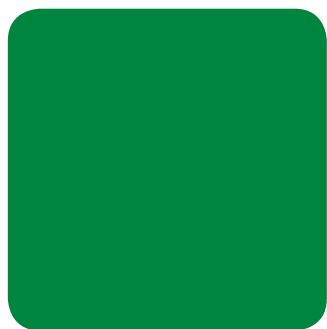




Service & Reliability

HomeWorks Tri-County Electric Cooperative

Annual Report 2008



Tri-County Electric
Cooperative

Representing your district

District 1: Eaton, Ingham and Jackson counties

Cooperative Board: Philip Conklin

People Fund Board: Richard Palermo

District 2: Barry and Ionia counties

Cooperative Board: Wayne Swiler

People Fund Board: Jerry Supina

District 3: Clinton County except Bingham, Duplain and Greenbush townships

Cooperative Board: Carl Morton

People Fund Board: Mary Ellen Heffron

District 4: Montcalm County, except Bloomer, Crystal and Evergreen townships

Cooperative Board: Laverne Hansen

People Fund Board: Lisa Johnson

District 5: Gratiot and Saginaw counties, with Bingham, Duplain and Greenbush townships in Clinton County, and except Bloomer, Crystal and Evergreen townships in Montcalm County

Cooperative Board: Cara Evans

People Fund Board: Peggy Pirhonen

District 6: Clare and Isabella counties

Cooperative Board: To be announced August 15
at Annual Meeting

People Fund Board: Dick Donley

District 7: Mecosta and Osceola counties

Cooperative Board: Dean Floria

People Fund Board: Patti Ferris



Richard Sandbrook

This is the first annual report in 20 years that hasn't included Richard Sandbrook on the list of your board of directors. Richard died on May 14 after a short illness. That was just one day after Dick, as we knew him, had planned to tell his district – his neighbors – of his plans for the time after his retirement from the board on August 15. He was pleased that four good people had chosen to serve the cooperative by seeking election to the seat he'd enjoyed all these years.

Dick's rare brand of dry wit and good humor was an asset in our board room. He will be greatly missed.

To our members

The utility industry is going through some sweeping changes these days. Between the need to rein in climate change and emit less carbon into the atmosphere, reduce our dependence on foreign oil, and modernize and expand the electricity grid that covers our nation, we know there will be changes in how we operate on your behalf.

We use our cooperative network to keep up with the proposed new rules and laws, and try to influence legislators to keep the end consumer – you – in mind whenever they vote. None of us wants to see the fix for one problem become a problem itself down the road.


Whatever comes, be assured that your cooperative will deal with these changes in a way that keeps your best interests in mind, whether we're dealing with reliability or cost.

And no matter what else changes, our focus on service and reliability will remain constant.

- Our aggressive work plan is helping to ensure that our system is kept up to date and able to handle your needs.
- Our commitment to tree clearing will also help prevent outages.
- Our employees are dedicated and trained to respond quickly to your concerns.

All of these help us continue to earn your trust and support, which are valuable assets for your cooperative even though they aren't listed on the Balance Sheet.

Please take a few moments to glance through the rest of this annual report. You'll see the cooperative is strong financially and our subsidiary, Tri-Co Services, Inc., continues supporting Tri-County Electric Cooperative in our mission to provide our members and customers with energy, comfort and communications solutions that enhance your quality of life.



Carl Morton,
Board Chairman



Mark Kappler,
General Manager & CEO

“Be assured that your cooperative will deal with these changes in a way that keeps your best interests in mind.”



Balance Sheet

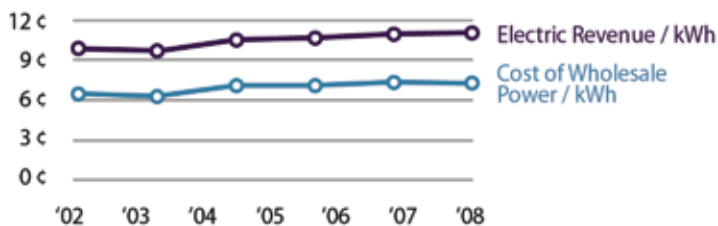
HomeWorks Tri-County Electric Cooperative

Year Ended December 31,

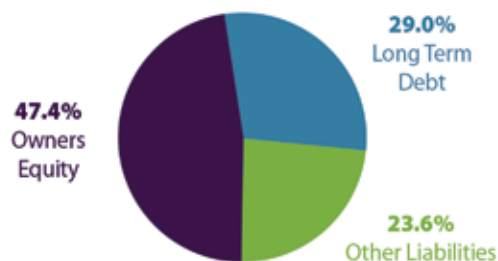
(in Thousands)

	2008	2007	2006
ASSETS			
Total Utility Plant	\$ 78,913	\$ 73,230	\$ 69,103
Accumulated Depreciation	(21,400)	(20,974)	(19,884)
Net Utility Plant	57,513	52,256	49,219
Investments in Associated Organization	30,887	27,493	25,677
Cash and Cash Equivalents	862	1,301	526
Accounts Receivable	5,703	5,287	5,075
Materials and Supplies	1,247	1,136	897
Other Assets	265	279	394
Total Assets	96,477	87,752	81,788
EQUITIES and LIABILITIES			
MARGINS and EQUITIES:			
Patronage Capital	36,808	34,049	31,803
Other Equities	8,923	8,410	8,107
Total Margins and Equities	45,731	42,459	39,910
LIABILITIES:			
Long Term Debt	27,944	29,548	27,627
Notes Payable	13,599	7,319	5,743
Accounts Payable	4,245	4,260	4,165
Other Current & Accrued Liabilities	4,958	4,166	4,343
Total Liabilities	50,746	45,293	41,878
Total Equities and Liabilities	96,477	\$87,752	\$81,788

Revenue & Cost of Power



2008 % of Assets



Complete, audited financial statements are maintained at the Portland office of HomeWorks Tri-County Electric Cooperative, Inc. The independent audit of 2008 financial statements was unqualified, and completed by the certified public accountant (CPA) firm of Eide Bailly, Fargo, ND.

Statement of Operations

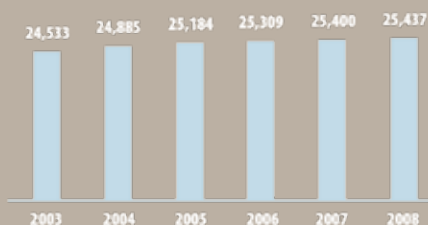
HomeWorks Tri-County Electric Cooperative

Year Ended December 31,

(in Thousands)

	2008	2007	2006
OPERATING REVENUES	\$ 34,596	\$ 35,033	\$ 30,718
OPERATING EXPENSES			
Cost of Purchased Power	22,650	23,312	20,230
Operations and Maint. Expense	6,756	6,764	6,725
Depreciation	2,114	1,945	1,911
Interest	1,846	1,788	1,608
Taxes	809	848	602
Total Operating Expenses	34,175	34,657	31,076
Net Operating Income	421	376	(358)
NON-OPERATING MARGINS			
Capital Credits - G&T and Other	2,623	2,393	2,654
Income (Loss) from Subsidiary	470	178	(50)
Non-Operating Margin - Other	65	91	179
Total Non-Operating Margins	3,158	2,662	2,783
NET MARGINS	3,579	\$3,038	\$2,425

Active Meters

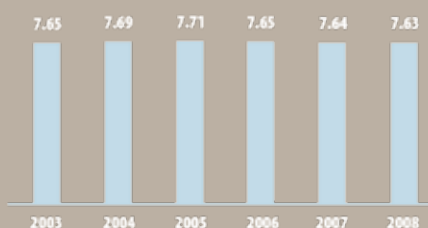


Member Sales (kWh)

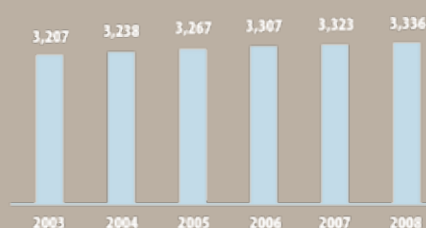
(in millions)



Meters per Mile of Line



Miles of Electric Line



Financial Summary

HomeWorks Affiliates

Statement of Operations: Tri-Co Services, Inc.

<i>(in Thousands)</i>	Year Ended December 31,		
	2008	2007	2006*
OPERATING REVENUES	\$ 6,881	\$6,028	\$5,306
Cost of Sales	4,678	4,177	3,528
Sales, General & Administrative Expense	1,369	1,586	1,660
Income Tax Expense	364	87	168
NET INCOME	\$470	\$178	(\$150)

Balance Sheet: Tri-Co Services, Inc.

<i>(in Thousands)</i>	Year Ended December 31,		
	2008	2007	2006*
ASSETS			
Current Assets	\$ 2,657	\$1,933	\$1,993
Investments in Associated Organizations	1,349	1,162	1,001
Property and Equipment, less depreciation	3,667	3,932	3,679
Notes Receivable	3,313	4,537	5,708
Total Assets	10,986	11,564	12,381
EQUITIES and LIABILITIES			
Current Liabilities	1,792	2,292	2,842
Deferred Taxes	1,455	1,838	2,163
Common stock - \$1 par, 50,000 shares	50	50	50
Additional paid in capital	1,287	1,452	1,572
Retained Earnings	6,402	5,932	5,754
Total Equities and Liabilities	10,986	\$11,564	\$12,381



*During 2007, the Company restated the reporting for the gain on the 2004 sale of its DIRECTV® distribution rights to conform with generally accepted accounting principles.

Renewable portfolio standard



Public Act 295 also requires the state's electric utilities to generate 10 percent of their retail electricity sales from renewable energy resources by 2015. Renewables include biomass, solar and solar thermal, wind, and existing traditional hydroelectric resources. Biomass is organic matter, not derived from fossil fuels, which replenishes over a human lifetime.

Wolverine Power Cooperative, a power supply cooperative owned by HomeWorks Tri-County Electric and five other member-owners, partnered with John Deere in 2007 to purchase all power generated by the Harvest Wind Farm in Michigan's Thumb area. This will meet our renewable requirements for several years and allow Wolverine's staff to pursue additional renewable options.

Carbon & climate change

According to the United States Environmental Protection Agency (EPA), the Earth's climate has changed many times during the planet's history, with events ranging from ice ages to long periods of warmth. Beginning late in the 18th century, human activities associated with the Industrial Revolution have also changed the composition of the atmosphere and therefore very likely are influencing the Earth's climate.

Burning fossil fuels, such as coal and oil, and deforestation have caused the concentrations of heat-trapping "greenhouse gases" to increase significantly in our atmosphere. These gases prevent heat from escaping to space, somewhat like the glass panels of a greenhouse. Some scientists are certain that human activities are changing the composition of the atmosphere, and that increasing the concentration of greenhouse gases will change the planet's climate. But they are not sure by how much it will change, at what rate it will change, or what the exact effects will be.

Our lawmakers in Washington, D.C., are currently working on legislation that will likely require all fossil fuel users to pay for the right to emit carbon dioxide and other greenhouse gases, which should serve as an incentive to find alternative or cleaner fuels.

Energy optimization

Michigan's Public Act 295, the "Clean, Renewable and Efficient Energy Act," creates an energy optimization plan that requires gas and electric utilities to help their customers use less energy. Not only will it save the customers money on their monthly bills, it should also help put off or eliminate future construction of at least one power plant in the state. The reasoning is that as power plants get more expensive to build, eliminating the need for one helps customers avoid those higher costs.

Each utility is developing its own set of energy optimization programs to work with each rate class, such as residential, general service, or large power, as well as for low-income families. The costs for these programs are recovered from each rate class as needed. Each utility's programs will be audited to ensure the money is spent properly and that energy savings are achieved.

Our energy optimization programs and cost recovery begin during summer, 2009.

Mission

Our mission is to provide our members and customers with energy, comfort, and communications solutions that will enhance their quality of life.



Your Touchstone Energy®
Cooperative

HOME Tri-County Electric
WORKS Cooperative

7973 E Grand River Ave.
Portland, MI 48875

www.homeworks.org



Our Energy, Our Future
A Dialogue With America