

OHIO MUNICIPAL ELECTRIC ASSOCIATION | OMEA

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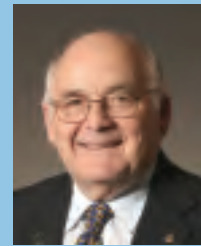
2007 OMEA Board of Directors



Mayor
Richard Homrighausen
City of Dover
President, Executive
Committee



Mayor
Douglas Johnson
City of Bryan
Executive Committee



Mayor
Robert Vincenzo
City of St. Clairsville
Executive Committee



Mayor
Don Robart
City of Cuyahoga Falls



Mayor
Lance Bowsher
Village of Edgerton



Mayor
Arthur Magee
City of Hubbard



Council Member
Laura Gray
Village of Montpelier



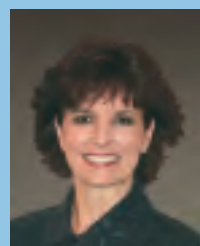
Mayor
Andrew Small
City of Napoleon



Mayor
Ed Kidston
Village of Pioneer



Council Member
George Lovett
City of Tipp City



Mayor
Robin Laubaugh
City of Wadsworth



Council Member
Bill Highfield
City of Westerville



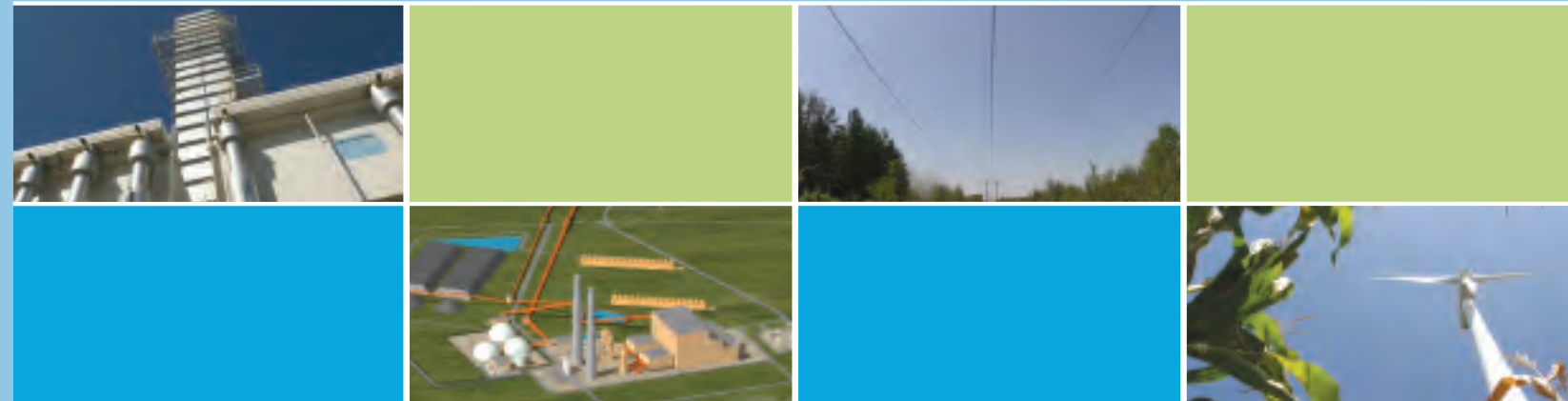
Jolene Thompson
Executive Director

Ohio Municipal Electric Association

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|---------------|----------------|----------------|---------------|---------------|-----------------|----------------|
| Amherst | Cleveland | Galion | Lakeview | New Knoxville | Prospect | Wadsworth |
| Arcadia | Clyde | Genoa | Lebanon | Newton Falls | Republic | Wapakoneta |
| Arcanum | Columbiana | Glouster | Lodi | Niles | St. Clairsville | Waynesfield |
| Beach City | Columbus | Grafton | Lucas | Oak Harbor | St. Marys | Wellington |
| Blanchester | Custar | Greenwich | Marshallville | Oberlin | Seville | Westerville |
| Bloomdale | Cuyahoga Falls | Hamilton | Mendon | Ohio City | Shelby | Wharton |
| Bowling Green | Cygnat | Haskins | Milan | Orrville | Shiloh | Woodsfield |
| Bradner | Deshler | Holiday City | Minster | Painesville | South Vienna | Woodville |
| Brewster | Hubbard | Hubbard | Monroeville | Pemberville | Sycamore | Yellow Springs |
| Bryan | Edgerton | Hudson | Montpelier | Pioneer | Tipp City | |
| Carey | Eldorado | Jackson | Napoleon | Piqua | Tontogany | |
| Celina | Elmore | Jackson Center | New Bremen | Plymouth | Versailles | |



O M E A



OHIO MUNICIPAL ELECTRIC ASSOCIATION | 2007 ANNUAL REPORT



In 2007, the Ohio Municipal Electric Association again found itself busy as it faced numerous legislative issues addressing the daily and long-term operations of Ohio's public power communities. These included the significant electric industry policy deliberations in Columbus, as well as the climate change policy debates in Washington.

The OMEA continues to be organized around the goal of fighting for the constitutional rights of Ohio municipal electric communities and serving as the legislative liaison to AMP-Ohio. Throughout the year, it continued to face the issues that had carried over from the previous legislative session, as well as new issues that emerged at both the state and federal level.

OMEA efforts at the state level

Following the opening of the 127th Ohio General Assembly in January, the OMEA tracked 110 of the more than 665 bills introduced in Ohio. Leading the list was Senate Bill 221, the energy bill enacted by Ohio legislators in April 2008. Crafted to primarily address the future retail electric market for investor-owned utility (IOU) areas, it also includes provisions on alternative energy, energy efficiency, climate change monitoring and federal energy advocacy. Importantly for OMEA member communities, the final bill recognizes the local decision-making authority of Ohio's municipal electric systems.

While the legislation requires the state's investor-owned utilities to provide 25 percent of their power supply from a combination of advanced energy and renewable energy resources, with benchmarks beginning in 2009, the OMEA was able to prevent the provision from applying to municipal electric systems. It argued that Ohio's municipal electric systems were already renewable energy leaders in the region, that such decisions needed to be made at the local level, and that it would be inappropriate to subject OMEA members to Public Utilities Commission of Ohio (PUCO) oversight on the issue.

The final bill also contains several provisions important to public power, including: clarifying language designed to maintain treatment in current law to ensure that customer switches from investor-owned utilities to existing municipal electric systems will not be subject to surcharges, service termination charges, exit fees or transition charges, as well as favorable language regarding hydro designed to allow existing and proposed run-of-the-river hydro facilities to qualify for renewable energy credits.

The focus has shifted to the PUCO, where implementation of the legislation will take place through rules to be adopted and where future investor-owned utility rates will be determined. SB 221 preserves the ability of utilities to go to the competitive market, but initially requires the four investor-owned utilities in Ohio (American Electric Power, Duke Energy, FirstEnergy Corp. and Dayton Power & Light) to file plans under a structure that provides for regulated rates (electric security plans). The IOUs each then have the option



OMEA members met with Sen. Sherrod Brown at his Capitol Hill office during their February 2008 visit to Washington for the American Public Power Association's Legislative Rally

to file a plan that provides for the ability to go to market-based rates (market rate option). The OMEA will remain actively engaged as bill implementation moves through the regulatory process.

Over the past year, the OMEA staff and counsel worked on a variety of other state-level issues with the potential to impact Ohio municipal electric systems and/or AMP-Ohio, including proposals that deal with the escalating problem of copper and aluminum theft and the placement of liens on properties for unpaid utility bills.



Ohio Gov. Ted Strickland speaks with Pioneer Mayor (and OMEA board member) Ed Kidston and OMEA Executive Director Jolene Thompson during the organization's annual OMEA Mayors' Reception in January 2008.

The OMEA at the federal level

Despite no significant climate change or electric legislation being passed, critical positioning took place at the committee levels, setting the framework for future policies that will substantially impact the utility industry. Climate change was a significant issue in the US Senate, where several proposals to reduce greenhouse gas emissions were debated over the past year. Senate Bill 2191, sponsored by Sens. Joe Lieberman (I-Conn.) and John Warner (R-Va.) emerged from subcommittee and committee levels, but ultimately failed to pass at the floor level in June 2008. On the House side, things progressed more slowly with the focus on analysis and informational hearings.

The OMEA staff and counsel engaged in discussions with both Ohio Senators, who play key roles in the process. Sen. Sherrod Brown (D) is among the votes the Democratic majority needs to pass legislation. Sen. George Voinovich (R) is the ranking member of the Senate Environment and Public Works Clean Air and Nuclear Safety Subcommittee and an opponent of the Lieberman-Warner approach. During the past year, the OMEA became a member of the Ohio Climate Change Dialogue Group, initiated by Voinovich. This group includes the Ohio investor-owned utilities, rural electric cooperatives and major statewide and national business groups.

Transmission and wholesale power market issues continue to be extremely important to Ohio's transmission-dependent public power utilities. The OMEA spoke with Ohio's congressional delegation about the impact of proposals under consideration by the Federal Energy Regulatory Commission and PJM Interconnection and Midwest

Independent Transmission System Operator transmission organizations. The OMEA and AMP-Ohio supported the APPA's Electric Market Reform Initiative and Campaign for Fair Electric Rates efforts, formed in response to the failure of restructured wholesale electric markets to provide consumers with just and reasonable electric rates.

OMEA Member Activities

OMEA Legislative Day and Mayors' Reception

In January 2008, local elected and appointed officials from 34 member communities gathered in Columbus for the annual OMEA Legislative Day and Mayors' Reception. The afternoon session featured remarks from state Rep. Bill Batchelder (R-Medina) on how the dynamics of the legislature have changed with term limits. The evening reception gave more than 65 state legislators and key state officials, including Gov. Ted Strickland (D), the chance to meet with our member officials.

Ohio Group Activities at the APPA Legislative Rally

For the 18th year in a row, the AMP-Ohio/OMEA 2008 member delegation was one of the largest groups, with more than 60 representatives, including elected and appointed officials from 26 member municipal electric communities. Members took part in the APPA Legislative and Resolutions Committee meeting, including cosponsoring a successful resolution. Members also met to discuss issues with 11 federal lawmakers (including Sens. Brown and Voinovich), as well as key staff in additional congressional offices.

The OMEA Team

The OMEA team begins with an active membership, focusing its concerns through the elected 12-member OMEA board of directors. Working with the board, the OMEA staff and counsel carry the organization's message to legislators, regulators and other key industry stakeholders. OMEA staff members are Jolene Thompson, executive director; Michael Beirne, director of government affairs; and Nancy Marshall, government affairs coordinator. The legal and legislative consultants who work most closely with the OMEA are John Bentine, general counsel; Keith Brooks, state legislative counsel, and his associates, Dan Leite and Kurt Leib; and Marty Kanner, federal legislative counsel, and his associates, Nicole Case and Peter Umhofer. The OMEA is closely aligned with American Municipal Power-Ohio, the nonprofit wholesale power supplier and services provider for 81 Ohio, 26 Pennsylvania, seven Michigan, five Virginia, two West Virginia, and one Kentucky municipal electric systems.