

Holmes- Wayne

Electric Cooperative, Inc.

A Touchstone Energy® Cooperative 

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Stacy Shaw	Line Supv./Safety Director
Ward Vaughn	Line Supervisor
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Sue Holcomb.....	Customer Service Rep.
Lisa Gress.....	Customer Service/Accounting
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Daryl Reynolds.....	Class A Lineman
Harry Morris.....	Class A Lineman
Steve James	Class A Lineman
Fred Combs	Class A Lineman
James Rose	Class A Lineman
Michael Maurer.....	Class A Lineman
Michael Martin.....	Class A Lineman
Gregory Lemon	Class A Lineman
Michael Rowe	Class A Lineman
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Rick Fox	Utility Man
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Steve Asbury.....	Apprentice Lineman
Josh Johnson	Apprentice Lineman

President and Chairman's Report on Rate Adjustment

By
Glenn Miller
and Ronnie Schlegel



After presentation, discussion and recommendation by management to the Board of Trustees, the HWEC board has approved a rate adjustment effective November 2008. As president/CEO, I have been presenting to you, the member/owners of Holmes-Wayne Electric Cooperative, throughout the last year the transition of the electric industry.

We are blessed in the rural cooperative world to have some of the lowest rates in the nation. Specifically, Holmes-Wayne Electric has the fourth lowest rate out of the 25 rural cooperatives serving Ohio and is significantly lower than all investor-owned electric companies in Ohio except for one, which currently is proposing a rate change through the Public Utilities Commission of Ohio (PUCO). For instance, the current average cost for 1,000 kWh for a residential member for all cooperatives across Ohio is \$99.80. Holmes-Wayne currently is \$88.45 for the same 1,000 kWh.

Also, as a nonprofit organization, your cooperative does not make a profit selling electricity. Rates are set based on estimated costs to provide reliable electricity. Any margin after expenses is returned to you in capital patronage.

The decision to adjust rates is based on an independent third-party assessment of the cooperative's financial outlook and constant monitoring and analysis by management. Two key factors are influencing this decision — cost of power and operating expenses.

In 2008 and moving forward, the price to produce electricity is in a very volatile market that is being greatly influenced by the world market impact on fossil fuels, the massive investment in equipment to meet environmental requirements, increasing price of transmission and purchase of additional generation facilities to meet consumer demand. HWEC's cost of power during the first six months of 2007 was 4.37 cents per kilowatt-hour. One year later, in the first six months of 2008, we are paying 4.73 cents per kilowatt-hour. That is more than an 8 percent increase in the cost of electricity.

In addition to the increased cost of power, the cooperative is

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Holmes-Wayne Electric Cooperative, Inc.

Rates and Charges

As of the November 2008 billing, the following rate schedule including minimum service charges will take effect:

Rate Class: Farm/Residential

	<u>Current Base</u> Rate	<u>Current Effective</u> Rate with PCA	<u>New Base</u> Rate
First 2,000 kWh	7.695 cents	7.827 cents	8.395 cents
Next 13,000 kWh	7.649 cents	7.781 cents	8.349 cents
Over 15,000 kWh	7.593 cents	7.725 cents	8.293 cents
Service charge*	\$11.50	\$11.50	\$13.50

*The service charge is incurred regardless of kWh use.

If a transformer of more than 15 kVA must be installed, the monthly minimum bill will be \$13.50 plus \$1 additional for each additional kVA more than 15 kVA.

Rate Class: General Service Without Demand

	<u>Current Base</u> Rate	<u>Current Effective</u> Rate with PCA	<u>New Base</u> Rate
First 2,000 kWh	7.415 cents	7.547 cents	8.665 cents
Next 13,000 kWh	7.369 cents	7.501 cents	8.619 cents
Over 15,000 kWh	7.313 cents	7.445 cents	8.563 cents
Service Charge*	\$18	\$18	no change

*The service charge is incurred regardless of kWh use.

The monthly minimum for General Service Without Demand accounts will be the greater of:

- A. \$18 or;
- B. \$1.30 per kVA of required transformer capacity; or
- C. A contracted monthly minimum.

Security Light Rates

	<u>Current Rate</u>	<u>New Rate</u>
Light on existing pole or member's pole	\$6.30	\$7.50
Pole (if necessary, for light only)	\$1	no change
Transformer (if necessary, for light only)	\$1	no change

Any member who wishes to view the complete rate schedule may do so by contacting the Holmes-Wayne Electric Cooperative, Inc. office toll-free at 866-674-1055 or view our Web site at www.hwecoop.com

Final price tag of ice storms is \$6.3 million

Recovery work has continued for the cooperative long after the ice has melted and power was restored from the two devastating ice storms of December 2004 and January 2005. Those ice storms brought power outages to more than 15,000, or 85 percent, of the HWEC members, broke 110 poles and brought down more than 500 miles of line.

On July 24, the last mile of infrastructure rebuild was completed. More than 5 percent, or 115 miles, of HWEC infrastructure was replaced from the ice storms that left both Holmes and Wayne counties as state and federal emergency disaster counties.

"The financial assistance we received from the Federal Emergency Management Agency (FEMA) was a critical component," said President/CEO Glenn Miller. "FEMA assisted in 75 percent of the infrastructure that was permanently damaged and needed to

be rebuilt. That assistance was essential to the vitality of the cooperative. Staff worked endless hours to meet the FEMA requirements and deadlines.



St. Rte. 520 in Holmes County.

This impacts every aspect of your organization from engineering to material management to accounting to customer service.

"I am extremely proud of the organization for taking a devastating situation and coming together to make improvements that will be advanta-

geous to the service of our members."

Out of the \$6.3 million, approximately \$1.4 million was the cost to restore members' power at the time of the storm. FEMA provided \$4.75 million in funding for restoration and reconstruction of permanently damaged infrastructure.

Beyond the ice storm, HWEC has made approximately \$10.4 million in additional electrical infrastructure improvements in

the past 2-1/2 years. Also since the ice storm, 44 miles of lines have been rebuilt above and beyond the 115 miles of FEMA lines. With this total the cooperative has rebuilt more than 7 percent of our distribution lines in the last three years.

Rate adjustment

facing increases in day-to-day business expenses. Dramatic increases in line material, contractors and transportation costs have impacted the cost to provide electricity to you the member/owners. The current price to rebuild one mile of single-phase electric distribution line is \$47,500. That figure has increased by 32 percent in the last two years, while transportation costs have increased by 23 percent during the same period.

Due to the factors above, Holmes-Wayne Electric will be implementing a rate adjustment. Effective on your November 2008 bill, there will be a rate adjustment for all classifications that averages 7.69 percent, which includes both the

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kWh rate and your monthly service charge.

Please review the listing of our new rates (page 30) compared with the current rates.

The board and management team will continually monitor these changes and annually review the predicted increase from Buckeye Power, our generation cooperative, and rate consultant's estimates. By closely monitoring these factors, we will avoid large rate increases that could dramatically impact you, the member.

We also are committed to reviewing and monitoring all of the cooperative's expenses. If you have any questions about the rate adjustment or any other aspect of your electric service, please feel free to contact the cooperative office.

*Thank
You*

*Special thanks to following
businesses for their
donation to the
Holmes County Relay for Life*

Autoworks Collision Center, Holmesville
Barnhart Auto Body, Millersburg
Best Housing Inc., Millersburg
Bromund and Byler, Millersburg
Canaan Meats, Creston
Golden Oval Egg, Millersburg
Holmes Oil Distributing, Millersburg
Kirk Builders, Millersburg

Mac Oil Field Services, Millersburg
McKay Oil & Gas, Millersburg
MPS Services, Shreve
NEI, Apple Creek
Ratliff Custom Homes, Wooster
Schlabach Excavating, Millersburg
Town & Country Cooperative, Ashland
Winesburg Hardwood & Pallet, Dundee
W&W Transport, Winesburg

\$10,000 more raised for a cure

The 2008 Holmes-Wayne Electric Relay for Life team raised more than \$10,000 for the American Cancer Society event. All funds raised at local Relay For Life events help to bring American Cancer Society programs to our community.

The HWEC team was one of four squads recognized as a platinum team at the Holmes County Relay for Life, June 20 and 21. All the funds were raised through employee payroll deductions, pop can recycling, donations, candy bar sales, pot luck lunches and sponsorship from the businesses listed above. New this year, HWEC provided a pancake and sausage breakfast the Saturday morning of the Relay.

Thanks to the HWEC staff, employees, spouses and family members and



*Special pancakes for the
Relay pancake and sausage
breakfast.*

Holmes-Wayne Electric Board of Trustees for their effort and involvement in raising the \$10,000. A special thanks to Gary Snyder for raising the largest amount individually and team captains Lisa Baker and Jeanne Baker for their dedication.

The HWEC Relay for Life Team has raised more than \$45,500 in the last five years.



Team members: (front row, from left) Robyn Tate, Carol Hawkins, Sue Holcomb, John Porter, Brian Spencer; (back row) Gary Snyder, Lisa Baker, Casey Wagner, Fred Combs, Glenn Miller, Tim Vickers and Kenny DePriest.