

MACC INDUSTRY SECTOR UPDATE

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Mid America Cooperative Council

This Month We Feature the Electric Cooperative Sector of Our Membership

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The Electric Cooperative Story

As late as the mid-1930s, nine out of 10 rural homes were without electric service. The farmer milked his cows by hand in the dim light of a kerosene lantern. His wife was a slave to the wood range and washboard.

The unavailability of electricity in rural areas kept their economies entirely and exclusively dependent on agriculture. Factories and businesses, of course, preferred to locate in cities where electric power was easily acquired. For many years, power companies ignored the rural areas of the nation.

The first official action of the federal government pointing the way to the present rural electrification program came with the passage of the **Tennessee Valley Authority (TVA)** Act in May 1933. This act authorized the TVA Board to construct transmission lines to serve "farms and small villages that are not otherwise supplied with electricity at reasonable rates."

Rural Electrification Administration

The idea of providing federal assistance to accomplish rural electrification gained ground rapidly when President Roosevelt took office in 1933. On May 11, 1935, Roosevelt signed Executive Order No. 7037 establishing the **Rural Electrification Administration (REA)**. It was not until a year later that the Rural Electrification Act was passed and the lending program that became the REA got underway.

Within months, it became evident to REA officials that established investor-owned utilities were not interested in using federal loan funds to serve sparsely populated rural areas. But loan applications from farmer-based cooperatives poured in, and REA soon realized electric cooperatives would be the entities to make rural electrification a reality. In 1937, the REA drafted the **Electric Cooperative Corporation Act**, a model law that states could adopt to enable the formation and operation of not-for-profit, consumer-owned electric cooperatives.

Rapid Growth

Within four years following the close of the World War II, the number of rural electric systems in operation doubled, the number of consumers connected more than tripled and the miles of energized line grew more than five-fold. By 1953, more than 90 percent of U.S. farms had electricity.

Today, about 99 percent of the nation's farms have electric service. Most rural electrification is the product of locally owned rural electric cooperatives that got their start by borrowing funds from REA to build lines and provide service on a not-for-profit basis. REA is now the Rural Utilities Service, or RUS, and is part of the U.S. Department of Agriculture.

The Birth of NRECA

False claims that electric cooperatives were hoarding copper wire during World War II brought cooperative leaders from different states together to defend themselves. As a result, in 1942, America's electric cooperatives formed the **National Rural Electric Cooperative Association (NRECA)** to provide a unified voice for cooperatives and to represent their interests in Washington, DC. (*excerpts from NRECA - The Electric Cooperative Story*)

Our Electric Cooperative Members

[Ohio's Electric Cooperatives - Patrick Higgins, Dir. of Communications](#)

Ohio's Electric Cooperatives is made up of two affiliated organizations: Buckeye Power, the not-for-profit generation and transmission cooperative, and Ohio Rural Electric Cooperatives, the statewide trade association. The G&T provides clean, safe, reliable, affordable power to the 25 electric distribution cooperatives that serve Ohio, while the trade association offers support services, including safety and loss prevention; communications; marketing; education and training; and legislative advocacy at the state and national level. With a 75-year history and a long-term approach to business decisions, the priority of Ohio's Electric Cooperatives is to provide the best possible service at the lowest possible cost, thereby helping their members improve the quality of life for their own members. Ohio's Electric Cooperatives is a staunch advocate for legislation and regulations that balance environmental concerns and the affordability of electricity for rural Americans.

[Butler Rural Electric's 80th Anniversary - http://ohioec.org](#)

Butler Rural Electric Cooperative celebrated 80 years of community involvement at its 2016 Annual Meeting on April 28, at Miami University's Millett Hall. More than 850 members, guests and employees attended the annual business meeting. Members heard updates on the state of the cooperative from Board of Trustee President Tom McQuiston and General Manager Michael L. Sims. Founded in 1936, Butler Rural Electric Cooperative, Inc is a member-owned, not-for-profit electric cooperative headquartered in Oxford, Ohio. The cooperative serves more than 11,500 members in Butler, Hamilton, Preble, and Montgomery counties in southwestern Ohio.

[Hoosier Energy Renewable Energy - www.hepn.com](#)

Renewable energy represents an important part of **Hoosier Energy's** all-of-the-above power supply portfolio, which includes coal, natural gas, energy efficiency and renewable generation. To help meet member electricity needs now and in the future, Hoosier Energy's Board of Directors established a voluntary renewable energy policy in 2006 to encourage the development of efficient, economical renewable energy resources. The power supply cooperative's renewable energy program includes landfill methane gas, coalbed methane, solar, wind and hydro resources. Hoosier Energy pursues smaller scale renewable energy projects that make economic sense and offer a reliable source of power for member systems' consumers. Three percent of Hoosier Energy's current generation resources come from renewables.

[Jo-Carroll Energy Economic Development - www.jocarroll.coop](#)

Committed to improving the quality of life for their members and communities, Jo-Carroll Energy has taken a leadership role in ensuring the success of economic development efforts in Northwest Illinois. They work closely with economic development professionals in Jo Daviess, Carroll, Whiteside and Henry counties. In 2008, Jo-Carroll Energy was instrumental in forming the Tri-County Economic Development Alliance, Inc. (TCEDA), an organization they now actively support to the benefit of their members and communities.

[UDWI REMC Celebrating 80 Years of Service - http://www.udwiremc.com](#)

UDWI REMC, a Touchstone Energy Cooperative, is a member of the Hoosier Energy Power Network and the 4th-largest electric co-op in southern Indiana, serving over 19,000 meters in Clay, Daviess, Greene, Knox, Lawrence, Martin, Monroe, Owen, Putnam, Sullivan, and Vigo counties, for 80 years.

[Monroe County Electric Cooperative - http://mcec.org/](#)

It was in April of 1938 that the farmers of Monroe County voted to organize the **Monroe Electric Co-Operative, Inc.** – a nonprofit corporation in the state of Illinois. The first loan of \$175,000 was approved by the Rural Electrification Administration (REA) in September. One month later, the first 175 miles of distribution line, serving 383 members, were energized at what is now known as the Waterloo substation. The first years of MCEC were devoted to extending electric power to the unserved portions of rural areas in Monroe, Randolph, and St. Clair counties. Today, MCEC maintains about 1,200 miles of distribution and transmission electric line serving more than 6,700 local farms, homes and businesses with dependable electric power. MCEC is one of 26 consumer-owned electric cooperatives in Illinois and more than 900 across the nation.

[Association of Illinois Electric Cooperatives - https://aiec.coop/](#)

The board of directors of the **AIEC** consists of 28 members-cooperatives, representing each of its member-systems – the 25 electric distribution cooperatives and five power generation and transmission cooperatives. One director is elected by and from the board of directors of each member-cooperative. The six telephone cooperatives operating in Illinois are non-voting members of the AIEC. The AIEC provides its members with the advantages of a large utility operation without sacrificing the local control and local ownership essential to the spirit of these tax-paying Illinois businesses. To achieve this objective, the association provides a variety of services for its member-systems. These include engineering services, coordination of safety programs, training of line personnel, legislative research and information, member communication programs, printing and publications, public relations, and group purchasing of materials and supplies.

[Indiana Electric Cooperatives - https://www.indianaec.org/](#)

The Tennessee Valley Authority (TVA) Act was passed in 1933. This federal legislation created a rural electrification program authorizing the new TVA Board to build transmission lines supplying electricity to rural communities at reasonable rates. The creation of the Rural Electrification Administration (REA) in 1935 helped provide further federal funding for these projects, increasing the spread of electric power to rural areas throughout the nation. Established in 1935, **Indiana Electric Cooperatives** was formed to represent rural electric cooperatives in Indiana—and was the first organization of its kind in the country. While the landscape of rural electric cooperatives is much different today than it was in the 1930s, their mission is the same: to provide a unified voice for their members while helping to lead, serve and advocate for their best interests.



Rod's Thoughts



This edition of the **MACC Industry Sector Update** is dedicated to **Electric Cooperatives**, who changed rural America. My mother received electricity on her Howard county farm in Indiana, in December of 1939. She had classmates in her school whose families had electricity in their homes, for nearly 50 years. It was a clear case of the “have’s” and “have-nots”, and rural America was not able to enjoy the benefits of a developing nation.

Investor owned companies did not believe they could make enough money stretching electric lines in the country, because they could not get enough customers per mile of line to make it a profitable venture. Therefore, the citizens of rural America asked to borrow money from our government to build their own electrical generation, transmission, and distribution systems. They called it the Rural Electrification Act and they repaid the US Government for the borrowed money, plus interest.

Rural America built their electric system through many democratically controlled cooperative structures. Each member owned a piece of their distribution co-op, which served approximately one county. These county distribution cooperatives invested in electric generation and transmission cooperatives that served their state, more or less. Although several of these cooperatives have consolidated in recent years to provide greater business efficiencies for their member-owners; this was, and still is, a private system that is fully owned and controlled by it’s member-owners. Cooperative members have \$86 billion invested in their rural electric generation, transmission, and distribution networks.

Today’s private, cooperatively owned, rural electric system covers 56% of our nation, owns 42% of the electric power lines and serves 13% of households and businesses. They do this while having only 7 customer meters, and generating \$16,000 per mile of line. Their investor-owned competitors have 34 customer meters, and generate \$75,500 per mile of line. As you can see, our rural electric cooperatives have become very efficient at serving rural America, and pay over \$1 billion in state and local taxes, annually. Electric cooperatives are working to solve the next challenge for rural America, high speed broadband internet service.

Education and information is critical for today’s electric cooperatives, in order to remind their employees, board of directors, and member-owners that the rural electric system we enjoy today became possible because we came together cooperatively and built it ourselves. Our electric cooperatives are uniquely different in their service areas, governance control, and ownership structure. They are, also, uniquely different in how they pay and revolve patronage to their member-owners. We must continue to celebrate this unique difference of control, ownership, and self-governance. It is one of the reasons the **Mid America Cooperative Council** was formed, to educate our diverse cooperative members.

For more information or to join the Mid America Cooperative Council, please visit <http://macc.coop/>.

