



The **VALUE** of co-op membership



Glenn W. Miller
President/CEO

THERE ARE THREE MAIN TYPES of electricity providers in the U.S. Investor-owned utilities (IOUs) serve mostly densely populated areas. Municipal-owned utilities also serve densely populated cities, from the very large, such as Los Angeles, to the very small towns like Orrville. And of course, there are rural electric cooperatives like Holmes-Wayne Electric Cooperative that serve less-populated parts of the country.

In the electric utility industry, population — also called consumer density — is a major consideration. To serve any given area, a utility must build and maintain the necessary infrastructure. The cost to do so is a relatively fixed cost. The higher the number of customers served in that area, the more the utility can spread its costs over accounts, which should allow it to keep the costs per account and its rates lower. At least, that is the theory.

The graphic at right shows the national averages of density and revenue per mile of power line for IOUs, municipal-owned utilities and electric co-ops. Municipal-owned utilities, which operate in cities and towns, have the greatest density — 48.3 customers per mile of line, generating an average of \$113,301 of revenue. IOUs, which operate as a regular for-profit company that pays dividends to stockholders, follow with 34 customers per mile of line and generate average revenues of \$75,498. Electric co-ops average 7.4 members — members, not customers — per mile of line, bringing in an average of \$14,938 of revenue per mile.

HWEC serves 7.6 members per mile of power line.

If I were to give this data to any business school in the country and ask, based on this information, what the rates

should be for each of the utilities, the answer would likely be that electric co-ops would have a rate 7.5 times greater than municipal-owned utilities and five times higher than IOUs — but that is not the case. Why not?

It has to do with the business model. IOUs are owned by outside investors that may or may not be users of the electric utility they own. These companies' stocks are traded on Wall Street, and those investors demand a return on their investment. This drives up the price their customers pay. Many municipal systems charge rates that generate a "profit" for their cities to help pay for other services.

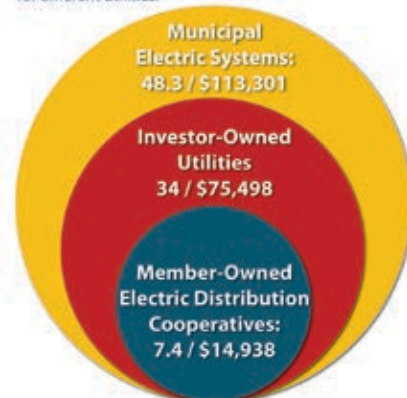
Holmes-Wayne Electric Cooperative operates on a not-for-profit basis. Of course, we are a business and must generate enough revenue to cover costs, the largest being the purchase of wholesale power. But we don't have to charge rates to pay outside stockholders.

Because you, our members, are also our owners, we can provide safe, reliable and affordable power and return all margins back to you as patronage capital credits. That is just another way your co-op brings you value. ☺

Revenue in Review

Because of higher population densities (more consumers served per mile of line), municipal electric systems and investor-owned utilities receive more revenue per mile of line than electric cooperatives.

Consumers served/revenue per mile of line for different utilities:



Source: National Rural Electric Cooperative Association, September 2013

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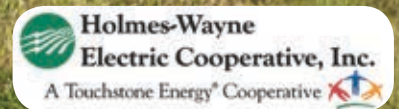


In April and May, Holmes-Wayne Electric Cooperative will be working with NRECA Market Research Services to complete a member satisfaction survey. The surveys will be both by phone and e-mail, but not everyone will be contacted. If you are contacted, we would greatly appreciate a few minutes of your time to share your opinions of the cooperative.

We strive to provide all members with safe, affordable and reliable electric service. By participating in the survey, you will help us make decisions that benefit you, your family and your neighbors.

Thank you!

All information is confidential.



New technology, good habits improve reliability

IT'S A SIMPLE PREMISE: When you flip the switch, the lights should come on. And at Holmes-Wayne Electric Cooperative, we work hard to provide you electricity every hour of every day.

Even as we provide you with reliable electricity, we face continual threats. Maybe it's the ever-changing Ohio weather, bringing ice, wind or lightning. Maybe a neighbor forgets to call before he digs up his backyard. Maybe someone slides off the road and hits a utility pole.

All the while, we're preparing for what may come tomorrow. It's a tall order. With more than 2,200 miles of distribution power lines, we have a lot of ground to cover. So when the lights go out, we cover it as quickly as possible.

In the last few years, we have invested in a system called SCADA, which allows us to monitor our equipment within a substation 24 hours a day. Each HWEC line crew is equipped with iPads to receive service orders and outage requests electronically, and

the tablets also allow linemen to monitor the outage system during major storms for safety purposes.

Plus, we have great employees with tremendous expertise in maintaining and repairing our infrastructure. All line personnel participate in monthly safety meetings and industry-specific training.

As your locally owned and operated not-for-profit utility, we deeply care about the areas we serve. We evaluate and deploy cost-effective system upgrades and preventive maintenance strategies across our eight-county service area.

We also work hard all year to keep trees away from power lines to prevent outages. Our tree-maintenance and vegetation-control programs are on a four-year cycle. Since the program's implementation 11 years ago, we have seen a significant reduction in tree-related outages.

This combination of expertise, technology and our local focus helps us meet new challenges and exceed your expectations. ☺

Safe digging starts by calling **811**

FROM PLANTING SHRUBS to building a fence, many outdoor projects require digging. This spring, Holmes-Wayne Electric Cooperative, Inc., and Safe Electricity (SafeElectricity.org) remind you to call 811 before the shoveling begins. This simple step could prevent serious injury or even save your life.

“Outdoor projects take planning and preparation,” says Molly Hall, executive director of the Energy Education Council and its Safe Electricity program. “Part of that preparation is planning to avoid underground utilities, and 811 helps both consumers and contractors to do this.”

The 811 “Call Before You Dig” number is a free national line that was created to help prevent people from coming into contact with underground utility lines during digging projects. When you call, 811 routes you to HWEC’s locating service. Make sure to tell the operator where you plan to dig and what type of work you will be doing. From there, it takes a few business days for a professional to come and mark your public utilities with flags or spray paint.

If you are in a rush to complete a project, a few days might seem like a long wait. But a relatively short waiting period can spare you an injury that could take years of recovery. Even digging profes-

sionals can run into trouble with buried power lines.

Tom Dickey, a contractor for an underground utility provider in Auburn, Ill., learned the dangers of underground electricity years ago when he was on the job. Dickey was asked to add a small task at the end of the workday — after his safety gear was already headed back to the shop in another truck. He made a decision that put time and efficiency above safety. With one accidental slip, he came in contact with lethal levels of electricity. Fortunately, Dickey survived, but years later, he still copes with the pain.

Even if you previously had utilities located by calling 811, it is best to call before every digging project. Underground utility lines can shift, and it is important to be certain of where they are.

We care about our members’ safety and urge you to start all outdoor digging projects the safe way by calling 811. For more information about 811 and electrical safety, visit call811.com and SafeElectricity.org.

SAFE ELECTRICITY is the safety outreach program of the Energy Education Council, a nonprofit organization with more than 400 electric cooperative members and many others who share the mission of educating the public about electrical safety and energy efficiency.



**Know what's below.
Call before you dig.**

Holmes-Wayne Electric Announcements

Save time and money when paying your bill

If you haven't taken advantage of one of our easy bill-payment options, what are you waiting for? All of the services described here are free to our members. You can use any of these services to conveniently report your meter reading and make a payment.

1. Pay by phone — toll-free 866-674-1055. You can speak to a member service representative 24 hours a day, or you can use the automated system.
2. Our website — www.hwecoop.com
3. Mobile app — SmartHub (learn more at hwecoop.smarthub.coop)

There is no additional charge for credit card payments. So save yourself the cost of a check and postage by trying out our user-friendly options.



If it's not in use, **TURN OFF THE JUICE**

Saving energy saves more than money

REDUCING HOUSEHOLD ENERGY USE doesn't mean doing without. It doesn't require walking around your house wearing extra sweaters and earmuffs in the dead of winter or stripping down to the bare essentials in the summer. It means being smarter about how you manage the energy you do use.

Consider Holmes-Wayne Electric Cooperative, Inc., your trusted resource for exploring energy-saving strategies. Not-for-profit, member-owned electric co-ops want to help their members.

Energy efficiency means performing the same job and getting a similar outcome using less energy. This efficiency is often achieved through a mechanical change, such as replacing an older, less-efficient appliance with a new model, but sometimes a minor change of habit is all that's needed — that could include dimming lights, turning down the thermostat or washing clothes in cold water instead of hot.

The benefits of energy efficiency

Modern life means we are placing increasing demands on all forms of energy. For example, consumers are more reliant on devices, computers, cellphones, sophisticated home entertainment and video gaming systems, and “smart” technology that all use electricity. The wide array of new electronic devices is improving our quality of life, and electric co-ops are promoting efficiency to bring new conveniences at a lower cost.

Energy efficiency is sometimes referred to as the “first fuel” because the easiest way to reduce fuel cost and carbon dioxide emissions is to save energy. Protecting and preserving the quality of water and air is our shared responsibility. Using less energy may even boost the economy by relieving the ever-tightening family budget, allowing dollars to be spent on more tangible goods.

According to the January 2014 Nielson U.S. Consumer Energy Sentiments Report, 91 percent of consumers are willing

to change their energy-use behavior to save money on energy costs. The same report indicates that 77 percent would change their behavior out of concern for the environment.

Your co-op can help you use less electricity

Consumers recognize that becoming more energy efficient is the smart and right thing to do, but they are also looking for guidance on how to do just that. Holmes-Wayne Electric is your trusted, local resource for helping you develop individual plans tailored to your needs and our climate here in Ohio. Our employees understand better than most that every household has its own complex energy system.

HWEC Energy Advisor Kenny DePriest offers energy audits, energy-saving tips and recommendations on how your home or business can save the most energy and money, from big changes to small. Contact Kenny toll free at 866-674-1055. ☎

FIVE TIPS FOR SAVING ENERGY AT HOME

- 1 Set a programmable thermostat to turn down the heat when the house is empty or everyone is asleep.
- 2 Insulate your electric water heater.
- 3 Plug leaks around windows, doors and power outlets with caulk and weather stripping.
- 4 Purchase ENERGY STAR® products.
- 5 Monitor your electricity use to spot trends and sudden changes.

