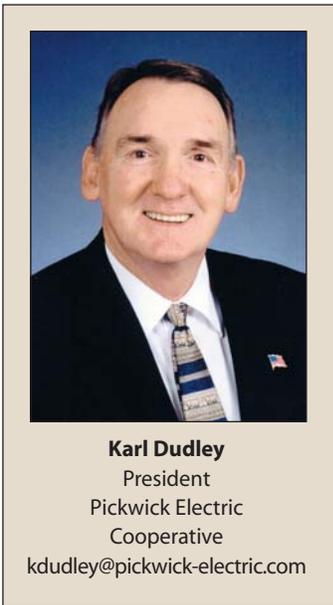


Electric rates to increase

We realize a rate increase is never welcome news. No one wants to pay more than they have to for electric service, and I assure you Pickwick Electric Cooperative does not want to charge more than it has to. Keeping rates low has always been a source of pride for our organization. But beginning with meters read on and after Oct. 1, 2005, PEC members will see an increase in their electric bills. This increase is due to the Tennessee Valley Authority's need to increase revenue by about \$524 million in fiscal year 2006 because of rising fuel and purchased power costs. PEC will also implement a small increase due to higher maintenance and operating costs.



customers. In fact, each month approximately 75 cents of every dollar goes to TVA for wholesale electricity. That leaves only a very small margin for our remaining expenditures.

This rate adjustment will affect everyone in the seven-state area served by TVA. This will be the largest rate increase in more than two decades. An average residential bill for our members will increase approximately \$8 per month.

All electric utilities in America are feeling the economic pressure caused by increased fuel costs.

Even with this increase, TVA and PEC electric rates are still well below the national average of 8.5 cents per kilowatt-hour. In Tennessee, PEC rates are the third lowest among electric cooperatives.

As this rate increase is implemented, our members can rest assured that the PEC board of directors and employees will continue to make every effort to provide electricity at the lowest possible cost.

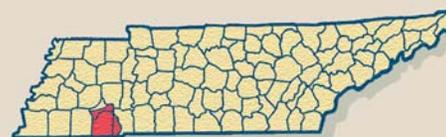
TVA generates the power PEC distributes and sends the cooperative a bill each month for all its members' use, just as PEC sends its members a monthly bill. The largest expenditure we have at PEC is for electricity purchased for our residential, commercial and industrial

PEC rate structure as of Oct. 1, 2005	
Residential	
Customer charge	\$12.27
First 1000 kwh	\$0.06866
Additional kwh	\$0.06461
Commercial and industrial	
Less than 50 kw	
Customer charge	\$14.50
All kwh	\$0.07634
51-1000 kw or 15,000 kwh	
Customer charge	\$37.00
First 50 kw	\$0.00
Over 50 kw	\$11.33
First 15,000 kwh	\$0.07634
Additional kwh	\$0.04158



Pickwick Electric Cooperative

Serving members in all of McNairy County and portions of Chester, Hardeman and Hardin counties in Tennessee and Alcorn and Tishomingo counties in Mississippi.



530 Mulberry Avenue
P.O. Box 49
Selmer, TN 38375

Phone Numbers:
(731) 645-3411
(731) 632-3333
(800) 372-8258

Web site:
www.pickwick-electric.com

These five pages contain local news and information for members of Pickwick Electric Cooperative.



Pickwick Electric Cooperative

Balance Sheet

June 30, 2005

ASSETS**ELECTRIC PLANT**

In service — at cost	\$ 56,064,341
Construction work in progress	<u>1,131,635</u>
	\$ 57,195,976

Less accumulated provisions for
depreciation

14,086,180

NET ELECTRIC PLANT

\$ 43,109,796

OTHER ASSETS AND INVESTMENTS

Other assets	67,701
Notes receivable — TVA program	1,379,528
Other investments	<u>893,202</u>

TOTAL OTHER ASSETS AND INVESTMENTS

2,340,431

CURRENT ASSETS

Cash and cash equivalents	1,865,856
Accounts receivable (less allowance for doubtful accounts of \$117,480 in 2005)	1,880,349
Other receivables	410,712
Materials and supplies	427,468
Other current assets	<u>137,845</u>

TOTAL CURRENT ASSETS

4,722,230

TOTAL ASSETS

\$ 50,172,457

EQUITY AND LIABILITIES**EQUITY**

Memberships	\$ 85,590
Patronage capital	<u>27,009,335</u>
TOTAL EQUITY	\$ 27,094,925

LONG TERM DEBT

Less current portion 11,542,456

CURRENT LIABILITIES

Current portion of long-term debt	6,336,567
Accounts payable — purchase power	3,348,162
Accounts payable — other	348,071
Customer deposits	824,506
State sales tax payable	38,870
Accrued taxes	231,165
Accrued interest	78,265
Accrued payroll	103,844
Accrued vacation	216,706
Other current liabilities	8,920

TOTAL CURRENT LIABILITIES

11,535,076

TOTAL EQUITY AND LIABILITIES

\$ 50,172,457

We have audited the accompanying financial statements of Pickwick Electric Cooperative, Selmer, Tenn., as of and for the year ended June 30, 2005. These financial statements are the responsibility of the Pickwick Electric Cooperative's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit 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. Those 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. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position of Pickwick Electric Cooperative, as of June 30, 2005, and the results of its operations and changes in its cash flow for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated Aug. 3, 2005, on our consideration of Pickwick Electric Cooperative's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreement and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting on compliance. 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.

Williams, Jerrolds, Godwin, and Nichols, PLLC
Certified Public Accountants



Storm Watch

How to prepare your family and property for severe weather

Outside

1. Trim dead or weak branches from surrounding trees. Do not leave them for curbside pickup during a storm watch.

2. Moor boat securely, store it upside down against a wall or move it to a safer place. Remove canvas. Anchor a boat trailer with strong rope.

3. Protect your windows with custom-fit shutters or 5/8-inch plywood. Check with your local building inspector.

4. Keep roof drains clear.

5. If you live in a flood-prone area, elevate or move structures to higher ground.

6. Bring indoors objects that may be blown or swept away, such as lawn furniture, trash cans, children's toys, garden equipment, clotheslines and hanging plants.

7. Lower water level in pool 6 inches. Add extra chlorine. Turn off electricity to pool equipment and wrap up any exposed filter pumps with a waterproof covering.

8. Plan how to take care of your pets. Leave them with a friend. If you must evacuate, it is best to take your pets with you, but most shelters will not allow them. Large animals in barns should have plenty of food and water.

9. If a storm is pending, fuel your vehicle.

10. Keep a smaller Disaster Supplies Kit (see next page) in the trunk of each car.

11. Keep sliding glass doors wedged shut in high wind.

12. If you use a portable generator, make sure you know what loads it can handle, including start-up wattage. If you connect the generator to household circuit, you must have a double-pole, double-throw transfer switch installed between the generator and outside power, or the "back-feed" could seriously harm or kill utility line workers.

13. Take down outdoor antennas, after unplugging televisions.

Inside

14. Store valuables in a waterproof container at the highest point in your home.

15. Make two photocopies of vital documents and keep the originals in a safe deposit box. Keep one copy in a safe place in the house, and give the second copy to someone out-of-town. Vital documents include birth and marriage certificates, tax records, credit card numbers, financial records, wills and trusts.

16. Install smoke alarms on each level of your home, especially near bedrooms. Use the test button to test them once a month. Replace batteries at least once a year.

17. If a family member relies on life-support equipment, make sure your electric cooperative knows ahead of time.

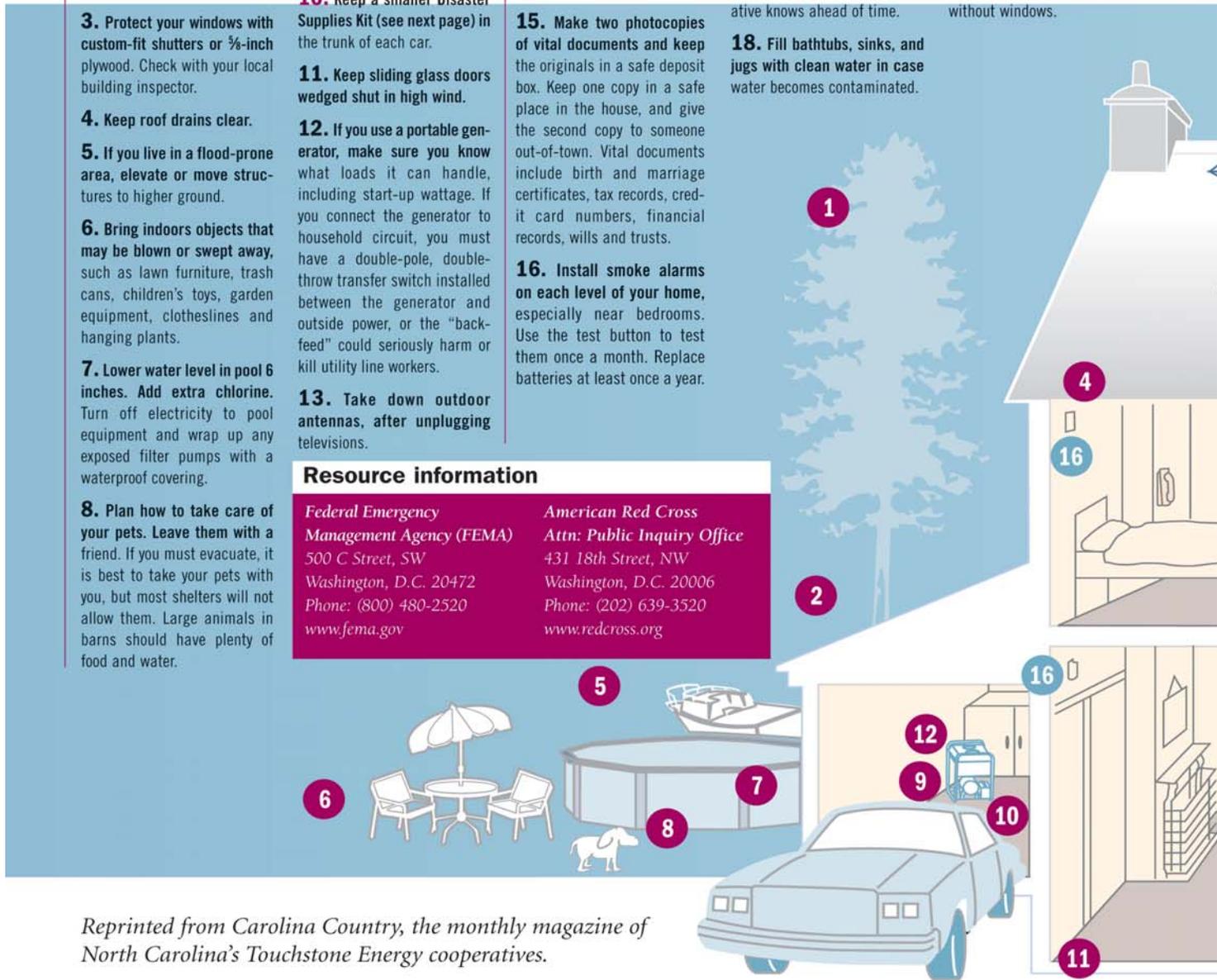
18. Fill bathtubs, sinks, and jugs with clean water in case water becomes contaminated.

19. Pick a "safe" room in the house, usually a first-floor interior hallway, room or closet without windows.

Resource information

Federal Emergency Management Agency (FEMA)
500 C Street, SW
Washington, D.C. 20472
Phone: (800) 480-2520
www.fema.gov

American Red Cross
Attn: Public Inquiry Office
431 18th Street, NW
Washington, D.C. 20006
Phone: (202) 639-3520
www.redcross.org



Reprinted from *Carolina Country*, the monthly magazine of North Carolina's Touchstone Energy cooperatives.

20. Plan home escape routes. Find two ways out of each room.

21. Check and protect objects that could cause harm during a bad storm: bookshelf, hanging pictures, gas appliances, chemicals.

22. Write and videotape an inventory of your home, garage, and surrounding property. Include information such as serial numbers, make and model numbers, physical descriptions, and price of purchases (receipts, if possible). Store a copy somewhere away from home, such as in a safe deposit box.

23. Keep a portable, battery-operated radio or television and extra batteries.

24. Post emergency telephone numbers.

25. Show adult family members where your fire extinguishers are and how they work.

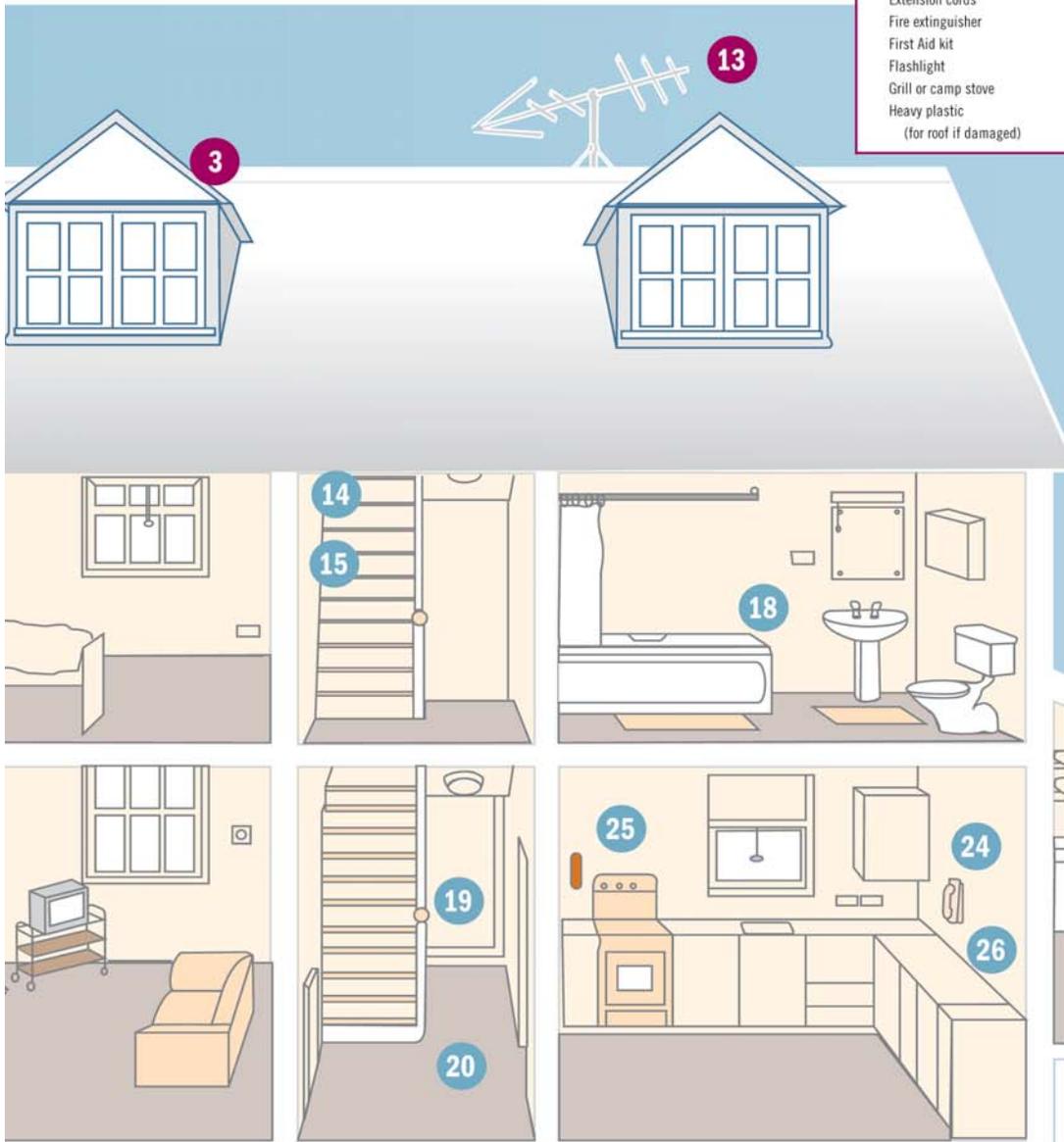
26. Make a plan for family members to reunite if separated (if children are at school and adults are at work). Designate an out-of-state relative or friend as a contact person and make sure everybody in the family knows how to reach the person.

27. Teach all responsible family members how and when to turn off the water, gas, and electricity at the main switches or valves. Keep a wrench near gas and water shut-off valves. Turn off utilities only if you suspect a leak or damaged lines, or if you are instructed to do so by authorities.

A Disaster Supply Kit (recommended by the American Red Cross)

Have enough disaster supplies for 2 weeks ready. Keep items in airtight plastic bags. Replace stored food and water every six months. Rethink your kit and family needs at least once a year. (Replace batteries, update clothes, etc.) Ask your physician or pharmacist about storing prescription medications.

- | | |
|-------------------------------------|--|
| Emergency food & drinking water | Lantern with extra fuel |
| At least one change of clothes | Manual can opener |
| Baby food, diapers & formula | Matches |
| Batteries | Medicines, glasses or contact lens supplies |
| Bleach (without lemon or additives) | Mosquito repellent |
| Books, magazines, cards & games | Personal identification |
| Butane lighters | Pet food |
| Cash & credit cards | Phone numbers of places you could go. |
| Camera & film | Plastic trash bags |
| Car keys | Radio (battery-operated) or TV |
| Charcoal & lighter fluid | Rope (100 ft.) |
| Clock (non-electric) | Sleeping bags, pillows & blankets |
| Cooler (with ice) | Soap & shampoo |
| Duct & masking tape | Sturdy shoes |
| Extension cords | Toilet paper & towelettes |
| Fire extinguisher | Tool kit including hammer, crowbar, nails, saw, gloves, etc. |
| First Aid kit | Water purification tablets |
| Flashlight | |
| Grill or camp stove | |
| Heavy plastic (for roof if damaged) | |



If you must evacuate leave as quickly as possible. Unplug your appliances, but leave on your refrigerator. Turn off the main water valve. If time allows, move furniture to a higher place. Take sleeping bags, blankets, warm protective clothing, emergency supplies, eating utensils and identification showing proof of residency. Tell somebody where you are going.



Celebrating co-ops and their contributions; October is Co-op Month

This month, the nation's 900 electric cooperatives join the more than 40,000 cooperatives around the country to celebrate National Co-op Month. The cooperative form of business is making a difference in all aspects of life — utilities, housing, agriculture, health care, banking, insurance and childcare. Cooperatives serve 120 million members, or four in 10 Americans.

Electric cooperatives, like Pickwick Electric, are locally owned and operated. The fact that we are a locally owned company — owned by the consumers we serve — keeps us focused on your needs and local priorities.

Being a local electric cooperative means conducting business through a locally-elected board of directors and an annual meeting where policy is proposed and voted on by consumers. It's the "people" part — the personal involvement, the grassroots activities — that characterizes what electric co-ops are all about.

Your co-op's commitment to you begins with helping you keep your electric bill as low as possible. We deliver service to you at the cost of service. There are no hidden fees and no profits for investors in faraway cities.

PEC is a local business, owned by its member-consumers and staffed by local professionals, and it is in a good position to listen and respond to your needs. All these things — helping consumers save energy, economic development, and volunteerism — point to one thing: your electric co-op and its staff are more than just an electric utility. They are an integral part of the community. That's why electric co-ops will continue to do everything they can to improve the quality of life in your community.

Why would an electric utility be involved in these kinds of activities? Because your cooperative has always played an important role in our communities. Service means not only making sure the electricity is flowing but also making sure that the community and its citizens are thriving and prospering.

Service means helping friends, neighbors and business colleagues on Main Street and nearby — the people you see on a day-to-day basis. Service means reaching toward new horizons to make life better for everyone.

Your local electric co-op is a company that cares about the people it serves. That service goes a long way beyond keeping the lights on. It's neighbors helping neighbors. That's what it's all about — that's the electric co-op tradition.



The Cunningham family was among those who registered for the PEC District 2 meeting at the Crump Community.



PEC employees register Harold Owens for the District 4 meeting that was held at Bethel Springs Elementary School.



Terry Thrasher and Don Hunt register at the District 6 meeting held at the Adamsville Senior Citizens Center.