



A New Era *for* Energy

2015 Annual Meeting Edition

Hotline Update - March 2015



Wright-Hennepin
Cooperative Electric Association

A Touchstone Energy® Cooperative 

The electric industry is in transition and WH is staying ahead of that change

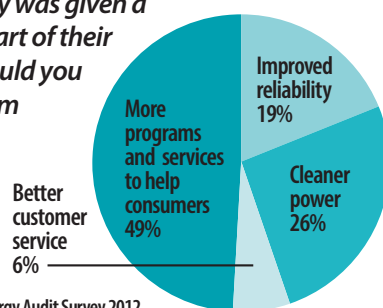
It is a New Era for Energy and your electric cooperative is adjusting its mission to keep Wright-Hennepin (WH) relevant for you.

A way to illustrate this new era is the information we reported in the January Hotline Update (<http://goo.gl/rJVZX9>). In that newsletter, we discussed the changing operating characteristics of your business, which bears repeating:

- Since 2008, 3,900 new homes or other structures have been built on the WH system, but the total amount of energy sold by your cooperative has remained flat in that time.
- A home built on WH's lines today uses 26 percent less electricity than the average of all WH homes.
- Electric usage among small commercial members has dropped 7 percent since 2008.

Most important, consumer expectations are changing in ways the electric industry has not seen. A recent survey (see graphic below) of U.S. consumers drove home the point that in this new era you want more options, products and services from your energy provider. That response beat every other choice by a surprising margin.

If your electric utility was given a grant to improve part of their business, which would you most like to see them invest in?



Source: E Source/Nielsen Energy Audit Survey 2012

These changing characteristics are not unique to WH. It's happening throughout the entire industry. But they are the reason WH is acting now to provide new ways to serve you. It's why we entered the solar panel sales and installation business in 2014. It's why our WH Security division is selling energy management and home automation devices. It's why our WH Services division is now offering \$0-down LED light bulbs and financing packages. It is why we have begun offering electric vehicle (EV) rate options and why we will be building charging stations in 2015. In recent years we have added dozens of other new products and services to help you control energy use (see www.whe.org for more info). Increasingly, our goal will be to replace income from traditional energy sales with new revenue from energy products and services.

Wright-Hennepin Holding Company is playing a major role in this objective. WH Holding, a separate entity from the electric cooperative, is the legal structure for our seven diversified businesses: WH Security, WH International Response Center, WH Generation, WH Solar, WH Services,

WH Investments and HeatMyFloors.com. Together these diversified businesses contributed several million dollars to the electric cooperative in 2014. The Board of Directors applied those contributions to electric rate reduction for WH members. It is one reason why WH members enjoyed retail electric rates in 2014 that were very competitive – often lower – than the major electric energy providers in the Twin Cities (see "Competitive Performance" graph on page 3).

"Increasingly, our goal will be to replace income from traditional energy sales with new revenue from energy products and services."

With all this talk of industry transition, one thing that won't change is our commitment to the strong operational performance of your electric cooperative.

We continue to strengthen our distribution grid, ensuring your lights stay on, your home stays warm in the winter and cool in the summer. In 2014, your cooperative provided another record level of reliability. Information about our reliability performance can be found on page 3.

Local operating costs – the overall price tag to run our distribution grid, the office, trucks, labor, etc., – are consistently and significantly lower than the industry average (refer to infograph on page 4).

Wholesale power costs are increasing for all utilities. Much of this inflation is driven by the growing cost of new environmental regulations. The days of low-priced electricity made from fossil fuels are behind us. In fact, industry experts project that every power plant in operation today will need to be closed and replaced with new plants by 2050 to meet the more stringent government regulations on generating facilities.

Because power supply is presently 71 percent of WH's cost structure, we must seek methods to slow the growth of these costs. Ten years ago your Board of Directors made the historic decision to expand the number of wholesale power suppliers serving WH. The economies created by this move have resulted in almost \$40 million in savings for you since that time. Today, we are fortunate to have long-term power supply arrangements with two generation and transmission cooperatives – Great River Energy of Maple Grove and Basin Electric Power Cooperative of Bismarck, N.D. During 2014, WH added a third supply source to our generation portfolio. This unique opportunity was not just the lowest cost option, it helped to "green up" our overall energy portfolio. To expand on that "greening" objective, we will be working with Great River Energy in 2015 to determine feasibility of building a 6-megawatt "utility scale" solar array to exclusively serve WH's members with power from the sun for decades to come. We hope to have this large facility generating clean, renewable energy for you by January 2016.



Chris Lantto
Board Chair



Mark Vogt
President & CEO

This attention to cost and innovation is the reason WH's Board of Directors could declare a \$1.2 million capital credit refund to members at the end of 2014. If you purchased electricity in 1988, 2012 and 2013, you received a credit on your electric bill in November or December, depending upon your billing cycle. Ninety percent of WH's members shared in this credit over the holidays. As the books closed for 2014, the Board of Directors noted much stronger margin performance than was necessary after the cost of operations. **We are pleased to announce a special retirement of another \$1.2 million from 2014 operations, which will be refunded to your electric bills at a date to be determined in 2015. This will be in addition to the regular capital credit retirement scheduled for later this year.**

To keep our ear to the ground in this New Era for Energy, a professionally conducted membership survey is done each quarter to hear your opinions and feedback, and to track our performance in customer service. We are grateful for the consistently high customer satisfaction scores you have provided over the years on this survey. These scores are not just leaders in the electric industry, but high marks across all segments of business in the U.S. Please refer to page 5 for comparisons of WH and the industry.

As we said at the beginning of this letter, the evidence is clear that your cooperative has entered a New Era for Energy. We will do everything that is necessary to keep WH relevant for you. That includes the expansion of our renewable, energy-efficiency and money-saving offerings. We will be early adopters of new technology and tools to deliver superior customer service, high reliability, competitive prices and safe electric energy. Our aim is to make this new era better for WH members than any previous time.

We hope you will join us for our annual meeting. We are privileged to have Bob Engel as our featured guest speaker. Bob is the CEO of CoBank, one of the preeminent lenders for cooperatives in America. It is an honor to have him speak on trends that make this a New Era for Energy and what that means for you.



Bob Engel
CEO of CoBank

Cooperatively,

Chris Lantto

Chris Lantto, Board Chair

Mark Vogt

Mark Vogt, President & CEO

A New Era for Energy

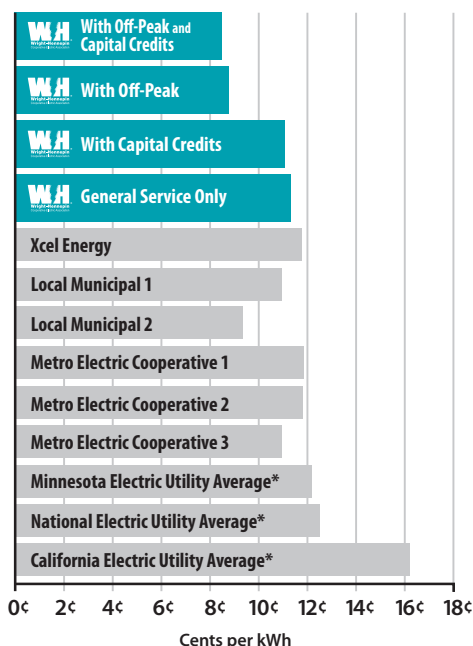


Competitive Performance

2014 residential rates were very competitive

As has been the trend over the years, Wright-Hennepin's (WH) electric rates were very competitive in 2014. The graph below shows how WH's rate stands up against other local suppliers. Members taking advantage of Off-Peak programs (more than 60 percent of you) or who received a capital credit (more than 90 percent) enjoyed an even lower price of power. As the graph shows, WH's rates were also below state and national averages.

It's no secret that one of the biggest benefits of powering your home through an electric cooperative are the capital credits returned to members. WH returned \$1.2 million to members in 2014, providing some extra cash over the holidays. Capital credits represent the member's ownership equity in WH, the foundation of cooperatives. WH Board Chair Chris Lantto stated that, "Capital credits are the cornerstone of the cooperative way of doing business," and noted that the focus in the board room throughout 2014 was, and will continue to be, on keeping rates competitive.



*Source: Energy Information Administration

WH's Board of Directors

From left to right, top to bottom:

Board Chair Chris Lantto, District 5, French Lake; Vice Chair Erick Heinz, District 9, Corcoran; Secretary-Treasurer Dale Jans, District 4, Buffalo; WH Holding Chair Thomas Mach, District 6, Maple Grove; WH Holding Vice Chair Timothy Young, District 1, Annandale; Duane "Butch" Lindenfelser, District 2, Monticello; Burton Horsch, District 3, Howard Lake; Kenneth Hiebel, District 7, Plymouth; and Donald Lucas, District 8, Maple Grove.



Reliability Performance

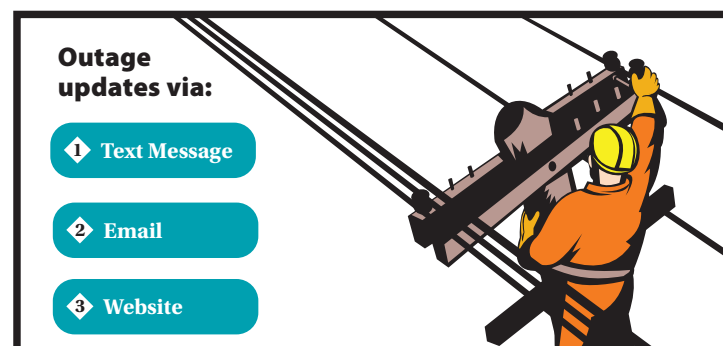
Electric reliability set performance records in 2014

Members averaged less than one outage in 2014



Offering outage notifications to keep you updated

One thing that sets Wright-Hennepin (WH) apart from other electric utilities is its outage notifications. WH notifies its members of power outages at their homes through multiple resources, providing estimated times of restoration. Members can choose to have a text message sent to a mobile device or email address. This message not only alerts them to an outage, but informs them when to expect their power to return. Linked to our website is an outage map that displays all outages in WH's service area and gives estimates of restoration. To sign up for outage notifications, go to <http://goo.gl/Q5ynCu> and enter your information, but have your bill in hand as you will need to provide your account number.



Members' donations help Backpack Buddies

At Wright-Hennepin (WH), we regularly publish donations given to local organizations from the Operation Round Up (ORU) program. But what you don't get to see is how those funds help the organizations and the people who depend on them. Pictured at right are volunteers at the Annandale Food Shelf with two cartloads of food that is soon to be delivered to the Maple Lake Public Schools for a program called "Backpack Buddies." The food is for kids during snack time, and ensures that everyone has something to eat. "We were told that teachers were sometimes purchasing snacks for kids out of their own pockets," Jean Skomoroh said. "This way, all the kids have something to eat, and teachers don't have to worry about paying for snacks." The ORU funds also go toward other food purchases for the food shelf that served 1,775 clients and 10,000 families in 2014. "WH has been incredibly good to us," Skomoroh said. "We could never ask anyone to be better to us." Operation Round Up is a program that rounds up members' electric bills to the nearest dollar, and that deductible amount is used for donations to local charities.

Giving back to the community



A New Era *for* Energy

WH Holding Company delivers products and services to meet your needs

Wright-Hennepin (WH) owns multiple subsidiary businesses, which are separate from the electric operation. In 2014, WH Holding picked up \$2,030,177 in cost allocations from the electric operation that otherwise would have been collected in members' electric rates. The WH Holding structure also protects the electric cooperative's non-profit status and provides liability protection.

WH Holding

A wholly owned subsidiary of Wright-Hennepin Cooperative Electric Association

WH Security

A wholly owned subsidiary of Wright-Hennepin Cooperative Electric Association

WH Security provides retail security alarm systems and monitoring services to thousands of homes and businesses in the Twin Cities area.

WH Response

A wholly owned subsidiary of Wright-Hennepin Cooperative Electric Association

The WH International Response Center provides around-the-clock wholesale home security monitoring services to 63,330 customers in the U.S. and Canada.



WH Solar is WH's newest subsidiary business. It provides members with options for purchasing renewable solar energy.

WH SERVICES

WH Services provides quality local contractor services such as tree trimming, Off-Peak equipment installations, appliance repair and street lighting.

WH Generation

A wholly owned subsidiary of Wright-Hennepin Cooperative Electric Association

WH Generation offers turn-key installation of on-site electric generators for commercial members.

WH HOLDING INVESTMENTS

WH Holding Investments provides the legal structure for partnership activity.

HEATMYFLOORS.COM



HeatMyFloors.com provides energy efficient underfloor radiant electric heating products to contractors and homeowners across the U.S. and Canada.

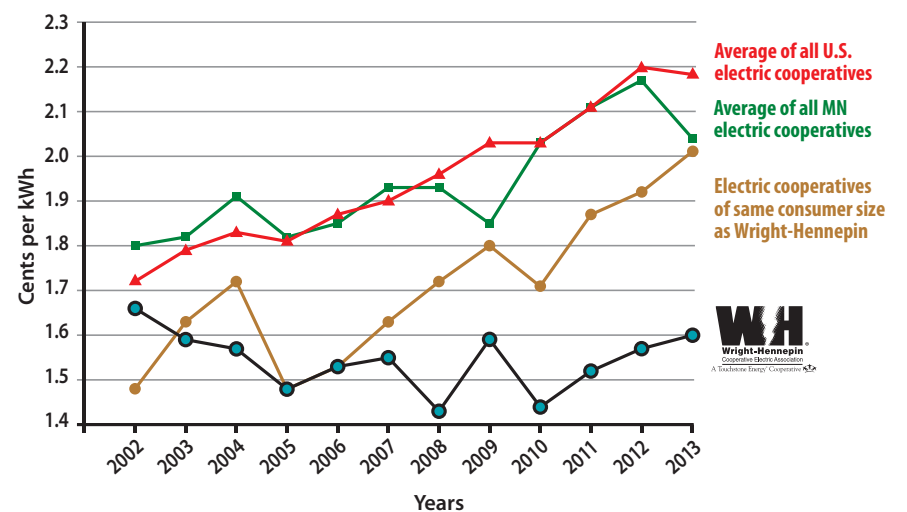


Operating Performance

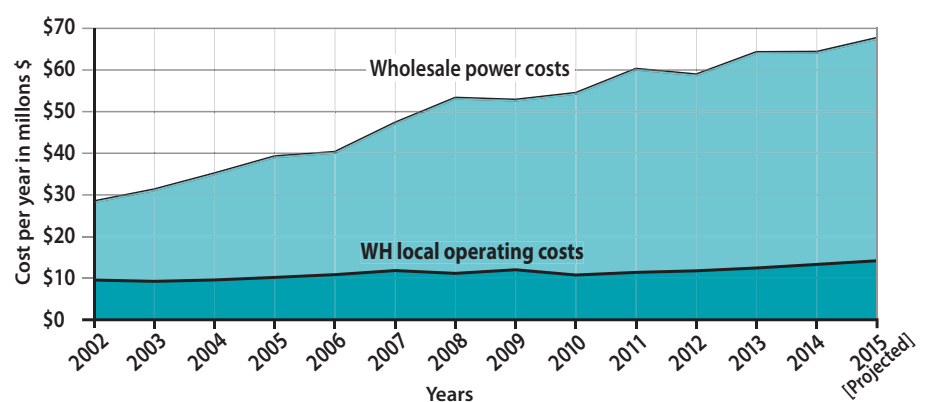
Keeping costs low

At Wright-Hennepin (WH) we strive to operate so that the greatest benefactors are you, the members. By utilizing the most cost-efficient technology available in our offices and on the grid, members are ensured that the energy provided to them is at a fair and competitive rate. WH has consistently kept costs below state and national levels, as measured on a per kilowatt-hour basis. We've kept total operating expenses level despite the ever-increasing cost of wholesale power.

Keeping operating costs lower than other utilities



WH wholesale power costs and local operating costs



Notice of Annual Meeting of the Wright-Hennepin Cooperative Electric Association

TO ALL STOCKHOLDERS:

Please take notice that the annual meeting of the members of the above cooperative will be held at its headquarters in Rockford, Minnesota at 7 p.m. on Thursday, March 26, 2015, to take action on the following matters:

- I. The reports of officers, directors, and committees.
- II. The election of three directors, one from District 1, one from District 3, and one from District 9. In connection with the election scheduled for this meeting candidates have been nominated pursuant to the bylaws.
- III. In addition to voting for directors, balloting will occur on proposed Bylaw amendments.
- IV. Any other business that may come before the meeting or any other adjournments thereof.

Dale F. Jans

Dale F. Jans, Secretary



WH's Vision

To be the preferred energy services company in our marketplace.

WH's Mission

We deliver the power, products and competitive pricing our members desire.

A New Era for Energy



Service Performance

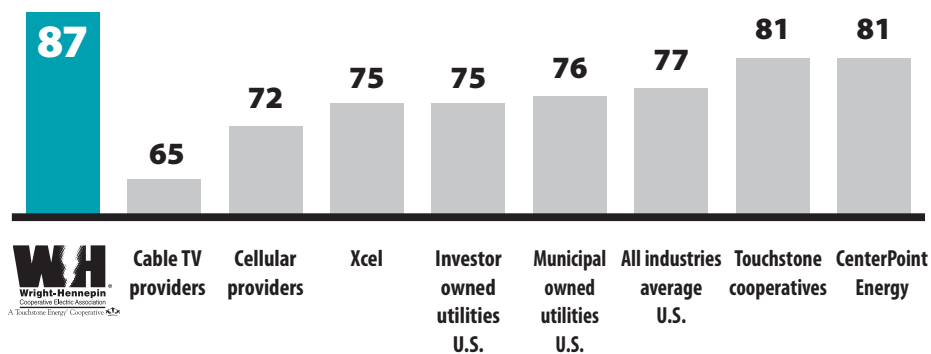
Making it easy to do business 24/7

One of the advantages of living in the 21st century is the multiple resources afforded to us online. Wright-Hennepin (WH) prides itself on making it as easy as possible to do business with us, and offering innovative products. WH offers its members the ability to pay their bills on the Internet, or on our automated phone line, any time, day or night. Additionally, our outage notifications (see page 3) keep you updated real-time in the event of an outage.



If you would like to find out how much energy you use daily, MyMeter is a free web-based service that can be accessed at all times. With all the options and resources WH offers, it has never been easier for members to get the information they need and to take care of their accounts.

2014 American Customer Satisfaction Index Scores, WH compared to other utilities and industries

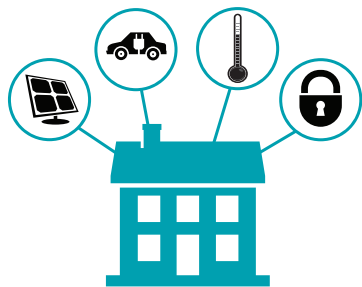


You rewarded our efforts to offer the best possible service with high marks on our 2014 American Customer Satisfaction Index survey. We thank you for these scores and will strive to continually improve.

Providing innovative products and services

Through WH Solar, electric car rates, and home automation services offered through WH Security, WH members have never been more in tune with the technology of today. No matter what you're looking for, here at WH we strive to provide members with the innovative products and services they desire.

- Through our solar communities, members are able to take part in the renewable energy revolution and enjoy the advantages of solar power without having to install panels on their homes. Members can choose the amount of solar power they'd like to purchase by calculating their needs on our website. So whether they want to supplement all of their electric costs or just a portion, there are plenty of options at WH Solar.
- Electric vehicles (EV) are becoming more popular, and WH offers two special electric vehicle rates. So not only are members helping save the environment, they're saving money. In 2015, we will begin installing EV charging stations in the service territory.
- Home security has become a staple of owning a house, and the features that come with it have never been more powerful. With home automation systems, owners can check and control their thermostat, lock doors and turn off lights, all from a mobile device.



Teaching electric safety

Giving back to the community

Wright-Hennepin has taken the initiative and paired up with local schools to teach students about the benefits of electricity. Presentations are given to thousands of kids each year, teaching the importance of



safety around electricity by depicting true-to-life circumstances that could lead to electrocution with attention-grabbing demonstrations. Natalie Schuller-Hary (pictured above), a fourth-grader in Laura Dockendorf's class at Rogers Elementary, said she really liked learning about how to be safe. "It was really cool!" Schuller-Hary said.

Cleaning up Lake Maria

Giving back to the community

For 15 years, Wright-Hennepin (WH) has been involved in maintaining and preserving one of the last bastions of central Minnesota's "Big Woods" at Lake Maria State Park. Through planting trees and wildflowers, raking leaves, maintaining



trails and painting buildings, volunteers of all ages have kept the park in great standing order. Every year, WH donates tree seedlings and supplies workers with a free lunch. Longtime park manager Mark Crawford noted the park benefits from the maintenance and tree planting, but also said it's "a way for people to get a better understanding of what is in the park, and what it takes to protect the natural resources in the park." Crawford thanked WH and the volunteers for their work and said, "We couldn't do it without their support."



Timothy Young, District 1

Timothy L. Young, Annandale, is the incumbent director in District 1. He has been a Wright-Hennepin Cooperative Electric Association (WH) member for 36 years and has served

on the board of directors for 18 years. He and his wife Nancy have three children and three grandchildren.

Young has worked as an attorney for Young & Brown, LLP since 1978 and concentrates his practice on business, government and real estate. He was a member of the Annandale School Board from 1992 to 2002, chaired the Annandale 4th of July parade for over a decade and received a Bronze Star for service in Vietnam.

"Did you know?"

- Your electric rates have averaged 2.5 percent less than Xcel's over the past 10 years and 5 percent less in 2014 alone.
- Your co-op was the first in the nation to build a community solar farm with battery storage and continues to aggressively expand its commitment to clean, renewable energy.
- WH member-owners were without power an average of less than 30 minutes in 2014, which is less than 1/100 of 1 percent of the 525,600 minutes in a year.
- Said another way, your co-op brought you competitively-priced, innovative and reliable power 99.9 percent of the time. And we're always working to do better.

Thank you for allowing me to serve as your co-op director," Young said. "I would appreciate your vote to serve again."

Wright-Hennepin's electric service territory

is divided into nine districts, each of which is represented by a board member. The members from each district elect their own director to serve on Wright-Hennepin's board. Directors meet monthly to provide strategic oversight, establish policy and rates, and represent members' voices in the cooperative's operations.

 = Districts up for election



www.whe.org

(763) 477-3000

6800 Electric Drive - Rockford



Burton Horsch, District 3

Burton Horsch, Howard Lake, is the incumbent director in District 3. He has been a Wright-Hennepin Cooperative Electric Association (WH) member for 60 years and has served

on the board of directors for 15 years.

Horsch is a former dairy farmer, and now grows seed corn and soybeans. He currently serves as township supervisor and drives school bus for Cokato Transportation. He is the secretary and treasurer for Wright County Farm Bureau and an elder in the St. James Lutheran Church in Howard Lake. He also volunteers and delivers meals on wheels in the Howard Lake-Waverly area.

Horsch is a Certified National Cooperative Director, and completed the Board Leadership program. He has served on the Minnesota Rural Electric Association resolutions committee.

"I feel my past experience will enable me to meet the challenges ahead with the best decisions for WH's member-owners," Horsch said. "I am ready to continue to help make the decisions the electric industry is being challenged with. Competitive rates have been one of WH's main focuses and I will work to keep this maintained."



Erick Heinz, District 9

Erick J. Heinz, Corcoran, is the incumbent director in District 9. He has been a Wright-Hennepin Cooperative Electric Association (WH) member for 28 years and has

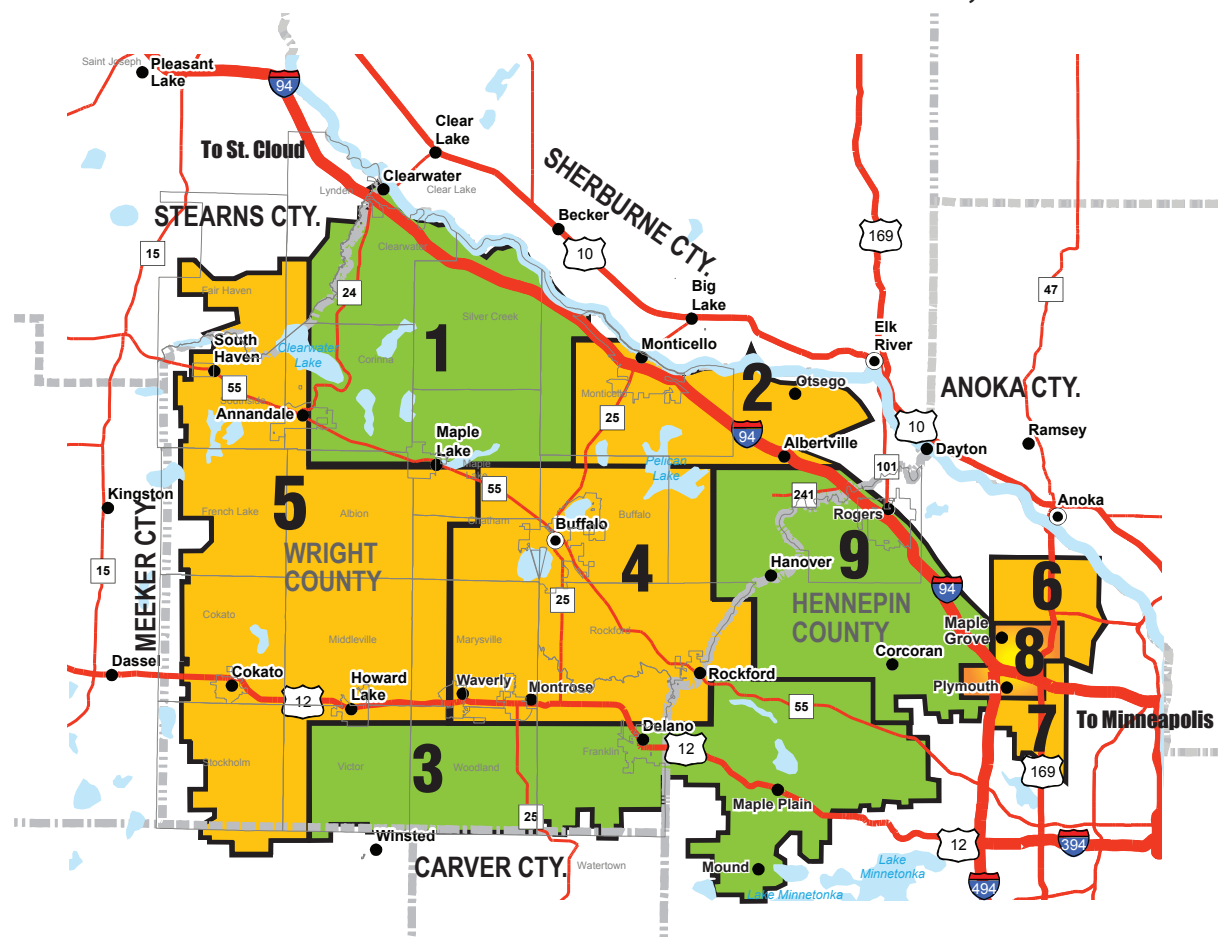
served on the board of directors for 15 years. He and his wife Teresa have three children and five grandchildren.

Heinz has been a self-employed farmer for 33 years raising beef cattle and crops. He also worked as a Mycogen seed corn sales representative and provides snow plowing and truck hauling services.

Heinz has served on the boards of the Hennepin County Farm Services Agency, Hennepin Co-op Seed Exchange, Hennepin County Dairy Herd Improvement Association and the Hennepin County American Dairy Association. He is a lifelong resident of the Corcoran area and is a member of the St. Walburga Catholic Church.

Heinz has completed the "Certified Cooperative Director" course and the "Board Leadership" course. Heinz is currently serving as Vice Chair of the Board of Directors for WH.

"I have enjoyed representing District 9," Heinz said, "and if re-elected, I will work with board members to keep retail electric rates stable and reliable in these changing times and environmental uncertainty."



Consolidated Balance Sheets December 31, 2014 and 2013

ASSETS		2014	2013	EQUITY		2014	2013
Plant Assets				Members' Equity			
1	Utility Plant	\$ 163,276,296	\$ 155,807,865	20	Patronage Capital	\$ 65,437,331	\$ 63,110,825
2	Construction Work In Progress	\$ 1,230,582	\$ 2,345,797	21	Other Equities	\$ 12,274,939	\$ 14,427,683
3	Total Utility Plant	\$ 164,506,878	\$ 158,153,662	22	Total Members' Equity	\$ 77,712,270	\$ 77,538,508
4	Less Accumulated Depreciation	\$ 54,116,292	\$ 49,575,117				
5	Net Utility Plant	\$ 110,390,586	\$ 108,578,545				
Other Property and Investments							
6	Investment in Associated Organizations	\$ 41,498,327	\$ 39,712,834				
7	Non-Utility Property-Net	\$ 1,607,379	\$ 1,789,239				
8	Notes Receivable	\$ 238,801	\$ 265,244				
9	Other Investments	\$ 1,363,695	\$ 883,450				
10	Total Other Property and Investments	\$ 44,708,202	\$ 42,650,767				
Current and Other Assets							
11	Cash and Cash Equivalents	\$ 12,470,390	\$ 17,754,344				
12	Accounts Receivable	\$ 4,871,089	\$ 4,631,826				
13	Other Accounts Receivable	\$ 835,072	\$ 709,969				
14	Accrued Unbilled Revenue	\$ 6,227,386	\$ 6,603,128				
15	Materials and Supplies Inventory	\$ 1,836,258	\$ 1,786,454				
16	Other Current and Accrued Assets	\$ 570,284	\$ 244,860				
17	Total Current and Other Assets	\$ 26,810,479	\$ 31,730,581				
18	Deferred Debits	\$ 8,106,424	\$ 8,681,263				
19	Total Assets	\$ 190,015,691	\$ 191,641,156				
		2014	2013	LIABILITIES		2014	2013
				Long-Term Debt (Less Current Maturities)			
23	RUS	\$ 46,440,745	\$ 47,764,047				
24	Nat. Rural Utilities Co-op Finance Corp.	\$ 17,459,473	\$ 20,016,396				
25	CoBank	\$ 16,710,272	\$ 16,017,437				
26	Total Long-Term Debt	\$ 80,610,490	\$ 83,797,880				
				Current and Other Liabilities			
27	Current Maturities of Long-Term Debt	\$ 3,295,755	\$ 3,616,547				
28	Accounts Payable	\$ 1,813,218	\$ 3,271,866				
29	Accounts Payable-Purchased Power	\$ 8,838,272	\$ 9,472,158				
30	Customer Deposits	\$ 1,705,645	\$ 1,586,058				
31	Other Current and Accrued Liabilities	\$ 12,948,142	\$ 9,381,168				
32	Total Current and Other Liabilities	\$ 28,601,032	\$ 27,327,797				
33	Deferred Credits	\$ 3,091,899	\$ 2,976,971				
34	Total Members' Equity and Liabilities	\$ 190,015,691	\$ 191,641,156				

Statement of Operations for the Years Ended December 31, 2014 and 2013

	2014	AMOUNT	PERCENT	2013	AMOUNT	PERCENT
51	Operating Revenues	\$ 90,731,356	100.0%	\$ 91,932,001	100.0%	
52	Cost of Power	\$ 64,371,976	70.9%	\$ 64,285,196	69.9%	
Local Operating Expenses						
53	Distribution - Operations and Maintenance	\$ 6,364,366	7.1%	\$ 8,435,249	9.2%	
54	Customer Accounts and Service	\$ 3,353,689	3.7%	\$ 3,320,384	3.6%	
55	Administrative and General	\$ 3,555,958	3.9%	\$ 3,030,308	3.3%	
56	Total Local Operating Expenses	\$ 13,274,013		\$ 14,785,941		
Fixed Charges						
57	Property Tax	\$ 2,114,261	2.3%	\$ 2,053,423	2.2%	
58	Depreciation and Amortization	\$ 4,964,579	5.5%	\$ 4,530,659	4.9%	
59	Interest on Long-Term Debt	\$ 3,652,654	4.0%	\$ 3,574,163	3.9%	
60	Total Fixed Charges	\$ 10,731,494		\$ 10,158,245		
61	Net Operating Margins	\$ 2,353,873	2.6%	\$ 2,702,619	2.9%	
62	Conservation Improvement Program	\$ (550,000)	-0.6%	\$ (550,000)	-0.6%	
63	Non-Operating Margins	\$ 449,245	0.5%	\$ (181,384)	-0.2%	
64	Net Operating and Non-Operating Margins	\$ 2,253,118	2.5%	\$ 1,971,235	2.1%	
65	Generation and Transmission and Other Capital Credits	\$ 2,298,815	2.5%	\$ 3,082,227	3.4%	
66	Net Margins	\$ 4,551,933	5.0%	\$ 5,053,462	5.5%	

Letter to the members of Wright-Hennepin Cooperative Electric Association, Rockford, Minn.

Brady Martz & Associates, P.C., an independent certified public accounting firm, has audited Wright-Hennepin Cooperative Electric Association's financial statements for the year ended December 31, 2014. The auditor has issued his unqualified opinion dated February 23, 2015, on the financial statements. Copies of the audited financial statements are on file at the cooperative's office for inspection.

Brady Martz

Brady Martz & Associates, P.C.
Grand Forks, N.D.



You're Invited!

WH's Annual Meeting is March 26 at our Rockford headquarters. Check out the flyer included with this Annual Report for more information.

Board recommends approval of five bylaw revisions

The Board of Directors is proposing revisions to WH’s Bylaws and Articles of Incorporation. The sentences with lines under them are recommended additions. The sentences with strikeouts indicate recommended deletions. The right hand margin provides a brief explanation of the Board of Director’s recommendations. The Bylaws were originally written in 1937 when the cooperative was formed. Since then, steps have been taken to keep the Bylaws up to date.

Members are asked to approve the articles with one vote. Ballots will be mailed to all members March 9. Voting will conclude March 26 at the annual meeting, with the results provided during the business meeting.

RECOMMENDATIONS:

ARTICLE II, MEETING OF MEMBERS, Section 7. Voting. Each member shall be entitled to one (1) vote and no more upon each matter submitted to a vote at a meeting of the members. At all meetings of the members at which a quorum is present all questions shall be decided by a vote of a majority of the members voting thereon at such meeting in person or by mail, except as otherwise provided by law, the articles of incorporation of the Cooperative or these bylaws. Joint members shall be entitled to one (1) vote and no more upon each matter submitted to a vote at a meeting of the members.

Whenever a vote of the members is required or provided for on any matter, including a petition to regulate the Cooperative under the Minnesota Public Utilities Commission or deregulate the Cooperative, as the case may be, the spouse of a member may vote on behalf of the member unless the member has indicated otherwise to the Cooperative. A member shall be entitled to vote by electronic means in accordance with procedures authorized by the Board of Directors on any election, motion, resolution, amendment or any other matter which is submitted to members for a vote.

ARTICLE II, MEETINGS OF MEMBERS, Section 10. Order of Business. ~~The order of business at the annual meeting of the members, and so far as possible, at all other meetings of the members shall be essentially as follows:-~~

~~1. Call of the roll. 2. Reading of the notice of the meeting and proof of the due publication or mailing thereof. 3. Reading of unapproved minutes of previous meetings of the members and the taking of necessary action thereon. 4. Presentation and consideration of, and action upon, reports of officers, directors and committees. 5. Election of directors. 6. Unfinished business. 7. New business. 8. Adjournments.~~

The order of business at the annual meeting of the members shall be determined by the Board of Directors.

ARTICLE III, DIRECTORS, Section 2. Qualifications and Tenure. Members shall be eligible to be nominated or elected or to remain a Director provided that:

- (a) They are a natural person and are purchasing and taking delivery of electric energy at their legal residence from the Cooperative or from an organization furnishing electric power to the Cooperative,
- (b) They have the capacity to enter legally binding contracts;
- (c) They have not been convicted of a felony.
- (d) They are not employed by, materially affiliated with or have a material financial interest in any individual or entity which is:
 - 1. Directly and substantially competing with the Cooperative, or any subsidiaries; or
 - 2. Selling goods and services in substantial quantity to the Cooperative or its subsidiaries; or
 - 3. Possessing a substantial conflict of interest with the Cooperative or its subsidiaries.
- (e) They are not in any way employed by the Cooperative or any of its subsidiaries nor have they been employed by the Cooperative or its subsidiaries within three (3) years of the director’s nomination.
- (f) They are not a close relative of any existing Director or existing employee of the Cooperative or its subsidiaries. For the purpose of this section only “close relative” shall mean a person who is either a spouse, child, grandchild, step-child, parent, grandparent, step-parent, brother or sister, by blood or in-law, of the principal.

The Cooperative shall be divided into nine Director Districts with one director elected from each district.

~~At the 2004 Annual Meeting, directors shall be elected for three-year terms from District Nos. 4, 6 and 8; at the 2005 Annual Meeting, directors shall be elected for three-year terms from District Nos. 2, 5 and 7; and at the 2006 Annual Meeting, directors shall be elected for three-year terms from District Nos. 1, 3 and 9. At subsequent annual meetings, directors shall be elected from those districts where the term of office of a director has expired.~~

The Cooperative shall stagger Director terms by dividing the total number of authorized Directors into groups of approximately equal number. Members must annually elect an approximately equal number of Directors. Except as otherwise provided in these Bylaws, a Director’s term is three (3) years or until a successor Director is elected or appointed and takes office. A Director’s term begins: (1) after the individual consents to being elected or appointed as a Director; and (2) immediately after adjournment of the Member meeting at which elected, or if appointed, at the end of the Board Meeting at which the Director is appointed. A Director’s term ends after: (1) a successor Director consents to being elected or appointed as a Director; and (2) immediately after adjournment of the Member meeting at which a successor is elected, or if appointed, at the end of the Board Meeting at which the successor Director is appointed.

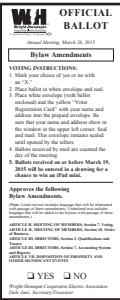
A member shall vote for a director only in the district in which he/she resides. If a member’s legal residence is not served by the Cooperative, then the member shall vote in the district where membership is held. The nominee in each district receiving the highest number of votes cast shall be elected, and in the case of a tie vote, the winner shall be determined by a flip of a coin.

Representation on the Board of Directors shall be apportioned equally among the districts in proportion to the number of members residing in each district. The number of members in any one district may not vary by more than ten percent (10%) from the average number of members for the districts. At least once every ten (10) years the Board of Directors shall conduct a survey to determine whether the number of members in a district has changed. If the number of members in a district has changed by fifteen percent (15%) or more, the districts shall be changed so that representation of the Board of Directors continues to be apportioned equally throughout the districts in proportion to the membership.

ARTICLE III, DIRECTORS, Section 7. Accounting System and Reports. The Board of Directors shall cause to be established and maintained a complete accounting system and shall, after the close of each fiscal year, cause to be made a full and complete audit of the accounts, books, and financial condition of the Association as of the end of such fiscal year. Such audit report shall be performed by a certified public accountant, and a summary of the report shall be made available to the members for inspection.

ARTICLE VII, DISPOSITION OF PROPERTY AND OTHER SIGNIFICANT EVENTS. The Cooperative may at any meeting of its Board of Directors sell, mortgage, lease or exchange its ~~properties and assets~~ facilities, property rights, privileges and franchises upon such terms and conditions as the board of directors may deem expedient and for the best interests of the Cooperative; provided, however, that if such a sale or transfer contemplates a merger, liquidation or dissolution of Cooperative or a sale of more than 25% of the ~~properties or assets~~ facilities, property rights, privileges and franchises of the Cooperative with no offsetting exchange of facilities, authorization therefore must first be obtained by the affirmative vote of three-quarters (3/4) of the members given at a meeting duly called for the purpose, or when authorized by the written consent of three-quarters (3/4) of the members provided that such affirmative vote or written consent of the members shall also represent the affirmative vote or written consent of at least three-quarters (3/4) of the ~~total number of individual members of the Cooperative with voting rights~~; and provided further, however, that notwithstanding anything herein contained, the board of directors without authorization by the members shall have full power and authority to borrow money from the United States of America or any agency or instrumentality thereof or from any other lending institution and in connection with such borrowing to authorize the making and issuance of bonds, notes or other evidence of indebtedness and to secure the payment thereof, to authorize the execution and delivery of a mortgage or mortgages, or a deed or deeds of trust upon, or the pledging or encumbrancing of any or all of the ~~properties and assets~~ property, assets, rights, privileges, licenses, franchises and permits of the Cooperative, whether acquired or to be acquired, and wherever situated, ~~as well as the revenues and income therefrom~~, all upon such terms and conditions as the Board of Directors shall determine.

Further notwithstanding anything herein contained, any repeal, amendment, or alteration of this Article VII that would result in a change in the member approval requirements for acts described herein must be approved by at least a majority of the total number of members of the Cooperative with voting rights.



BASIS FOR RECOMMENDATIONS:

ARTICLE II, MEETING OF MEMBERS Section 7. Voting. This proposed bylaw amendment adds the option of electronic voting when authorized by the Board, in addition to the two existing options of voting by mail and voting in-person at a meeting of the members.

ARTICLE II, MEETINGS OF MEMBERS Section 10. Order of Business. This proposed bylaw amendment is more in line with contemporary business practice. It allows the Board of Directors to set the agenda and order of business at the annual meeting, instead of being required to follow the same agenda and order each year.

ARTICLE III, DIRECTORS Section 2. Qualifications and Tenure. This proposed bylaw amendment is a housekeeping change. It merely does away with the date-specific nature of the current bylaws but does not contain any changes to the election process or its timing. A past change in the Bylaw process for director elections required a specific order of District elections. As time has now passed, this proposed amendment clarifies the current process for the three-year staggered Director terms. This amendment also clarifies when a Director’s term begins and ends.

ARTICLE III, DIRECTORS Section 7. Accounting System and Reports. This proposed new addition to the Bylaws states that at the end of the business year, a certified public accountant shall perform a full and complete audit of the accounts, books and financial condition of the cooperative. While audits have been completed each year in WH’s history as a matter of standard practice, this amendment codifies that an annual audit will be performed. This Bylaw also assures members access to a summary of the audit report.

ARTICLE VII, DISPOSITION OF PROPERTY AND OTHER SIGNIFICANT EVENTS. This proposed amendment seeks to clarify the existing Article VII and ensures that the sale of any more than 25 percent of the cooperative’s assets and other significant events listed will first require approval by a three-fourth vote or consent of all members. The purpose of this suggested revision is to protect the members’ control over transfer of assets or other significant events outside the ordinary course of business.