

Montana Electric Cooperatives' Association
*Electric Cooperative Structure
and Policy Concerns*

Presented by Dave Wheelihan
Executive Director

to

*Energy Subcommittee of Environmental Quality Council
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Beginnings

- Lack of electricity in rural America
- 1914 – 1st electric cooperative formed in Granite Falls, Minn.
- 1919 – 8 non-profit electric cooperatives organized near Webster, City Iowa
 - *Purchased power from the City*



...beginnings

- 1923 – Still only 2.8% of all farms in the U.S. were electrified.
- 1935 – President Roosevelt creates Rural Electrification Administration (REA) through Executive Order No. 7037
 - *Congress appropriates \$100 million for rural electrification*



...beginnings

- *REA meets with executives from the 15 largest utility companies in America.*
- *REA deems IOU proposal not adequate to provide area coverage.*

...beginnings

- *Growing public mistrust of private utilities because of improper financial practices.*
- *Result: Passage of the Public Utility Holding Company Act.*
 - * *(Act designed to prevent market abuse through monopolistic practices.)*



...beginnings

- 1936 – Rural Electrification Act passes
- ✓ *Makes REA lending agency of federal government for 10 years, giving lending authority preference to non-profits.*
- ✓ *\$40 million annual appropriations to be apportioned among the states.*
- ✓ *loans to be made for the construction and operation of generation, transmission, distribution of electric energy for persons in rural areas not receiving service*

...beginnings

- ✓ *25-year repayment with interest geared to government's own long-term securities.*
- ✓ *Administrative to be on non-partisan basis.*

...beginnings

- 1936-1963

- Nearly 1,000 electric cooperatives formed.

- * *Ravalli Electric 1st in Montana: incorporated 1936, energized 1938.*

- 1939 Montana Legislature passes Rural Electric & Telephone Act (Mt. Code Annotated, Chapter 35-18)

- * *Sets forth powers and purposes of electric cooperatives.*



Electric cooperatives today

- 900-plus electric cooperatives in the United States.
 - *Serve 34 million people in 46 states.*
 - *Employ more than 60,000 people.*
 - *\$70 billion in assets.*
 - *2.3 million miles of power lines to service 80%-plus of U.S. geographical area.*



Electric co-ops in Montana

- 26 distribution co-ops
- 3 generation and transmission co-ops
- Serve in every county
- Approximately 400,000 people
- 700 jobs
- \$35 million annual payroll



What is an electric co-op?

- Formed to provide electric energy (poles, wires, etc.)
- Not for profit
- Owned by those who receive service from the co-op.
- Elected board of directors
 - *Makes policy and rate decisions*



...What is an electric co-op?

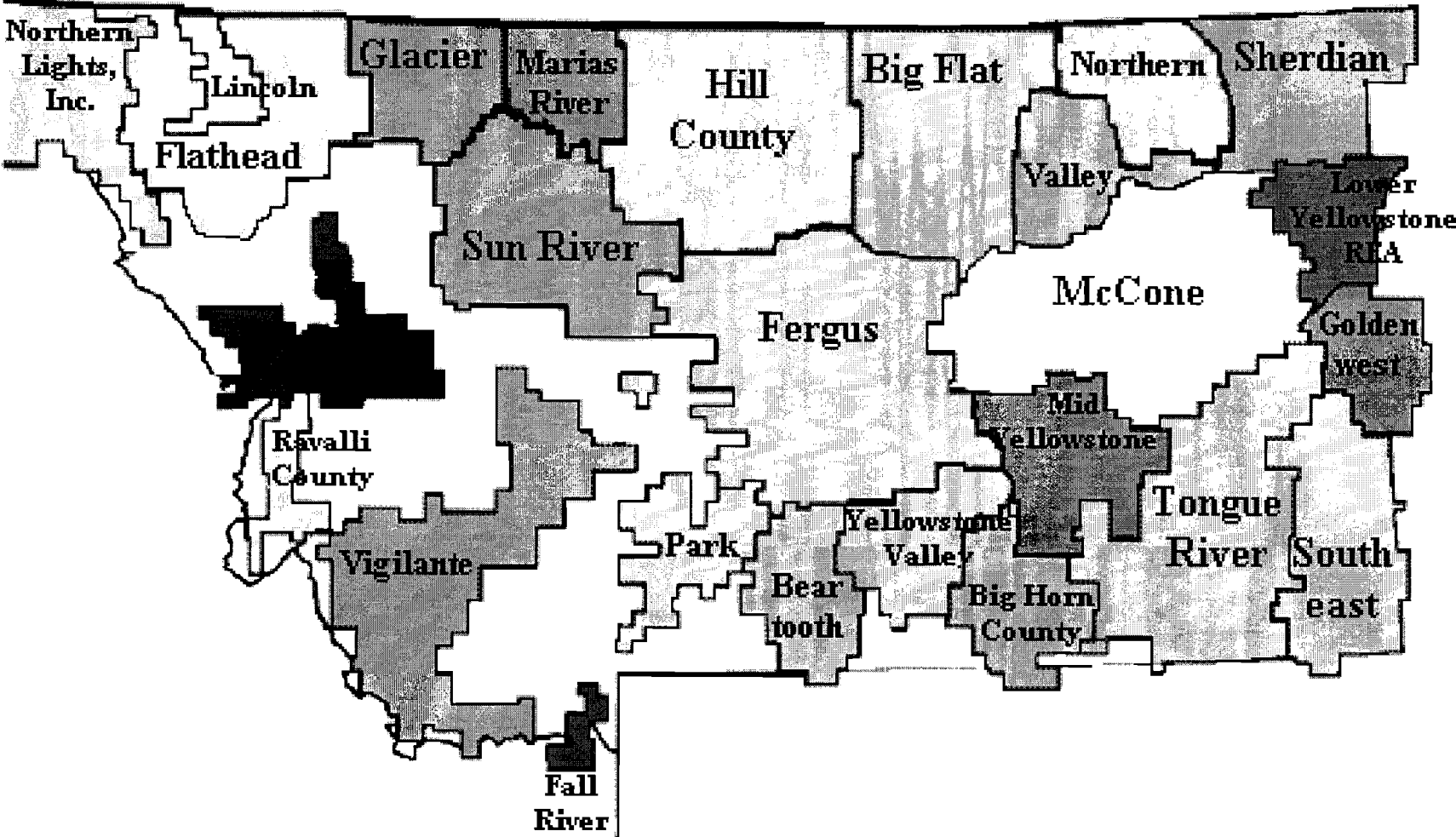
- 1 person, 1 vote
- Margins (profits) returned to members based on patronage (capital credits)



7 cooperative principles

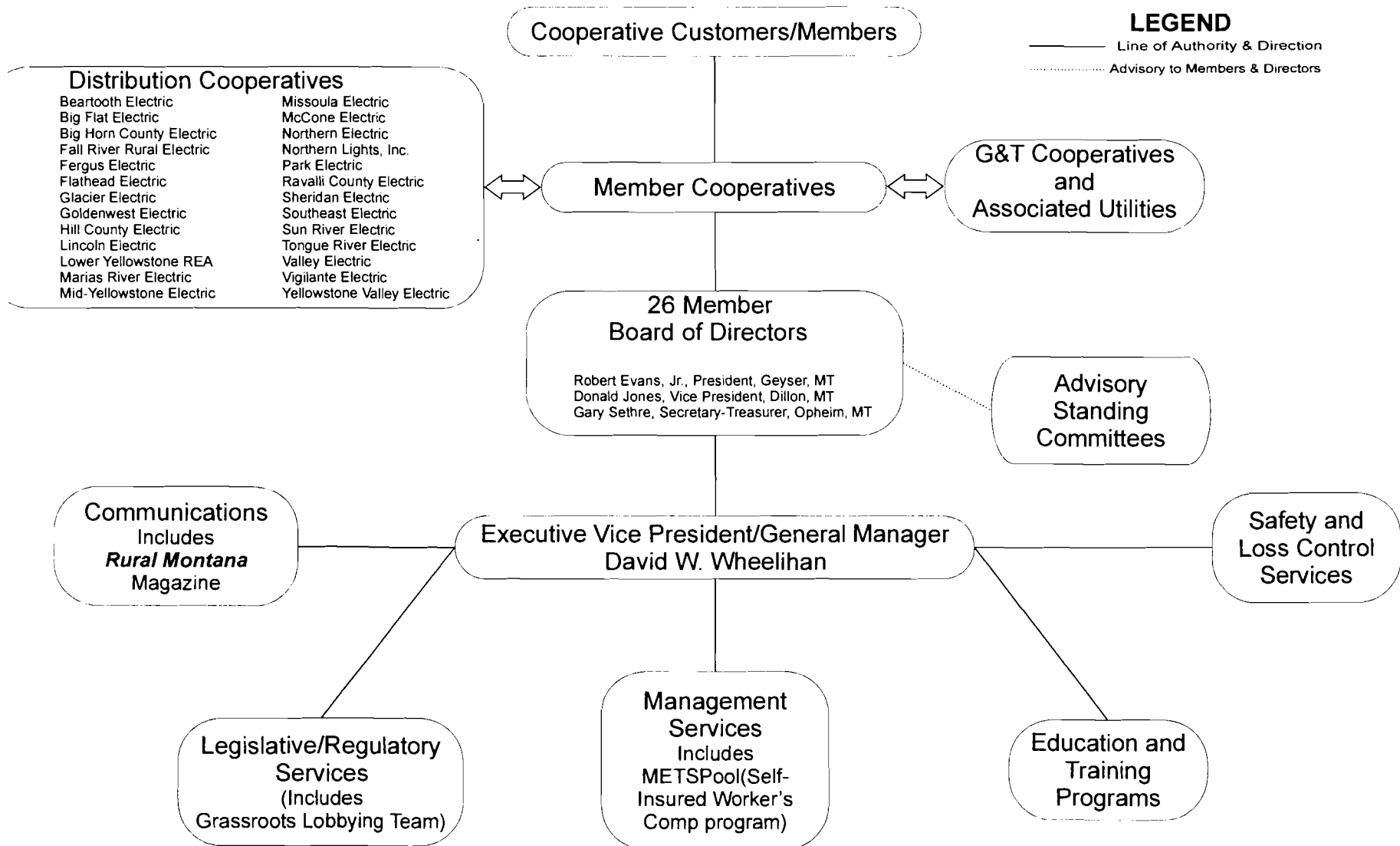
1. Voluntary & open membership
2. Democratic member control
3. Member economic participation
4. Autonomy & independence
5. Education, training & information
6. Cooperation among cooperatives
7. Concern for community

Service territories of Montana's 26 electric co-ops



MONTANA ELECTRIC COOPERATIVES' ASSOCIATION, INC.

ASSOCIATION ORGANIZATIONAL CHART





Key Policy Issues & Concerns

- Local control
- Stranded costs
- Monitor USBP Law
- Federal electric industry restructuring legislation
- FERC jurisdiction & interconnection requirements



Other key ongoing issues or concerns

- Monitor Tax Laws
- Monitor Territorial Integrity Law