In today’s world of consumer concern, rural electric cooperatives can stand tall and proud, for it was consumer concern and consumer action that led to their formation some fifty years ago.

The year 1985 was the golden anniversary of rural electrification, but in 1935 all but 10% of America’s farmers were living as they always had; they read by candlelight, Mother cooked on a wood stove and used it to heat heavy sad irons to press the family’s clothes. She washed those clothes on a scrub board, and depended on the sun to dry them. Dad depended on his muscle to do the farm work, helped at most by the strength of farm animals.

They looked longingly at their city cousins who had enjoyed electric lights and other luxuries afforded them by electricity for half a century. But when the farmer asked a power company for help, he was told he could have it only if he paid all the costs himself and retained no claim to ownership of the facilities. The price of electric service was also exorbitant.

America’s rural citizens were concerned, for they recognized that electricity would answer many of their problems. They had a heritage of cooperation, having worked and fought together from the early days of our country to carve farms from wilderness and then to defend those farms.

They had cooperated to harvest their crops and then to market them. They knew how to work and how to fight for those things they believed in. They were undaunted by the skepticism which greeted their desires to provide themselves with electric power.

Despite strong and continued opposition from many of the nation’s commercial electric utilities, people who wanted to become electric consumers forged ahead to develop their own rural electric service into the strong and successful example of private enterprise it is now.

Today, this people-oriented program has succeeded in bringing electricity to 99.5% of the nation’s rural homes in 46 states, Puerto Rico and the Virgin Islands. Hawaii recently created its first electric cooperative. States not included are Connecticut, Massachusetts and Rhode Island.
With their long background of working together in other ways, this unwillingness of the big companies was no barrier to the eager farm dwellers. Led by cooperative leaders and by state and federal county extension agents, the farmers formed electric cooperatives. By donating the right-of-way, setting the poles and even stringing the lines themselves, farmers started bringing electricity to their farms.

America’s countryside had begun to light up!

THE ROLE OF RUS

The Rural Utilities Service serves as the banker for nearly 700 rural electric cooperatives. It makes available technical advice, but does not build, own, or operate any electrical facilities. Both distribution cooperatives and power supply cooperatives borrow from the RUS, repaying the loans with interest from operating revenues.

Because of the tremendous expense of constructing and maintaining electric service throughout the scattered rural areas of America, Congress approved a special 2% interest-35 year loan program in 1944. This loan program remained in effect until December 31, 1972, when it was terminated.

During the early part of 1973, Congress established a new REA loan program. The use of funds appropriated from the federal budget to finance the RUS loan program was replaced with an insured and guaranteed loan program. No federal tax money is involved in RUS loans.

The principal source of loans for distribution cooperatives is insured loans. These funds originate from the Rural Electric and Telephone Revolving Fund, which is excluded by law from inclusion in the budget. These insured loans typically comprise 15% to 30% of RUS's lending activity.

The other lending program, established in 1973, is the REA “guaranteed loan” program. The principal sources of money used to construct generation and bulk transmission facilities are loans guaranteed by RUS. These funds are secured at the government’s full cost of borrowed money plus 1/8th of 1%.

WHAT ARE RURAL ELECTRIC COOPERATIVES?

Rural electric cooperatives are private, non-profit corporations owned by their consumer-members. They are similar in concept to other consumer-owned businesses, including farm produce marketing co-ops, the Associated Press, the huge news gathering and reporting co-op, and many others in private enterprise.

Each consumer of the cooperative is a member with one vote in the affairs of the cooperative. Bylaws adopted by the members set forth their rights and responsibilities and the guidelines which assure a democratic organization.

Members elect the directors of the cooperative, and an annual meeting is held to conduct the business of the co-op. The directors employ a professional manager for the electric cooperative and he hires the necessary trained and efficient employees.

Rates for consumers are established by the REC Board based upon what it actually costs to provide dependable service and to meet the payment schedule on its loans. Rates are designed so that revenues exceed expenses.

In a cooperative, this margin is allocated as capital credits and distributed to members in relation to the amount of electricity they have used. This maintains the non-profit status of the RECs.

THE ROLE OF CFC

In 1969, rural electric cooperatives from across the nation formed the National Rural Utilities Cooperative Finance Corporation, or CFC. It is another example of the consumer taking action.
OKLAHOMA'S RURAL ELECTRIC COOPERATIVES

People in Oklahoma organized the first rural electric cooperative in the state in 1936, at a time when only 2.6% of the farms in the state were served with electricity. However, it wasn’t until the state legislature passed the REC Enabling Act in 1939 that the people really had the tools they needed to assure an adequate supply of electricity for rural areas. That “Enabling Act” was won by the people against strong opposition.

Today, Oklahoma has 28 distribution cooperatives that deliver electricity directly to their member -consumers. There are also two (2) generation and transmission cooperatives, or G&Ts, which supply wholesale power to the distribution systems. Electric service, so essential to living in our modern world, now reaches 99.5% of rural Oklahoma.

Oklahoma’s cooperatives operate more than 97,680 miles of line; enough to circle the earth almost four times, and serve over 418,000 meters. The privately owned power companies in the state operate about 47,000 miles of line and serve more than 1,140,000 meters.

Thousands of homes depend on RECs for light, water, heating and cooling, and dozens of labor-saving or convenience devices. Industrial complexes, commercial institutions and military installations operate today in what once were rural areas. Their existence in these areas is made possible by a dependable power supply from Oklahoma RECs.

Oklahoma Rural Electric Cooperatives, like other businesses, pay taxes. Since income tax is a tax on profit and RECs are non-profit corporations, they pay no income tax. However, they do pay a 2% gross receipts tax (at both the retail and wholesale level) to the state, which is distributed to local school districts relevant to the miles of line in each district.

This tax alone amounts to nearly $20 million a year. The RECs also pay social security, unemployment, gasoline taxes, license and franchise fees and a variety of miscellaneous taxes. All of these tax revenues did not exist before rural electric cooperatives.

RECs HELP OKLAHOMA'S ECONOMIC PICTURE

Oklahoma’s rural electric cooperatives make a significant contribution to the economy of the state, both rural and urban. More than 2,200 people are employed by the Oklahoma RECs.

Electricity has made possible tremendous changes in farm productivity. It enables irrigation to make arid lands productive. It makes possible efficient and sanitary large-scale dairy farming. It reduces the labor in livestock feeding and poultry production, saving millions of dollars and encouraging greater production.

The mechanization of farming made possible by electricity has increased income of the farmers, and at the same time, made him the most efficient in the world by cutting the cost of food and fiber to the American public. People of the United States spend a smaller part of their income for food than any other people in the world.

Because of the availability of dependable electricity, a multimillion-dollar electrical appliance, equipment and service market has been created in rural Oklahoma. Much of the benefit of this accrued to urban residents.

Thousands of modern homes and cabins surround Oklahoma’s magnificent lakes and recreation areas. Development of these areas and the tourism industry which brings so many dollars into the state was made possible, at least in part, by dependable electric service from the RECs.

Often the electric cooperative is a major employer in the town in which it has its headquarters, and thus, is a major factor in the economy of that town.

Oklahomans are fleeing the cities, reversing migration from country to town of a few years ago. They are moving from town to country, where RECs provide the electrical energy for modern living in areas where pollution and crime are not ever present problems. More people each year are feeling pride in their quality of life and in the RECs that make it all possible.

WHERE THE POWER COMES FROM

The nation’s rural electric distribution cooperatives purchase all of the power they deliver to their members. Imagine the position they would be in if they did not have the right to own the G&Ts to generate and transmit power for themselves.

It would be like trying to operate a little grocery store and having to buy all your supplies from the supermarket on the next block. Soon your customers would ignore you and go directly to the supermarket, putting you out of business.

But with their own power supply sources, the generation and transmission cooperatives, the RECs have a bargaining tool to secure better wholesale power prices, better terms and better service.

The cost of wholesale power accounts for approximately 65% of the total cost of providing service to the consumer. That compares to 49.4% in 1973. Any
thing that affects the cost of wholesale power has a direct
bearing on the rates the consumer pays and the service
he receives. Nationally, almost 70% of RUS loans have
been used to build generation and transmission (G&T)
facilities. This compares to 37.7% in 1973.

Oklahoma has two (2) power supply cooperatives.
Western Farmers in Anadarko provides the wholesale
power supply for 19 state systems and KAMO Power in
Vinita serves 8 Oklahoma RECs as well as systems in
Kansas, Arkansas and Missouri.

RECs AND TOMORROW

The task of the rural electric cooperatives is far from
complete. Technological change is constantly increasing
the electrical demand of present REC members. More and
more new consumers, seeking to escape urban congestion,
are moving to the country and using dependable electric
power from rural electric lines.

In meeting the challenges of tomorrow, the electric utility
industry is seeking answers to environmental problems
and to depletion of basic energy sources. While today,
coal power plants are playing a significant role in power
supply, research is already looking at such exotic forms of
generation as conversion of sea water to energy through
nuclear fusion, large solar energy farms, and orbiting
space stations which will collect solar energy and transmit
it to earth.

Other challenges of the environment are facing rural
electric cooperatives and the rest of the industry. Can
safe, economical methods of high voltage underground
transmission be developed? To what extent can water
used in cooling at power plants be reused to increase
production of food, particularly of seafoods? Use of
electricity in combating environmental pollution is an
exciting new field.

RECs over the nation are playing their role in research and
development involving these questions and many more in
the electric power industry. The desire to serve and the
enthusiasm and determination, which has sparked the
success of rural electric cooperatives over the years, will
meet these challenges of tomorrow as well.

OKLAHOMA ASSOCIATION OF
ELECTRIC COOPERATIVES

Oklahoma’s 28 RECs and two in Arkansas are members of
a state organization, the Oklahoma Association of Electric
Cooperatives. The OAEC was organized to collectively
perform services, which would not be economical or
practical for each cooperative to perform individually.

The organization offers training courses for directors,
managers and employees of member systems; an intensive
job training and safety program; plus coordinates and
sponsors many other educational programs pertaining to
the rural electric systems in Oklahoma.

OAEC also serves as a liaison with state and national
legislative and executive branches of government. They
coordinate a public relations and advertising program and
publish a monthly newspaper, the “Oklahoma Living”,
which reaches some 295,000 members.

NATIONAL RURAL ELECTRIC
COOPERATIVE ASSOCIATION

The National Rural Electric Cooperative Association
(NRECA) was founded in 1942 to perform services on a
national level. NRECA’s first project was an insurance
program for REC employees. Today, with almost
1,000 member systems, NRECA offers a wide variety of
services.

The organization is best known to the public for its
legislative activities. NRECA also provides services in
research, engineering, publications, member education,
retirement, safety and insurance, public relations,
management training, coordination of meetings, women’s
activities and such other services as its member’s
request.