



FINANCIAL REPORT  
FOR YEAR ENDING  
OCTOBER 31, 1982

212 Locust Street  
P. O. Box 1266  
Harrisburg, PA 17108-1266

717/233-5704

8308220064 830817  
PDR ADOCK 05000387  
I PDR



## FINANCIAL REVIEW

### An Overview of 1982

During Fiscal Year 1982 a number of significant happenings occurred which will impact the future of Allegheny. The first will have to be kept in mind when reviewing this Annual Report and financial summary which follows.

During 1982 the Allegheny Board of Directors elected to change its accounting year from a calendar year to a fiscal year. That fiscal year will run from November 1 to October 31. It is readily apparent, when examining the financial summary of Allegheny, that the 1982 fiscal figures actually represent 10 months of operations.

Also during 1982, Allegheny went from a tax-exempt entity to a non-exempt entity. These events should be kept in mind during the review of this Annual Report.

### OPERATING REVENUE

The operating revenue of Allegheny Electric Cooperative increased \$5.4 million (10.4% increase) for the year ended December 31, 1982 and is comprised solely of the sales of electricity to members. The revenue figure for the 10-month year of 1982 was \$48,618,134. The revenue generated from sales during 1982 increased \$5.4 million even though the kilowatt hour sales increased 24.1 million kWh (1.42%). The revenue increase from sales is due mainly to the rate increases which were necessitated by the increases received by the wholesale suppliers of power to Allegheny.



### OPERATING EXPENSES

General operating expenses increased in 1982 by \$5.5 million. This was due to the increased cost of purchased power (9.7%). General and administrative expenses increased \$430,301 or 38.4 percent. This increase was due to Allegheny's continued involvement with EPRI and the engineering and legal work necessary in wholesale rate case negotiations instituted during 1981.

### OTHER REVENUE

Once again in 1982, Allegheny, through its Cash Money Management Program, continued to take advantage of the highest interest-bearing CD's available through National Rural Utilities Cooperative Finance Corporation (CFC), and Commonwealth National Bank. In doing so, Allegheny's interest income for 1982 was \$1,173,853. This is compared to \$1,100,818 in 1981 for an increase of 6.6 percent. In 1982 Allegheny increased its emphasis on the money management program in order that all available funds would be invested at all times.

### INTEREST CHARGES

The interest on Allegheny's long-term debt increased during 1982 by \$14.4 million or 51.1 percent from the previous year. This dollar amount is the interest charged by the Federal Financing Bank on the monies which have been advanced to Allegheny for its involvement in the Susquehanna Steam Electric



Station in Berwick, Pennsylvania. This figure will continue to grow during 1983 because of Allegheny's continued involvement with the Susquehanna plant although the interest rates have tapered off significantly from 1980-1981. During the 1982 year, Allegheny was forced to use its approved line-of-credit with CFC, however, this short-term borrowing was repaid in early December 1982.

#### NET MARGINS

Allegheny's net margin for 1982 was \$2.3 million compared to \$2.2 million in 1981. This is an increase of about 2.3 percent. This increase was due largely to Allegheny's interest income being much greater than was anticipated in the budget.

#### FINANCING

Allegheny's continued involvement in the Susquehanna plant will require additional funds during 1983 to be advanced by the Federal Financing Bank (FFB). We feel that the current loan balances which have been guaranteed by REA, will be sufficient to complete the Susquehanna project with Unit 2 of the Susquehanna Station going on line in the first calendar quarter of 1985.

There are a number of projects Allegheny is anticipating or considering at this time, and the front-end monies for these projects will come from either CFC or REA. During the calendar year 1982, Allegheny was issued an additional \$90,260,767 in long-term debt from the FFB. The current combined rate of interest for these monies is 12.046%.





It will be extremely essential in the coming years that Allegheny be able to maintain a strong financial base and that its equity level continue to strengthen. We are currently striving to maintain these positions by using a sound money management program, negotiating the best possible power purchase contracts and by our continued effort in monitoring Allegheny's expenses in order to keep our overhead at a minimum.

In mid-November 1982, Allegheny entered into a safe harbor lease, better known as a "tax benefit transfer" with an investor. This tax benefit transfer involved approximately \$50 million of the power plant eligible for the tax benefits. The net proceeds of the lease will be applied to long-term debt.

## FIVE YEAR FINANCIAL STATEMENT

ASSETS	1982 FISCAL* YEAR	1981 FISCAL* YEAR	CALENDAR(1) 1981	CALENDAR(1) 1980	CALENDAR(1) 1979	CALENDAR(1) 1978
General Plant	26,471,895		20,577,510	363,443	333,336	223,402
Construction Work in Progress	365,812,220		297,283,087	241,424,845	180,806,793	128,442,220
Total Plant	392,284,115		317,860,597	241,788,288	181,140,129	128,665,622
Accumulated Provision for Depreciation	(131,193)		(99,516)	(66,654)	(41,352)	(23,376)
Net Plant	392,152,922		317,761,081	241,721,634	181,098,777	128,642,246
Non-Utility Property -- Net	6,383,681		6,505,564	6,658,496	--	--
Capital Credits - NRUCFC	491,888		622,606	612,056	607,240	607,240
Investments in Associated Organizations	2,249,166		1,925,223	1,634,964	4,381,064	4,138,269
Cash - General Funds	8,579,916		4,303,398	27,795	25,656	275,372
Cash - Construction/Working Funds	2,477		2,473	3,725,852	3,587,410	2,400,289
Temporary Investments	8,580,000		6,273,000	3,305,000	1,037,000	1,141,000
Special Deposits	--		--	--	--	1,115,000
Accounts Receivable	4,607,098		5,807,292	9,344,654	8,685,866	3,445,466
Other Current & Accrued Assets	276,146		143,562	143,240	42,921	--
Deferred Debits	4,259,108		4,340,935	1,144,435	1,618,397	1,025,557
Total Assets	427,582,402		348,135,134	268,318,126	201,084,331	142,790,439

## LIABILITIES

Memberships	2,800		2,800	2,800	2,800	2,800
Patronage Capital	15,681,195		13,571,011	11,329,301	8,509,752	6,388,731
Donated Capital	29,665		29,665	29,665	29,665	29,665
Long Term Debt - REA	392,224,000		316,528,000	239,956,000	183,037,000	123,916,000
Long Term Debt - Other	3,279,357		3,274,640	3,243,529	--	--
Accounts Payable	8,543,825		10,059,724	9,429,191	8,386,064	10,918,041
Accrued Interest	4,098,993		92,966	84,038	35,162	--
Other Current & Accrued Liabilities	568,018		1,417,195	1,085,989	1,075,734	--
Deferred Credits	3,154,549		3,159,133	3,157,613	8,154	1,535,202
Total Liabilities	427,582,402		348,135,134	268,318,126	201,084,331	142,790,439

## MEMBER REVENUES

	REVENUE COMPARISON					
Adams	5,904,890	5,322,387	6,555,730	6,225,062	5,213,560	4,299,793
Bedford	2,152,946	1,955,182	2,391,780	2,316,683	1,965,523	1,630,044
Central	4,951,695	4,309,346	5,275,895	4,975,921	4,080,578	3,412,779
Claverack	3,687,985	3,364,422	4,105,543	3,906,778	3,311,386	2,900,848
New Enterprise	898,520	822,112	1,005,435	941,901	796,629	679,850
Northwestern	4,857,966	4,472,318	5,464,256	5,242,740	4,468,200	3,845,061
Somerset	4,855,100	4,244,914	5,201,376	4,919,087	4,063,346	3,028,280
Southwest Central	6,081,529	5,504,358	6,735,100	6,430,997	5,317,067	4,321,955
Sullivan	998,291	911,475	1,127,505	1,092,508	895,240	820,758
Sussex	2,357,605	2,124,646	2,559,274	2,453,578	1,962,059	1,608,605
Tri-County	3,086,704	2,829,163	3,528,347	3,364,007	2,821,159	2,412,768
United	3,381,769	3,082,119	3,776,038	3,603,828	2,970,617	2,494,753
Valley	4,137,935	3,736,929	4,607,799	4,376,196	3,711,442	3,145,238
Warren	1,265,199	1,127,382	1,391,778	1,273,774	1,020,639	859,084
Total	48,618,134	43,806,753	53,725,856	51,123,060	42,597,445	35,459,816



ALLEGHENY ELECTRIC COOPERATIVE, INC.  
STATEMENTS OF CHANGES IN FINANCIAL POSITION  
TEN MONTHS ENDED OCTOBER 31, 1982  
AND  
YEAR ENDED DECEMBER 31, 1981

	October 31, 1982	December 31, 1981
Funds were provided by:		
Net margins before provision for depreciation of \$172,634 - 1982; \$201,149 - 1981	\$ 2,282,816	\$ 2,442,858
REA mortgage notes	75,696,000	76,572,000
U. S. Department of Energy note	16,050	45,062
Increase in deferred credits		1,520
Decrease in deferred debits	81,827	
Decrease in utility plant		7,213
	<u>\$ 78,076,693</u>	<u>79,068,653</u>
Funds were used for:		
Extension of utility plant	\$ 74,426,306	\$ 76,082,327
Nonutility property	16,287	12,550
Investments in associated organizations	193,225	300,809
National Rural Utilities Cooperative Finance Corporation - loan payments	11,333	13,950
Decrease in deferred credits	4,584	
Increase in other special fund	345	
Increase in deferred debits		46,500
Increase in working capital	<u>3,424,613</u>	<u>2,612,517</u>
	<u>\$ 78,076,693</u>	<u>\$ 79,068,653</u>

ALLEGHENY ELECTRIC COOPERATIVE, INC.  
NOTES TO FINANCIAL STATEMENTS  
OCTOBER 31, 1982 AND DECEMBER 31, 1981

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Utility Plant and Depreciation - Utility plant is recorded at cost. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets. Substantially all utility plant is subject to the liens of the Cooperative's mortgages.

Accounting Methods - The Cooperative's accounting methods are prescribed by the U.S. Department of Agriculture Rural Electrification Administration. Accounts are kept in accordance with REA Bulletin 181-1, Uniform System of Accounts Prescribed for Electric Borrowers of the Rural Electrification Administration.

Change in Fiscal Year - In 1982, the Cooperative changed its fiscal year from a calendar year ending to a fiscal year ending October 31, due to the scheduled start-up of the Susquehanna Nuclear Steam Generating Station.

NOTE 2: ASSETS PLEDGED:

All assets are pledged as security for long-term debt to Rural Electrification Administration.

NOTE 3: UTILITY PLANT:

Provision has been made for computing depreciation using the straight-line method with depreciation rates prescribed by the U.S. Department of Agriculture Rural Electrification Administration as follows:

	Depreciation Rate	Net Utility Plant	
		October 31, 1982	December 31, 1981
Transmission station equipment	3%	\$ 20,206	\$ 20,903
Structures and improvements	3%	7,253	5,591
Office furniture and equipment	6-10%	203,654	150,318
Transportation equipment	20%	62,025	53,600
Laboratory equipment	6%	9,079	9,617
Communication and load management equipment	5%	161,727	123,689
		<u>\$ 463,944</u>	<u>\$ 363,718</u>

Depreciation amounted to \$34,465 for the ten months ended October 31, 1982 and \$35,667 for the year ended December 31, 1981.

ALLEGHENY ELECTRIC COOPERATIVE, INC.  
NOTES TO FINANCIAL STATEMENTS  
OCTOBER 31, 1982 AND DECEMBER 31, 1981

NOTE 4: JOINT OWNERSHIP AGREEMENT:

In January 1978, pursuant to agreements entered into in March 1977, the Cooperative purchased from Pennsylvania Power & Light Company (PP&L) a 10% undivided ownership in the Susquehanna Nuclear Steam Generating Station now under construction by PP&L in Salem Township, Luzerne County, Pennsylvania.

The cost of construction work in progress at October 31, 1982 is \$365,812,220 and \$297,283,087 at December 31, 1981. The following assets shown on the balance sheet represent the Cooperative's 10% ownership of assets other than construction work in progress. Both the Cooperative and PP&L provide their own financing.

	October 31, 1982	December 31, 1981
Nuclear fuel in process	\$ 25,876,758	\$ 20,114,276
Working funds	8,712,388	4,283,300
Miscellaneous current and accrued assets	118,077	63,541
Deferred debits - nuclear production plant	262,042	235,825

NOTE 5: NONUTILITY PROPERTY:

Nonutility property consists of the following:

	October 31, 1982	December 31, 1981
Parking lot	\$ 360,264	\$ 360,264
Building and land - Locust Court	6,203,000	6,186,713
Restaurant - furniture and equipment	289,123	289,123
	6,852,387	6,836,100
Less - accumulated provision for depreciation	468,705	330,536
	<u>\$ 6,383,682</u>	<u>\$ 6,505,564</u>

Nonutility plant is recorded at cost. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets. The estimated useful lives are within guidelines prescribed by the U.S. Department of Agriculture Rural Electrification Administration.



ALLEGHENY ELECTRIC COOPERATIVE, INC.  
NOTES TO FINANCIAL STATEMENTS  
OCTOBER 31, 1982 AND DECEMBER 31, 1981

NOTE 6: INVESTMENTS IN ASSOCIATED ORGANIZATIONS:

Investments in associated organizations is composed of:

	October 31, 1982	December 31, 1981
National Rural Utilities Cooperative Finance Corporation -		
Patronage capital	\$ 491,888	622,606
Membership	1,000	1,000
Capital Term Certificates	2,248,146	1,924,203
Association Building Corp. -		
Capital stock	20	20
	<u>\$ 2,741,054</u>	<u>\$ 2,547,829</u>

The Capital Term Certificates subscribed for were based on the following:

Year	Series	Revenue	Percentage Factor	Subscription Amount
1972	2025	\$ 9,248,453	1.086480%	\$ 100,483
1973	2025	10,468,486	1.012000	105,941
1974	2025	16,476,197	0.900780	148,414
1975	2025	19,585,453	0.805150	157,692
1976	2025	26,228,474	0.762189	199,911
1977	2025	32,383,249	0.723443	234,274
1978	2025	35,459,816	0.684704	242,795
1979	2030	42,589,089	0.667857	284,434
1980	2030	50,164,659	0.637200	290,259 *
	2025 Long-term loan of \$3,200,000			160,000
1981	2030	53,725,856	0.602955	<u>323,943</u>
				<u>\$ 2,248,146</u>

\* Adjusted \$29,390 for 1976, 1977, 1978 and 1979 power cost refunds.

The certificates are fifty-year 3%, unsecured subordinated Capital Term Certificates. Those certificates purchased prior to October 1, 1980 and October 1, 1985 will mature on October 1, 2025 and October 1, 2030, respectively. Interest accrues from the most recent April 1 or October 1, the interest payment dates.





ALLEGHENY ELECTRIC COOPERATIVE, INC.  
NOTES TO FINANCIAL STATEMENTS  
OCTOBER 31, 1982 AND DECEMBER 31, 1981

NOTE 7: TEMPORARY CASH INVESTMENTS:

Temporary cash investments consists of the following short-term investments:

	October 31, 1982	December 31, 1981
NRUCFC - Commercial paper (Interest: 12.25% to 12.625% - 1981)	\$	\$ 4,655,000
Commonwealth National Bank - Repurchase agreement (Interest: 8-1/2% - 1982; 11.375% - 1981)	930,000	208,000
Certificates of Deposit ((Interest: 9.75% - 1982; 11-1/2% to 14-1/2% - 1981)	7,650,000	1,860,000
	<u>\$ 8,580,000</u>	<u>\$ 6,723,000</u>

NOTE 8: DETAIL OF PATRONAGE CAPITAL:

	October 31, 1982	December 31, 1981
Assignable	\$ 2,110,182	\$ 2,241,709
Assigned	<u>13,571,010</u>	<u>11,329,301</u>
	<u>\$ 15,681,192</u>	<u>13,571,010</u>

NOTE 9: DETAIL OF DONATED CAPITAL - MEMBERS:

	Total Contributed	Retired	Balance
Adams Electric Cooperative, Inc.	\$ 19,455	\$ 17,622	\$ 1,833
Bedford Rural Electric Cooperative, Inc.	7,238	6,341	897
Central Electric Cooperative, Inc.	18,619	15,634	2,985
Claverack Rural Electric Cooperative, Inc.	21,862	20,143	1,719
New Enterprise Rural Electric Cooperative, Inc.	159	-	159
Northwestern Rural Electric Cooperative, Inc.	20,768	18,700	2,068.
Somerset Rural Electric Cooperative, Inc.	5,667	4,338	1,329
Southwest Central Rural Electric Cooperative, Inc.	-	-	-
Sullivan County Rural Electric Cooperative, Inc.	6,490	5,717	773
Sussex Rural Electric Cooperative, Inc.	6,500	-	6,500
Tri-County Rural Electric Cooperative, Inc.	13,762	11,723	2,039
United Electric Cooperative, Inc.	16,390	14,124	2,266
Valley Rural Electric Cooperative, Inc.	5,474	283	5,191
Warren Electric Cooperative, Inc.	8,083	6,526	1,557
	<u>\$150,467</u>	<u>\$121,151</u>	<u>\$ 29,316</u>

ALLEGHENY ELECTRIC COOPERATIVE, INC.  
NOTES TO FINANCIAL STATEMENTS  
OCTOBER 31, 1982 AND DECEMBER 31, 1981

NOTE 10: LONG-TERM DEBT:

The Cooperative obtained a Rural Electrification Administration guaranteed loan of \$406,408,000 in order to participate with Pennsylvania Power & Light Company (PP&L) in the joint ownership of the Susquehanna Nuclear Steam Generating Station. Subsequent to October 31, 1982 the Cooperative executed a note payable to the Federal Financing Bank in the amount of \$200,000,000 pursuant to a commitment of an additional Rural Electrification Administration guaranteed loan to finance the additional cost of the Susquehanna Nuclear Steam Generating Station. The balance payable at October 31, 1982 amounted to \$391,789,000; and at December 31, 1981 the balance payable amounted to \$316,093,000.

The loan is comprised of 81 separate notes which vary in interest rate and maturity date. The amounts by maturity dates are as follows: Terms of the loans permit refinancing at maturity dates.

1982	\$ 5,752,000
1983	48,410,000
1984	159,078,000
1985	47,121,000
2012	123,916,000
2013	<u>7,512,000</u>
	<u>\$391,789,000</u>

The Cooperative obtained a loan of \$3,200,000 in 1980 from National Rural Utilities Cooperative Finance Corporation to purchase its headquarters building at 212 Locust Street, Harrisburg, Pennsylvania. The balance payable at October 31, 1982 amounted to \$3,168,206; and at December 31, 1981 the balance payable amounted to \$3,179,539. The terms include interest payable at 9-1/4% with a maturity date of January 31, 2015. The loan is being amortized monthly with payments of \$77,218. Interest paid for the ten months ended October 31, 1982 amounted to \$244,569.

The Cooperative executed two notes amounting to \$722,000 guaranteed by the Rural Electrification Administration, to finance feasibility study costs associated with proposed hydroelectric projects. Advances of \$435,000 had been made on the notes as of October 31, 1982 and December 31, 1981.

The Cooperative and the United States Department of Energy entered into a feasibility study loan agreement in the amount of \$100,000 on November 17, 1980. The balance payable at October 31, 1982 amounted to \$100,000; and at December 31, 1981 the balance payable amounted to \$90,000. Interest in the amount of \$11,152 has accrued to October 31, 1982. The interest rate on the loan is 7-3/8% per annum. The loan including interest is to be repaid over a maximum period of ten years.

The line of credit in the amount of \$12 million, from National Rural Utilities Cooperative Financing Corporation (CFC) as of October 31, 1982, had been increased on January 31, 1983 to \$43,500,000, which is the maximum combined principal amount that can be outstanding at any one time on the CFC and other bank lines of credit. Any unpaid principal amount of all advances is payable by January 30, 1984. The balance payable to CFC as of October 31, 1982 amounted to \$571,000. No balance was outstanding at December 31, 1981.



ALLEGHENY ELECTRIC COOPERATIVE, INC.  
NOTES TO FINANCIAL STATEMENTS  
OCTOBER 31, 1982 AND DECEMBER 31, 1981

NOTE 10: LONG-TERM DEBT (CONTINUED):

The Cooperative secured on December 16, 1982 a line of credit in the amount of \$12 million from the Baltimore Bank for Cooperatives, Baltimore, Maryland. Any advances made must be repaid by January 1, 1984.

The Cooperative's maximum authorized indebtedness was established by board resolution in August 1977 at \$2 billion.

NOTE 11: INCOME DEDUCTIONS:

Income deductions include:	October 31, 1982	December 31, 1981
Interest on long-term debt	\$ 34,499,700	\$ 28,111,200
Interest charged to construction	(34,499,700)	(28,111,200)
Preliminary survey and investigation expenses related to abandoned projects	<u>106,156</u>	<u>14,955</u>
Totals	\$ <u>106,156</u>	\$ <u>14,955</u>

As provided in the Uniform System of Accounts, the cost of funds used to finance construction is capitalized as part of construction cost.

NOTE 12: INTEREST INCOME:

Interest income is composed of the following:

	October 31, 1982	December 31, 1981
Temporary cash investments	\$ 958,762	\$ 1,049,605
NRUCFC Capital Term Certificates	<u>48,904</u>	<u>51,213</u>
Total interest income	\$ <u>1,007,666</u>	\$ <u>1,100,818</u>



JOHN BISBANO & CO.

CERTIFIED PUBLIC ACCOUNTANTS

LOCUST COURT

212 LOCUST STREET

HARRISBURG, PENNSYLVANIA 17101

717 234-2667

March 14, 1983

ACCOUNTANTS' REPORT

The Board of Directors  
Allegheny Electric Cooperative, Inc.  
212 Locust Street  
Harrisburg, Pennsylvania 17101

We have examined the balance sheets of ALLEGHENY ELECTRIC COOPERATIVE, INC. as of October 31, 1982 and December 31, 1981, and the related statements of revenue and patronage capital, schedules of administrative and general expenses, schedules of nonoperating rental income, and statements of changes in financial position for the ten months ended October 31, 1982 and year ended December 31, 1981. Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to above present fairly the financial position of ALLEGHENY ELECTRIC COOPERATIVE, INC. as of October 31, 1982 and December 31, 1981, and the results of its operations and changes in its financial position for the ten months ended October 31, 1982 and year ended December 31, 1981, in conformity with generally accepted accounting principles applied on a consistent basis.

*John Bisbano & Co.*





PENNSYLVANIA 27 DAUPHIN  
ALLEGHENY ELECTRIC COOPERATIVE, INC.  
HARRISBURG, PENNSYLVANIA

FINANCIAL STATEMENTS  
AS OF  
OCTOBER 31, 1982  
AND  
ACCOUNTANTS' REPORT

CONTENTS

	<u>PAGE</u>
Accountants' report	1
Financial statements:	
Balance sheets	2
Statements of revenue and patronage capital	3
Schedules of administrative and general expenses	4
Schedules of nonoperating rental income	5
Statements of changes in financial position	6
Notes to financial statements	7

**JOHN BISBANO & CO.**

**CERTIFIED PUBLIC ACCOUNTANTS**

**LOCUST COURT  
212 LOCUST STREET  
HARRISBURG, PENNSYLVANIA 17101**

**717 234-2687**

March 14, 1983

**ACCOUNTANTS' REPORT**

The Board of Directors  
Allegheny Electric Cooperative, Inc.  
212 Locust Street  
Harrisburg, Pennsylvania 17101

We have examined the balance sheets of ALLEGHENY ELECTRIC COOPERATIVE, INC. as of October 31, 1982 and December 31, 1981, and the related statements of revenue and patronage capital, schedules of administrative and general expenses, schedules of nonoperating rental income, and statements of changes in financial position for the ten months ended October 31, 1982 and year ended December 31, 1981. Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to above present fairly the financial position of ALLEGHENY ELECTRIC COOPERATIVE, INC. as of October 31, 1982 and December 31, 1981, and the results of its operations and changes in its financial position for the ten months ended October 31, 1982 and year ended December 31, 1981, in conformity with generally accepted accounting principles applied on a consistent basis.

*John Bisbano & Co.*



ALLEGHENY ELECTRIC COOPERATIVE, INC.  
BALANCE SHEETS  
OCTOBER 31, 1982 AND DECEMBER 31, 1981

ASSETS

	October 31, 1982	December 31, 1981
Utility plant - Notes 1, 3 and 4:		
Transmission station equipment	\$ 27,896	\$ 27,896
Structures and improvements	7,769	5,922
Office furniture and equipment	267,399	200,840
Transportation equipment	97,248	79,080
Laboratory equipment	10,757	10,757
Communication and load management equipment	184,068	138,739
Construction work in progress - electric	365,812,220	297,283,087
Nuclear fuel in process	25,876,758	20,114,276
	<u>392,284,115</u>	<u>317,860,597</u>
Less: Accumulated provision for depreciation	<u>131,193</u>	<u>99,516</u>
Net utility plant	<u>392,152,922</u>	<u>317,761,081</u>
Other property and investments (at cost):		
Nonutility property (net of accumulated provision for depreciation and amortization - 1982 - \$468,705; 1981 - \$330,536 - Note 5	6,383,682	6,505,564
Investment in associated organizations - Note 6	2,741,054	2,547,829
Special fund	<u>345</u>	<u></u>
	<u>9,125,081</u>	<u>9,053,393</u>
Current assets:		
Cash - general	(132,472)	20,098
Cash - construction fund, trustee	2,477	2,473
Working funds	8,712,388	4,283,300
Temporary cash investments - Note 7	8,580,000	6,723,000
Accounts receivable from members - (power bills)	4,577,699	5,620,169
Other accounts receivable	129,054	287,123
Prepayments	85,364	49,963
Interest receivable	72,705	30,058
Miscellaneous current and accrued assets	<u>118,077</u>	<u>63,541</u>
	<u>22,145,292</u>	<u>17,079,725</u>
Deferred debits	<u>4,159,108</u>	<u>4,240,935</u>
	<u>\$427,582,403</u>	<u>\$348,135,134</u>

LIABILITIES

	October 31, 1982	December 31, 1981
Equities and margins:		
Memberships	\$ 2,800	\$ 2,800
Patronage capital - Note 8	15,681,192	13,571,010
Donated capital - members - Note 9	29,316	29,316
Donated capital - non-members	<u>349</u>	<u>349</u>
	<u>15,713,657</u>	<u>13,603,475</u>
Long-term debt - Note 10:		
REA mortgage notes	392,224,000	316,528,000
NRUCFC mortgage note	3,168,206	3,179,539
U. S. Department of Energy note	<u>111,152</u>	<u>95,102</u>
	<u>395,503,358</u>	<u>319,802,641</u>
Current liabilities:		
Note payable - NRUCFC	571,000	
Accounts payable	7,841,024	10,050,782
Accounts payable to Pennsylvania Rural Electric Association	131,804	8,942
Interest accrued	4,098,993	92,966
Miscellaneous current and accrued liabilities	<u>568,018</u>	<u>1,417,195</u>
	<u>13,210,839</u>	<u>11,569,885</u>
Deferred credits	<u>3,154,549</u>	<u>3,159,133</u>

Also Available On  
Aperture Card

PRC  
APERTURE  
CARD

\$427,582,403    \$348,135,134

The accompanying notes are an integral part of this statement.



ALLEGHENY ELECTRIC COOPERATIVE, INC.  
STATEMENTS OF REVENUE AND PATRONAGE CAPITAL  
TEN MONTHS ENDED OCTOBER 31, 1982  
AND  
YEAR ENDED DECEMBER 31, 1981

	October 31, 1982	December 31, 1981
Operating revenues and patronage capital	<u>\$ 48,618,134</u>	<u>\$ 53,725,856</u>
Operating expenses:		
Cost of power	42,814,417	47,661,913
Wheeling	2,936,838	3,346,072
Customer accounts expenses (billing and computer charges)	1,850	2,362
Administrative and general expenses	1,381,332	1,151,404
Depreciation, unallocated	<u>28,865</u>	<u>30,763</u>
	47,163,302	52,192,514
Income deductions - Note 11:		
Miscellaneous income deductions	<u>106,156</u>	<u>14,955</u>
Total operating expenses and income deductions	<u>47,269,458</u>	<u>52,207,469</u>
Net operating margins	<u>1,348,676</u>	<u>1,518,387</u>
Nonoperating margins:		
Nonoperating rental income (expense)	(246,220)	(388,046)
Interest income - Note 12	1,007,666	1,100,818
Gain on disposition of property	60	
	<u>761,506</u>	<u>712,772</u>
Patronage capital allocations - NRUCFC	<u>-</u>	<u>10,550</u>
Total nonoperating margins and patronage capital allocations	<u>761,506</u>	<u>723,322</u>
Net margins for period	2,110,182	2,241,709
Patronage capital - beginning of year	<u>13,571,010</u>	<u>11,329,301</u>
Patronage capital - end of year	<u>\$ 15,681,192</u>	<u>\$ 13,571,010</u>

The accompanying notes are an integral part of this statement.

ALLEGHENY ELECTRIC COOPERATIVE, INC.  
 SCHEDULES OF ADMINISTRATIVE AND GENERAL EXPENSES  
 TEN MONTHS ENDED OCTOBER 31, 1982  
 AND  
 YEAR ENDED DECEMBER 31, 1981

	October 31, 1982	December 31, 1981
Youth tour	\$ 2,100	\$ 1,100
Office supplies	26,059	21,857
Telephone	5,640	4,044
Travel, conventions and meetings	54,978	43,294
Payroll and employee benefits	525,657	473,591
Legal, auditing and engineering	289,877	196,005
Miscellaneous	322	925
Association membership dues	22,756	18,606
Experimental and general research	116,658	123,707
Board meetings, directors' fees and travel	44,013	56,575
Annual report	2,451	703
Penn Lines and information programs	98,606	92,041
Rent	74,387	63,251
Payroll taxes	30,554	29,832
Insurance	16,768	18,755
Customer assistance - energy conservation	3,589	4,463
Automobile service and maintenance	242	2,655
Printing	66,675	
Total administrative and general expenses	<u>\$ 1,381,332</u>	<u>\$ 1,151,404</u>

The accompanying notes are an integral part of this statement.





ALLEGHENY ELECTRIC COOPERATIVE, INC.  
SCHEDULES OF NONOPERATING RENTAL INCOME  
TEN MONTHS ENDED OCTOBER 31, 1982  
AND  
YEAR ENDED DECEMBER 31, 1981

	October 31, 1982	December 31, 1981
Income:		
Rental - building	\$ 445,102	\$ 411,005
Rental - parking	<u>33,830</u>	<u>37,240</u>
Total income	<u>478,932</u>	<u>448,245</u>
Expenses:		
Utilities	95,171	92,502
Payroll and employee benefits	44,190	51,766
Management and leasing fees	13,947	19,818
Office and administrative expenses	2,508	1,548
Travel	1,440	1,728
Maintenance and repairs	58,284	68,547
Advertising	766	155
Real estate taxes	104,932	114,747
Insurance	20,221	18,805
Interest	244,569	294,708
Depreciation	138,169	165,482
Directors' fees and expenses		375
Legal and audit fees		6,110
Protection service	<u>955</u>	
Total expenses	<u>725,152</u>	<u>836,291</u>
Net nonoperating rental income (expense)	\$ <u>(246,220)</u>	\$ <u>(388,046)</u>

The accompanying notes are an integral part of this statement.

ALLEGHENY ELECTRIC COOPERATIVE, INC.  
STATEMENTS OF CHANGES IN FINANCIAL POSITION  
TEN MONTHS ENDED OCTOBER 31, 1982  
AND  
YEAR ENDED DECEMBER 31, 1981

	October 31, 1982	December 31, 1981
Funds were provided by:		
Net margins before provision for depreciation of \$172,634 - 1982; \$201,149 - 1981	\$ 2,282,816	\$ 2,442,858
REA mortgage notes	75,696,000	76,572,000
U. S. Department of Energy note	16,050	45,062
Increase in deferred credits		1,520
Decrease in deferred debits	81,827	
Decrease in utility plant		7,213
	<u>\$ 78,076,693</u>	<u>79,068,653</u>
Funds were used for:		
Extension of utility plant	\$ 74,426,306	\$ 76,082,327
Nonutility property	16,287	12,550
Investments in associated organizations	193,225	300,809
National Rural Utilities Cooperative Finance Corporation - loan payments	11,333	13,950
Decrease in deferred credits	4,584	
Increase in other special fund	345	
Increase in deferred debits		46,500
Increase in working capital	3,424,613	2,612,517
	<u>\$ 78,076,693</u>	<u>\$ 79,068,653</u>

The accompanying notes are an integral part of this statement.

ALLEGHENY ELECTRIC COOPERATIVE, INC.  
NOTES TO FINANCIAL STATEMENTS  
OCTOBER 31, 1982 AND DECEMBER 31, 1981

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Utility Plant and Depreciation - Utility plant is recorded at cost. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets. Substantially all utility plant is subject to the liens of the Cooperative's mortgages.

Accounting Methods - The Cooperative's accounting methods are prescribed by the U.S. Department of Agriculture Rural Electrification Administration. Accounts are kept in accordance with REA Bulletin 181-1, Uniform System of Accounts Prescribed for Electric Borrowers of the Rural Electrification Administration.

Change in Fiscal Year - In 1982, the Cooperative changed its fiscal year from a calendar year ending to a fiscal year ending October 31, due to the scheduled start-up of the Susquehanna Nuclear Steam Generating Station.

NOTE 2: ASSETS PLEDGED:

All assets are pledged as security for long-term debt to Rural Electrification Administration.

NOTE 3: UTILITY PLANT:

Provision has been made for computing depreciation using the straight-line method with depreciation rates prescribed by the U.S. Department of Agriculture Rural Electrification Administration as follows:

	Depreciation Rate	Net Utility Plant	
		October 31, 1982	December 31, 1981
Transmission station equipment	3%	\$ 20,206	\$ 20,903
Structures and improvements	3%	7,253	5,591
Office furniture and equipment	6-10%	203,654	150,318
Transportation equipment	20%	62,025	53,600
Laboratory equipment	6%	9,079	9,617
Communication and load management equipment	5%	161,727	123,689
		<u>\$ 463,944</u>	<u>\$ 363,718</u>

Depreciation amounted to \$34,465 for the ten months ended October 31, 1982 and \$35,667 for the year ended December 31, 1981.

ALLEGHENY ELECTRIC COOPERATIVE, INC.  
NOTES TO FINANCIAL STATEMENTS  
OCTOBER 31, 1982 AND DECEMBER 31, 1981

NOTE 4: JOINT OWNERSHIP AGREEMENT:

In January 1978, pursuant to agreements entered into in March 1977, the Cooperative purchased from Pennsylvania Power & Light Company (PP&L) a 10% undivided ownership in the Susquehanna Nuclear Steam Generating Station now under construction by PP&L in Salem Township, Luzerne County, Pennsylvania.

The cost of construction work in progress at October 31, 1982 is \$365,812,220 and \$297,283,087 at December 31, 1981. The following assets shown on the balance sheet represent the Cooperative's 10% ownership of assets other than construction work in progress. Both the Cooperative and PP&L provide their own financing.

	October 31, 1982	December 31, 1981
Nuclear fuel in process	\$ 25,876,758	\$ 20,114,276
Working funds	8,712,388	4,283,300
Miscellaneous current and accrued assets	118,077	63,541
Deferred debits - nuclear production plant	262,042	235,825

NOTE 5: NONUTILITY PROPERTY:

Nonutility property consists of the following:

	October 31, 1982	December 31, 1981
Parking lot	\$ 360,264	\$ 360,264
Building and land - Locust Court	6,203,000	6,186,713
Restaurant - furniture and equipment	289,123	289,123
	6,852,387	6,836,100
Less - accumulated provision for depreciation	468,705	330,536
	<u>\$ 6,383,682</u>	<u>\$ 6,505,564</u>

Nonutility plant is recorded at cost. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets. The estimated useful lives are within guidelines prescribed by the U.S. Department of Agriculture Rural Electrification Administration.

ALLEGHENY ELECTRIC COOPERATIVE, INC.  
NOTES TO FINANCIAL STATEMENTS  
OCTOBER 31, 1982 AND DECEMBER 31, 1981

NOTE 6: INVESTMENTS IN ASSOCIATED ORGANIZATIONS:

Investments in associated organizations is composed of:

	<u>October 31, 1982</u>	<u>December 31, 1981</u>
National Rural Utilities Cooperative Finance Corporation -		
Patronage capital	\$ 491,888	622,606
Membership	1,000	1,000
Capital Term Certificates	2,248,146	1,924,203
Association Building Corp. -		
Capital stock	<u>20</u>	<u>20</u>
	<u>\$ 2,741,054</u>	<u>\$ 2,547,829</u>

The Capital Term Certificates subscribed for were based on the following:

<u>Year</u>	<u>Series</u>	<u>Revenue</u>	<u>Percentage Factor</u>	<u>Subscription Amount</u>
1972	2025	\$ 9,248,453	1.086480%	\$ 100,483
1973	2025	10,468,486	1.012000	105,941
1974	2025	16,476,197	0.900780	148,414
1975	2025	19,585,453	0.805150	157,692
1976	2025	26,228,474	0.762189	199,911
1977	2025	32,383,249	0.723443	234,274
1978	2025	35,459,816	0.684704	242,795
1979	2030	42,589,089	0.667857	284,434
1980	2030	50,164,659	0.637200	290,259 *
	2025 Long-term loan of \$3,200,000			160,000
1981	2030	53,725,856	0.602955	<u>323,943</u>
				<u>\$ 2,248,146</u>

\* Adjusted \$29,390 for 1976, 1977, 1978 and 1979 power cost refunds.

The certificates are fifty-year 3%, unsecured subordinated Capital Term Certificates. Those certificates purchased prior to October 1, 1980 and October 1, 1985 will mature on October 1, 2025 and October 1, 2030, respectively. Interest accrues from the most recent April 1 or October 1, the interest payment dates.

ALLEGHENY ELECTRIC COOPERATIVE, INC.  
NOTES TO FINANCIAL STATEMENTS  
OCTOBER 31, 1982 AND DECEMBER 31, 1981

NOTE 7: TEMPORARY CASH INVESTMENTS:

Temporary cash investments consists of the following short-term investments:

	October 31, 1982	December 31, 1981
NRUCFC - Commercial paper (Interest: 12.25% to 12.625% - 1981)	\$	\$ 4,655,000
Commonwealth National Bank - Repurchase agreement (Interest: 8-1/2% - 1982; 11.375% - 1981)	930,000	208,000
Certificates of Deposit ((Interest: 9.75% - 1982; 11-1/2% to 14-1/2% - 1981)	7,650,000	1,860,000
	<u>\$ 8,580,000</u>	<u>\$ 6,723,000</u>

NOTE 8: DETAIL OF PATRONAGE CAPITAL:

	October 31, 1982	December 31, 1981
Assignable	\$ 2,110,182	\$ 2,241,709
Assigned	<u>13,571,010</u>	<u>11,329,301</u>
	<u>\$ 15,681,192</u>	<u>13,571,010</u>

NOTE 9: DETAIL OF DONATED CAPITAL - MEMBERS:

	Total Contributed	Retired	Balance
Adams Electric Cooperative, Inc.	\$ 19,455	\$ 17,622	\$ 1,833
Bedford Rural Electric Cooperative, Inc.	7,238	6,341	897
Central Electric Cooperative, Inc.	18,619	15,634	2,985
Claverack Rural Electric Cooperative, Inc.	21,862	20,143	1,719
New Enterprise Rural Electric Cooperative, Inc.	159	-	159
Northwestern Rural Electric Cooperative, Inc.	20,768	18,700	2,068
Somerset Rural Electric Cooperative, Inc.	5,667	4,338	1,329
Southwest Central Rural Electric Cooperative, Inc.	-	-	-
Sullivan County Rural Electric Cooperative, Inc.	6,490	5,717	773
Sussex Rural Electric Cooperative, Inc.	6,500	-	6,500
Tri-County Rural Electric Cooperative, Inc.	13,762	11,723	2,039
United Electric Cooperative, Inc.	16,390	14,124	2,266
Valley Rural Electric Cooperative, Inc.	5,474	283	5,191
Warren Electric Cooperative, Inc.	8,083	6,526	1,557
	<u>\$150,467</u>	<u>\$121,151</u>	<u>\$ 29,316</u>

ALLEGHENY ELECTRIC COOPERATIVE, INC.  
NOTES TO FINANCIAL STATEMENTS  
OCTOBER 31, 1982 AND DECEMBER 31, 1981

NOTE 10: LONG-TERM DEBT:

The Cooperative obtained a Rural Electrification Administration guaranteed loan of \$406,408,000 in order to participate with Pennsylvania Power & Light Company (PP&L) in the joint ownership of the Susquehanna Nuclear Steam Generating Station. Subsequent to October 31, 1982 the Cooperative executed a note payable to the Federal Financing Bank in the amount of \$200,000,000 pursuant to a commitment of an additional Rural Electrification Administration guaranteed loan to finance the additional cost of the Susquehanna Nuclear Steam Generating Station. The balance payable at October 31, 1982 amounted to \$391,789,000; and at December 31, 1981 the balance payable amounted to \$316,093,000.

The loan is comprised of 81 separate notes which vary in interest rate and maturity date. The amounts by maturity dates are as follows: Terms of the loans permit refinancing at maturity dates.

1982	\$ 5,752,000
1983	48,410,000
1984	159,078,000
1985	47,121,000
2012	123,916,000
2013	<u>7,512,000</u>
	<u>\$391,789,000</u>

The Cooperative obtained a loan of \$3,200,000 in 1980 from National Rural Utilities Cooperative Finance Corporation to purchase its headquarters building at 212 Locust Street, Harrisburg, Pennsylvania. The balance payable at October 31, 1982 amounted to \$3,168,206; and at December 31, 1981 the balance payable amounted to \$3,179,539. The terms include interest payable at 9-1/4% with a maturity date of January 31, 2015. The loan is being amortized monthly with payments of \$77,218. Interest paid for the ten months ended October 31, 1982 amounted to \$244,569.

The Cooperative executed two notes amounting to \$722,000 guaranteed by the Rural Electrification Administration, to finance feasibility study costs associated with proposed hydroelectric projects. Advances of \$435,000 had been made on the notes as of October 31, 1982 and December 31, 1981.

The Cooperative and the United States Department of Energy entered into a feasibility study loan agreement in the amount of \$100,000 on November 17, 1980. The balance payable at October 31, 1982 amounted to \$100,000; and at December 31, 1981 the balance payable amounted to \$90,000. Interest in the amount of \$11,152 has accrued to October 31, 1982. The interest rate on the loan is 7-3/8% per annum. The loan including interest is to be repaid over a maximum period of ten years.

The line of credit in the amount of \$12 million, from National Rural Utilities Cooperative Financing Corporation (CFC) as of October 31, 1982, had been increased on January 31, 1983 to \$43,500,000, which is the maximum combined principal amount that can be outstanding at any one time on the CFC and other bank lines of credit. Any unpaid principal amount of all advances is payable by January 30, 1984. The balance payable to CFC as of October 31, 1982 amounted to \$571,000. No balance was outstanding at December 31, 1981.



ALLEGHENY ELECTRIC COOPERATIVE, INC.  
NOTES TO FINANCIAL STATEMENTS  
OCTOBER 31, 1982 AND DECEMBER 31, 1981

NOTE 10: LONG-TERM DEBT (CONTINUED):

The Cooperative secured on December 16, 1982 a line of credit in the amount of \$12 million from the Baltimore Bank for Cooperatives, Baltimore, Maryland. Any advances made must be repaid by January 1, 1984.

The Cooperative's maximum authorized indebtedness was established by board resolution in August 1977 at \$2 billion.

NOTE 11: INCOME DEDUCTIONS:

Income deductions include:	October 31, 1982	December 31, 1981
Interest on long-term debt	\$ 34,499,700	\$ 28,111,200
Interest charged to construction	(34,499,700)	(28,111,200)
Preliminary survey and investigation expenses related to abandoned projects	<u>106,156</u>	<u>14,955</u>
Totals	<u>\$ 106,156</u>	<u>\$ 14,955</u>

As provided in the Uniform System of Accounts, the cost of funds used to finance construction is capitalized as part of construction cost.

NOTE 12: INTEREST INCOME:

Interest income is composed of the following:

	October 31, 1982	December 31, 1981
Temporary cash investments	\$ 958,762	\$ 1,049,605
NRUCFC Capital Term Certificates	<u>48,904</u>	<u>51,213</u>
Total interest income	<u>\$ 1,007,666</u>	<u>\$ 1,100,818</u>