

# Electric Co-ops and the Seven Cooperative Principles - Transcript

## Introduction

By the 1930s, cities across the United States had been transformed into modern engines of commerce and culture thanks to electric service.

But rural Americans remained in the dark.

That changed on May 11, 1935, when Congress and President Franklin D. Roosevelt established the Rural Electrification Administration, which sought to expand electric service beyond the country's metropolitan areas.

From this action arose electric cooperatives, which rapidly signed up new members and built the needed infrastructure to serve farms and households across the country.

In 1941, Ohio's electric co-ops established a statewide services organization, Ohio Rural Electric Cooperatives, to foster collaboration and to advocate on their behalf.

And in 1959, they joined together to form Buckeye Power, a generation and transmission cooperative, to supply their members with affordable power. These two organizations work collaboratively for their member cooperatives as Ohio's Electric Cooperatives.

Today, 25 electric cooperatives serve more than 380,000 homes and businesses in 77 of Ohio's 88 counties — guided by the seven principles upon which they were founded.

Those seven principles will be the foundation of this session.

## Principle 1: Voluntary and Open Membership

When electric cooperatives were first formed in America in the 1930s, existing electric utilities were under no legal obligation to serve rural areas, which were prohibitively expensive to build infrastructure to and unprofitable to serve due to low population density.

After the establishment of the Rural Electrification Administration, neighbors went door to door in rural communities to sign up members of the new electric cooperatives. While some initially opted not to join, the benefits of electrification soon became clear, and most eventually joined.

Since that time, membership in an electric cooperative has been open to all people who can reasonably use its services and stand willing to accept the responsibilities of membership, regardless of race, religion, gender, or economic circumstances.

Simply put: If you live on electric cooperative lines, you are welcomed as a member of the cooperative. That includes not just electric service, but all the other benefits offered as part of electric cooperative membership.

## Principle 2: Democratic Member Control

Electric cooperatives like yours operate as democratic institutions. **Co-op members elect trustees to represent their interests on the cooperative's board.**

Trustees then elect officers from among their fellow trustees, such as president, vice president, treasurer, and secretary. The board of trustees also hires and oversees a general manager or CEO, who is responsible for the cooperative's day-to-day operations.

Cooperative trustees are fiduciaries. A fiduciary is someone legally responsible for representing the interests of the cooperative and its members. In an electric co-op, that means the board of trustees is responsible for guiding how the organization's money and assets are used. **They must do so in a way that protects the cooperative and the interests of all members, and they also must ensure the cooperative operates in accordance with local, state, and federal laws.**

Cooperative members aren't just responsible for electing trustees. **Changes to the cooperative's bylaws, which govern the operation of the co-op, must also be approved by a vote of the membership.**

**Electric co-ops' foundation as democratic institutions ensures that they serve the best interests of members, and adapt to new circumstances as their memberships grow and evolve.**

### Principle 3: Members' Economic Participation

As electric cooperative members pay their bills every month, they contribute equitably to the capital of their cooperative. That capital consists of the cooperative's facilities, like its headquarters or district offices, and its infrastructure, like its power lines and substations.

After the electric cooperative has paid all its expenses at the end of the year, any leftover money is allocated to members as capital credits, also known as patronage capital. Capital credits represent each member's investment in the cooperative, and are used to improve the distribution system. The cooperative keeps track of each member's capital credits over the years of their membership.

After a period of time determined by the board of trustees - and based on the overall financial strength of the organization - capital credits are "retired" and returned to members in the form of a check or a bill credit.

This is a unique aspect of electric cooperative membership that distinguishes us from investor-owned or municipal utilities.

## Principle 4: Autonomy and Independence

There are more than 900 electric cooperatives across the United States, and each of them operates independently, controlled by members, not by parent companies or any other institution.

If an electric cooperative enters into agreements with other organizations or seeks funding from external sources, it must do so on terms that ensure continued democratic control by its members.

In the state of Ohio, electric cooperatives are not subject to the regulatory authority of the Public Utilities Commission of Ohio, which regulates investor-owned utilities like American Electric Power, FirstEnergy, Dayton Power & Light, and Duke Energy. This is because the Ohio General Assembly has recognized in state law that electric cooperatives are sufficiently regulated by their own members.

The autonomy and independence of electric cooperatives ensure that they continue to operate for their members first and foremost.

## Principle 5: Education, Information, and Training

Electric cooperatives provide education and training for their members, trustees, and employees so that all of them can contribute effectively to the development of their cooperative.

In Ohio, co-op members across the state receive *Ohio Cooperative Living*, a monthly magazine that educates them about power generation and keeps them informed with local news from their cooperative. At electric cooperatives' annual meetings, members receive updates from their elected trustees and co-op management.

Cooperatives also understand that educated, well-trained employees are most capable of serving the needs of the membership. Ohio's Electric Cooperatives and the [National Rural Electric Cooperative Association - the statewide and national associations for electric co-ops](#), respectively - provide a wide array of employee training and certification programs to co-op employees.

At the state level, Ohio's Electric Cooperatives coordinates the Central Ohio Lineworker Training (COLT) program, which provides apprentice and journeyman certifications to co-op lineworkers.

Many co-op trustees also demonstrate their commitment to their cooperatives through board certification programs, which teach principles of good governance and fiscal responsibility.

Education, information, and training programs maintain a shared understanding of cooperative principles, priorities, and ethics.

## Principle 6: Cooperation Among Cooperatives

While electric cooperatives are independent, autonomous organizations, they also recognize that co-ops serve their members most effectively through statewide and national collaboration.

At the state level, Ohio co-ops are served by Ohio's Electric Cooperatives (OEC). Through its statewide services component - Ohio Rural Electric Cooperatives - OEC provides services like communications consulting, government advocacy, safety training, and power restoration coordination during large-scale power outages. Through its generation and transmission component - **Buckeye Power - OEC provides wholesale base-load power, renewable energy options, marketing services, and electric grid management services.**

At the national level, the National Rural Electric Cooperative Association (NRECA) provides a wide array of services to co-ops at every level. Additionally, Touchstone Energy Cooperatives serves as the national brand for electric co-ops and helps co-ops engage and serve their members.

OEC, NRECA, and Touchstone Energy are funded and governed by the local cooperatives they serve.

Co-ops also come together to form a wide network of service companies, which provide low-interest financing to co-ops and help them serve their members with modern technology like account management apps and after-hours call center support.

Independence is critical to all electric cooperatives, but co-ops also know that finding opportunities to work together is important, too.

## Principle 7: Concern for Community

As local, member-based associations, electric cooperatives are committed to the communities they serve.

Ohio's electric co-ops often provide grants to worthwhile local causes like food banks, community fire departments, schools, animal shelters, and parks.

Co-ops also partner with local and state organizations to bolster the economy through development grants and industrial site certifications and databases.

Co-ops are also committed to supporting the next generation of cooperative members with youth programs. These include Be E3 Smart, which provides teachers and students with classroom tools and practical lesson plans about electricity and energy use; local and statewide scholarship programs, which help graduating seniors pursue their college education; and Youth Tour, a weeklong leadership program in Washington, D.C., where high school sophomores and juniors learn about public service and the co-op business model.

As locally-based, locally-operated organizations, electric co-ops work every day to make their communities better places to live.