

Rising fuel costs are impacting the cost of electricity

No one wants higher electricity prices, including those of us at Pickwick Electric Cooperative. That's why we continually work to control our costs without affecting the service and reliability that you expect from us.

We are committed to keeping the price of electricity as low as possible, and our rates remain among the lowest in this region and the nation.

Unfortunately, however, utilities are subject to the same increases in energy costs that other businesses and individuals are seeing every day at the gasoline pump and elsewhere. Fuel costs, whether for gasoline, coal or natural gas, are climbing in the U.S. and worldwide as the demand for energy increases.

At PEC, we buy the electricity we deliver to you from the Tennessee Valley Authority, and almost all of our revenue goes to buy that electricity. TVA bases its prices on the cost of the fuel, operations, maintenance and capital it needs to invest in power plants, emission controls and transmission equipment to serve our region's growing demand for electricity.

About 56 percent of TVA's power supply is fueled by coal, oil and natural gas. Coal prices have gone up more than 100 percent during the past year, natural gas prices have increased more than 65 percent since December and the price of oil is more than 30 percent higher than last year.

When the prices of these fuels increase, it costs TVA more to generate electricity. TVA is keeping PEC and its other customers up to date about the impacts of these cost

increases and what they will mean for consumers.

Two years ago, Pickwick Electric Cooperative and other utilities worked with TVA to develop a cost adjustment mechanism to help TVA manage fluctuations in the cost of fuels, especially in the volatile market for natural gas.

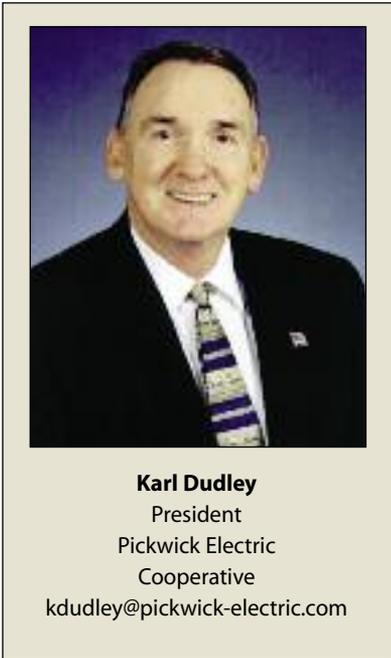
The result was a fuel cost adjustment charge that TVA began including in its monthly rates. Almost all utilities nationwide use this kind of fuel-cost recovery to manage the price swings in the costs of fuel and purchased power. TVA's fuel cost adjustment is calculated every three months based on the costs of fuel.

As a TVA customer, PEC must pass along the price increases or

decreases when the fuel cost adjustment is made each quarter, and the quarterly adjustments can be decreased to account for decreases in fuel costs. But as you know, today's prices are dominated by increases.

At this point, we know that the next adjustment will be a significant increase, approximately 15 percent, an amount necessary to account for the higher costs that TVA is experiencing. This is effective Oct. 1.

We will continue to work with the leadership of TVA and the Tennessee Valley Public Power Association to limit as much as possible the impact of the higher energy costs that are occurring nationally and regionally. We will keep you informed about changes in these conditions.

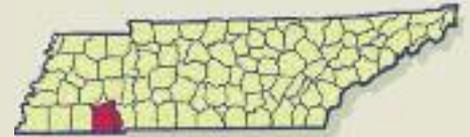


Karl Dudley
President
Pickwick Electric
Cooperative
kdudley@pickwick-electric.com



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 Ave.

P.O. Box 49

Selmer, TN 38375

Phone Numbers:

731-645-3411

731-632-3333

1-800-372-8258

Web site:

www.pickwick-electric.com

These five pages contain local

news and information

for members of Pickwick

Electric Cooperative.

Continued on page 17

Continued from page 16

For now, just as all of us are taking steps to reduce our gasoline consumption as prices have gone up, PEC encourages our customers to visit the TVA Web site at www.tva.com. The simple steps offered there can help

you keep your monthly power bill as low as possible by using electricity more efficiently. We urge you to do this soon so that the improvements you can make are in place when cold weather returns. Today, all of us have to stretch our energy dollars as far as possible.

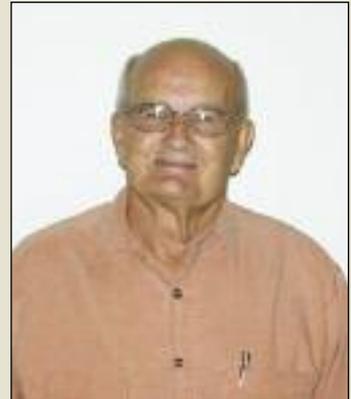
2008 district meeting results



Ronnie Fullwood



Ray Allison



Dean Glidewell

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 Crump (District 2), Bethel Springs (District 4) and Adamsville (District 6).

The District 2 meeting was held on Monday night, Aug. 11, at the Crump Community Center.

There were 50 members registered for the meeting with an estimated crowd of 100 in attendance. Ronnie Fullwood was re-elected without opposition to serve a three-year term.

The District 4 meeting was held on Tuesday night, Aug. 12, at Bethel Springs Elementary School. An estimated crowd of 75 attended, including 48 registered members. Ray Allison, incumbent director, was unopposed and re-elected to serve a three-year term.

The District 6 meeting was held at the Marty Community Center on Thursday night, Aug. 14, with 43 members registering. In all, about 65 people attended the meeting at which Dean Glidewell, incumbent director, was re-elected without opposition to serve a three-year term.



At left, approximately 100 members attend the District 2 meeting held at Crump Community Center.

At right, PEC President Karl Dudley speaks to approximately 75 members at the District 4 meeting at Bethel Springs Elementary School.



At left, PEC employees register members of District 6 at the Marty Community Center.

At right, members register at the District 4 meeting in Bethel Springs.



Pickwick Electric Cooperative

Balance Sheet, June 30, 2008

ASSETS

EQUITY AND LIABILITIES

ELECTRIC PLANT

In service — at cost	\$ 67,308,483
Construction work in progress	<u>1,728,750</u>
	\$ 69,037,233

LESS: accumulated provision for depreciation	<u>15,637,377</u>
NET ELECTRIC PLANT	<u>\$ 53,399,856</u>

OTHER ASSETS AND INVESTMENTS

Other assets	64,741
Notes receivable — TVA program	1,684,476
Other investments	<u>934,113</u>
TOTAL OTHER ASSETS AND INVESTMENTS	<u>2,683,330</u>

CURRENT ASSETS

Cash and cash equivalents	3,634,318
Accounts receivable (less allowance for doubtful accounts of \$50,407 in 2008)	2,451,714
Other receivables	945,862
Materials and supplies	439,301
Other current assets	<u>100,064</u>
TOTAL CURRENT ASSETS	<u>7,571,259</u>

TOTAL ASSETS	\$ 63,654,445
---------------------	----------------------

EQUITY

Memberships	\$ 88,945
Patronage capital	<u>31,400,214</u>
TOTAL EQUITY	\$ <u>31,489,159</u>

LONG-TERM DEBT

Less current portion	<u>24,708,784</u>
----------------------	-------------------

CURRENT LIABILITIES

Current portion of long-term debt	632,222
Accounts payable — purchased power	4,303,891
Accounts payable — other	380,207
Customer deposits	1,163,372
State sales tax payable	50,374
Accrued taxes	263,950
Accrued interest	95,479
Accrued payroll	129,086
Accrued vacation	392,534
Other current liabilities	<u>45,387</u>
TOTAL CURRENT LIABILITIES	<u>7,456,502</u>

TOTAL EQUITY AND LIABILITIES	\$ 63,654,445
-------------------------------------	----------------------

We have audited the accompanying balance sheet of Pickwick Electric Cooperative, Selmer, Tenn., as of and for the year ended June 30, 2008, 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, 2008, 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 July 30, 2008, 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

Shielding your home from the elements

Weatherization offers added comfort and savings

Consider weatherizing your home to ensure that it stays cozy all winter long without having to pay an arm and a leg.

Weatherization not only helps keep warm air from escaping your home, it also lowers your monthly power bills. In fact, homeowners who weatherize their homes can expect to reduce heating consumption by an average of 32 percent, as determined by the U.S. Department of Energy's Weatherization Program.

"Studies show that about one-third of the average home heating and cooling energy costs are due to air leaks," says Kevin Roy, Pickwick Electric Cooperative electrification advisor. "Primary leak areas include window and door frames, fireplace chimneys, attic trapdoors and pipes that penetrate attic walls and floors."

To test windows and doors in your home, you can make a simple "draft detector" by attaching a piece of tissue paper to the end of a hanger. On a windy day, hold the coat hanger in front of the suspected leak. If the paper moves, then you probably have an air leak.

Three common and excellent ways of weatherizing your home to prevent heat loss due to air leakage are caulking, weatherstripping and insulation.

Caulking

Caulking is beneficial for several reasons. It can reduce energy loss, control moisture damage, add sound-proofing, keep a home cleaner and help control radon gas infiltration. Caulking can be fairly labor-intensive for the average homeowner, but the benefits are well worth the effort. For large projects, you might consider hiring a contractor.

Weatherstripping

Weatherstripping should be done around windows and doors, especially those that are used frequently. Available in thin spring metal, vinyl or foam rubber, weatherstripping can be purchased either by the roll or in a kit and can be installed easily by the average

homeowner with a minimal amount of skill and tools. Double-pane windows and doors are another option for avoiding heat loss, although some experts believe that these are less cost-effective than the simpler options of caulking and weatherstripping.

Insulation

Insulation is another highly effective weatherization method. By properly insulating key areas within your home, you can improve your home's ability to keep you comfortable. Studies from the Energy Information Administration show that insulating floors over unheated spaces such as basements and crawl spaces can save as much as 8 percent on heating and cooling costs.

"Insulating attics and floors can be a relatively simple task for the average homeowner, although insulating exterior walls most likely will require the services of a contractor," says Roy. "There are several types of insulation on the market, each with a specific application, so do your homework before you buy to determine which product suits your particular situation."

Examples of insulation include:

- Batts and blanket — ideal for unfinished attic space and underneath floors.
- Loose-fill — poured in or blown in, the latter requiring the skill of a contractor (both can be used to insulate an unfinished attic).
- Rigid board — designed for use on basement walls, exterior and interior walls and foundations. When used indoors, rigid board must be fire-treated.

Some types of insulation come with a vapor barrier attached. Remember to install these with the vapor barrier side toward the living space. Do not use vapor barriers between existing and added insulation because moisture gets

trapped, reducing the insulation value and possibly causing structural damage.

For more information on using energy wisely, contact Pickwick Electric Cooperative at 731-645-3411.



Apply caulking or weatherstripping to seal air leaks.



What a deal!

Lower-interest heat pump loans

In an effort to help our consumers reduce their energy bills, Pickwick Electric Cooperative and the Tennessee Valley Authority are offering a promotional interest rate that will apply to all heat pumps with a minimum SEER rating of 14 (split or packaged) and advanced heat pumps. The promotion will end Dec. 31, 2008. The heat pump must be installed by a TVA-approved QCN contractor.

6%

Interest rate

To be eligible for the heat pump financing program, a member must meet the following requirements:

- Must have electric service in his or her name.
- Must be the registered property owner.
- Must pass a credit check.

Loans are available up to \$10,000 for the financing of one unit and \$12,500 for two units.

Contact the PEC member services department at 646-3825, 646-3786 or 646-3764 for more information.



**Pickwick Electric
Cooperative**

