

From the
PRESIDENT & CEO:
**More than
just a
meeting**



Robert O. Toombs
President & CEO

Talking with members about the operations of their electric cooperative is one of the many aspects of working for Tri-County that I truly enjoy. Perhaps that's why I always look forward to the co-op's annual meeting.

It's the one event each year where you, the member-owners, have the opportunity to have your voices heard by the cooperative's elected directors, management staff and employees. We are especially interested in your questions, suggestions, criticisms and concerns. (And if you'd like to tell us some of the things we're doing right, we won't mind that either.)

As I mill about the grounds at the annual meeting each year, I can't help but think how beneficial this kind of grassroots interaction can be for all parties involved.

The day allows members to have a say in the affairs of the cooperative and garner a better understanding of Tri-County and its operations. It also gives those who manage and govern the co-op insight into members' wants and concerns. Ultimately, this dialogue can lead to positive changes that have a lasting impact on the cooperative.

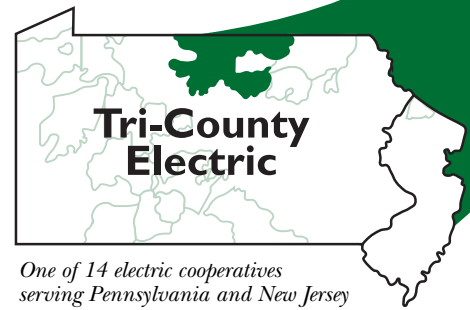
That's why we think it is so important for members to join us at the cooperative's annual meeting. As a member-owner, this is your cooperative, after all.

We also believe strongly that as a member, you are entitled to a full report of your cooperative's financial picture. That's why we feature our operating statement and balance sheets on the following two pages of this issue of *Penn Lines*.

Members may also obtain Tri-County's complete annual report for 2002 by attending the annual meeting or by contacting the cooperative.

Of course, we'd prefer you attend the meeting, which will take place Saturday, July 12, at Williamson High School near Lawrenceville. In addition to having the opportunity to chat with your elected directors and Tri-County personnel at the annual meeting, you can:

- Learn about what's new at the co-op. We'll review our purchase of Valley Energy, a natural gas company in Sayre, and discuss the impact of the New Year's ice storm that knocked many members out of power for days.
- Hear director election results. Director seats are up for grabs in districts 1, 4 and 7. The successful candidates will be announced during the business portion of the annual meeting.
- Obtain information about products and services Tri-County offers to members, such as surge protection, energy audits and water heaters.
- Win one of the great door prizes, including a television set and a \$100



One of 14 electric cooperatives serving Pennsylvania and New Jersey

electric bill credit. Children's bicycles will also be awarded to three lucky kids in attendance.

- Enjoy a terrific barbecued chicken lunch.

We've also lined up a topnotch speaker for the meeting, Glenn R. Thomas, a member and former chairman of the Pennsylvania Public Utility Commission. In addition, there will be demonstrations, informational exhibits and special activities for the children on the school grounds.

Please join us July 12 at Williamson High School and exercise your rights as a member. I look forward to seeing you there.


2002 Annual Reports available

Tri-County Rural Electric Cooperative's 2002 Annual Report will be available to all members attending the 2003 Tri-County Annual Meeting on Saturday, July 12, at Williamson High School.

If you are unable to attend the annual meeting and would like a copy of the report, we will mail it to you. Please note that the financial highlights from the annual report appear on pages 10b and 10c of this issue of *Penn Lines*.

To obtain a complete copy of the 2002 annual report, call 800/343-2559. They will be mailed after July 12.

Tri-County Rural Electric Cooperative

A Touchstone Energy® Cooperative 
22 North Main Street • P.O. Box 526
Mansfield, PA 16933
Mansfield – 570/662-2175
Coudersport – 814/274-8740
Web Site: www.tri-countyrec.com
E-mail: trico@epix.net

For Emergencies call
1-800-343-2559

Robert O. Toombs *President & CEO*

Staff

Bobbi Jo Kilmer <i>Executive Assistant</i>	Michael W. VanBergen <i>Sr. Director, Electric Operations</i>
Barbara Johnson <i>Director, Financial Services</i>	Bert Cunningham <i>Director, Human Resources</i>
Ralph Park <i>Sr. Director, Engineering Services</i>	Alex F. Hartley <i>Director, Member Services</i>

Board of Directors

Ferd W. Irish	.....	Chairman
Ralph E. Snyder	.....	Vice Chairman
Alston A. Teeter	.....	Secretary/Treasurer
Donald H. Blackwell	.....	Alfred G. Calkins
James R. Davis	.....	Jay E. Haldeman
Gerald A. Kite	.....	Barbara J. Seeley

Summer Hours

7 a.m. - 4 p.m. (Mon.-Fri.)

CONSOLIDATED STATEMENTS OF REVENUE

	<u>2002</u>	<u>2001</u>
OPERATING REVENUES	\$ 26,385,585	\$ 23,973,290
OPERATING EXPENSES:		
Cost of power	14,419,164	13,531,647
Transmission expense	7,082	395
Distribution — operations	1,204,999	1,077,379
Distribution — maintenance	1,949,357	1,855,794
Consumer accounts	1,224,136	1,229,295
Sales	300,384	303,380
Administrative and general	2,001,720	2,402,614
Depreciation	2,099,419	1,856,765
Taxes	471,408	339,264
Interest — other	289,661	363,294
TOTAL OPERATING EXPENSES	23,967,330	22,959,827
Operating margins before fixed charges	2,418,255	1,013,463
FIXED CHARGES:		
Interest on long-term debt	2,078,225	2,398,539
Operating margins (loss) after fixed charges	340,030	(1,385,076)
G&T AND OTHER CAPITAL CREDITS	80,750	206,797
Net operating margins (loss)	420,780	(1,178,279)
NONOPERATING MARGINS		
Interest Income	63,877	71,519
Other nonoperating income	43,604	35,616
Equity in earnings of subsidiary	119,436	(465,526)
Loss on impairment of goodwill	(152,797)	—
Amortization of excess of cost of subsidiary acquired over fair value of net assets	—	(218,135)
TOTAL NONOPERATING MARGIN (LOSS)	74,120	(576,526)
NET MARGINS (LOSS) before (taxes on income) recovery of taxes on income	494,900	(1,754,805)
(TAXES ON INCOME) RECOVERY OF TAXES ON INCOME	(208,937)	303,479
NET MARGINS (LOSS)	\$ 285,963	\$ (1,451,326)

Independent Auditor's Statement

The 2002 financial data presented in these statements represent the consolidated totals of Tri-County Rural Electric Cooperative and its subsidiary corporations, Wilderness Area Utilities Inc. and Wellsboro Electric Company.

The independent accounting firm Lloyd and Company, Certified Public Accountants, with headquarters located in Jamestown, N.Y., has audited the cooperative's financial statements for the fiscal year ending December 31, 2002.

Complete, audited financial statements are maintained and available for inspection at the headquarters office of Tri-County Rural Electric Cooperative, 22 N. Main Street, Mansfield, Pa.

CONSOLIDATED BALANCE SHEET

	<u>2002</u>	<u>2001</u>
ASSETS		
ELECTRIC PLANT:		
In service - at cost	\$ 67,778,951	\$ 65,165,245
Construction work in progress	605,070	923,368
	<u>68,384,021</u>	<u>66,088,613</u>
Less accumulated provisions for depreciation	18,781,004	17,309,161
TOTAL ELECTRIC PLANT	<u>49,603,017</u>	<u>48,779,452</u>
OTHER ASSETS AND INVESTMENTS:		
Investments in associated organizations	7,869,402	6,311,879
Investments in economic development project	118,177	118,177
Non-utility property, net of accumulated depreciation of \$36,159 and \$26,669 for 2002 and 2001, respectively	417,374	426,864
Excess of cost of subsidiary acquired over fair value of net assets at date of acquisition, net of accumulated amortization	4,864,324	5,017,121
TOTAL OTHER ASSETS AND INVESTMENTS	<u>13,269,277</u>	<u>11,874,041</u>
CURRENT ASSETS		
Cash - general funds	1,447,837	1,427,392
Accounts receivable (less accumulated provision for uncollectible accounts of \$149,970 and \$154,950 for 2002 and 2001, respectively)	2,271,915	2,140,703
Materials and supplies (at average cost)	703,021	731,579
Other current and accrued assets	2,031,314	1,783,104
TOTAL CURRENT ASSETS	<u>6,454,087</u>	<u>6,082,778</u>
DEFERRED CHARGES:		
TOTAL ASSETS	<u>\$ 69,704,926</u>	<u>\$ 67,224,504</u>
EQUITIES AND LIABILITIES		
EQUITIES:		
Memberships	\$ 265,575	\$ 281,685
Patronage capital	16,450,563	16,084,569
Retained deficit	(2,667,281)	(2,387,272)
Other equities	(616,665)	(616,665)
TOTAL EQUITIES	<u>13,432,192</u>	<u>3,362,317</u>
LONG-TERM DEBT:		
RUS mortgage notes, less current maturities	4,012,065	24,570,957
CFC mortgage notes, less current maturities	47,337,408	23,878,916
Other	241,389	246,427
TOTAL LONG-TERM DEBT	<u>51,590,862</u>	<u>48,696,300</u>
OTHER NON-CURRENT LIABILITIES:		
Accumulated post-retirement benefit obligations	420,253	355,005
TOTAL OTHER NON-CURRENT LIABILITIES	<u>420,253</u>	<u>355,005</u>
CURRENT LIABILITIES		
Demand Notes	205,000	500,000
Current maturities of long-term debt	875,531	1,174,523
Accounts payable:		
Purchased power	1,331,592	1,381,806
Other	480,271	803,149
Consumer deposits and prepayments	117,123	107,108
Other current and accrued liabilities	487,313	154,928
TOTAL CURRENT LIABILITIES	<u>3,496,830</u>	<u>4,121,514</u>
TOTAL LIABILITIES	<u>55,507,945</u>	<u>53,172,819</u>
DEFERRED CREDITS		
	<u>764,789</u>	<u>689,368</u>
COMMITMENTS	<u>\$ 69,704,926</u>	<u>\$ 67,224,504</u>

Get Yourself Into Hot Water

...with a new electric water heater from Tri-County Rural Electric Cooperative.



You can replace that old, leaky, inefficient tank for as little as \$4.75 a month when you lease a new water heater from Tri-County Rural Electric Cooperative.

An electric water heater is clean, safe and flameless. It is also more energy-efficient than a gas — or any other type — water heater because it converts more than 90 percent of your purchased electricity into usable hot water.

And when you have a leased electric water heater installed, you'll receive a \$125 installation credit from Tri-County.

Tri-County sells and leases electric water heaters as a service to its members. We sell two quality brands, Sepco

and American, and carry them in 50-, 80- and 120-gallon models.

Any member who owns a home and has a good credit history can qualify to lease a water heater from Tri-County. With all leased tanks, there is a seven-year service agreement. Tri-County will be responsible for maintenance on the tank during those seven years. After the seven years are over, members have the option of continuing the lease or assuming ownership of the tank.

A load control receiver is attached to all leased tanks. This device allows Tri-County to control the flow of electricity to your water heater during times of peak energy demand. All members with load management devices on their water tanks automatically receive a \$5 credit on their electric bills each month. And as long as you are leasing a properly sized water heater for your family's needs, you shouldn't experience any cold water during periods of load management.

Members also have the option of having Tri-County install the water heater or doing the installation themselves.

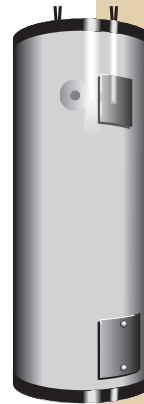
If you'd like to get into "hot water" with a new electric water heater from Tri-County Rural Electric Cooperative, call our Mansfield office at 570/662-2175 or toll free at 800/343-2559.

Replacing A Water Heater? Go Electric!

If you need to replace your water heater, consider installing an electric unit. Why? Because electric water heaters generally use less energy than fossil-fuel types.

Natural gas-fired water heaters cannot be insulated on the bottom, where the major heat exchange takes place between the gas flame and the metal tank. But electric heaters don't have that disadvantage. They can be fully insulated on the top, bottom and sides — and most are.

That means they typically lose less heat when in stand-by. The energy that heats your water is used more efficiently, and fewer of your water heating dollars are wasted.



JOIN US AT THE 2003 ANNUAL MEETING



- Time:** Registration begins at 9 a.m.
Business meeting begins at 10:30 a.m.
Lunch scheduled to begin at noon
- Date:** Saturday, July 12, 2003
- Place:** Williamson High School
Route 15, Lawrenceville, Pa.
- Highlights:**
- Director election results
 - Lunch
 - Door prizes
 - Children's activities
 - Entertainment