

Holmes-Wayne Electric Cooperative, Inc.

2010 Annual Meeting

Holmes-Wayne Electric's annual meeting of the members was Thursday, June 24, at West Holmes High School. More than 900 members and guests attended the meeting. If you were unable to attend the meeting, please take a few moments to review the following pages of information that was shared. As a member/owned organization, we understand the tremendous responsibility of keeping our members informed and educated on the activities and growth of Holmes-Wayne Electric Cooperative. Below is the speech I shared at the annual meeting.



President's Report
Glenn Miller

Good evening. Tonight we celebrate 75 years of providing electric service to you, our members. I would like to briefly update you on the accomplishments of your cooperative during the last year and plans for the year ahead.

In our continuing effort to improve reliability, we recently completed a \$16.4 million dollar work plan. This focused on building tie lines between substations so we can transfer effected members to other substations in the event of transmission-related outages. This will not eliminate outages from our transmission supplier but will greatly reduce the length of an outage. This was a large project and was originally projected to take four years to complete. The work was completed in just 2-1/2 years. This included 146 miles of line rebuilding that greatly enhances the backbone of our system. I am very proud of our staff and contractors to get all this work accomplished ahead of schedule, but more importantly, completing this in a safe manner.

Tree limbs on the power lines is our number one source of power outages. So back in 2004, we began a strategic tree trimming program. Currently, we are in our second system wide four-year cycle of trimming. This work is contracted to a third party and is annual bid process. All totaled, in the six years of the program, we have trimmed 2,470 miles of our system. This year, we will trim another 406 miles in Mohicanville, Clear Creek, West Salem, Golden Corners and North Wayne substation areas.

If an outage does occur, we now offer outage management listing that can be viewed on our website. Another way we our increasing our communication and customer service to our members.

New services are down considerably due to economic conditions, however; your cooperative still grew slightly last year. In 2009 we added 186 new services. This brings the total number of services at years' end to 18,457.

Our staff remains active in promoting energy efficiency and safety. We visit local schools, safety fairs and talk with youth in 4-H and scout troops, just to name a few. Last fall we conducted energy savings days at both our West Salem and Millersburg offices.

In an effort to help you better manage your costs; we added a consumption history graph to your monthly bill last fall. Additionally, we introduced the "kill-a-watt" program to help you educate yourself on your use. These monitors are available for a

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Board of Trustees

Ronnie Schlegel, Chairman Donald Buren, Vice Chairman Larry Martin, Secretary/Treasurer
David Mann Randy Sprang Kenneth Conrad Kenneth Bower Bill Grassbaugh Barry Jolliff

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Chairman Schlegel's address to the membership

The text of Board Chairman Ronnie Schlegel's address to the membership at June's Annual Meeting.

Good evening! I would first like to thank you for the honor of serving as your board chairman for such a strong and well respected cooperative. The past year has been another active year for your nine-member board.

Recently, the board retired over \$914,000 of capital patronage credits back to you, the members. This is a retirement for members living on our lines in 1989. Capital credits are a reminder of the principles of which this cooperative was established on.

In the past year, the board has spent several Saturdays and monthly board meetings strategically planning for the growth and future needs of the Cooperative. It is a constant effort to balance the quality of service at an economical price. That challenge has increased over the past few years with the dramatic transition of the electric industry. The price to produce electricity is in a very volatile market which is being greatly influenced by the world market impact on fossil fuels, the research and development of green energy, the investment in equipment to meet environmental emission requirements, the increasing price of transmission, the purchase of additional generation facilities to meet consumer demand and the proposed legislative climate change policies. The board continues to monitor these changes on a monthly basis. We are currently reviewing the most recent increase from Buckeye Power, our generation company, to discuss the impact on Holmes-Wayne Electric and the appropriate future rate adjustment.

Additionally, we are excited to be celebrating 75 years of service for Holmes-Wayne Electric Cooperative. As a token to recognize this historical milestone, you will be receiving not only your pack of compact fluorescent light bulbs to help reduce your energy consumption but also a commemorative 75th anniversary mug.

It's hard to believe that just 75 years ago, rural America was still in the dark. Electricity was offered in the cities but not to rural areas because it was not profitable for the electric provider. Fortunately, enterprising farmers and community members in Holmes and Wayne counties saw the situation much differently. In October 1935, they formed a not-for-profit, member-owned cooperative and built lines to electrify our countryside.

Throughout the 75-year history of rural electric

cooperatives, we have seen a variety of changes. We as member-owners have used grassroots efforts to protect and improve the lifestyle of our rural communities. The time has come again that we must speak out for rural America. Recently legislation has already eliminated our REA or now known as RUS loans for fossil fuel new facilities construction and even eliminated loan opportunity for purchasing equipment to reduce federally mandated emission regulations. Currently federal and state energy and environmental legislation being considered could drastically raise the price of electric for Holmes-Wayne members. We find this very alarm-

ing. As a cooperative, our mission is to provide electric to our member/owners at a reasonable price. We take this responsibility seriously.

In May, I had the opportunity to travel to Washington, D.C., with our President/CEO Glenn Miller and our VP of Engineering and Operations John Porter to represent Holmes-Wayne Electric at this year's Legislative Conference. During this three-day visit, we met with Ohio congressmen to express our concerns regarding proposed energy and environmental policies and the devastating impact this would have on our members. With thousands of rural cooperative staff and board members in attendance, we were able to represent over 42 million cooperative members in 47 states. That's a loud voice that our congressional representatives need to hear from.

You, a member-owner, also have the opportunity to let your congressman know that you are concerned about maintaining affordable electric. By completing the post card located at your table, you with other rural Americans across the heartland of our nation can make your voice be heard and can make an impact. We ask that you complete the "Our Energy, Our Future" post card. When exiting the building this evening, you will receive your light bulbs and mug, please submit this post card with your bill credit. We will make sure your legislative representatives receives it.

Also you can take confidence in the efforts of your board of trustees and Holmes-Wayne staff is with you in this fight to keep electric affordable. All nine board members and entire leadership staff at HWEC are contributing to the Action Committee for Rural Electrification® (ACRE). ACRE supports congressional candidates, regardless of party, who share public policy goals that are consistent with the mission of member-owned electric cooperatives. Also, half of the contributions to ACRE are

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Chairman
of the
Board

Ronnie
Schlegel

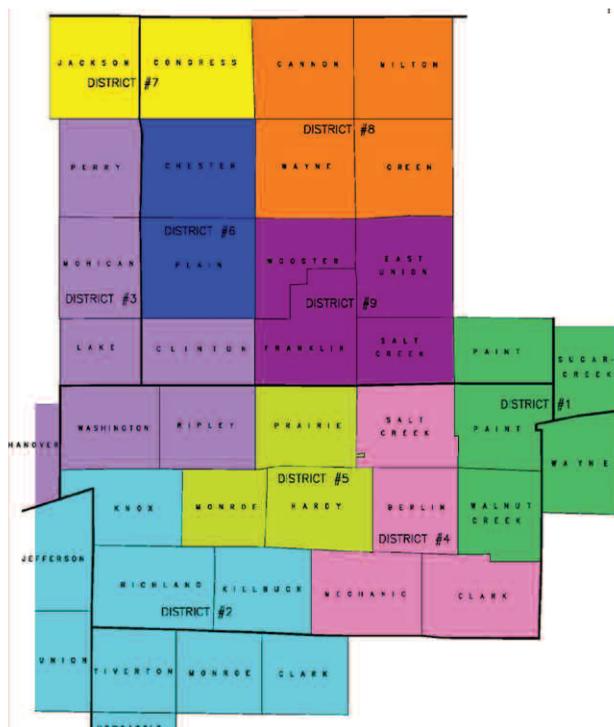


2010 Annual Meeting



2010 Trustee Election

This year's trustee election was conducted again by a third party vendor via mail. More than 2,100 Holmes-Wayne Electric members voted via Internet and return mail. Three incumbent trustees were re-elected to the board. William Grassbaugh of Glenmont won election to serve District 2, Barry Jolliff of Wooster was re-elected to serve District 8 and David Mann of Shreve will serve as trustee for District 9.



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30-day free rental at both locations.

We feel it is essential to the success of your cooperative to provide training and development of our entire staff. Congratulations are in order for Darin Stafano, Josh Johnson and Steve Asbury for completing their four-year apprentice program and graduating as Class A linemen. Fred Combs completed the merchants' lineman training program recently, as well.

Your cooperative continues to prosper in the area of community service. I am proud to announce again this year, the Holmes-Wayne Electric Relay for Life team donated \$10,160 to The American Cancer Society Relay for Life Fund. This makes the sixth consecutive year at the \$10,000 level. All money was raised entirely by our staff, their spouses and board through various fund raising activities. A big thanks to everyone in making this such a success. A special thanks to our team captains Nolan Hartzler and Gary Snyder.

Your cooperative is also a vital part of the local tax base. In 2009, we paid \$1.37 million dollars in Kilowatt-Hour Tax to the State of Ohio. Additionally, we paid \$756,000 in property taxes that benefit 12 local school districts, as well as, local governments.

Moving forward, this year we start a new \$16.5 million dollar work plan. Approximately \$10.5 million is again focused on line rebuilding. In addition to all the major projects, there will be numerous smaller upgrades to our electrical system.

We continue to be actively involved in the legislative process. The current proposed climate change legislation has been our main focus for past couple of years. The initial legislation would have been devastating to co-op members, increasing as much double your current monthly bill. We have made some progress, but there are still some fundamental problems with this legislation, mostly affordability. We continue to remain vigilant to protect your interests. However, we need your help like never before. Last year you stepped up to the plate with 852 of you joining the "Our Energy, Our Future" campaign sending out more than 3,300 messages to our federal legislators. This has been a very successful program and I sincerely thank you for your participation. Tonight I would invite you take it to the next level.

As a member-owner company, we feel it is our responsibility to make you aware of the options you have to keep your power affordable. We face proposed legislation with damaging potential impacts to your monthly electric bill. The climate change and renewable energy proposals, have noble intentions, but are not likely achievable with current technologies and certainly they come with a big price tag. You can join other cooperative owners by becoming a member of COPA (Co-op Owners Political Action®), for \$25 per year or just \$2.08 per month, which we can simply add to your bill. Ohio has become a leader across the nation in this program. Hopefully, you had the opportunity to discuss the program with Mr. Marc Armstrong from our statewide organization tonight. Marc, the board and I will be available at the conclusion of the meeting to answer any questions you may have regarding the COPA program and we would encourage you do so.

There is a card on the table in front of you. If you are interested in becoming a member please fill out the card and simply drop in the box with your bill credit as you leave tonight. This is a small investment compared to the potential impact of this legislation. Please continue to look for updates on the status of this legislation in your Country Living magazine.

In closing, I hope you have found all the investments and efforts made this past year, have added value to your electrical service. It is our continued goal to provide you reliable electric service and keep costs affordable for you.

Thanks again for attending tonight; I truly hope you enjoyed the evening.

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returned to the statewide associations for use in state elections.

Additionally, as you will hear later this evening, you will have the opportunity to join the Cooperative Owners Political Action® (COPA). Every rural electric cooperative member from over 900 cooperatives across America can join this political action

committee. Currently, there are more than 34,000 like-minded COPA members nationwide.

In closing I would like to thank the staff at Holmes-Wayne Electric for another year of dedication and hard work to providing quality service to our members as we continue to strive as a board and staff to elevate our service to you. Thank you.