



## Cooperation: THE ELECTRIC COOPERATIVE STORY

American cities began lighting up soon after Thomas Edison engineered the first central station electric system in lower Manhattan in 1882. Though transmitting alternating current over long distances had been demonstrated, decades passed before electric power became available in the countryside. One reason for this lag was that the electric utility industry foresaw no profits from serving sparsely populated rural areas.

As late as 1935, only 12 percent of Indiana's rural homes and farms had electricity. Electric utilities that served cities and towns felt it was too expensive to build power lines in rural areas, linking one distant farm to another, especially when farm families didn't use much electricity. Even if a farmer could afford to pay several thousand dollars for construction of a personal power line, the rate for rural electric service was prohibitively expensive.

In the early 1930s, demands grew for greater access to electric power from farm leaders who were familiar with cooperative efforts to tackle jobs too big for individuals. The result was formation of rural electric cooperatives.

The first official federal government steps toward rural electrification came in 1933 with the Tennessee Valley Authority Act, which authorized construction of transmission lines to serve rural areas and small towns that were not otherwise supplied with electricity at reasonable rates.

Further legislation in 1935 created the Rural Electrification Administration (REA), a government agency that provided electric cooperatives with loan funds, repaid with interest.

For several decades, rural electric systems were financed by the REA through funds appropriated by Congress. In 1973, the REA began making insured and guaranteed loans from private money markets. In 1995, the federal agency's name was changed to the Rural Utilities Service, or RUS, and is part of the U.S. Department of Agriculture.

About the time the rural electric co-op movement began, the leader of Indiana's Farm Bureau Cooperative developed legislation permitting the formation of non-profit rural electric cooperatives in the state. The Indiana REMC Act, which enabled membership corporations (REMCs/RECs) to be formed, became model legislation for other states. Indiana's first rural electric cooperative to be organized and distribution system built was Boone County REMC in 1936.

In the early days of power line projects, co-op members often labored without pay to clear land, set poles and string wire. The electrification message spread throughout rural homes, schools and communities, and soon co-op offices were springing up across rural America. Co-op members elected their leaders and maintained communications through newsletters and local meetings. And the power to operate pumps, refrigerators and lights became a reality.

Rural electrification continues to be a catalyst for business and industry growth across America. Electric cooperative expansion changed the face of the nation's economy by initiating and supporting progress in the rural sector.

**HOOSIERENERGY**

A Touchstone Energy® Cooperative 

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Today, there are nearly 900 electric cooperatives in the United States. Each is an independent, locally owned business incorporated under the laws of the state in which it operates. Those who receive service are member-consumers of their co-ops and share responsibility for the cooperative's success.

For many who have participated in the electric cooperative movement and who have experienced its success, the spirit of cooperation is a way of life. All types of cooperative enterprises across America have adopted the cooperative principles, established in 1844 in Roachdale, England.

Cooperative businesses are unique because they are owned by the consumers they serve. They are guided by seven principles that reflect and advocate for consumer interests. More than 100 million people are members of 47,000 cooperatives in the U.S. that provide an array of goods and services including health care, insurance, housing, food, hardware, financial services and electricity.

## ALL COOPERATIVE BUSINESSES ADHERE TO THESE SEVEN GUIDING PRINCIPLES:

- **Voluntary and Open Membership** – Cooperatives are voluntary organizations, open to all persons able to use their services and willing to accept the responsibilities of membership, without gender, social, racial, political or religious discrimination.
- **Democratic Member Control** – Cooperatives are democratic organizations controlled by their members, who actively participate in setting policies. Elected directors are accountable to the membership. Primary cooperatives follow the principle of one member, one vote.
- **Members' Economic Participation** – 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.
- **Autonomy and Independence** – Cooperatives are autonomous, self-guided organizations controlled by their members. If they enter into agreements with other organizations, including governments, or raise capital from external sources, they do so on terms that ensure democratic member control and maintain their autonomy.
- **Education, Training and Information** – Cooperatives provide education and training for their members, elected representatives, managers, and employees so they can more effectively contribute to their organizations' development. They have an obligation to inform members and opinion leaders, about the value and benefits of cooperation.
- **Cooperation Among Cooperatives** – Cooperatives serve their members most effectively and strengthen the cooperative movement by working together through local, national, regional and international structures.
- **Concern for Community** – While focusing on member needs, cooperatives work for the sustainable development of their communities.

To further the benefits of Indiana's distribution cooperatives, Hoosier Energy was formed in 1949 to provide its member distribution systems a dependable, economical source of bulk power.

As well, the electric cooperative effort has spawned service associations, each linked through a commitment to rural electrification success.

Indiana Statewide Association of Rural Electric Cooperatives is a non-profit, non-partisan service organization governed by a board made up of representatives from REMCs/RECs. Formed in 1935, it is the oldest such organization in the United States.

More than 900 electric cooperatives across the nation are part of the National Rural Electric Cooperative Association (NRECA). Headquartered in Washington, D.C., NRECA represents the interests of America's electric cooperatives in the nation's capital.

The National Rural Utilities Cooperative Finance Corporation (CFC) is another important rural electric organization, assisting its member co-ops in meeting capital requirements.

Hoosier Energy is part of the national brand Touchstone Energy®. This nationwide alliance of electric cooperatives is consumer focused and dedicated to providing support and services with integrity, accountability, innovation and commitment to community.

The concerted efforts of local, regional and national electric cooperative organizations underscore the strengths and values of working together toward common goals with efficiency and productivity.