



Holmes-Wayne Electric Cooperative, Inc.

2014 HWEC Annual Meeting



Board of Trustees

Randy Sprang, Chairman
Kenneth Conrad

Dave Mann, Vice Chairman
Bill Grassbaugh
Barry Jolliff

Kenneth Bower
Jackie McKee
Don Buren
Ronnie Schlegel

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The power of human connections®



More than 750 members and guests attended the 78th annual meeting of Holmes-Wayne Electric Cooperative at West Holmes High School. Ken Conrad, District 4, and Ronnie Schlegel, District 5, were re-elected to the board of trustees, and Jonathan Berger was newly elected to represent District 6. Voting was conducted by mail ballot before the meeting.

Board Chairman Randy Sprang reported the cooperative was able to refund patronage capital credits to members totaling more than \$1 million in the past year and more than \$12.3 million in the past 10 years, signaling that Holmes-Wayne Electric is in strong financial shape.

"I'm pretty sure no other utility has sent you a check in the this year or in the past 10 years," Sprang said. Rather than providing dividends to stockholders, cooperatives return excess revenue to its consumer-members in the form of capital credits, based on patronage.

Dan Mathie, the cooperative's attorney and president of the Operation Round Up board, said members had donated just over \$63,000 in 2013 alone to local community members in need, bringing the total giving to about \$387,000 in the nine years since the program began.

"Who would have thought something as simple as rounding your bill up could have such a big impact in the community," Mathie said. Operation Round Up allows members to voluntarily round up their electric bills to the next dollar, with the spare change staying locally to help individuals, families and groups who might not be able to find assistance elsewhere.

Holmes-Wayne Electric President and CEO Glenn Miller addressed the accomplishments of his staff in the past year and a look forward into the future, including the launch of a four-year, \$16.5 million work plan that aims to rebuild infrastructure to continue to enhance service reliability.

He also reported that Holmes-Wayne Electric continues to have some of the lowest electric rates in the state

as compared to the 24 other electric cooperatives serving Ohio, but recently proposed regulations by the U.S. Environmental Protection Agency could threaten the cooperative's responsibility to provide affordable, reliable electricity.

"We certainly support clean air and water, but we must be reasonable to consider the economic impact on electric rates and jobs that will be affected," Miller said. "We will continue to remain vigilant in protecting your interests."

Seconding that notion was Tony Ahern, president and CEO of Buckeye Power, Inc., Holmes-Wayne Electric's cooperative-owned wholesale power supplier, and Ohio Rural Electric Cooperatives, Inc., the statewide service organization. Ahern noted that the EPA will not release its data for analysis by outside environmental experts, and early estimations by economics experts suspect the costs of this regulation may exceed the direct, domestic benefits.

"The higher costs associated with these regulations will have a more severe impact on lower income households, which is why consumer and industry groups are voicing their concerns," Ahern said. "The EPA, like every other government institution, should be accountable to the American people. We need to protect our environment, but this should be done on the basis of open and honest information."

Members and guests were encouraged to fill out comment cards at the meeting, telling the EPA that Americans need common-sense solutions to protecting the environment and maintaining an affordable and reliable supply of electricity. They can also visit www.action.coop to send an electronic message.

Beforehand, members enjoyed a meal and a health and information fair. The meeting concluded with recognition of Herb Simmons, a World War II veteran who has been a Holmes-Wayne Electric member for 65 years and is featured in the July issue of *Country Living* magazine, published by OREC, and the 2014 scholarship winners.

Ken Conrad
District 4



Ronnie Schlegel
District 5



Jonathan Berger
District 6



Board Chairman's Report

The following is a transcript of Board Chairman Randy Sprang's report from the Annual Meeting:

Good Evening! On behalf of your nine-member board, we would like to express our appreciation for your continued interest in your local electric cooperative. By being here tonight, you make a statement as a member-owner that you care about your cooperative. And as our theme this year [Your Co-op Cares for You] indicates, we care about our members.

I hope you took the time earlier at the health and information fair to see what we do as cooperative to serve you, the members, in a variety of ways.

The cooperative is a beacon in our community, reminding us that as citizens we can come together, serve each other to meet our ever-changing and growing needs.

One of the benefits we instantly think of as a member of the cooperative is the capital patronage. You as a member pay for your reliable electric service. Any margins after expenses are returned to you the members. No board member and no investor receives that margin. All of you sitting in this room receive that money back.

Just this month, \$1,062,772 of capital patronage credits was returned to HWEC members. This is a retirement for members living on Holmes-Wayne Electric lines in 1993. That's over a million dollars returned to our local community economy. Even more amazing is in the past 10 years, your cooperative has returned \$12,374,000 to the membership. I'm pretty sure no other utility sent you a check this year or in the last 10 years.

The benefits don't stop at capital patronage. We as a board and staff live and work in the community. As you saw in the lobby this evening and as you will hear from our President/CEO Glenn Miller, your cooperative is actively involved in supporting your community, volunteering time and resources.

Also, isn't it nice to know you can pick up a phone and call your local cooperative? During business hours you are going to talk to someone in Millersburg, Ohio, who knows where your township road is or the closest intersection to your house or business. It's hard to put a value on that type of service.

As a board, we continue to direct the cooperative in improvements. Specifically in the board room, we took the next step in technology by implementing iPads. This allows for timely information to the board and the meeting to run in the most efficient manner. It also arms your board members with valuable information 24/7. It also reduces administrative time and resources. A great cost savings!

Your board also recently approved a \$16.5 million work plan. This four-year work plan will include upgrades to substations and infrastructure to continue to provide you with the most reliable electric service.

Another important role your board is committed to is legislative communication. Now more than ever, we understand the importance of communicating with lawmakers about the facts of our industry and the legislative impact on you, the members

of the cooperative. In the past year, we have seen two new EPA proposals attacking fossil-fuel generation. [Special guests] Mr. [Craig] Miller and Mr. [Tony] Ahern will speak in more details about the extreme impact this has on each one of us in this room.

Just last month, two of your board members, Jackie McKee and Dave Mann, along with Glenn Miller were in Washington, D.C., to meet with our congressmen to express our concern with recent EPA regulation proposals. We cannot afford to sit back and watch these proposals be placed on hard-working Americans. These proposals will have a damaging impact on your electric bill!

You also can take confidence in the efforts of your board of trustees and Holmes-Wayne staff, who are placing personal dollars behind our legislative communication. All nine board members

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 to express our concerns regarding proposed energy and environmental policies and the devastating impact this would have on our members.

You, a member-owner, also have the opportunity to let your congressman know that you are concerned about maintaining affordable electric. The past several annual meetings, we have provided information regarding the Co-op Owners program, which is the Coop 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.

If you have not signed up for Co-op Owners, I want to emphasize the importance of this program. Now more than ever, we must protect ourselves. There was a table in the lobby during the health and information fair and will still be there when you leave tonight. If you are unable to sign up this evening, please call the cooperative office.

I want to personally thank the 277 Holmes-Wayne Electric Cooperative members who have already taken that step to join Co-op Owners. Maintaining a strong grassroots presence in the political process is vital to the long-term success of our cooperative and cooperatives nationwide.

I wanted to take a moment tonight to express the focus and emphasis that your board has placed on safety. We understand and appreciate the responsibility we have to deliver safe electricity to the rural areas of our community. Behind the scenes, how that electricity is provided to you and this community is just as important. We are committed to keeping the HWEC staff safe. This includes monthly safety meetings and field inspections. As a board, we review on a monthly basis a safety report. We also commit a portion of the budget to not only purchasing safe equipment, tools and personal protective clothing, but also providing valuable safety training and education.

"The cooperative is a beacon in our community, reminding us that as citizens we can come together, serve each other to meet our ever-changing and growing needs."

President's Report

The following is a transcript of President and CEO Glenn Miller's report from the Annual Meeting:

Good Evening. It is always nice to see such a large turnout for the annual meeting. Tonight, I would like to briefly update you on the accomplishments of your cooperative during the last year and plans for the year ahead.

We began 2014 with a new \$16.5 million four-year work plan. The last couple of work plans focused on major substation upgrades and building tie lines between substations. That gave us the ability to backfeed during transmission outages. Although we cannot eliminate transmission outages, it will reduce the outage time. A good majority of the backbone of the system has been rebuilt. The next step is to rebuild a lot of single-phase lines, replacing the old copper wire. This will further increase reliability and reduce line losses, saving the cooperative money.

Our main investment is in the system that provides your service. In the last seven years alone, we have rebuilt approximately 275 miles of the system. Rebuilding lines will again be the main focus of this work plan. This year we will rebuild another 20 miles of line, and in the four-year work plan a total of 110 miles will be rebuilt.

Tree limbs on the power lines are the number one source of power outages. So back in 2004, we began a strategic tree-trimming and spraying program.

All totaled, in the first decade of the program, we have trimmed approximately 4,100 miles of trees. This year, in our four-year cycle, we will trim another 406 miles in Mohicanville, Golden Corners, North Wayne, Clear Creek and West Salem substation areas.

This work is bid out and contracted annually, with Davey Tree Service being the contractor this year. The year following tree trimming, those same areas are sprayed to minimize growth until the next trimming cycle.

As this program reduces outages tremendously, it does not eliminate them. A portion of you may have experienced an outage this week due to all the rain we have had. Most of the outages this week were trees that washed out or uprooted and came down on our lines that were outside of the normal 30-foot right-of-way. Let's give a big thanks to our lineman who had worked the last several days and nights to restore your power.

New services continue to be stagnant due to current economic conditions; however, your cooperative held its own last year. In 2013 we added 185 new services. We retired 92 services. That brought the total number of services at year's end to 18,466.

Your cooperative continues to prosper in the area of community service. I am proud to announce this year we were the top fundraising team in Holmes County. The Holmes-Wayne team donated over \$10,000 to the American Cancer Society Relay for Life Fund. All totaled, we have donated over \$101,000 over the last 11 years.

Our staff participates additionally in other community activities including parades, answering phones for the Share a Christmas program, Touch a Truck Day in Wayne County, Reality Days in local schools, parades and concessions stands at local ball games, just to name a few.

We continue to be active in promoting energy efficiency and safety, by visiting local schools, safety fairs and talking with youth in 4-H and scout troops, for instance.

Our energy advisor, Kenny DePriest, is available for home energy audits as a service to you to help lower your electric use and manage your costs.

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 a vital part of our local tax base. In 2013, we paid \$1.4 million dollars in kilowatt-hour tax to the State of Ohio. Additionally, we paid \$928,000 in property taxes that benefit 12 local school districts, as well as local governments.

Overall, Holmes-Wayne has one of the lowest electric service rates in the state of Ohio, out of the 25 cooperatives. I believe this fact, along with our level of service and increased reliability, gives you the balanced value you deserve as member-owners of the cooperative.

At Holmes-Wayne we are constantly looking for ways to keep our operating costs low. We currently have 38 staff members and 18,466 meters. That equates to 486 meters per staff member, which is one of the best ratios in the state. To give you an example of how that compares to other co-ops, the national average for our size coop is 316 meters per employee.

In summary, we can only accomplish this because of the quality of our staff and the fact that we continue to focus on technology advances that create many efficiencies and cost savings. This gives our personnel up-to-date information and streamlines our work processes greatly and, in return, reduces costs to you.

As generation costs continue to rise due to EPA- [Environmental Protection Agency] imposed regulations, being actively involved in the legislative process is more important than ever to your cooperative. We certainly support clean air and water, but we must be reasonable to consider the economic impact on electric rates and jobs that will be affected. In the past 10 years, cost to generate your power has doubled, mostly because of EPA-imposed regulations on your generation facility, Buckeye Power.

So, four years ago, we introduced the Co-op Owners Political Action® program as a way for you to be active and heard in the legislative process. To date, 277 of you have already joined us, and I want to thank you for your participation, support and interest in the legislative process.

Buckeye Power now has one of the cleanest coal-fired plants in the country. However, coal is under attack by our current administration in Washington. The new EPA regulations on future power plants eliminate the possibility of using coal to produce electricity, resulting in cost pressures on natural gas, as well.

Even more devastating to you are the newly released EPA regulations on existing coal-fired plants. These regulations will increase the cost of your monthly bill unless we can prevent them from becoming law.

Your voice is needed now more than ever. This proposal will increase your rates if permitted to be enacted. Please contact your congressman and voice your opinion.

You can also help by joining other co-op owners tonight by becoming a member of Co-op Owners, for \$25 per year or just \$2.08 per month, which we can simply add to your bill. Ohio has become the leader across the nation in this program, and your voice does matter.

As a member-owned company, we feel it is our responsibility to make you aware of the options you have to keep your power safe, clean and affordable. We will continue to remain vigilant to protect your interests.

In closing, I hope you have found all the investments and efforts that have been made this past year have added value to your electrical service. It is our continued goal to provide you with clean, safe, reliable electricity with top-quality service and keep costs affordable for you.