

# Cooperation: The Electric Cooperative Story



Nearly 1,700 miles of transmission supplies power to Hoosier Energy's 18 member distribution systems.

SOON AFTER THOMAS EDISON BUILT THE FIRST CENTRAL STATION ELECTRIC SYSTEM IN LOWER MANHATTAN IN 1882, AMERICAN CITIES BEGAN TO LIGHT UP. MANY YEARS PASSED, HOWEVER, BEFORE ELECTRIC POWER BECAME AVAILABLE IN THE COUNTRYSIDE.

As late as the mid-1930s, nine out of 10 rural homes did not have electricity. Farmers milked cows by hand in the dim light of a kerosene lantern. Food was cooked on a wood stove, often the only source of heat.

Farm leaders across the nation recognized the value of electricity, and as the demand for electric power grew, so did the electric cooperative movement. Cooperatives were formed by farmers familiar with working together to tackle jobs too big for individuals.

## RURAL ELECTRIFICATION ADMINISTRATION

Rural electrification gained ground quickly when President Franklin D. Roosevelt took office in 1933. The Rural Electrification Administration (REA) was created in 1935, a government agency that provides electric cooperatives with loans to build electric distribution systems. By 1949, the number of rural electric cooperatives had doubled, the number of consumers connected more than tripled and miles of energized line grew more than five-fold. By 1953, more than 90 percent of U.S. farms had electricity. Today, the REA is known as the Rural Utilities Service, or RUS, and is part of the U.S. Department of Agriculture.

About the time the electric co-op movement began, leaders of Indiana's Farm Bureau

Cooperative drafted legislation permitting the formation of non-profit rural electric cooperatives in the state where only 12 percent of rural homes benefited from electricity.

The first rural electric cooperative to be organized and built in Indiana was the Boone County REMC, headquartered in Lebanon. Soon, the 1935 Indiana REMC Act became model legislation for other states and the independent statewide organization now known as Indiana Electric Cooperatives (IEC) was formed. The IEC is the oldest such organization in the United States.

To further the benefits of the electric cooperative distribution efforts, Hoosier Energy was formed in 1949 to provide its member systems a dependable, economical power supply.

# Electric Cooperative Story

## ELECTRIC COOPERATIVES TODAY

Expansion of electric cooperatives changed the face of the national economy and continues to be a catalyst for economic growth.

Today, more than 900 electric cooperatives across the nation are part of the National Rural Electric Cooperative Association (NRECA), headquartered in Washington, D.C.

Touchstone Energy®, the national brand for electric cooperatives, promotes the distinguishing characteristics of cooperatives – integrity, accountability, technical innovation and commitment to community. Hoosier Energy is a founding member of Touchstone Energy.

## THE ELECTRIC COOPERATIVE BUSINESS MODEL

Today, U.S. electric cooperatives contribute nearly 5 percent of electricity in the United States, playing a critical role in the economy of the communities they serve. Distribution cooperatives are the foundation of the cooperative network, delivering electricity to 42 million consumers. Hoosier Energy and other generation & transmission cooperatives (G&Ts) provide wholesale power to distribution co-ops through owned generation or by purchasing power on behalf of distribution members.

Each cooperative is an independent, member-owned business established to provide at-cost electric service.

Electric co-ops are deeply involved in their communities promoting economic development and revitalization projects, small businesses, job creation, improvement of water and sewer systems and assistance in delivery of health care and educational services.

## ELECTRIC COOPERATIVE FACTS AT A GLANCE

- 840 distribution and 65 G&T cooperatives
- Serve an estimated 42 million people in 47 states
- Co-ops provide service in 2,500 of 3,141 counties in the United States
- Co-ops serve more than 12 percent of the nation's meters
- Own assets totaling \$140 billion (distribution and G&T co-ops combined)
- Own and maintain 2.5 million miles or 42 percent of the nation's electric distribution lines, covering three quarters of the nation's landmass
- Deliver 11 percent of the kilowatt-hours sold in the United States each year
- Generate nearly 5 percent of the electricity produced in the United States each year
- Employ 70,000 people
- Return \$600 million in capital credits to members annually
- Pay \$1.4 billion in state and local taxes

## COMPARED WITH OTHER ELECTRIC UTILITIES:

- Co-ops serve an average of 7.4 consumers per mile of line and collect annual revenue of approximately \$15,000 per mile of line
- Investor-owned utilities average 34 customers at \$75,000 per mile of line
- Publicly owned utilities, or municipals, average 48 consumers and \$113,000 per mile of line

## THE SEVEN COOPERATIVE PRINCIPLES

Cooperative businesses are unique because the consumers they serve own the business. For many who participate in the electric cooperative movement, the philosophy of cooperation is a way of life. This cooperative spirit embodies the seven cooperative principles, which were established in 1844 in Roachdale, England, and have been adopted by cooperative enterprises across America. More than 100 million people are members of 47,000 cooperatives in the U.S. that provide health care, insurance, housing food, hardware, financial services and electricity.

## Cooperative Guiding Principles

The consumer-owned cooperative business model is based on seven cooperative principles established in 1844 in Roachdale, England.

1	2	3	4	5	6	7
<b>Open and Voluntary Membership</b>	<b>Democratic Member Control</b>	<b>Members' Economic Participation</b>	<b>Autonomy and Independence</b>	<b>Education, Training and Information</b>	<b>Cooperation Among Cooperatives</b>	<b>Concern for Community</b>
Cooperatives are voluntary organizations open to all who are willing to accept the responsibilities of membership, without regard to gender, social, racial, political or religious affiliation.	Cooperatives are democratic organizations controlled by their members who actively participate in setting policies and making decisions. Elected representatives are accountable to the membership.	Members contribute equitably to, and democratically control, the capital of their cooperative. At least part of that capital is usually the common property of the cooperative. Members allocate surpluses for developing the cooperative.	Cooperatives are autonomous, self-help organizations. If they enter into agreements, they do so on terms that ensure that they maintain cooperative autonomy.	Cooperatives provide education and training for their members, elected representatives, managers and employees so they can contribute effectively to the development of the cooperative.	Cooperatives serve their members most effectively and strengthen the cooperative movement by working together through local, national, regional and international structures.	While focusing on member needs, cooperatives work for the sustainable development of their communities through policies accepted by their members.