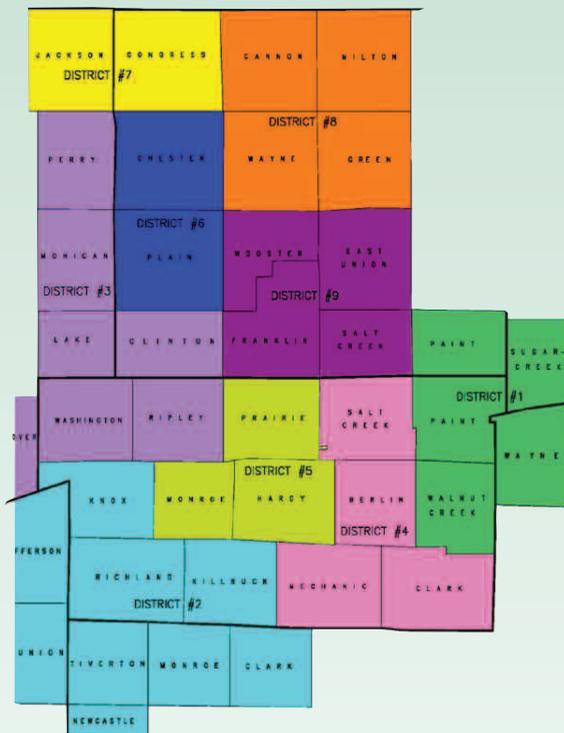


Holmes-Wayne Electric Cooperative, Inc.



2011 HWEC Annual Meeting

Holmes-Wayne Electric's annual meeting of the members was Thursday, June 30, at West Holmes High School. More than 950 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.



2011 Trustee Election

This year's trustee election was conducted again by a third party vendor. More than 1,900 Holmes-Wayne Electric members exercised their right as members to vote via Internet and return mail. Three incumbent trustees were re-elected to the board. Kenneth Conrad (right) of Clark won election to serve District 4. Ronnie R. Schlegel (center) of Holmesville was re-elected to serve District 5. And Kenneth L. Bower of Wooster will serve as trustee for District 6.



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

6060 St. Rte. 83; P.O. Box 112
Millersburg, OH 44654-0112

Business hours 7:30 a.m.-4 p.m.

www.hwecoop.com

24-Hour Toll-Free Phone:

866-674-1055 or 888-264-2694

A Touchstone Energy® Cooperative 
The power of human connections®

President's Report

Glenn Miller, President/CEO

Good Evening. I would like to briefly update you on the accomplishments of your cooperative during the last year and plans for the year ahead.

Last year we began a \$16.5 million work plan. Approximately \$10.5 million is again focused on line rebuilding. Our main investment is in the system that provides your service. In the last four years alone we have rebuilt approximately 200 miles of the system.

Tree limbs on the power lines are the 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.

All totaled, in the seven years of the program, we have trimmed 2,875 miles. This year, we will trim another 423 miles in Buckhorn, Drakes Valley, Killbuck and Stillwell substation areas. This work is bid out and contracted annually.

New services are down considerably due to economic conditions; however, your cooperative still grew slightly last year. In 2010 we added 144 new services. This brings the total number of services at year's end to 18,462.

Our staff remains active in promoting energy efficiency and safety. We visit local schools and safety fairs and talk with youth in 4-H and Scout troops, just to name a few. The last two years we have conducted Energy Savings Days at both our West Salem and Millersburg offices.

We also have an energy advisor available to do home energy audits as a service to you to help you manage your costs.

We continue to focus on technology advances that create many efficiencies and cost savings. Recently, we engaged a mobile workforce adding computers in our vehicles. This gives our personnel up-to-date information and streamlines our work processes greatly.

Outage management was added to our website and now updates every 15 minutes. That's another way we are increasing our communication and customer service to our members.

Your cooperative continues to prosper in the area of community service. I am proud to announce this year that the Holmes-Wayne team donated \$8,000 to the American Cancer Society's Relay for Life Fund. We have donated more than \$75,000 over the last eight years.

All the money was raised entirely by our staff, staff family members, the board of trustees and retirees through various fundraising activities. A big thanks to everyone for making this such a success. A special thanks to our team captains Nolan Hartzler and Gary Snyder.

Our staff participates additionally in parades, answering phones for the Share a Christmas program, touch a truck day in Wayne County, Reality Day in Holmes County and concessions stands at local ball games, just to name a few.

We have, I feel, the best staff you will find anywhere in our

industry. They are hard-working, dedicated and loyal in providing your electric service and being good members of our community.

Your cooperative is also a vital part of the local tax base. In 2010 we paid \$1.39 million in Kilowatt-Hour Tax to the state of Ohio. Additionally, we paid \$802,000 in property taxes that benefit 12 local school districts as well as local governments.

Being actively involved in the legislative process is important to the cooperative. Last year we introduced the Co-op Owners Political Action program as a way for you to be active and heard in the legislative process — 210 of you joined us, and I want to thank you for your participation and interest in the legislative process.

Recently, we hosted a meeting for the Holmes-Wayne Electric COPA members with State Representative Dave Hall and United States Congressman Bob Gibbs. Mr. Hall gave an update on the issues in the Statehouse, while Mr. Gibbs briefed us on the issues in Washington, D.C.

This was a great opportunity to learn and ask questions on

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political issues. We are lucky to have this kind of access to our local representatives, and it's an added benefit for our COPA members.

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 continue to remain vigilant to protect your interests.

You can join other co-op 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.

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.

Board Chairman's Report

Ronnie Schlegel, Chairman of the Board of Trustees

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

Recently, the board retired more than \$1,039,000 of capital patronage credits back to you, the members. This is a retirement for members living on our lines in 1990. Capital credits are a reminder of the principles on which this cooperative was established.

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 of electricity;
- the purchase of additional generation facilities to plan for future consumer demand;
- and balancing a fluctuating demand for energy with the fluctuating economy.

The board continues to monitor these changes on a monthly basis.

The board is proud to announce that there are no plans for a rate adjustment in 2011. The last two years you have seen rate adjustments due to the increased cost to generate electricity from our generation provider, Buckeye Power. Later this evening, Bill Roberts from Buckeye Power will share with you the details behind those rate changes. He also will share how federal regulations of the future would dramatically impact your rates.

Over the past couple of years, we have seen a variety of new proposals from the federal level regarding fossil fuel generation. We understand the importance of communicating with lawmakers about the facts of our industry and the impact of legislation on you, the members of the cooperative.

In May, board members Randy Sprang and Dave Mann went to Washington, D.C., to represent Holmes-Wayne Electric at this year's Legislative Conference. During this three-day visit, they 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 more than 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 electricity. At last year's annual meeting, we introduced the COPA program, which is the Co-op Owners for Political Action program. This program tells your state and federal elected officials that you are committed to

promoting policies that will secure the future of our electric cooperative and our community.

There are more than 34,000 like-minded COPA members nationwide. Maintaining a strong grassroots presence in the political process is vital to the long-term success of our cooperative and cooperatives nationwide. If you haven't already, please stop at the exit on your way out and learn more about the COPA program. Zane Daniels is part

of our government affairs staff at Buckeye Power.

Also, you can take confidence in the efforts of your board of trustees and that the Holmes-Wayne staff is with you in this fight to keep electricity affordable. All nine board members and the 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 returned to the statewide associations for use in state elections.

Closer to home, the board has approved the remodeling of our district office in West Salem. This office generally serves both Wayne and Ashland county members.

Also, we continue to encourage Holmes-Wayne members to manage their electric bill through energy efficiency. As a board we are committed to providing tools for our members to reduce their consumption and therefore manage their bill. Whether you're taking advantage of our website packed full of energy efficiency tips, contacting our energy advisor, Kenny DePriest, on home energy audits or attending one of our energy savings day in the fall, we hope you are utilizing these services and tools to make your home or business more energy efficient. As we have done in the past, as you exit we will provide each of you with a pack of energy-efficient light bulbs.

In closing, I would like to thank each of you for attending this year's annual meeting and keeping a vested interest in your rural electric cooperative. As a board, we continue to strive to elevate our service to you.

"The board is proud to announce that there are no plans for a rate adjustment in 2011."



Holmes-Wayne Electric Announcements

Holmes County Farm Tour - Aug. 20 - 8 a.m.-6 p.m.
Chicken BBQ

Come tour the cooperative office and meet our personnel. We will have a chicken BBQ and bucket truck rides for the kids. All funds raised from the chicken BBQ will go to the American Cancer Society Relay for Life. To pre-order, call 330-674-1055.

Buckeye Power Report

Bill Roberts, VP Finance, Buckeye Power, Inc.

Thank you for allowing me a few brief minutes to talk about the issues affecting your monthly electric bill.

Buckeye Power is the power generation supplier to all of Ohio's electric cooperatives. By keeping a sharp eye on costs over the year, Buckeye has been able to become the low-cost provider of power generation in Ohio, something our cooperative forefathers probably never imagined possible when Buckeye Power began operations back in 1968.

That said, we are in a difficult period. The cost of owning and operating power plants continues to rise. Buckeye Power has invested in generating plants sufficient to meet all our members' current and anticipated power supply requirements for the next several years. After 25 years of slow but steady growth in sales that helped lead to lower costs per kilowatt-hour for everyone, we have recently experienced a drop in demand for power over the past two years of what many are calling the "Great Recession." This has led to an increase in the cost per kilowatt-hour produced.

Fortunately, we have begun to see a return to the long-term trend of slow but steady growth in electricity demand. However, we project that our wholesale rates will continue to move up modestly over the next couple of years, due primarily to environmental investments necessary for the long-term operation of our coal-fired generating plants coupled with increases in costs for basic commodities such as coal, copper, steel and other necessities for operating our plants.

Now, let's talk about EPA regulations. Although the "cap and trade" threat of the past few years appears dead for the time being, we are now facing an aggressive attack on fossil fuel power generation facilities by the U.S. EPA as part of its attempt to regulate carbon dioxide, economy-wide, which will have an impact on every American.

EPA is putting a full-court press on all coal-fired power generators, requiring them to rapidly upgrade all plants to minimize environmental impacts of all types, right to the edge of what is physically possible. We do not oppose common sense environmental investments that use proven technology to make meaningful reductions in environmental impacts. In fact, Buckeye Power is one of the leaders in clean coal generation and has invested hundreds of millions of dollars in state-of-the-art environmental controls at each of our coal fired plants. Unfortunately, this still may not be enough for those writing the rules at the U.S. EPA.

U.S. EPA currently has proposed regulations pending to:

1. Classify coal ash as hazardous waste (despite decades of beneficial uses

in road and building materials).

2. Restrict the use of river water to cool power turbines at plants that have been operating for decades.

3. Quickly and significantly reduce emissions of traditional pollutants despite significant reductions already achieved over the past 10- and 20-year periods.

4. Require "MAXIMUM ACHIEVABLE" reductions in more hazardous emissions to levels we are still trying to determine how to reliably measure (Parts per TRILLION replaces parts per BILLION)

In each case, the proposed rules either ignore or distort the cost of meeting these new regulations, and underestimate both the limits of current technology and the time required to make required improvements.

Those in the power generation business term this the EPA COMPLIANCE TRAINWRECK. If EPA is successful in promulgating these extreme proposals, a lot of older coal-fired generating plants will simply be closed down. The cost to operate the best plants will increase.

If that happens, Americans could be caught in some rough cross-currents: higher rates, less reliability and the effects these have on an already weak economy.

So what can we do? We think there are a few things that make sense:

1. CHECK IN - STAY INFORMED - READ *COUNTRY LIVING* MAGAZINE. In it we try to give you at least one article monthly to help you make sense of the changing world of energy policy and regulation.

2. CONTACT YOUR LOCAL COOPERATIVE and ask how to join in with cooperative members like yourself across the nation in the "Take Action" program. This political action program helps to amplify your voice with other cooperative consumers to help our elected officials hear our interests.

3. SUPPORT YOUR LOCAL COOPERATIVE LEADERS in their efforts to keep your electricity affordable and reliable.

4. MAKE YOURSELF MORE EFFICIENT in your use of energy. Conserve it, use it wisely and, when an appliance fails, be sure to replace it with a more efficient model that makes sense for your budget.

In closing, and most importantly ... continue to support your local electric cooperative. Though these times are turbulent, the trust that consumers have in the cooperative not-for-profit model has remained rock steady. We have a commanding lead in the industry for customer satisfaction because all our efforts are directed towards getting you the best price at the highest quality. We are all in this together.

Thank you very much for your time.