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WESTERN COOPERATIVE ELECTRIC NEWS

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ANNUAL MEETING CANCELED

At Western Cooperative Electric, one of our goals is to operate a workplace that is safe for our employees and guests. Due to the potential health issues associated with the coronavirus, our annual meeting previously scheduled for May 13 has been **CANCELED**.



2020 Trustee Election Update

Ballots were mailed to members for the 2020 Trustee elections in mid-April. The ballots will be counted during the May 3 Credential Committee meeting. Election results will be announced in the June issue of *Kansas Country Living*.



Memories from the Past



To commemorate Western Cooperative Electric's 75th anniversary, below is an excerpt adapted from a history of Western Cooperative by Pat Parke, Western's former energy use advisor.

Where We Have Been: Formation of the Rural Electrification Administration

The electric power industry was 50 years old in 1932, and the miracle of electricity had become a fact of life for city dwellers. By that year, 70% of the homes in towns and cities had electric service. At the same time, only 10% of all farms had central-station electricity. The lack of rural electrification was not because rural people did not want electricity. Time after time, electric utilities were approached to extend electric service in rural areas, but the answer was usually the same: there was just not enough profit potential to justify the expense of large-scale rural expansion. Overlooked were the many potential uses for electricity around the farmstead: brooders, irrigation- and stock-water pumping, milking machines and coolers, ventilation fans, shop tools, grain- and feed handling equipment, night lighting, the list could go on and on. Utility planners did not recognize the important role electricity could play in helping develop a large and productive agricultural industry.

Actually, the usefulness of electricity on the farm had already been established in the 1920s by the Committee on Relation of Electricity to Agriculture (CREA). Red Wing, Minnesota, was the location of CREA's most important study. Twenty farms were provided access to electricity along 6 miles of newly constructed line. Ten of the farmhouses were supplied with nearly every electric appliance then available.

The farms were also wired so electricity could be used for as many tasks as possible around the farmstead. The Red Wing farmers using electricity soon learned that as their usage went up, so did their electric bills. At the same time, farm operating costs were dropping. The participants in the Red Wing experiment also believed their lives were healthier and happier. Where private

utilities did agree to rural service expansion, farmers were often required to pay \$2,000 to \$3,000 in construction costs for every mile of line built, and rural electricity rates were still higher than in the cities.

Franklin Roosevelt discovered the high cost of rural electricity in 1924. While staying at Warm Springs, Georgia, for health care, he had to pay 18 cents per kilowatt-hour (kWh). Roosevelt proclaimed electricity an essential service to rural areas. At his home in Hyde Park, New York, Roosevelt had to pay only one-fourth the rural rate.

From the experience, Roosevelt recalled: "That started my long study of public utility charges for electric current and the whole subject of getting electricity into farm homes." He believed electricity was no longer a luxury, but an essential service that should be available to even remote rural areas.

Roosevelt was inaugurated president of the United States in 1933 while the country was in the grips of the Great Depression. The main order of business was restoring the health of the economy. "New Deal" legislation was being pushed as a way to get purchasing power back into the hands of individuals and small businesses a method of economic restoration commonly referred to as "priming the pump." Congress was soon allocating large amounts of money that had to be dispersed quickly through national work relief programs.

Being an advocate of publicly owned power systems, it was Roosevelt's intent to use some of the "New Deal" relief money as grants for public power and rural electrification projects. He carried through with his intention on May 11, 1935, when he signed an executive order creating the Rural Electrification Administration (REA). It was soon realized that rural electrification was too complex a project to be performed by a relief agency. Unskilled labor could not plan and build

electric power lines. The relief money was supposed to be distributed quickly, and there was not enough time for thorough planning. Thus, three months later, the REA was transformed into a lending agency for qualified borrowers. The REA was no longer a relief agency, and the loans made were to be repaid with interest.

From the beginning, REA loan money was available to private companies, municipalities and cooperatives. Participation by private utilities was low; apparently, at least some companies felt rural expansion would be a poor investment for their stockholders.

The June 1935, issue of The EEI Bulletin carried this statement: "Neither governmentally nor privately financed lines in most rural districts not now served can be made to payout. Rural electrification critics also saw few possible uses of electricity on the farm."

In July 1935, a committee of private utility executives issued this statement to Morris L. Cooke, first REA administrator, as part of an outlook report for rural electrification: "The problem of actively promoting rural electrification has received serious consideration of utility companies for many years. As a result, there are very few farms requiring electricity for major farm operations that are not now served."

Hudson W. Reed, an engineer with the United Gas Improvement Company in Philadelphia, spoke to the 1935 convention of the Edison Electric Institute: "Only in the imagination ... does there exist any widespread demand for electricity on the farm or any general willingness or ability to pay for it."

Incredibly, only 11% of U. S. farmers had electricity at that time. Of the first 10 REA-financed projects, only one involved a private utility. Municipalities also did not extend lines to rural areas, to any great extent.

Feeling rural electrification was moving too

slowly, Congress passed the Rural Electrification Act in 1936. The act reestablished the REA as a lending agency for 10 years. Importantly, the act clearly spelled out that preference for loans should be given to nonprofit organizations. Now the doors were opened, and farmers turned to themselves for help. Newly formed cooperatives became the principal REA borrowers; almost 100 had been given loans by the end of 1936. Operating on a nonprofit basis and using new construction techniques, cooperative REA borrowers were building lines in 1940 for as little as \$800 to \$900 per mile.

With the beginning of World War II, most rural line construction stopped. Manpower and materials were directed to the war effort. After the war, rural electrification progress began to surge. Cooperatives obtaining REA loans neared 1,000. One of those was the Western Cooperative Electric Association.

Local Beginnings in Rural Electrification

In 1945, 10 years after the formation of the REA, few farms in this area had central-station electric service. Area power companies had followed the acceptable business practice of extending lines only to profitable electric loads. Unfortunately, what was good for business was not good for rural development.

Farms having central-station electricity usually fell into at least one of three categories: farms adjacent to towns; farms located near transmission lines connecting towns; or farms located near large loads, such as oil fields, already being served.

Lacking the benefits of electricity, a group of farmers got together to form a cooperative so all the area farms could receive electric service. As a result of their efforts, Western Cooperative

Electric Association was incorporated under the laws of the state of Kansas on May 2, 1945.

Western's incorporators and original trustees were: Fred J. Hamburg, Ellis; Alvin L. Saleen, Ogalah; Irving Walker, WaKeeney; W. D. Ikenberry, Quinter; Melvin Reinecker, Quinter; L. R. Miller, Quinter; C. W. Kraus, Hays; Ed J. Niemberger, Ellis; and Ward Sullivan, Hays.

The months following incorporation were spent soliciting members, applying for REA loans, obtaining right-of-way, staking lines and ordering materials. Construction finally began on March 11, 1947. Progress was slow due to material and labor shortages, but on Dec. 22, 1947, the long-awaited moment arrived.

Western's president, Irving Walker, turned on the electricity in the garage at the Frank Landauer farm, near Ellis. The first light bulb glowed in testimony of our members' willingness and determination to help themselves. Later, Walker recalled he had to stand on a half-bushel bucket to reach the pull-chain light fixture. About 30 families on Western's lines were able to enjoy electricity for the first time by Christmas 1947.

Cooperative Principles

Work on system expansion progressed quickly. Within three years, 1,410 miles of line had been energized, serving 1,348 cooperative members. Three more years of hard work found 2,003 members served by 1,981 miles of line.

Western was well on the way toward area coverage, a policy which means Western Co-op Electric will provide electric service to any location in its territory. As many as 4 miles of line have been built to a single consumer-member in keeping with this policy. Being a cooperative, Western is different from an investor-owned utility differences are: 1) Democratic control by the members; 2) Nonprofit operation providing service at cost; 3) Ownership by the members.

Members are responsible for electing the trustees who oversee the operation of the cooperative. Each member has one vote, regardless of the amount of electricity purchased or the number of years of membership.

Western's service area is divided into three trustee districts. Every year at the annual meeting, one trustee is elected from each district to serve a three-year term. At any given time, there are nine trustees serving in the interest of all the members. The board of trustees' duties include approving all expenses, reviewing contracts for system improvements, overseeing accounting and reporting, and hiring a general manager, who is in charge of the day-to-day operation of the cooperative. In addition to electing the trustees, the cooperative members may also alter, amend, or repeal the bylaws that govern the operation of the cooperative.

A second distinguishing feature of a rural electric cooperative is that it provides service at cost. Western's bylaws specify: "The cooperative shall at all times be operated on the cooperative nonprofit basis for the mutual benefit of its patrons."

There is no "mark up" added to members' bills to benefit absentee investors. Even though rural electric cooperatives operate on a nonprofit basis, on the national average, rural electric rates are higher than city rates because rural systems generate little revenue per mile of line.

For example, an urban electric system could easily have 40 consumers buying electricity on 1 mile of line. Western serves fewer than 2 meters per mile of line.

The third major difference between a cooperative and an investor-owned utility is that a cooperative is owned by its patrons and no one else. A part of every electric dollar paid by the consumer-members is used to repay the principal and interest on REA loans.

All revenue collected in excess of operating expenses and loan repayments is allocated to the consumer-members, in proportion to the amount of business done with the cooperative. The revenue (also called "margins") is not refunded in cash, but is retained as operating capital furnished by the patrons.

When becoming a member, patrons pay a \$5 membership fee. They do not lay down a lump-sum capital investment. Thus, operating capital is provided by the patrons only through use of the



The Western Cooperative Electric office.

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Memories from the Past

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cooperative's facilities. No capital is provided by outside investors.

Each year, members are told how much patronage capital they accumulated during the past year. Present policy is to refund patronage capital to estates of deceased patrons. This policy results in a decrease in the members' electric bills over the years. At the discretion of the board of trustees, future patronage capital refunds may be made as a general refund to all patrons. However, no general refunds will be made until member equity has reached 40%. Then, general refunds may be made only if the financial condition of the cooperative will not be impaired by such refunds.

The refunding of patronage capital, democratic control by the members, and nonprofit operation are hallmarks of a true, consumer-owned electric cooperative, operated for the mutual benefit of its patrons. Once the lines had been built, farmers and other rural residents finally had access to central-station electricity, but the electricity had to be generated somewhere.

Generating Power

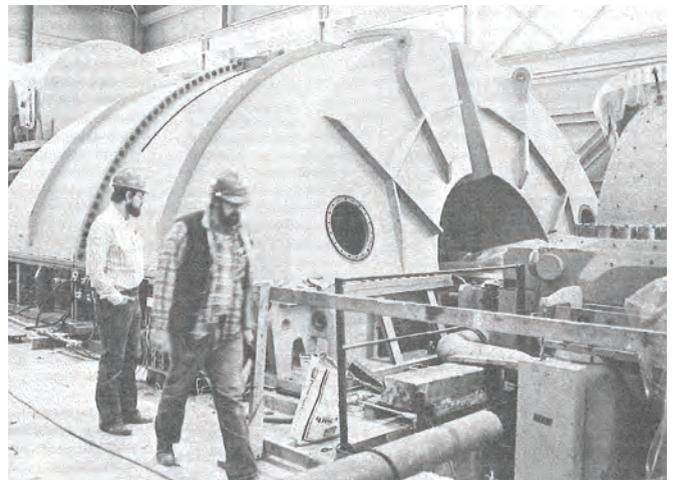
Most of the original REA loans were obtained for building distribution lines, not generating plants. The individual electric cooperative functioned as an entity to purchase wholesale electricity and distribute the power to its members as needed. After incorporation, Western purchased wholesale electricity from the Central Kansas Power Company (CKP), of Hays. Naturally, as Western's members used more electricity, the load placed on CKP grew. In the 10 years including 1948 through 1957, Western's needs increased from 525,000 kilowatt-hours (kWh) per year to 13,400,000 kWh per year. Since the other electric cooperatives in northwest Kansas (also served by CKP) were experiencing a similar load growth, additional generating capacity was needed for this area. An engineering firm was hired by the area cooperatives to investigate methods to provide adequate power at reasonable rates.

As a result of the study, Sunflower Electric Cooperative, Inc. was formed. Sunflower's basic objective was and still is to insure its member cooperatives of a reliable power supply available at the lowest possible cost. Sunflower would achieve its objective by purchasing and generating large amounts of power for all the member systems at a better price than each individual cooperative could achieve on its own.

Incorporated on Aug. 12, 1957, Sunflower's original six member cooperatives were: Great Plains Electric Cooperative, Inc., Colby; Lane-Scott Electric Cooperative, Inc., Dighton; Northwest Kansas Electric Cooperative Association, Inc., Bird City; Norton-Decatur Cooperative Electric Company, Inc., Norton; Western Cooperative Electric Association, Inc., WaKeeney; and Wheatland Electric Cooperative, Inc., Scott City.

One of the first official actions of the Sunflower Board of Trustees was to request a \$5,675,000 REA loan to finance a 22-megawatt (MW) generating plant at Hill City. The Sunflower plant was built adjacent to a 12.5-MW plant owned and operated by CKP. An agreement was reached whereby CKP would lease and operate the Sunflower-owned addition. Electricity generated at the new plant was delivered to the four northernmost Sunflower members via CKP's existing transmission lines. Under the arrangement, the distribution cooperatives received the benefit of lower wholesale power costs without duplicating investment or operating expenses.

In 1958, the Kansas State Corporation Commission (KCC) issued a Certificate of Convenience



The heart of the Holcomb Power Plant is the generator (left) and the steam turbine (center and right).

and Authority, which permitted Sunflower to generate and sell electric energy at wholesale cost to Western, Great Plains, Northwest Kansas, and Norton-Decatur rural electric cooperatives (RECs). Although Wheatland and Lane-Scott RECs were also members of Sunflower, they were not named in the 1958 certificate because they did not receive electricity deliveries through CKP. Wheatland owned separate generating facilities.

As sometimes happened with other utilities and electric cooperatives, the relationship between CKP and the Sunflower member cooperatives was not always a friendly one. Nationwide, farmers felt private utilities were slow to provide rural electric service. When rural electric cooperatives were formed, some utilities built "spite lines" through the countryside. These lines picked up the best loads and hampered cooperative development, but still did not provide service to all rural areas.

At the generation level, the established utility industry opposed cooperative facilities because they had no operating experience and had to be developed "from scratch." However, the mere mention of the possibility of an REA-financed, cooperative generating facility in a specific geographical location was often enough to lower the cost of utility produced power in that area.



To continue reading more about the history of Western Cooperative Electric, visit www.westerncoop.com.