



Adams Electric Cooperative, Inc.

A Touchstone Energy® Cooperative 

1338 Biglerville Road
P.O. Box 1055
Gettysburg, PA 17325-1055
Telephone: 717/334-9211
Fax: 717/334-3980
Web Site: www.adamsec.coop

Dear Current or Former Co-op Member:

December 18, 2008

The Adams Electric Cooperative Board of Directors is pleased to send you the enclosed check for the retirement of a portion of your Cooperative's patronage capital. This year is the 35th retirement year in a row and we hope that you value the ongoing financial stability that such retirements represent for you.

Your check amount is based on your past patronage with the Cooperative – the amount of electricity you used for years prior to 2008. This year's retirement of \$1,631,000 goes to approximately 45,000 current and former Cooperative members. Total retirements from all years now exceed \$25.7 million.

In an investor-owned utility, this amount of money would go to stockholders instead of being returned to local consumers like you. We believe the retirement of patronage capital to Cooperative members helps to transform our local communities into better places to live and work. For the same reason, the Cooperative also annually helps local fire companies, provides electrical safety training and other educational programs, and generally assists the local agriculture and business community through various activities.

Since electric deregulation began in 1999, Adams Electric Cooperative has continued to aggregate and serve your energy supply needs from its contracted wholesale supplier (Allegheny Electric Cooperative). No alternative suppliers have offered to serve all members at lower rates and we continue to work hard on your behalf to obtain competitively priced electric generation and transmission services while providing reliable local distribution services. Aside from providing other member electric efficiency options, various combined electric and non-electric service options are also available for heating oil, propane, HVAC services, and standby generator services via the Cooperative's local ownership interest in Aero Energy.

As your member-elected Board of Directors, we thank you for your support and continue to invite you to participate in the many services, activities, meetings and volunteer opportunities of your Cooperative.



Jay E. Grove, President




S. Eugene Herritt, Vice President



Thomas J. Knaub, Treasurer



Glenn E. Bange, Secretary



Daniel E. Eisenhart



Judith J. Queitzsch



Nina L. Redding



F.L. Ray Schwartz

(See Back for Additional Details)

GENERAL RETIREMENT OF PATRONAGE CAPITAL EXPLANATION SHEET

The Enclosed Check:

The enclosed check is a general retirement of a portion of your Adams Electric Cooperative patronage capital through December 31, 2007. As a cooperative organization owned by you and other consumer-members, Adams Electric Cooperative is proud to be able to retire this money to you. Your two major rights as a cooperative member are the right to vote and the right to share (through allocation) in any margins.

What is Patronage Capital?

Patronage Capital is the margin that remains after subtracting expenses from revenues each year. It is retained, on an annual basis, to build and maintain member ownership or equity in the Cooperative. This equity provides working capital and is also necessary to obtain long-term loans to build the facilities required to serve Cooperative members. Every year, the Cooperative allocates its patronage capital to active members based on their level of electric use or patronage. The new allocation of patronage capital is added to any previous balance from prior years. As financial conditions permit, the Cooperative retires a portion of the patronage capital to each member. This year's retirement will reach 45,000 current and former co-op members.

In 2008, the average general retirement to you is approximately 3% of your outstanding patronage capital from the Cooperative's electric distribution operations and/or any retirement of patronage capital from generation and transmission operations. As one of the 14 member-owners of a generation and transmission (G&T) utility cooperative (Allegheny Electric Cooperative), Adams Electric Cooperative re-allocates any G&T patronage capital to you. G&T patronage capital retirements are subject to a different retirement process.

Is the Check Subject to Income Tax?

The enclosed check amount, as a return of patronage capital, is not subject to income taxes if the Cooperative's electricity was used for residential purposes only. However, the check amount is subject to income taxes if the Cooperative's electricity was used for a business and you recorded the Cooperative's electricity cost as a tax-deductible expense for your income tax filing purposes.

What if I Leave the Cooperative's Service Territory?

If you discontinue service from Adams Electric Cooperative, you should make sure that you notify the Cooperative anytime that you change addresses. That way, the Cooperative will always have a current address to which your future retirements of patronage capital can be sent. If annual patronage capital retirement checks are sent to you and returned due to a non-current address, the money may be subject to various state unclaimed property acts. The Commonwealth of Pennsylvania provided an exemption from such act in 2006 if the money goes unclaimed for 5 years. It can then be used for Cooperative programs related to consumer energy efficiency, education, and civic purposes.

What if I Have Additional Questions?

If you have any questions about this retirement, please contact Jayme Smith by telephone at 717/334-9211, by e-mail at "jaymes@adamsec.coop", or write to her at 1338 Biglerville Road, PO Box 1055, Gettysburg, PA 17325-1055.