

# What is a Cooperative?

## WFEC as a G&T Cooperative:

Western Farmers Electric Cooperative (WFEC) is a generation and transmission (G&T) cooperative that provides essential electric service to 22 member cooperatives, Altus Air Force Base, and other power users. WFEC was organized in 1941 when western Oklahoma rural electric distribution cooperatives found it necessary to secure an adequate power supply at rates farmers and rural industrial developers could afford.

WFEC has six generating facilities, located at Mooreland, Anadarko and Hugo, Okla., and Lovington, N.M., with a total power capacity of more than 2,400 megawatts (MW), including hydropower allocation and other contract power purchases. WFEC owns and maintains more than 3,700 miles of transmission line to more than 330 substations and switch stations.

As a regional, member-owned wholesale power supplier, WFEC's headquarters is located in Anadarko, Okla. WFEC doesn't sell electricity directly to consumers, but its control and direction starts with them. A 24-member board of trustees, elected by member systems, helps in guiding WFEC. The directors have been elected to the boards of their respective local distribution systems and then, to their generation and transmission system.

Today, WFEC has grown to serve the wholesale power needs of local distribution cooperatives that have service territories across four states. In addition to supplying power, WFEC also provides a broad variety of business services to help its member systems better leverage their own resources and benefit from joint efforts with other cooperatives.

WFEC has helped its own distribution cooperative members better serve their individual members by staying at the forefront of innovation in the power industry. From its instrumental roles in providing marketing efforts to developing highly successful outreach endeavors, WFEC has served its mission of supplying and delivering reliable wholesale power at a stable, competitive price and responding to members' collective needs.

## What is a Distribution Cooperative?

Electric distribution cooperatives are private, non-profit corporations owned by their consumer-members. Its profits, or margins, are put back into the cooperative to help run the business efficiently, or are returned to the member-owner.

Essentially, 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 lay out the guidelines that assure a democratic organization. Members elect directors to serve on a board of trustees, and an annual meeting is hosted to conduct the business of the cooperative. Local boards employ a professional manager for the cooperative, and the manager then has the duty of hiring trained personnel to perform the work necessary for the cooperative to function.

Each local cooperative board establishes rates, based upon what it actually costs to provide dependable electric service, and to meet payment schedules on loans. Rates are designed so that revenues exceed expenses. This "margin" is allocated back to members of the cooperative in the form of capital credits. Members receive money back based on the amount of electricity they have used during the allocation period. This return of capital maintains the non-profit status of the cooperative.

## What is OAEC?

The Oklahoma Association of Electric Cooperatives (OAEC) is a statewide association created and supported by local electric distribution and generation/transmission cooperatives. OAEC is comprised of 30 member systems, 28 in Oklahoma and two Arkansas systems with a portion of their membership residing in Oklahoma.

## **NRECA's Role:**

The National Rural Electric Cooperative Association (NRECA) is the national service organization for more than 900 not-for-profit rural electric cooperatives and public power districts providing retail electric service to more than 42 million consumers in 47 states. The retail sales of this group account for approximately 12 percent of total electricity sales in the United States.

NRECA's members include consumer-owned local distribution systems (which represent the vast majority) and 65 G&T cooperatives that supply wholesale power to their distribution cooperative members. Distribution and G&T cooperatives share an obligation to serve their members by providing safe, reliable and affordable electric service.

## **What is the REA/RUS?**

**REA:** Before 1935, there was no national effort to bring electricity to rural America. In most rural areas, it was too expensive for electric companies to extend their lines out into sparsely populated areas. Farmers and other rural residents made due without the benefits of electricity, unlike folks in the cities who had electric service.

However, President Franklin D. Roosevelt and some members of Congress felt strongly that having electricity should not be limited only to Americans who live in larger towns and cities. In 1935, President Roosevelt created the Rural Electrification Administration (REA). In 1936, President Roosevelt - working with Congress - passed the Rural Electrification Act. Thus began an enormous effort by rural Americans and the newly created REA to organize in their communities and plan how they would bring electricity to their towns and farms.

When the Department of Agriculture was re-organized in 1995, the Rural Electrification Administration was combined with the rural Water Facilities and Telecommunications Programs to form the new Rural Utilities Service.

**RUS:** The Rural Utilities Service (RUS) is the Federal "point" agency for rural infrastructure assistance in electricity, water and telecommunications.

As a Federal credit agency in the United States Department of Agriculture, RUS provides a leadership role in lending and technical guidance for the rural utilities industries. The public/private partnership that is forged between RUS and these industries results in billions of dollars in rural infrastructure development and creates thousands of jobs for the American economy.