

# Evolution of the U. S. Electric Co-op Program



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February 2006

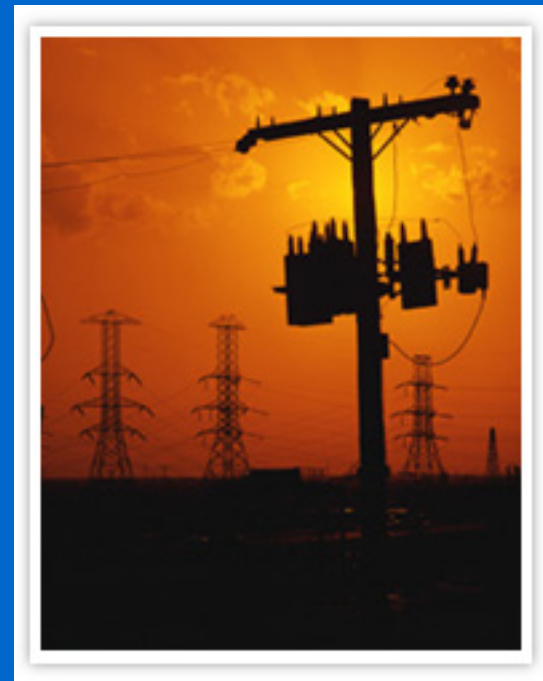


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# The Rural Electric Program Begins

– Backdrop:

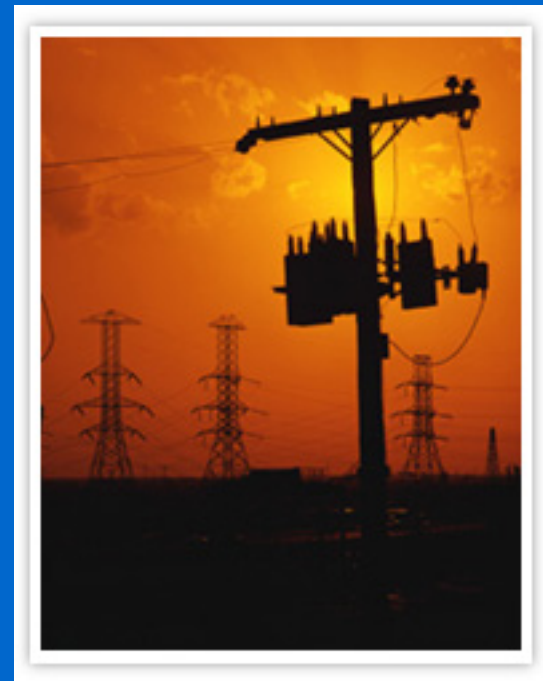
- The Great Depression
- 10% of U.S. farms had Electric Service
- REA established by Executive Order May 11, 1935



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# The REA Challenge

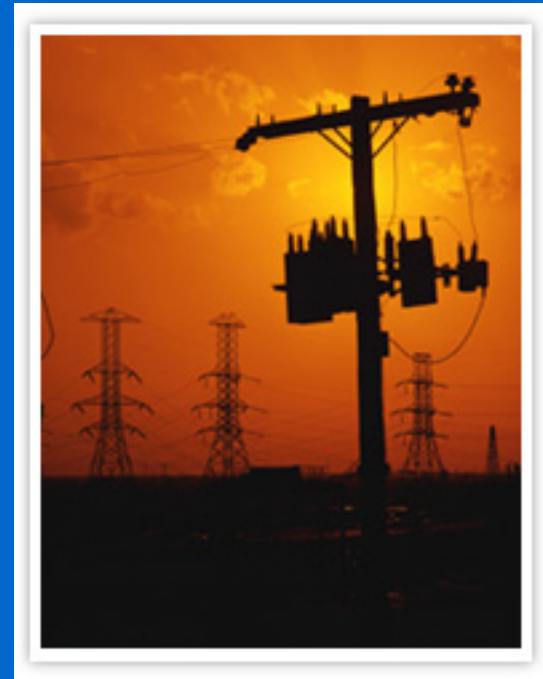
- Make loans to provide for rural electrification
- Existing utilities serving higher density areas weren't interested



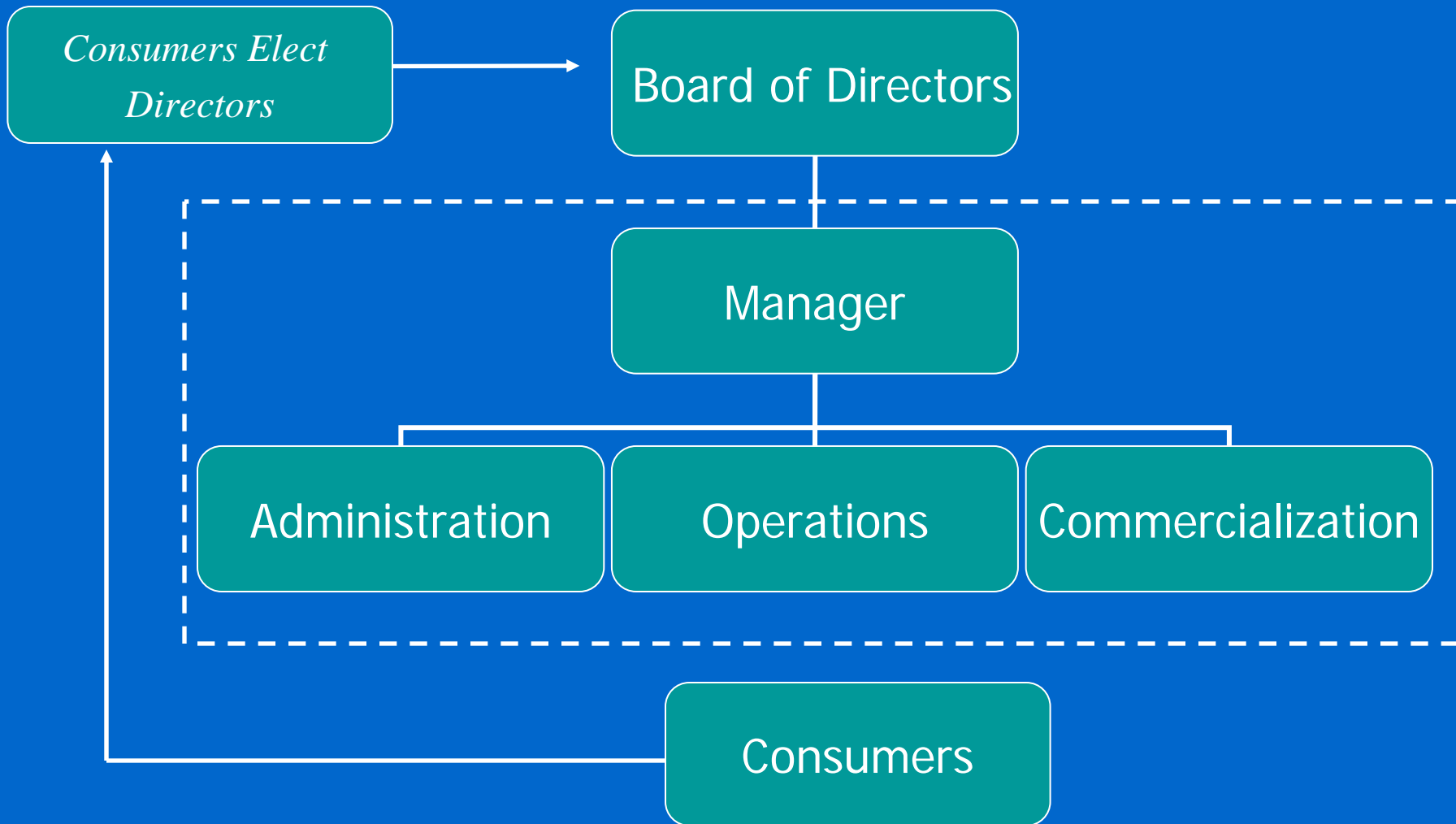
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# The Solution

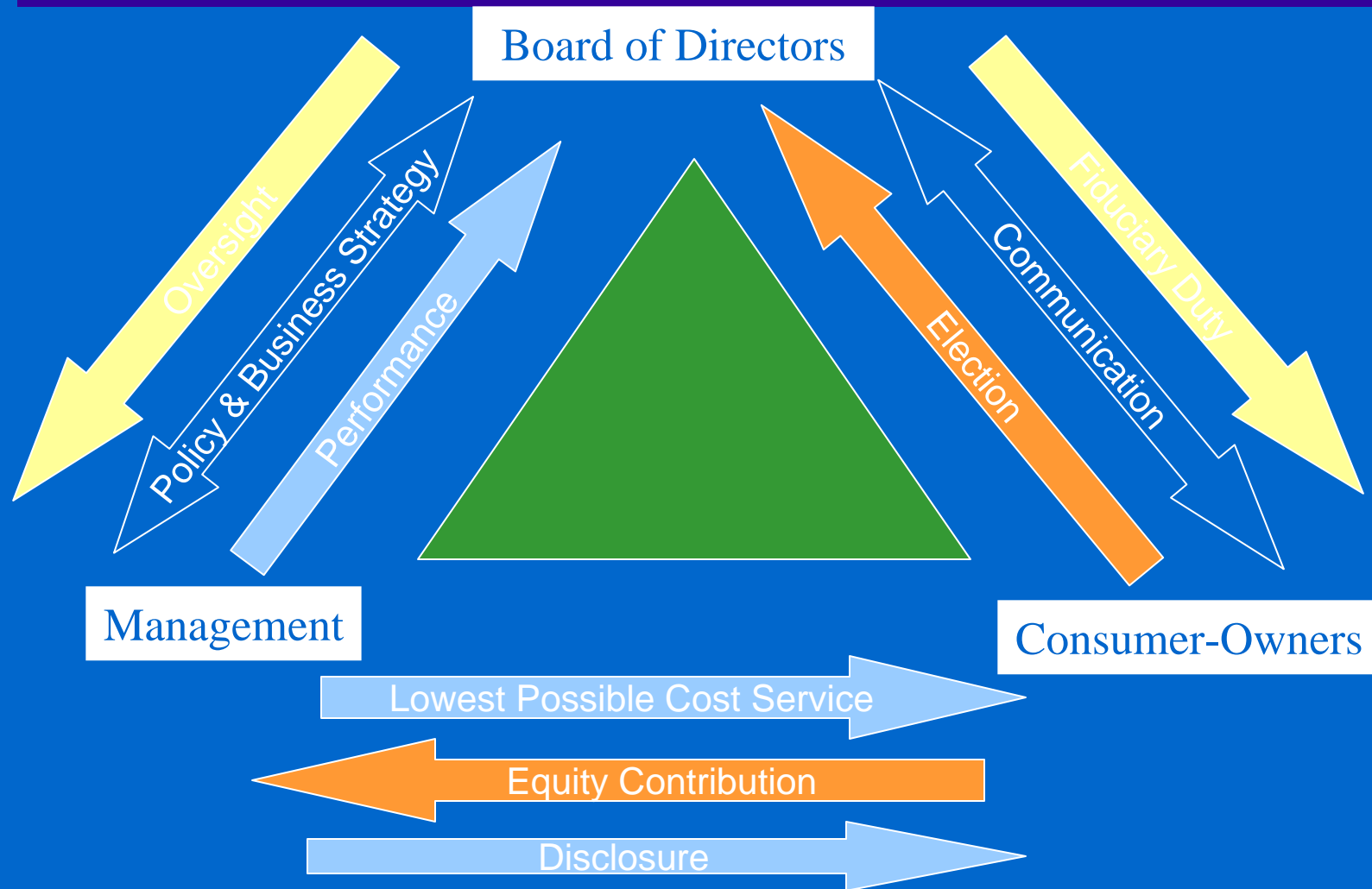
- Help rural residents form cooperatives
- Farmers very comfortable with that business form
- Incorporates natural community leaders
- Focus on local needs



# Cooperative Organizational Structure



# *The Cooperative Governance Triangle*



# The REA Approach: Co-ops

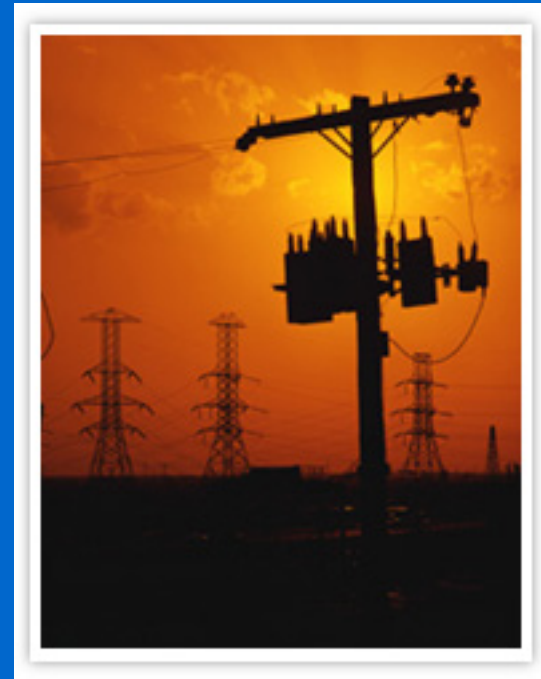
- Cost efficiencies through involvement of co-op members in construction and operation
- Accommodated REA's "area coverage" principle
- Led to commercialization discipline and standardization



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# The Key Ingredients

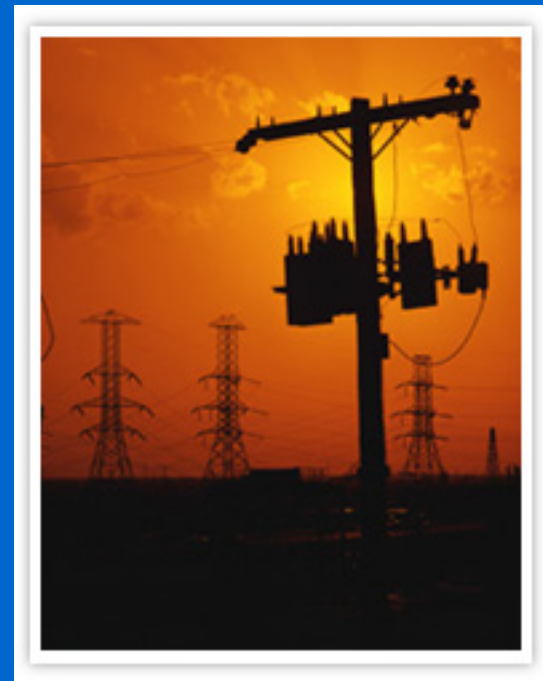
- REA didn't throw money at the problem, it provided assistance:
  - Engineering
  - Accounting
  - Management
  - Later community and economic development



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# The Big Interruption

- World War II slowed progress
- Materials and manpower needed in the war effort
- By war's end over 900 co-ops formed but fewer than 1.5 million consumers served



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# Representation Needed

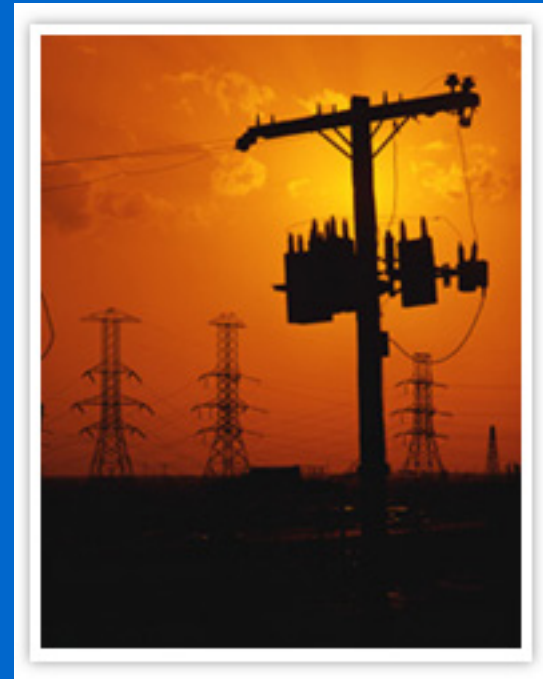
- NRECA formed in 1941
- Legislative/Regulatory Representation
- Health Insurance and Retirement Programs



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# The Heavy Lifting

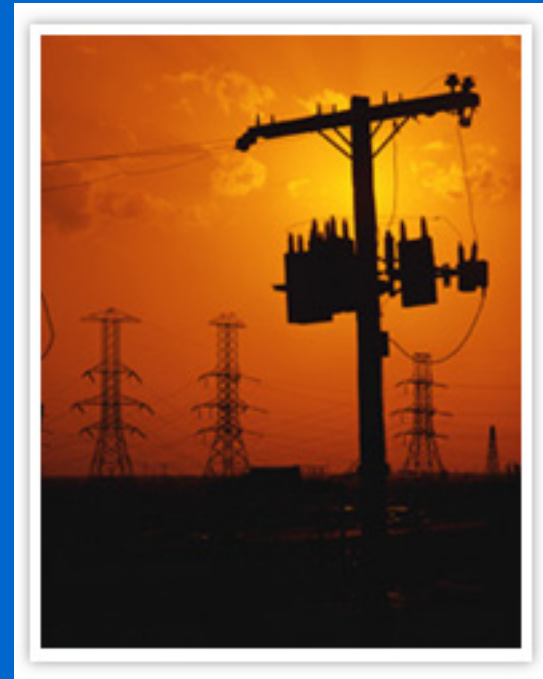
- Rural electrification took off in the post war years
- Consumers served
  - 1945 - 1.4 million
  - 1955 - 4.3 million



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# Growth in the Program

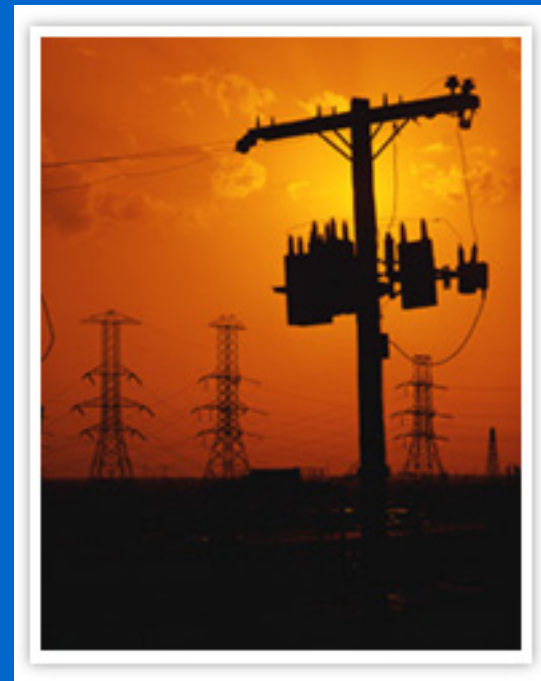
- Co-ops add members, loan demand grows
- NRECA Long Range Study Committee recommends a supplemental financing source 1968
- CFC formed 1969
- Today, nearly \$22 billion in loans



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# Sources of Power

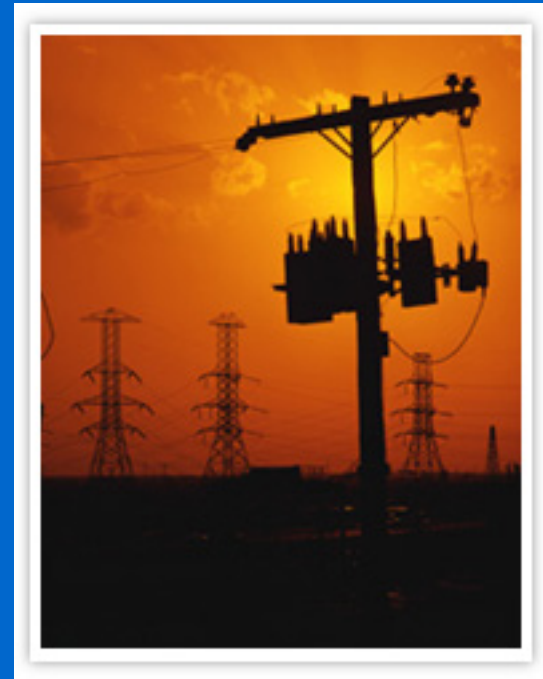
- In 1969 nearly half of the power purchased by distribution co-ops was provided by government sources
  - Gov't - 45.4%
  - Power Cos. - 32.0%
  - G&Ts - 22.6%



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## Growth of G&Ts

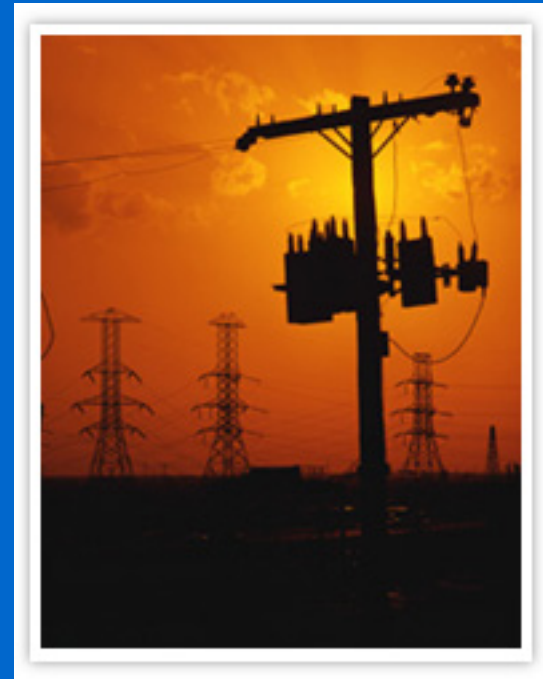
- Need for More Power
- G&Ts began building new plants
- New G&Ts were formed
- plants planned in the early 70's
- Plants built in the late 70's and early 80's



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# The Electric Co-ops Today

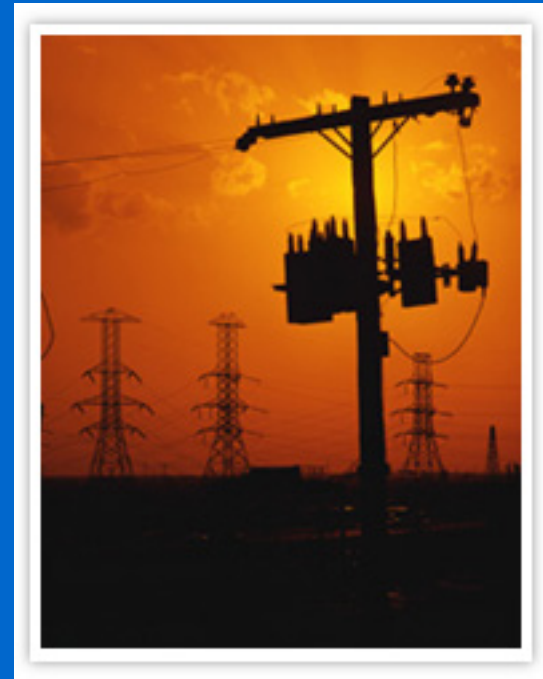
- No. of distribution systems - 864
- No. of G&Ts - 66
- Consumers served 16 million
- People served  
– 37 million
- Customers/mile - 6.6



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# The Electric Co-ops Today

- Typical Distribution Co-op
- 11,742 Consumers (smallest 279, largest 178,123)
- \$44 million plant
- 44 employees

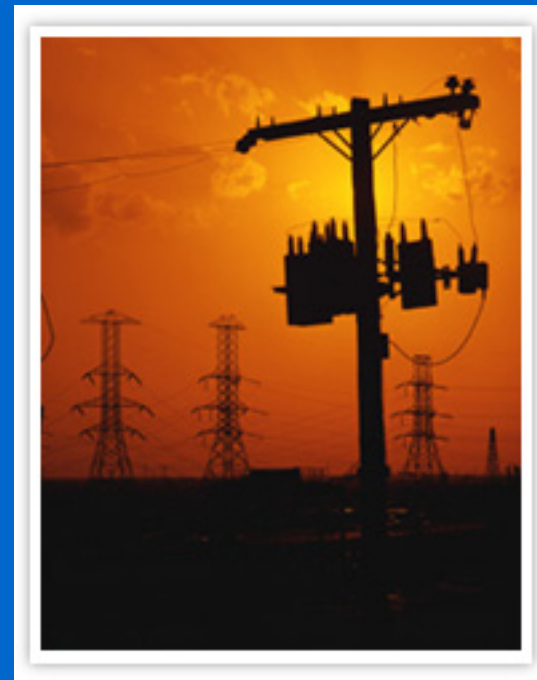


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# The Electric Co-ops Today

## – Typical Co-op Staff

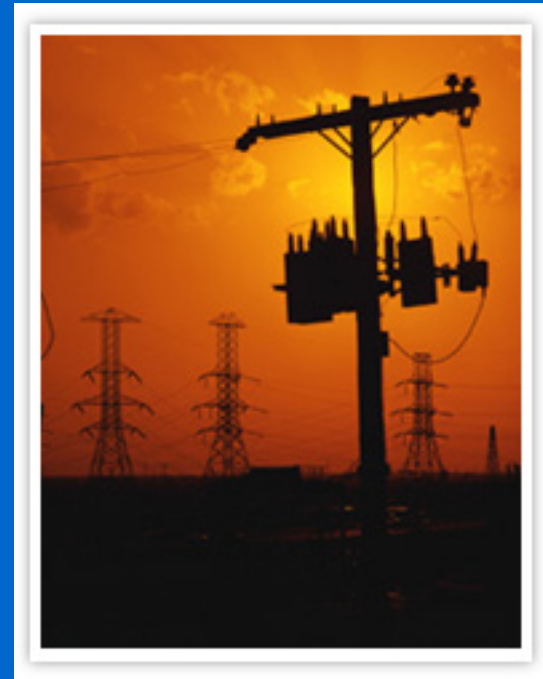
- General Manager - 1
- Supervisors - 3
- Eng. & Ops - 5
- Fin./Acct. - 3
- Mbr Svc/Ec Dev - 3
- Linemen - 23
- Secy./Clerical - 10
- Other - 8
- Total -56



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# The Electric Co-ops Today

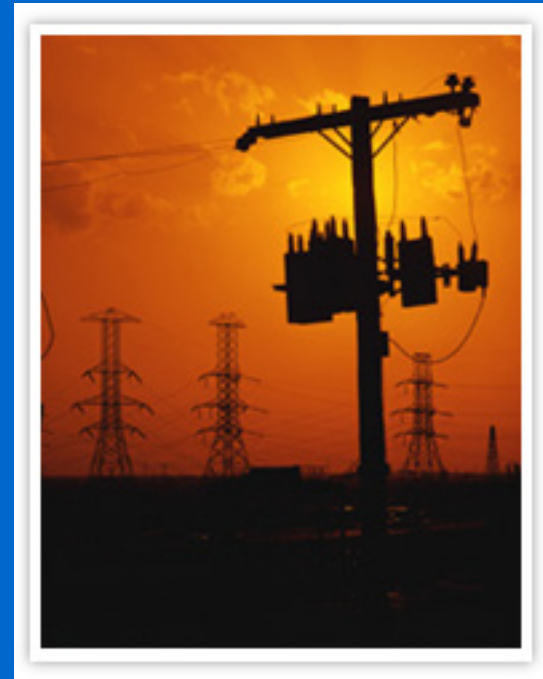
- The G&Ts
- 66 Systems
- 665 Dist. Members
- 34,000 MW Capacity
- 72% Coal Fired
- 10,600 employees



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# The Electric Co-ops Today

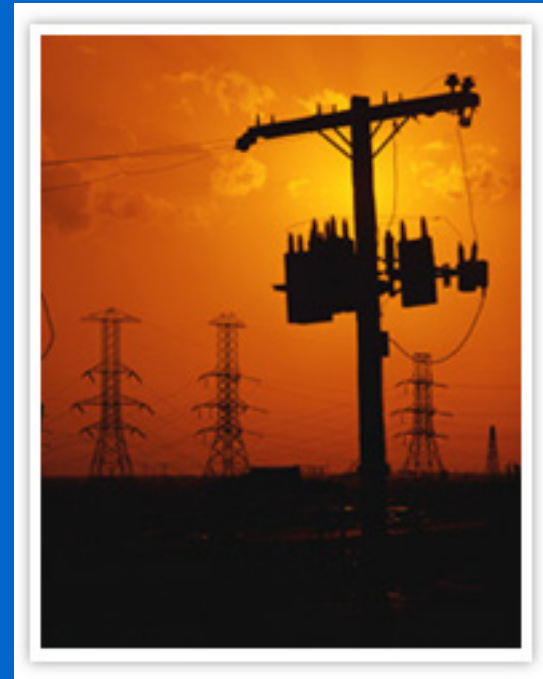
- G&Ts Are Diverse
- 10 are paper G&Ts
- Some own generation
- Others actually generate
- Basin over 1,000 employees
- Oglethorpe nearly \$5 billion in assets



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# The Electric Co-ops Today

- Distribution Systems
- \$53 billion assets
  - G&Ts
- \$33.5 billion assets

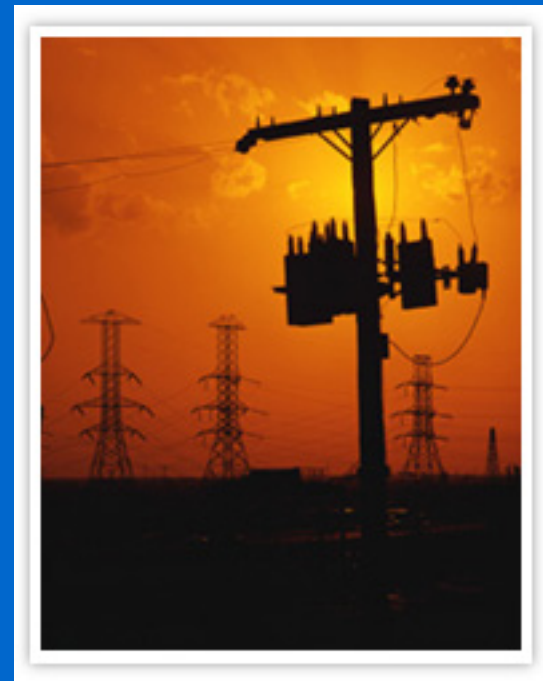


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# The Electric Co-ops Today

## – Sources of Power

- G&Ts - 41%
- IOUs - 25%
- Gov't - 34%



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# Electric Consumer Bill of Rights

All electric Consumers entitled to:

- affordable, safe, electric power
- establish and operate co-ops
- fair treatment for co-ops
- manage their co-ops as needed
- privacy of information
- define scope of energy services
- additional services
- cooperation with other co-ops

