

Understanding How WOEC Operates *continued from front page*

of homes in rural America had electric power.

In May of 1935, President Franklin Roosevelt signed Executive Order No. 7037 which established the Rural Electrification Administration (REA) and one year later the Rural Electrification Act was passed by Congress, creating a loan program and providing technical assistance to rural citizens. "Electricity is a modern necessity of life, not a luxury," said FDR in 1938.

The REA initially struggled, as already established private electric utilities showed little interest in borrowing money and investing in the sparsely populated areas the program was established to help. Homes and businesses within the current WOEC service area are a prime example of some being left out of system; WOEC wasn't created until 1944.

In 1937 the REA created the key piece of legislation, the Electric Cooperative Corporation Act, that allowed for the formation and operation of not-for-profit, consumer-owned electric cooperatives and a new model was created: local people working together to meet local needs.

In 1942, America's electric cooperatives banded together and formed the National Rural Electric Cooperative Association (NRECA) which provided a single voice for all cooperative members, and continues today as a political power representing them and their interests in Washington, D.C.

Following World War II the number of rural electric co-ops, including WOEC, quickly flourished and expanded, as did the miles of line and number of consumers connected. By 1953 over 90% of U.S. farms had electric service.

Today, according to the NRECA, there are over 900 electric co-ops with 42 million customers across 47 states. In Oregon, 18 electric co-ops provide power to 10% of the population.

A Board of Directors, made up of local citizens, are elected by the members and represent the members when making decisions about the operation, management, and policies of the West Oregon Co-op. Monthly board meetings are always open to members so they can stay informed of current issues facing the co-op. A set of bylaws govern the co-op and establish rules for members and membership, the powers and responsibilities of the Directors and offi-

cers, and rules for meetings and financial transactions. A separate set of Service Rules & Regulations establishes guidelines for service, fees, and operations.

So why does the co-op model continue to be an effective way to provide power to rural citizens?

"Cooperatives offer an alternative model of capitalism that could and, in many cases already does, perform in a way that capitalism as it is now practiced is not performing," says Robert Reich, a former Secretary of Labor from 1993 to 1997, and an author and commentator on public policy issues. Reich says in an article on the NRECA webpage that he has been told co-ops are an outdated throwback to the 1920s or 30s, but says nothing could be further from the truth. "As more and more wealth goes to the top, there is less and less purchasing power in the middle class and in the poor to actually turn around and buy goods and services that are being produced. A cooperative takes the ideal of democracy and puts it into our workplaces and our organizations"

WOEC General Manager Perry agrees, saying, "The concept of an electric co-op is that of banding together and pooling our resources, and then having access to low interest loans from the government to help the process move forward. I hate to use the phrase, 'We're stronger together,' but it's true. The co-op makes it possible for us to come together and then we all own it and we all share collectively in it. It's here for us all to collectively benefit. The co-op doesn't stop if one member goes away on vacation. We still have to maintain the lines from the substation all the way to your house and beyond."

WOEC is a not-for-profit cooperative (as opposed to a non-profit). As a "natural monopoly," WOEC must provide service to anyone who requests it in their service territory. "We have to serve you," explains Perry about what it means to be a natural monopoly. "We can't discriminate because we have a service territory that is ours to serve. PGE can't come in here and provide service and we can't take their customers. That protects our investment."

Perry goes on to explain that the price per-kilowatt-hour that WOEC charges their members is based on what it costs the co-op to distribute the power, and nothing more.

"There is a myth out there, or at least the misconception, that we're sup-

posed to be the lowest cost provider," says Perry. "Most co-ops have never been the lowest cost provider because of the economics of being a cooperative. We do business 'at cost.'"

"WOEC is a business, just like PGE, just like Home Depot, just like J.C. Penney," says Dan Huggett, Manager of Finance & Administration for WOEC. "We operate in much the same way. We need to take in enough money to pay the bills every month."

Huggett does note a distinct difference in how a not-for-profit operates; as a utility WOEC is limited in how they can create revenue. While their members don't have the option to shop around for a service provider, WOEC also can't go out and recruit new customers and are limited to working within the confines of their service territory.

The other difference is that WOEC doesn't have to make a profit. They don't have share holders who need to see returns on their investment, and they don't have an owner looking to get rich from the excess income that they can make. The members are the owners and any profit goes back into running the co-op.

Any margin that WOEC makes may sound like profit, or surplus income, but the fact is, the co-op is required by its lenders to make a certain margin in order to ensure repayment of loans. Those "covenants" are agreements that the co-op will have a certain amount of money set aside, and are based on a percentage of the amount of interest the co-op is

continued on page 6

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