

# From the PRESIDENT & CEO: The Power of Partnership



**Robert O. Toombs**  
*President & CEO*

It's been more than five years since Tri-County joined forces with neighboring Claverack Rural Electric Cooperative to form C&T Enterprises. I am pleased to report that the state of our union is strong and providing substantial benefits to your local electric cooperative.

Some of these benefits are reflected in the cooperative's 2003 financial highlights, which appear on the following pages. Despite battling three costly storm-related outages last year, your cooperative posted positive financial results in 2003, recording net margins of \$1.4 million. Margins are a cooperative's equivalent to "profits," the excess of revenues over expenses.

Contributing significantly to the positive fiscal picture was an allocation of

more than \$500,000 in income from our subsidiaries and affiliated companies — C&T Enterprises, Wellsboro Electric, Citizens' Electric, Valley Energy and Tioga Energy.

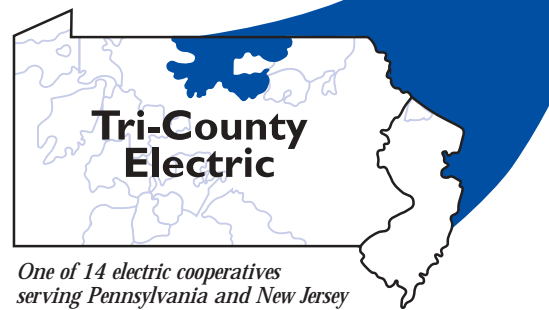
This marked the second consecutive year Tri-County received a boost to the bottom line from its ownership stake in C&T. I am optimistic the dollar amount of this benefit will increase significantly in coming years, which should enable us to continue to maintain rate stability for co-op members in the years ahead.

Our partnership with Claverack has progressed considerably since 1998, when we teamed up with our co-op neighbor to the east to purchase Citizens' Electric Company, a private power company based in Lewisburg, Pa. From the onset, the boards of directors for the two cooperatives shared a common vision for the future and the desire to build a business relationship based upon mutual trust, fairness and compromise.

The boards and management staffs took great care to craft a business plan that would deliver benefits to both co-ops yet allow each to maintain its autonomy, independence and identity. We then began working to ensure the cooperatives' jointly owned subsidiary energy companies — Wellsboro Electric, Citizens' Electric, Tioga Energy and Valley Energy — would also enjoy synergies created through this alliance.

As you may recall, last fall I turned over day-to-day management duties of Tri-County to Craig Eccher, who was named to the position of executive vice president and chief operating officer. This delegation of responsibilities has allowed me to focus on long-ranging planning for C&T Enterprises and its operating companies.

It also has given me time to reflect on just how much we have accomplished



*One of 14 electric cooperatives serving Pennsylvania and New Jersey*

through our partnership with Claverack and the companies that fall under the C&T umbrella. The \$500,000 listed as "equity in earnings of subsidiary" in Tri-County's Statements of Revenues on the following pages is an obvious benefit of this partnership. But there are many more.

As personnel at the various companies have gotten to know each other over the years, there has been a marked increase in intercompany exchange of ideas, solutions and expertise. With nearly 200 employees working for six distinct energy companies, we have a tremendous pool of knowledge to dip into when challenges arise.

In a year like 2003, when the four electric utilities within the C&T fold were hit with some of the most devastating storm-related outages in their histories, it was easy to see the value of our equipment- and employee-sharing capabilities. Our jointly owned call center also proved its worth during the year, too, handling more than 76,000 after-hours calls for Tri-County and its affiliated companies.

All of the C&T companies have also benefited from shared management services, a concept at the heart of our business philosophy. We have employees who provide specialized services to Tri-County and its affiliates in a number of areas, including information  
*(continues on page 10d)*

## 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](http://www.tri-countyrec.com)  
E-mail: [trico@epix.net](mailto:trico@epix.net)

**For Emergencies call**  
1-800-343-2559

## Robert O. Toombs *President & CEO*

### Staff

Craig Eccher <i>Executive Vice President and Chief Operating Officer</i>	Michael W. VanBergen <i>Sr. Director, Electric Operations</i>
Annette Fowler <i>Executive Assistant</i>	Bert Cunningham <i>Director, Human Resources</i>
Barbara Johnson <i>Director, Financial Services</i>	Alex F. Hartley <i>Director, Member Services</i>
Ralph Park <i>Sr. Director, Engineering Services</i>	

## Board of Directors

Ferd W. Irish.....	<i>Chairman</i>
Ralph E. Snyder .....	<i>Vice Chairman</i>
Alston A. Teeter.....	<i>Secretary/Treasurer</i>
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 BALANCE SHEETS

ASSETS	2003	2002
<b>PLANT:</b>		
In service - at cost	\$ 70,353,578	\$ 67,778,951
Construction work in progress	904,133	605,070
	<u>71,257,711</u>	<u>68,384,021</u>
Less accumulated provisions for depreciation	20,267,570	18,781,004
<b>TOTAL ELECTRIC PLANT</b>	<b><u>50,990,141</u></b>	<b><u>49,603,017</u></b>
<b>OTHER ASSETS AND INVESTMENTS</b>		
Investments in and advances to associated organizations	8,532,052	7,869,402
Investments in economic development project	118,177	118,177
Non-utility property, net of accumulated depreciation of \$45,647 and \$36,159 for 2003 and 2002, respectively	407,885	417,374
Excess of cost of subsidiary acquired over fair value of net assets at date of acquisition, net of accumulated amortization	4,864,324	4,864,324
<b>TOTAL OTHER ASSETS AND INVESTMENTS</b>	<b><u>13,922,438</u></b>	<b><u>13,269,277</u></b>
<b>CURRENT ASSETS</b>		
Cash - general funds	1,985,337	1,447,837
Accounts receivable (less accumulated provision for uncollectible accounts of \$154, 258 and \$149,970 for 2003 and 2002, respectively)	2,906,492	2,271,915
Materials and supplies (at average cost)	674,173	703,021
Other current and accrued assets	2,233,197	2,031,314
<b>TOTAL CURRENT ASSETS</b>	<b><u>7,799,199</u></b>	<b><u>6,454,087</u></b>
<b>DEFERRED CHARGES</b>	<b><u>393,391</u></b>	<b><u>378,545</u></b>
<b>TOTAL ASSETS</b>	<b><u>\$ 73,105,169</u></b>	<b><u>\$ 69,704,926</u></b>
<b>EQUITIES AND LIABILITIES</b>		
<b>EQUITIES:</b>		
Memberships	\$ 249,105	\$ 265,575
Patronage capital	17,153,611	16,450,563
Retained deficit	(2,509,197)	(2,667,281)
Other equities	(81,015)	(616,665)
<b>TOTAL EQUITIES</b>	<b><u>14,812,504</u></b>	<b><u>13,432,192</u></b>
<b>LONG-TERM DEBT</b>		
RUS mortgage notes, less current maturities	11,958	4,012,065
CFC mortgage notes, less current maturities	40,986,723	47,337,408
Related party mortgage notes, less current maturities	11,481,102	-
Other	235,959	241,389
<b>TOTAL LONG-TERM DEBT</b>	<b><u>52,715,742</u></b>	<b><u>51,590,862</u></b>
<b>OTHER NON-CURRENT LIABILITIES</b>		
Accumulated post-retirement benefit obligations	507,770	420,253
Accumulated provision for storm damage	250,000	-
Accumulated due to related companies	200,000	-
<b>TOTAL OTHER NON-CURRENT LIABILITIES</b>	<b><u>957,770</u></b>	<b><u>420,253</u></b>
<b>CURRENT LIABILITIES</b>		
Demand Notes	-	205,000
Current maturities of long-term debt	1,089,092	875,531
Accounts payable:		
Purchased power	1,350,381	1,331,592
Other	650,956	480,271
Consumer deposits and prepayments	123,480	117,123
Other current and accrued liabilities	653,229	487,313
<b>TOTAL CURRENT LIABILITIES</b>	<b><u>3,867,138</u></b>	<b><u>3,496,830</u></b>
<b>TOTAL LIABILITIES</b>	<b><u>57,540,650</u></b>	<b><u>55,507,945</u></b>
<b>DEFERRED CREDITS</b>	<b><u>752,015</u></b>	<b><u>764,789</u></b>
<b>COMMITMENTS</b>	<b><u>\$ 73,105,169</u></b>	<b><u>\$ 69,704,926</u></b>

# STATEMENTS OF REVENUE

	2003	2002
<b>OPERATING REVENUES</b>	<b>\$ 29,838,025</b>	<b>\$ 26,385,585</b>
<b>OPERATING EXPENSES</b>		
Cost of power	15,510,797	14,419,164
Transmission expense	3,847	7,082
Distribution — operations	1,250,714	1,204,999
Distribution — maintenance	3,548,104	1,949,357
Consumer accounts	1,274,226	1,224,136
Sales	300,860	300,384
Administrative and general	2,301,237	2,001,720
Depreciation	2,135,106	2,099,419
Taxes	582,727	471,408
Interest — other	172,328	289,661
<b>TOTAL OPERATING EXPENSES</b>	<b>27,079,946</b>	<b>23,967,330</b>
<b>Operating margins before fixed charges</b>	<b>2,758,079</b>	<b>2,418,255</b>
<b>FIXED CHARGES:</b>		
Interest on long-term debt	2,052,639	2,078,225
<b>Operating margins after fixed charges</b>	<b>705,440</b>	<b>340,030</b>
<b>G&amp;T AND OTHER CAPITAL CREDITS</b>	<b>169,568</b>	<b>80,750</b>
<b>Net operating margins</b>	<b>875,008</b>	<b>420,780</b>
<b>NON-OPERATING MARGINS</b>		
Interest Income	59,643	63,877
Other non-operating income	95,362	43,604
Equity in earnings of subsidiary	500,837	119,436
<b>TOTAL NONOPERATING MARGIN</b>	<b>655,842</b>	<b>226,917</b>
<b>NET MARGINS, before taxes on income</b>	<b>1,530,850</b>	<b>647,697</b>
<b>TAXES ON INCOME</b>	<b>(118,847)</b>	<b>(208,937)</b>
<b>NET MARGINS, before cumulative effect of a change in accounting principle</b>	<b>1,412,003</b>	<b>438,760</b>
<b>Cumulative effect of change in accounting for goodwill</b>	<b>-</b>	<b>(152,797)</b>
<b>NET MARGINS</b>	<b>\$ 1,412,003</b>	<b>\$ 285,963</b>

## Independent Auditor's Statement

The 2003 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, 2003.

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.

### 2003 Annual Reports available

Tri-County Rural Electric Cooperative's 2003 Annual Report will be available to all members attending the 2004 Tri-County Annual Meeting on Saturday, July 10, 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 2003 Annual Report, call 1-800-343-2559. They will be mailed after July 10.

# Get yourself into hot water with this cool deal from Tri-County



**Y**ou can replace your old, leaky, inefficient hot water tank for as little as \$4.75 a month by leasing a new water heater from Tri-County Rural Electric Cooperative.

An electric water heater not only boasts clean, safe and flameless operation, it is also more energy-efficient than gas or any other type of water heater because it converts more than 90 percent of your purchased electricity into usable hot water.

And when you have a leased electric hot 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. There is a seven-year service agreement with all leased tanks. 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 periods of cold water.

Members 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 1-800-343-2559.

## 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. Most are fully insulated on the top, bottom and sides.

That means they typically lose less heat when on standby, so that the energy needed to heat your water is used more efficiently, and your water heating dollars won't go down the drain.



### From the President & CEO...

*(continued from page 10a)*

technology, public relations, key accounts, human resources and financial oversight. Because costs for these services are divided among all of the C&T companies, the result is true economic savings for each company.

Our affiliations have also enabled us to achieve greater economies of scale, helping us keep down

costs and providing you with stable rates.

I am proud of the accomplishments we have achieved through C&T Enterprises over the past five years. Our alliances have yielded benefits for Tri-County, its employees and members. Look for us to build on those achievements and continue to fortify our partnerships this year and beyond.

