



RECs are
Cooperatives
... working
FOR their
consumers

Cō-op' ēr•ā•tive, *n.*

[LL. *cooperatus*, pp. of *cooperari* to work together.]

An autonomous, voluntary association of persons united by their common economic, social, and cultural needs and aspirations through a jointly-owned and democratically-controlled enterprise.

Cooperatives take many forms

Some people may think of them as the grain elevators that stand out on the rural horizon. Others may think of high-rise condominiums. Some people recognize a cooperative as an opportunity to purchase foods at lower costs or share child care services, while others immediately think of their credit union, their mutual insurance company or their electric supplier.

In fact, modern cooperatives can include all of these forms, and many others. Today co-ops successfully operate in baking, dry-cleaning and auto service. There are co-op bookstores, lumberyards and medical services. They can be

Basic Principles of Cooperatives

1. Voluntary and Open Membership
2. Democratic Member Control
3. Member Economic Participation
4. Autonomy and Independence
5. Education, Training and Information
6. Cooperative among Cooperatives
7. Concern for Community

large marketing organizations like that formed by Sunkist fruit producers; they can be buying and marketing groups like the one formed by ACE Hardware store owners; or they can be smaller groups like organizations which provide cafeteria services to a group of workers. Throughout the country, there are tens of thousands of cooperatives, all of whose functions are based on the needs and aspirations of their members.

Working FOR the consumer

Cooperatives are distinctly different from other forms of business because of their unique structure. Cooperatives are capitalized, owned and directed by their consumers. They are created when people come together with a common need – and a dedication to pool their resources and efforts to fill that need.

Cooperatives provide their consumer-owner-members with goods and services **IN ORDER TO BENEFIT THOSE CONSUMER-OWNER-MEMBERS.**

Other types of businesses – companies, partnerships, corporations – are capitalized, owned and directed by investors, called stockholders. And while they also provide goods and services to their customers, their mission is to do so **IN ORDER TO GENERATE A RETURN ON INVESTMENT FOR THEIR INVESTOR-STOCKHOLDERS.**

And that's a very fundamental difference: Investor-owned businesses work for the investors; Cooperatives work for the consumer. Investor-owned businesses adjust their pricing, their product mix, their quality and service levels, the operating territories and their marketing strategy in a manner that will maximize the profitability of their investors. Cooperatives also make timely changes in their products and service mix, but do so in order to best serve the consumer's need.



A Business for the Mutual Good

The voluntary consumer-owner-member focus of cooperatives permeates the entire operation of a co-op business, and is revealed in a number of practices which present glaring contrasts to those of investor-owned companies.



Perhaps the most distinct tenet of cooperatives is democratic consumer-owner control. Every co-op is directed by its members. Directors are elected – in a democratic, one-member, one-vote process – to serve the member’s needs. This consumer control of the organization assures that every operation of the cooperative is conducted for the benefit of all the consumers, and that every function is designed to provide the best possible service or product at the lowest cost.

A second very unique practice of cooperatives is the fact that they provide their consumer-owners with goods and services at the cost of operations. There is no reason or incentive to do otherwise. If the co-op receives any income which exceeds operational costs, those funds are returned to the consumer-owner – generally repaid as patronage dividends, or credited to the member’s equity account as capital credits. As not-for-profit organizations, electric cooperatives always have focused on efficiency and quality of service. These factors explain why electric co-ops have been able to regulate their rates through their local governing boards. And local regulation significantly helps the co-op’s efficiency of operations – particularly considering the formidable accounting, management and legal costs of preparing, presenting and arguing rate cases to an outside regulation board.

A third unique distinction of cooperatives is that consumer-members capitalize the co-op, fully recognizing they will receive limited returns on their investment. Members of cooperatives are interested in the benefits they may receive as patrons of the organization, and know any dividends the co-op may return will be based on their use of services rather than on their investment. They join a co-op – and underwrite the costs of building and running it – because they need its service, not because they expect financial gain on their investment.

Co-ops Fill the Gaps

Most of today's cooperatives were formed to fulfill needs and demands in areas where investor-owned companies could not, or would not, function.

In some cases, established investor-owned companies were willing to do business. But because of their need to generate a profit, either the product, the service or the price failed to meet the customers' demands. In other cases, co-ops were started because no one was available or willing to fulfill the needs and demands of the customer.

And that is why electric cooperatives formed in Iowa and across the nation.

Bringing Electricity to Rural Iowa

In the 1930s, 90 percent of rural America was without electricity – while virtually all urban areas were being served. At the time, average gross farm income was about \$1,800, and the cost to run a mile of electric line was between \$2,000 and \$3,000. The established investor-owned utility companies saw little opportunity for profit in the rural areas and, thus, little incentive to extend their lines. At that time, there was no “obligation to serve” all customers as exists today.

With the help of the depression-era Rural Electrification Act, farmers and rural communities were able to work together to organize their self-help cooperatives, borrow financing from the government, and build their own electric companies. And they literally built from the ground up – working together to set poles, string lines and bring power to their farms and their neighbors.

While those original efforts were half a century ago, today's electric cooperatives retain that very strong self-help spirit and the self-determination which originally brought electricity to much of the country. In Iowa today, approximately 40 electric

cooperatives serve more than 170,000 homes, farms and businesses. Those co-ops now maintain about 60,000 miles of electric lines spread across each of the state's 99 counties. Despite that growth, RECs still serve many areas which are sparsely populated. Iowa's electric cooperatives average fewer than three consumers per mile of electric line, compared to other utilities which serve up to 62 consumers per mile.



Every Consumer is an Owner

Throughout the history of the electric cooperatives, the relationship of the business with its consumers has always been unique and direct. Individuals who do business with a cooperative are treated as members of the organization. They participate in setting the policies of the co-op, elect the directors from among their friends and neighbors, and share in the success of their organization.

Common Economic and Community Needs

Because electric cooperatives are locally owned and are designed to function for the betterment of their membership, RECs – and their employees and members – are actively involved in enhancing the quality of life in their communities and regions. The cooperative-supported Iowa Area Development Group is an economic development organization which helps bring new industry and jobs to REC communities throughout Iowa.

And RECs provide vigorous support to the many

local events and activities which enhance their communities' image, livability and vibrancy. Depending on the community, you may find RECs and their employee-volunteers organizing special festivals, helping with fund raising for special community



needs, working with youth programs, and supporting Main-Street business activities throughout the year. Many RECs also have established low-

interest loan programs to improve rural housing and help home buyers in their regions.

The RECs help sponsor the Iowa Community Betterment program and other wide-reaching campaigns which encourage and recognize the special efforts of communities around the state.

Electric cooperatives also regularly work with young Iowans by teaching electrical safety programs in schools and offering a variety of educational events at both the local and statewide level. Many RECs offer area teens the opportunity to participate in the Iowa Rural Electric Youth Tour to Washington, D.C., which annually takes high school students on a fun and educational tour of the nation's capital. The cooperatives also provide a number of scholarships through the statewide Electric Cooperative Pioneer Trust.

Cooperatives and their employees reflect the attitudes and the community spirit of cooperative members. Those members not only encourage their REC to participate in civic-directed programs, they also join those programs, consistently themselves. One excellent example of their belief that neighbors should work together and help each other is the RECare program. Each year, thousands of individual REC members voluntarily contribute to this fund, to help low-income Iowans pay for heat or weatherize their homes.



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