

Historic drought conditions impact TVA's fuel cost adjustment

Historic drought conditions across the Tennessee Valley have cut TVA's least expensive generation resource, hydropower, by more than 40 percent. Tennessee's January-through-July of 2007 is among the driest months on record in 118 years.

As a result of the drought conditions, the levels of upstream tributary reservoirs on the Tennessee River system are an average of 19 feet below normal, leaving very little water to operate the hydroelectric plants. Water levels in the main river reservoirs are near normal because TVA must allow for navigation, maintain water quality, protect aquatic habitat and ensure an adequate water quality supply.

The unusual drought condition is the key reason for TVA's upcoming increase in the fuel cost adjustment (FCA). The FCA is a routine quarterly rate adjustment that TVA uses to help manage the volatility of fuel and purchased power costs with the actual costs. This adjustment is part of consumer power bills and can be a charge or a credit.

Unfortunately for our customers, TVA's fuel cost adjustment for the first quarter of fiscal year 2008 (October, November and December) will result in a substantial increase from the previous quarter.

For the period of October through December, the FCA will increase more

than 0.4 cents per kilowatt-hour, or approximately 5 percent.

The impact will vary across the Valley, but PEC residential consumers can expect their monthly electric bills to increase by an average of \$3 to \$6. This increase will be passed on to our customers beginning with meters read on Oct. 1.

The time of day that electricity is used also has a significant impact on the FCA amount consumers will see on their electric bills. TVA's costs to produce power are highest between the hours of 2 p.m. and 8 p.m., when electricity demand is typically greatest.

TVA's latest forecast indicates that the FCA will remain an upcharge for the next four quarters

due primarily to a forecast increase in TVA's delivered coal costs combined with a forecast increase in total system load.

Members can help manage future electric bills by taking a few simple steps to improve energy conservation in their homes. For more information, please call the PEC office at 645-3411.

Approximately 75 cents of every dollar PEC collects goes to TVA to pay for electricity. PEC does not plan any rate increases in 2008 on our portion of your electric bill.

Our members can rest assured that we will continue to operate our cooperative in the most effective way to deliver reliable and affordable electric service to our member-owners.

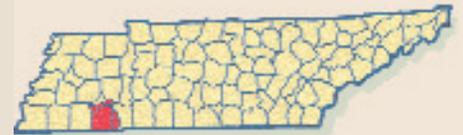


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Pickwick Electric Cooperative

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



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



2007 district meeting results



Harold Finley



John Roberts



Owen Qualls

Each year, Pickwick Electric Cooperative holds meetings in three of its nine districts for the purpose of electing directors to serve three-year terms. Locations of this year's meetings were Enville (District 1), Counce (District 3) and Stantonville (District 8).

The District 1 meeting was held on Monday night, Aug. 13, at the Enville Community Center. There were 44 members registered for the meeting with an estimated crowd of 75 in attendance. Harold Finley was re-elected without opposition to serve a three-year term.

The District 3 meeting took place on Tuesday night, Aug. 14, at the Pickwick Landing State Park Inn. An estimated 65 people attended, including 37 members who registered for the meeting. John Roberts, incumbent director, ran unopposed and was re-elected to serve a three-year term.

The District 8 meeting was held at Stantonville Civic Center on Thursday night, Aug. 16. A crowd of approximately 80 was on hand for this meeting with registration of 61 members. Incumbent director Owen Lee Qualls, who was also unopposed, was re-elected to serve a three-year term on the board.



At left, PEC employees register members of District 8 at the Stantonville Civic Center.

At right, approximately 75 members attend the District 1 meeting at Enville Community Center.



At left, Dean Hurley, left and Arthur Bell enjoy the meeting at the Stantonville Civic Center.

At right, PEC employees register members of District 3 at the Pickwick Landing State Park Inn.





Pickwick Electric Cooperative

Balance Sheet — June 30, 2007

| ASSETS | | EQUITY AND LIABILITIES | |
|---|-----------------------------|-------------------------------------|-----------------------------|
| ELECTRIC PLANT | | EQUITY | |
| In service — at cost | \$ 63,678,130 | Memberships | \$ 88,090 |
| Construction work in progress | <u>1,850,542</u> | Patronage capital | <u>30,322,027</u> |
| | \$ 65,528,672 | TOTAL EQUITY | \$ <u>30,410,117</u> |
| LESS: accumulated provisions for depreciation | <u>14,740,929</u> | LONG-TERM DEBT | |
| NET ELECTRIC PLANT | <u>\$ 50,787,743</u> | Less current portion | <u>20,218,988</u> |
| OTHER ASSETS AND INVESTMENTS | | CURRENT LIABILITIES | |
| Other assets | 65,821 | Current portion of long-term debt | 3,569,194 |
| Notes receivable — TVA program | 1,542,304 | Accounts payable — purchase power | 4,033,334 |
| Other investments | <u>921,319</u> | Accounts payable — other | 255,573 |
| TOTAL OTHER ASSETS AND INVESTMENTS | <u>2,529,444</u> | Customer deposits | 981,801 |
| CURRENT ASSETS | | State sales tax payable | 44,905 |
| Cash and cash equivalents | 3,370,849 | Accrued taxes | 265,922 |
| Accounts receivable (less allowance for doubtful accounts of \$172,780 in 2007) | 2,361,399 | Accrued interest | 89,544 |
| | | Accrued payroll | 118,010 |
| Other receivables | 746,332 | Accrued vacation | 231,520 |
| Materials and supplies | 381,266 | Other current liabilities | <u>43,720</u> |
| Other current assets | <u>85,595</u> | TOTAL CURRENT LIABILITIES | <u>9,633,523</u> |
| TOTAL CURRENT ASSETS | <u>6,945,441</u> | TOTAL EQUITY AND LIABILITIES | \$ 60,262,628 |
| TOTAL ASSETS | \$ 60,262,628 | | |

We have audited the accompanying balance sheet of Pickwick Electric Cooperative, Selmer, Tenn., as of and for the year ended June 30, 2007, and the related statements of revenue and patronage capital and cash flows for the year then ended. 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 generally accepted auditing standards 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 statements referred to above present fairly, in all material respects, the financial position of Pickwick Electric Cooperative as of June 30, 2007, and the results of its operations and its cash flow for the year then ended in conformity with generally accepted accounting principles.

In accordance with "Government Auditing Standards," we have also issued our report dated Aug. 3, 2007, 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 grants. 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



October is National Co-op Month

This month, we observe National Co-op Month, which gives us yet another reason to tell our members that they are a part of something special. There are more than 40,000 cooperatives across the United States — including Tennessee's 23 electric cooperatives — that serve more than 120 million people. Today's cooperatives — whether in agriculture, utilities, banking, retailing, insurance or wholesaling — are organizations in which people of similar needs and interests can work together to help themselves and each other.

Co-ops are motivated to serve their members. That means they must also serve the communities in which their members live and work. A member-owned business also generates jobs and makes charitable contributions in its communities. Truly, cooperatives touch our lives daily.

Pickwick Electric Cooperative (PEC), established in 1935, is a local business, owned and controlled by its

member-consumers and staffed by local professionals. Through our many years of service, we have seen a world of changes and no doubt will see many more.

Today, PEC provides electricity to approximately 20,500 residential and commercial consumers. Our sole purpose is to deliver reliable electric power at the lowest possible cost, but we also help consumers manage their electric bills by providing free energy audits and levelized billing. We offer a number of other services, including heat pump loans, electric water heater incentives and outdoor lighting.

PEC has made a tremendous impact on the business and economic life in this area. Over the past 72 years, it has served as a constant beacon, lighting the way to a better standard of living.

We take great pride in providing a service that goes beyond keeping your lights on. We will continue to do everything we can to improve the quality of life in our community.



Touching *Lives.*

Member-owned cooperative businesses touch the lives of virtually all Americans every day.

We provide almost every product and service imaginable, from the coffee you drink in the morning to the news you watch at night.

And we do it with a difference.

Since we are owned by our customers, you know you are getting a good deal and that more of the money you spend stays in your community.



Cooperatives.

Owned by Our Members,
Committed to Our Communities.





Do-it-yourself home energy audits

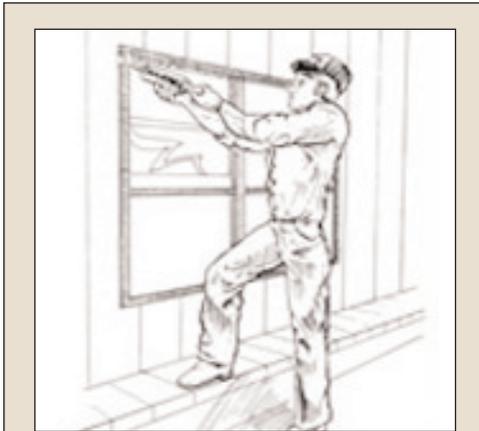
The first thing to do when performing your own home energy audit is to make a list of any existing problems such as condensation and uncomfortable or drafty rooms. The next thing is to look for air leaks. They are common around electrical outlets, switch plates, window frames, baseboards, weatherstripping, fireplace dampers, attic hatches and wall or window-mounted air conditioners. When inspecting windows and doors for air leaks, if you can see daylight around the door or window frame, that is where the leak exists.

When looking at the outside of your home, examine areas where two different building materials meet. This includes exterior corners, areas where siding and chimneys meet and places where the foundation and the bottom of the exterior brick or siding meet. Make sure to plug and caulk holes or penetrations for faucets, pipes, electric outlets and wiring. Also, look for cracks and holes in the mortar, foundation and siding of your home and seal them with the appropriate material. Finally, check the exterior caulking around doors and windows to see if they are sealed tightly.

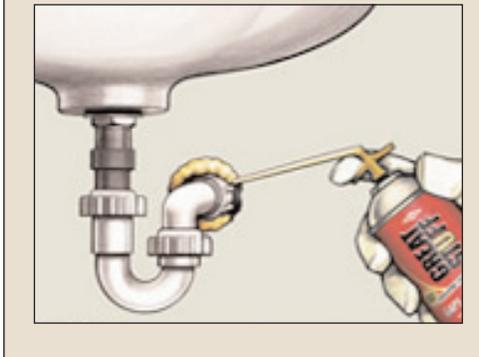
When performing your own home audit, make sure to examine the ceilings and walls. If these two areas are not properly insulated, you risk heat loss in the winter and cool-air loss in the summer.

Check to see that the attic hatch is heavily insulated as well as weatherstripped and closed tightly. In the attic, determine if openings for items such as pipes,

ductwork and chimneys are sealed. If you see any gaps, seal them with expanding foam caulk or another permanent sealant.



Above: Inspect windows and apply caulking to seal air leaks. Below: Caulk or plug holes around faucets with proper material.



Members can also request a free *energy right*® Home e-Valuation. This free service is a four-step process and begins with the customer making a request for the survey by calling 646-3786, 646-3825 or 646-3764.

Second, you will receive by mail a questionnaire that asks quick and easy questions about how energy is currently being used in your home. This multiple-choice questionnaire can be completed in 15 to 20 minutes.

Next, mail your completed questionnaire (postage paid) so your responses can be analyzed. In about two weeks, a personalized report outlining how you can save money and energy will be mailed back to you.

The analysis will provide helpful hints on heating and cooling, lighting, water-heating, insulating,

using electrical appliances and much more.

At no cost to you, this *energy right* Home e-Valuation will help you make your home energy-efficient while lowering your monthly electric bills.

For more information on home energy audits and energy-saving techniques, contact Pickwick Electric Cooperative.

Portions of this article came from the National Rural Electric Cooperative Association, Touchstone Energy and the North Carolina Association of Electric Cooperatives