Debt Service Coverage Ratio (as defined in the agreement) of not less than 1.0. An RUS stipulation arising from the sale of tax benefits requires

Seminole to design its wholesale rates to provide an annual Times Interest Earned Ratio of not less than 1.05.

In 2002 and 2001, Seminole achieved a Times Interest Earned Ratio of 1.05, and a Debt Service Coverage Ratio of 1.07.

NOTE 7 LINES OF CREDIT:

Seminole has available uncommitted lines of credit totaling $75 million of which none were drawn at December 31, 2002 and 2001. RUS policy governs use of these funds.

NOTE 8 INCOME TAXES:

Seminole is a non-exempt cooperative subject to federal and state income taxes and files a consolidated tax return. As a cooperative, Seminole is entitled to exclude patronage dividends from taxable income. Seminole's bylaws require it to declare patronage dividends in an aggregate amount equal to Seminole's federal taxable income from its furnishing of electric energy and other services to its member-patrons. Accordingly, such income will not be subject to income taxes.

Seminole's rate-making methods provide that any income taxes related to current operations are recognized as expense and are recovered through rates when currently payable. In addition, income tax credits are accounted for as a reduction of taxes currently payable in the period utilized. In 2002 and 2001, net operating losses of approximately $3.4 million and $3.2 million, respectively, were generated from non-patronage activity. At December 31, 2002, net operating losses and investment tax credits of approximately $77.1 million and $12,000 are available to offset future taxable income and tax liabilities, respectively, expiring in years through 2022. Furthermore, alternative minimum tax (AMT) credits of approximately $1.8 million, which do not expire, are available to offset regular income tax liabilities.

Temporary differences in certain items of income and expense for tax and financial reporting purposes result primarily from depreciation, amortization and sale-leaseback of plant. Seminole has recorded the following noncurrent deferred tax asset, valuation allowance and noncurrent deferred tax liability in 2002 and 2001:

	2002	2001
Noncurrent deferred tax asset	$ 30,800,000	$ 39,300,000
Less valuation allowance	(30,800,000)	(39,300,000)
Net noncurrent deferred tax asset	-0-	-0-
Noncurrent deferred tax liability	-0-	-0-
Net noncurrent deferred tax asset/liability	$ -0-	$ -0-

Seminole excludes from its taxable income amounts derived from patronage activity. The deferred tax asset, valuation allowance and deferred tax liability are calculated solely based on non-patronage activity.

The noncurrent deferred tax asset reflects deductible temporary differences and net operating loss carryforwards at statutory rates plus investment tax credits and AMT credits. Based on Seminole's historical transactions and the exclusion of patronage dividends from taxable income, it is not anticipated that Seminole will have future taxable income sufficient to fully realize the benefit of the existing tax credits and net operating loss carryforwards at December 31, 2002. A valuation allowance has been recorded to reduce deferred tax assets relating to tax credits and net operating loss carryforwards. The valuation allowance decreased from 2001 to

2002 due to the expiration of net operating loss carryforwards and investment tax credits, and a reduction of AMT credits due to a refund of previously paid AMT.

The noncurrent deferred tax liability reflects taxable temporary differences at statutory rates.

NOTE 9 EMPLOYEE BENEFITS:

Substantially all Seminole employees participate in the National Rural Electric Cooperative Association (NRECA) Retirement and Security Program (the Program), a defined benefit pension plan qualified under Section 401 and tax exempt under Section 501(a) of the Internal Revenue Code. Seminole's contributions amounted to approximately $3.3 million in 2002 and $3.0 million in 2001. 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. Seminole also has a retirement savings plan for all employees that is qualified under Section 401(k) of the Internal Revenue Code. Seminole's contributions under the savings plan are based upon specified percentages of employee contributions and were approximately $655,000 and $636,000 for the years ended December 31, 2002 and 2001, respectively.

All employees are eligible to participate in the group health care coverage plan. Under this plan most employees have an option to choose either the Preferred Provider Plan or the Health Maintenance Organization Plan. Employees retiring on or after age 55 receive the benefit of being allowed to continue, at their expense, health care coverage under Seminole's group plan. In addition, these retirees may use a portion of their accumulated unused sick pay to apply toward these medical insurance premiums.

The following sets forth the plan's status reconciled with amounts reported in Seminole's consolidated balance sheets at December 31, 2002 and 2001. The plan is funded on a pay-as-you-go basis.

Accumulated post-retirement benefit obligation (APBO):

	2002	2001
Active plan participants not yet fully eligible	$ 2,958,400	$ 2,889,000
Fully eligible active plan participants	1,288,800	1,195,800
Retirees and dependents	302,800	374,800
Other plan participants	49,900	44,400
Total APBO	4,599,900	4,504,000
Unrecognized gain from past experience	1,391,900	1,116,000
Unrecognized prior service cost	318,000	358,600
Accrued post-retirement benefit liability	$ 6,309,800	$ 5,978,600
Net periodic post-retirement benefit cost included the following components:		
Service cost	$ 308,200	$ 299,600
Interest cost on accumulated benefit obligation	285,700	309,400
Amortization of actuarial gain	(69,700)	(48,400)
Amortization of prior service cost	(40,600)	(6,800)
Net periodic post-retirement benefit cost	$ 483,600	$ 553,800

A 9.0% increase in the cost of covered health care benefits was assumed for 2002. This rate is assumed to decrease incrementally to 5.5% in 2009 and remain at that level thereafter. The health care cost trend rate assumption has a significant effect on the amounts reported. For example, a 1% increase in the health care trend rate would increase the accumulated post-retirement benefit obligation by $224,100 or 4.9% at year-end 2002 and net periodic cost by $32,700 or 5.5% for the year. The weighted average discount rate and rate of compensation increase used in determining the accumulated post-retirement benefit obligation for 2002 were 7.0% and 4.5%, respectively. The net effect of changes in assumptions for health care cost trend rates, and weighted average discount rate caused a decrease in the APBO at December 31, 2002. The unrecognized net gain in excess of ten percent of the APBO is being amortized over the fifteen remaining service years of active plan participants, in the amount of $69,700 per year.

NOTE 10 OPERATING LEASES:

At December 31, 2002, Seminole was obligated under certain leases of generating facilities and rail transportation equipment for which base lease terms expire on various dates through 2009. The lease of the generating facilities contains a variable interest rate component that could affect future lease payments. Base rental obligations under these leases are payable as follows:

YEAR ENDING DECEMBER 31,	
2003	$ 36,972,745
2004	$ 37,656,481
2005	$ 38,334,217
2006	$ 38,522,028
2007	$ 38,555,255
Thereafter	$ 74,751,707

These leases generally provide for renewals at the lower of a stipulated fixed renewal rental or fair market rental and options to purchase facilities and/or equipment at fair market value at various dates or upon expiration.

Lease payments for the rail transportation equipment leases totaled approximately $2.5 million and $1.8 million in 2002 and 2001, respectively. These payments were included as a cost of fuel inventory and expensed based on the tons of coal burned throughout the year.

NOTE 1 COMMITMENTS AND CONTINGENCIES:

Seminole has established an external NDTF in compliance with regulations prescribed by the Nuclear Regulatory Commission. The trust fund balance of approximately $4.7 million represents Seminole's cumulative share at December 31, 2002 of the estimated sinking fund reserve required to decommission CR3. Annual cash deposits will continue to be made to the NDTF representing Seminole's annual share of the projected sinking fund requirements. These amounts will be recovered from members through rates annually. Based upon a site specific study completed in 2000, Seminole's total share of the projected cost of decommissioning is approximately $9.1 million stated in 2000 dollars, and decommissioning expenditures are expected to occur over a twenty-six year period ending in the year 2041.

Seminole is purchasing a significant portion of the coal for Seminole Units No. 1 and No. 2 under a longterm contract expiring in 2010. Contract terms

specify minimum annual purchase commitments of 2.25 million tons, subject to force majeure conditions, and prices which are subject to adjustment for changes in costs. Total purchases under this long-term coal contract were approximately $67.6 million and $51.0 million in 2002 and 2001, respectively.

Seminole is required to transport a significant portion of its coal and petroleum coke to be received at SGS under an agreement with a rail carrier, such agreement expiring no earlier than December 31, 2006. Total charges under this contract were approximately $55.6 million and $62.9 million in 2002 and 2001, respectively.

Seminole has long-term contracts for the transportation of natural gas for the PCGS terminating in 2020. These contracts require annual capacity reservation payments for the next five years of $13.2 million per year.

Seminole has various firm contracts with suppliers for purchased power with remaining terms ranging from one to thirteen years. These contracts require annual minimum take-or-pay capacity payments for the next five years as follows:

YEAR ENDING DECEMBER 31,	
2003	$ 76.2 million
2004	$ 95.8 million
2005	$ 107.3 million
2006	$ 115.5 million
2007	$ 115.4 million

Total charges, including capacity payments, under these contracts were approximately $167.6 million and $226.4 million for 2002 and 2001, respectively.

In the normal course of business Seminole has ongoing disputes with some of its power suppliers. Additionally, some of the billings received by Seminole for purchased power are subject to adjustment based on the actual costs of the seller. During 2001, several disputes were settled resulting in refunds relating to purchased power costs recorded in prior periods totaling approximately $0.4 million, not including interest. Also during 2001, refunds were received in the aggregate amounts of approximately $1.6 million not including interest, for adjustments to reflect actual costs related to power billings from prior periods. This amount was recorded in 2001 as a reduction to purchased power expenses.

Seminole is a party to litigation involving various other claims arising in the normal course of business. In the opinion of management the ultimate resolution of these matters will not significantly affect Seminole's financial statements.

Report
of Independent Certified Public Accountants

PRICEWATERHOUSECOOPERS

To the Board of Trustees
Seminole Electric Cooperative, Inc.

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of revenue and expenses and patronage capital, of comprehensive income and of cash flows present fairly, in all material respects, the financial position of Seminole Electric Cooperative, Inc. and its subsidiaries ("Seminole") at December 31, 2002 and 2001, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of Seminole's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements 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. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit 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, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

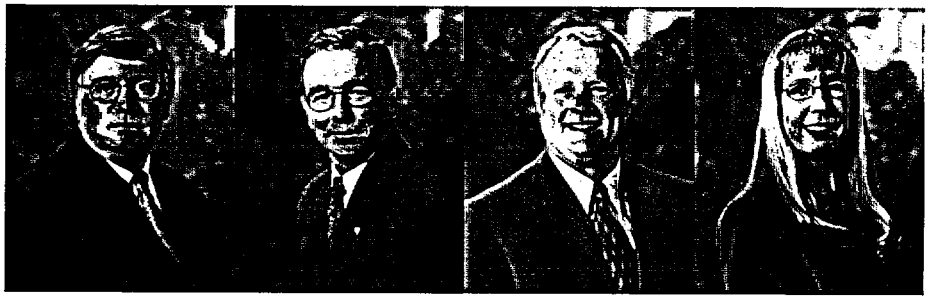
In accordance with *Government Auditing Standards*, we have also issued a report dated February 21, 2003, on our consideration of Seminole's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations and contracts. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

PricewaterhouseCoopers LLP

February 21, 2003

In Partnership with Those We Serve.

RICHARD J. MIDULLA JAMES R. DUREN SAVINO (AL) GARCIA JOHN W. GEERAERTS



FLOYD (JOE) WELBORN TIMOTHY S. WOODBURY THOMAS H. TURKE JEANETTE L. FLETCHER

Seminole Electric Annual Meeting

Seminole Electric trustees are elected to a one-year term at the Cooperative's annual meeting. Board officers are elected at a regular board meeting held later that day.

Annual Report

Inquiries regarding the contents of this annual report should be directed to Seminole's Human Resources and Public Relations department, or by e-mail to info@seminole-electric.com.

This report may be viewed on our web site at www.seminole-electric.com.

EXECUTIVE OFFICER

RICHARD J. MIDULLA
Executive Vice President
and General Manager

EXECUTIVE STAFF

JAMES R. DUREN
Vice President, Energy Production

SAVINO (AL) GARCIA
Vice President, Administration

JOHN W. GEERAERTS
Vice President, Financial Services,
and Assistant Treasurer

FLOYD (JOE) WELBORN
Vice President, Energy Delivery

TIMOTHY S. WOODBURY
Vice President, Strategic Services,
and Assistant Secretary

THOMAS H. TURKE
Director, Corporate Compliance

JEANETTE L. FLETCHER
Executive Assistant
to the General Manager

HEADQUARTERS OFFICE

Seminole Electric Cooperative, Inc.
16313 North Dale Mabry Highway
P.O. Box 272000
Tampa, Florida 33688-2000

GENERAL COUNSEL

ROBERT A. MORA
Allen, Dell, P.A.
P.O. Box 2111
Tampa, Florida 33601

STAFF DIRECTORS

WILLIAM C. CROSS
Director, Information Systems

LANE T. MAHAFFEY
Director, Corporate Planning

TRUDY S. NOVAK
Director, Pricing and Bulk Power Contracts

MICHAEL P. OPALINSKI
Director, Environmental
and Engineering Services

JAMES G. PITTMAN
Director, Plant Operations
(Payne Creek Generating Station)

W. JACK REID
Director, Fuel Supply

RICHARD D. RICH
Director, Supply Management

W. PAUL SHIPSKIE
Director, Plant Operations
(Seminole Generating Station)

STEVEN R. WALLACE
Director, Operations

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President

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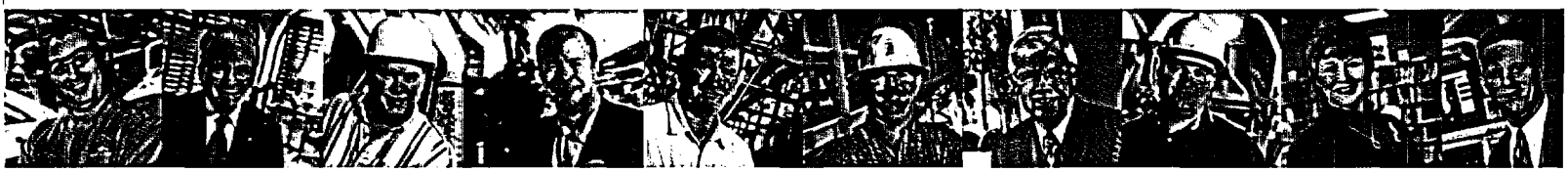
Vice President

WILLIAM C. PHILLIPS
Secretary/Treasurer

WILLIAM T. MULCAY, JR.
Assistant Secretary/Treasurer



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

16313 N. Dale Mabry Hwy. P.O. Box 272000
Tampa, Florida 33688-2000
(813) 963-0994

www.seminole-electric.com