Proceedings of the
27th Annual Conference
of
The Rural Electric Management Development Council

"Management Development
and
Organizational Renewal"

Waverly Hotel
Atlanta, Georgia
May 21 - 24, 1984

S C O P E

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COUNCIL PREAMBLE

In March 1969 the NRECA membership adopted viewpoints and objectives for rural electrification as prepared by the Long Range Study Committee. This action has significance only when member systems identify with, and develop programs in support of, these viewpoints and objectives. Success in the implementation of such action programs is dependent upon excellent leadership and the effective management of resources, especially human resources.

NRECA, through its Management Services Department, has carried on effective training and development programs for rural electric system managements, both elected and employed, and the results of these programs are obvious in the upgrading of the quality of management in recent years. However, NRECA has limited resources for the research, experimentation, and innovations in management practices that will be required to meet the demands of a rapidly changing social order. Moreover, REA continues to withdraw its advice and assistance to borrowers.

Thus, it is clear that some systems must assume a more active role in assuring competent, dynamic management for the future. There are people within the program who are qualified and willing to see that the necessary study and research are undertaken toward this end. Such people have formed the Rural Electric Management Development Council and the following statements express their viewpoints and objectives.

STATEMENT OF VIEWPOINTS

1. We believe that the objectives of the Rural Electric Program can best be achieved through dynamic management and leadership that is based on sound cooperative philosophy coupled with modern management principles and techniques.

2. We believe that cooperative philosophy and management principles and techniques must be under constant study and review and that research and development of new concepts and approaches must be undertaken if rural electric systems are to effectively fulfill the responsibilities inherent in the objectives of the Rural Electric Program.

3. We believe that there exists within the rural electric cooperatives, and their associated organizations, the knowledge, experience and point of view necessary to identify these needs and to determine required changes.

4. We believe that there exists among rural electric cooperatives, and their associated organizations, those who are willing to innovate, study and improve present cooperative and management principles and practices and to translate the results of such studies into meaningful programs.

RURAL ELECTRIC
MANAGEMENT DEVELOPMENT COUNCIL

STATEMENT OF VIEWPOINTS (CONT.)

5. We believe that rural electric system management will be enhanced where there has been a maximum exchange of ideas and experiences between those organizations that are innovating, studying and applying up-to-date principles and techniques.

6. We believe that all consumer-owned rural electric systems should have the opportunity to share in the results of such innovations in management practices and that this opportunity for sharing can best be provided through NRECA and other associated organizations.

STATEMENT OF OBJECTIVES

1. To bring together key rural electric management people who have demonstrated their application of up-to-date cooperative philosophy and management principles and techniques and who evidence an interest and willingness to participate in and contribute to study, research and innovation in the application of effective management concepts and techniques in rural electric system operations.

2. To contribute to the strengthening of overall rural electric system management by undertaking management research in areas of current concern and interest.

3. To develop new cooperative management concepts, approaches and techniques that will enable the management of rural electric systems to identify necessary resources and to provide the leadership required for meeting the needs of the people in an ever changing environment.

4. To develop the means whereby the beneficial results of the application of such management research and innovation can be interpreted and widely disseminated to rural electric systems and to encourage its effective application.

RURAL ELECTRIC MANAGEMENT DEVELOPMENT COUNCIL

MEMBERSHIP REQUIREMENTS

The Rural Electric Management Development Council is established to provide a forum for those rural electric systems which have developed organizations built on the application of cooperative principles and modern management principles and techniques.

The Viewpoints and Objectives of the Council, attached hereto, identify more specifically the beliefs and purpose that all members of the Council subscribe to. The Council's primary purpose is one of research and innovation. Research and innovation within the parameters of the established Viewpoints and Objectives.

The Council does not intend to provide a forum for teaching basic cooperative philosophy and basic management principles and techniques. Adequate training opportunities for this are provided by NRECA and other organizations.

Thus, to assure that the limited time available for the conduct of research and the exchange and discussion of innovative ideas can be utilized to the maximum productive extent possible, it is necessary that those systems which wish to apply for membership in the Council, those which wish to sponsor systems for membership and those systems which are currently members of the Council be fully aware of the criteria for initial and continuing membership.

A. Initial Membership

Any rural electric system or association of rural electric systems may apply and be considered for membership in the Rural Electric Management Development Council.

The criteria for initial or continuing membership shall be adopted by the Council members at the Council's annual meeting. Any amendments or changes in this criteria shall be approved by the Council membership.

Representatives of NRECA, CFC, and REA, and current members of the Council will be encouraged to nominate rural electric systems or other associations that are believed to meet all of the criteria for membership.

The Membership Committee shall review all applications for membership and shall recommend those applicants who meet the established criteria. Approval for membership in the Council shall be by a majority vote of members present.

Prospective members may attend an annual meeting of the Council as non-paying guests the first year. If interested in joining the Council, the prospective member shall submit an application as prescribed in Section A.

Those applying for initial membership shall be requested to submit the following:

1. Evidence of having demonstrated their application of up-to-date cooperative philosophy and management principles and techniques. This evidence shall include the following:

a. An Organization Profile - Documentation of the existence of an organization plan for the system. The documents required will be specified and should accompany the application.

b. A System Profile - A recitation of the financial and operating characteristics of the system, including evidence of the existence of short and long range plans in specified areas.

c. A Corporate Profile - An identification of programs and activities designed to involve the members and the public. Evidence of a recognition and pursuit of goals designed to enhance the consumer ownership and public responsibility of the system.

d. A Growth and Development Profile - Evidence of specific programs and activities undertaken by the system to go beyond normal requirements for management, individual development and member involvement. This should include the identification of beneficial results therefrom.

2. A statement of a commitment to participate in and contribute to study, research and innovation in the application of management in rural electric system operations.

3. A statement of the system's willingness to pay the dues or other approved assessments of the Council, to attend and participate in Council meetings and to accept committee or program assignments.

4. An expression of willingness to share your individual management innovations with the Council for information and evaluation purposes.

B. Continuing Membership

All members of the Council shall be subject to continuing membership review at least every five years. Subject systems shall be notified at the Council's meeting preceding the review.

Applications for recertification as continuing members shall include:

1. A recap of attendance and involvement in the annual conference programs.

2. A recap of committee assignments and research activities.

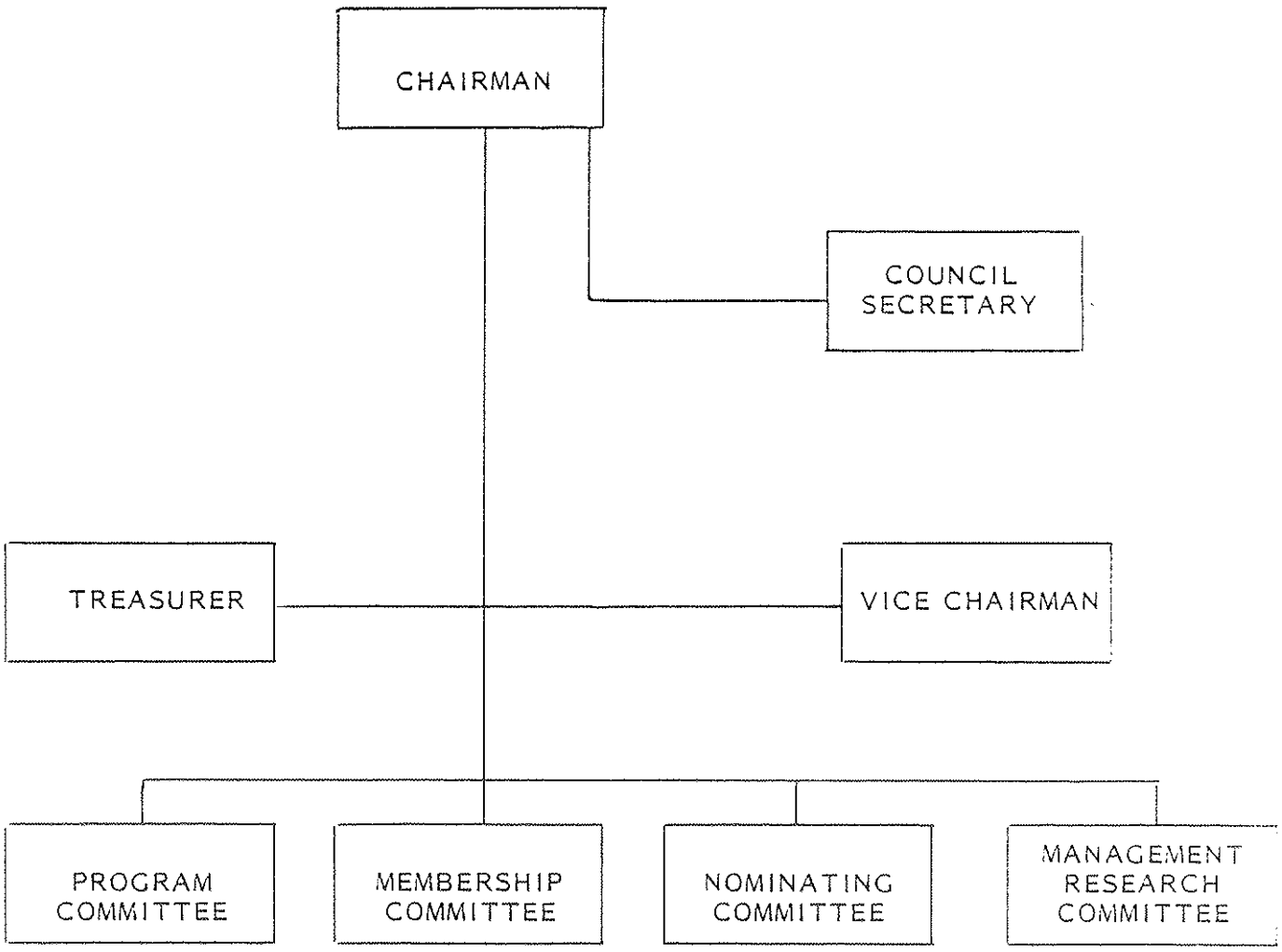
3. Evidence of a continuing dedication to, and active support of, excellence in rural electric management and leadership.

The Membership Committee shall review the applications for recertification and present them to the Council for approval at the next annual meeting.

C. Honorary Membership

The following individuals, or their designated representatives, are considered as continuing honorary members of the Management Development Council. The Council encourages their active participation in all Council projects and activities.

RURAL ELECTRIC MANAGEMENT DEVELOPMENT COUNCIL



Director of Management Services - NRECA
Borrowers' Operations Office - CFC
Director-Electric Borrowers' Management Division - REA

D. Termination of Membership

Membership in the Council shall be terminated by:

1. A letter of withdrawal from a member system, or;
2. Upon investigation and recommendation by the Membership Committee, by a majority vote of the members present.

E. Council Dues

The annual dues shall be $300.00, payable prior to the annual meeting of the Council. Payment of dues shall permit the attendance of key management people from each member system.

FUNCTIONS

CHAIRMAN	To act as general coordinator of the activities of the Development Council and preside at all business meetings. To issue notice of all regular meetings of the membership or special meetings of the cabinet. (The cabinet to be composed of the chairman, vice chairman, treasurer, and all committee chairmen.) To represent the Development Council in relation to other organizations. Term of office to be three (3) years.
VICE CHAIRMAN	To assume all duties of the Chairman in the absence of or inability of that officer. Term of office to be three (3) years.
TREASURER	To collect all monies due the Development Council including regular membership dues and special assessments. To pay all bills submitted in proper form. To prepare an annual financial statement and forward to the Secretary for inclusion in the annual conference summary. Term of office to be three (3) years.
SECRETARY	To be appointed annually by the Chairman. To keep a record of all proceedings, prepare, publish, and distribute annual conference summary. (May be assisted by Management Services Department of NRECA.)

COMMITTEES

All committees to be composed of a chairman and three (3) members. The chairman to be nominated by the Nominating Committee. All committee chairmen and committee members to serve staggered terms of three (3) years each.

PROGRAM COMMITTEE	To determine program content and format for the annual conference and secure appropriate participation from the membership. To provide for subject continuity in programming when desirable. The committee chairman shall preside at all program sessions. To select the time and place for the annual council meeting.
MEMBERSHIP COMMITTEE	Under the established criteria, solicit and process applications of new members as well as administer the recertification of continuing members. Monitor the attendance and participation of member systems from year to year and recommend follow-up action as necessary to maintain a membership that is interested and active in Council affairs.
NOMINATING COMMITTEE	To nominate all officers and committee chairmen, as necessary for submission to the annual conference for election. All nominations shall be submitted in writing, certified by the chairman of the committee, and deposited with the conference secretary.
MANAGEMENT RESEARCH COMMITTEE	To identify research areas and initiate recommendations for projects to be carried out by the Council. To work with NRECA in identifying management areas in the rural electric program which need additional research and/or development and training programs and determine how the Council can assist in meeting needs in cooperation and coordination with NRECA.
COMMITTEE MEMBERS' EXPENSES	Reasonable out-of-pocket travel expenses of committee members attending committee meetings held solely for Council business, and not held in conjunction with other business meetings, shall be paid by the Council.

RURAL ELECTRIC MANAGEMENT DEVELOPMENT COUNCIL

OFFICERS AND COMMITTEES FOR 1984

Officers		
Chairman	Robert L. (Bob) Roberts	Term expires in 1984
Vice Chairman	Barbara H. Deverick	Term expires in 1984
Treasurer	Allen Ritchie	Term expires in 1986
Secretary	Barbara Deverick	

Standing Committees

Program		
Chairman	Jack Hicks	Term expires in 1984
	James Kiley	Term expires in 1986
	Lawrence Moderow	Term expires in 1985
	John Parham	Term expires in 1984
Nominating		
Chairman	Ronnie Hunt	Term expires in 1984
	Dave Larson	Term expires in 1985
	James Golden	Term expires in 1986
Membership		
Chairman	Roger Geckler	Term expires in 1984
	Lloyd Geer	Term expires in 1985
	Lyman Patee	Term expires in 1986
	Bill Miller	Term expires in 1986
Management Research		
Chairman	Wayne Keller	Term expires in 1984
	Harold Smith	Term expires in 1985
	Dick Arnold	Term expires in 1985
	Charles Overman	Term expires in 1986
	Virgil Herriott, Ex Officio	

A. All committee members and officers elected for three-year term except as noted.

B. Chairman of each standing committee named by the Nominating Committee and serve three years when elected, unless completing an unexpired term as a replacement.

RURAL ELECTRIC MANAGEMENT DEVELOPMENT COUNCIL

1984 ANNUAL CONFERENCE REGISTRATION

Adams Electric Cooperative, Inc.
P. O. Box 130
Gettysburg, Pennsylvania 17325
Fred J. Kane, Manager, Communications
Lloyd W. Geer, Manager, Engineering and Operations

Blue Ridge Electric Membership Corporation
Caller Service 112
Lenoir, North Carolina 28645
Wayne D. Keller, General Manager
Barbara Deverick, Administrative Manager
Christine W. Beane, Director of Office Services

Cass County Electric Co-op, Inc.
P. O. Box 8
Kindred, North Dakota 58051
Michael Gustafson, Manager

Clark County Rural EMC
609 East Utica Street
Sellersburg, Indiana 47122
Wayne W. Johnson, General Manager
Sharon Kleehamer, Manager of Office Services

Cobb Electric Membership Corporation
P. O. Box 369
Marietta, Georgia 30061
Paul E. Weatherby, General Manager

Delaware Electric Co-op, Inc.
P. O. Box 600
Bridgeville, Delaware 19933
E. Paul Bienvenue, General Manager

Flint Electric Membership Corporation
P. O. Box 308
Reynolds, Georgia 31076
Harold Smith, General Manager

Guadalupe Valley Electric Co-op, Inc.
P. O. Box 118
Gonzales, Texas 78629
Leon Netardus, Business Manager

Hancock-Wood Electric Co-op, Inc.
P. O. Box 188
North Baltimore, Ohio 45872
John A. Cheney, General Manager

Linn County REC
P. O. Box 69
Marion, Iowa 52302
Jack Hicks, Manager
Phyllis Barber, Staff Assistant
Kim Colberg, Assistant to the Manager

Lumbee River Electric Membership Corporation
P. O. Box 830
Red Springs, North Carolina 28377
Ronnie Hunt, Manager

Maquoketa Valley Rural Electric Co-op
P. O. Box 351
Anamosa, Iowa 52205
John Parham, General Manager

Morgan County Rural Electric Membership Corporation
P. O. Box 1716
Martinsville, Indiana 46151
Richard Seger, Manager
Jon R. Elkins, Operations Manager

Pioneer Rural Electric Cooperative, Inc.
P. O. Box 604
Piqua, Ohio 45356
Robert L. Roberts, Manager
W. W. Ward, Manager, Marketing and Member Relations

Randolph Electric Membership Corporation
P. O. Box 40
Asheboro, North Carolina 27203
Bob Phillips, Manager of Administrative Services

Shenandoah Valley Electric Cooperative
P. O. Box 8
Dayton, Virginia 22821
Dick Fleming, Manager
Allen R. Ritchie, Staff Assistant

Sioux Valley Empire Electric Association, Inc.
P. O. Box 216
Colman, South Dakota 57017
Jim Kiley, General Manager
David R. Schornach, Staff Assistant

Southeast Iowa Electric Association
P. O. Box 440
Mt. Pleasant, Iowa 52641
Craig DeBower, General Manager

Union REA, Inc.
P. O. Box 359
Brighton, Colorado 80601
Dave Duvell, Manager, Administrative Services
Joe Satterfield, Manager of Office Services

Walton Electric Membership Corporation
P. O. Box 260
Monroe, Georgia 30655
Randall Pugh, General Manager

Whitley County REMC
P. O. Box 171
Columbia City, Indiana 46725
Elmer Stocker, Manager
Carl Sederland, Assistant Manager

Yampa Valley Electric Association, Inc.
Box 1218
Steamboat Springs, Colorado 80477
Ev Bristol, Chief Engineer/Staff Assistant

Guest Registration - 1984

David J. Batten, Manager
Brunswick Electric Memb. Corp.
P. O. Box 826
Shallotte, N. C. 28459

Gary Bullock, General Manager
Carroll Electric Memb. Corp.
P. O. Box 629
Carrollton, Georgia 30117

Gary J. Hobson, General Manager
Central Area Data Processing Center
St. Louis, Missouri

Charles Henry Shelton, Administrative Asst.
Four County Electric Power Association
P. O. Box 351
Columbus, Mississippi 39701

Gene Ruesch, Manager
Hancock County REMC
P. O. Box 188
Greenfield, Indiana 46140

O. D. Reynolds, Director of Operations
Lee County Electric Co-op, Inc.
P. O. Box 3455
North Ft. Myers, Florida 33903

June Lane, Management Consultant
Martin J. Lowery, Manager, Consulting & Training
National Rural Electric Cooperative Association
Washington, D. C.

F. F. (Bud) Stacy, Manager
Oglethorpe Power Corporation
P. O. Box 105033
Atlanta, Georgia 30348

George F. Carnes, Jr., Manager
Palmetto Electric Co-op, Inc.
P. O. Box 820
Ridgeland, S. C. 29936

Charles Weaver, Director
Electric Loans and Management Division
Rural Electrification Administration
Washington, D. C.

William Miller, Executive Asst.
Seminole Electric Co-op, Inc.
P. O. Box 27200
Tampa, Florida 33688

Benjamin A. Pitts, General Manager
Sussex REC
22 East Main Street
Sussex, New Jersey 07461

Garry Bye, Manager
Tri-County Electric Cooperative
P. O. Box 180
Carrington, North Dakota 58421

Virgil Herriott

THE RURAL ELECTRIC MANAGEMENT DEVELOPMENT COUNCIL 1984 MEMBERS

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Gettysburg, Pennsylvania 17325

Wayne Keller, Executive Vice President
Blue Ridge Electric Membership Corporation
Caller Service 112
Lenoir, North Carolina 28645

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Windsor, Virginia 23487

William B. Miller, General Manager
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Walters, Oklahoma 73572

Wayne Wilkins, General Manager
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Braham, Minnesota 55006

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Doyle Hines, General Manager
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Gonzales, Texas 78629

John A. Cheney, General Manager
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Jack Hicks, Manager
Linn County REC
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Richard Seger, General Manager
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Asheboro, North Carolina 27203

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Jim Kiley, General Manager
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Eldorado, Illinois 62930

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David P. Larson, Manager
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Maple Lake, Minnesota 55358

James Golden, General Manager
Yampa Valley Electric Association, Inc.
Box 1218
Steamboat Springs, Colorado 80477

THE RURAL ELECTRIC MANAGEMENT
DEVELOPMENT COUNCIL
May 21-24, 1984

Monday, May 21

1:00 p.m. Registration

1:30 p.m. Comments - Chairman
Robert L. (Bob) Roberts
Pioneer REC

1:45 p.m.
Energy Management A Marketing Device
Mike Gustafson
Cass County EC

2:15 p.m.
Loss of Territory
W.R. Flemming & Allen Ritchie
Shenandoah Valley EC

3:00 p.m. Break

3:15 p.m.
Deregulation-
Impact on Cooperative Management
Jim Golden
Yampa Valley EA

3:45 p.m.
Nominating Committee Orientation
& Safety Loss Control
Craig DeBower
S.E. Iowa ECA

4:15 p.m.
Samoa Transmission Project
Jack K. Hicks
Linn County REC

5:00 p.m. Adjourn

Tuesday, May 22

9:00 a.m. - 4:00 p.m.

Organizational Renewal
A Rural Electric Manager's
Key Responsibility
Dr. Gordon Lippitt
George Washington University
and C.E.O. of ORI

Wednesday, May 23

8:30 a.m.
A New Approach to Merit Pay
Barbara Deverick
Blue Ridge EMC

9:00 a.m.
Financing of Construction Needs
Leon Netardus
Guadalupe Valley EC

9:30 a.m.
A Look at the Other Side
Bill Miller
Seminole Electric

10:00 a.m. Break

10:15 a.m.
Management Audit
Harold Smith
Flint EMC
& Bud Stacy
Oglethorpe PC

Wednesday, May 22 - Continued

11:00 a.m.

G & T Survey
Virgil Herriott
Honorary Member
& Dr. Eugene Hunt
Virginia Commonwealth

12:30 p.m. Adjourn

2:00 p.m. Golf Outing or Tour of
Galleria Oglethorpe
New Headquarters & Stone
Mountain
Host - Cobb EMC

Thursday, May 24

8:30 a.m.
ERC Loan Survey
Joe Cole
Adams EC

9:15 a.m.
Comments from Charlie
Charlie Weaver
REA

9:45 a.m. Break

10:00 a.m.
Business Meeting
Adjourn before noon

ENERGY MANAGEMENT - A MARKETING DEVICE

Mike Gustafson
Cass County EC

PROBLEMS ARE IN REALITY "OPPORTUNITIES"

1970 - 73 - EXCEPTIONALLY GOOD YEARS - LOWEST COST OF WHOLESALE POWER. RECORD BREAKING CONSTRUCTION. ALMOST EVERYTHING WAS ALL-ELECTRIC.

1972 - 73 - CONSTRUCTION OF A 14-ACRE SHOPPING CENTER--LARGEST BETWEEN MINNEAPOLIS AND THE WEST COAST. PRIMARY SOURCE OF HEAT--OIL AND NATURAL GAS.

1973 - OPEC.

1973 - 74 - LOCAL ENERGY CRISES.

1974 - 76 - DEVELOPMENT OF RESIDENTIAL OFF-PEAK PROGRAM PRIMARILY LABELED "DUAL HEAT".

1977 - FIRST YEAR OF AUTOMATED LOAD CONTROL.

1976 - 79 - STRUGGLE TO ESTABLISH DUAL HEATING EQUIPMENT ADAPTABLE TO THE MARKET PLACE. HELPED DEVELOP A MANUFACTURER KNOWN AS ELECTRO-OIL INDUSTRIES. PARTICIPATED IN PROTOYPE INSTALLATIONS OF NEARLY ALL NEW PRODUCTS.

1979 - 81 - INSTALLATION OF RECORD NUMBERS OF DUAL HEATING SYSTEMS - VERY COMPETITIVE OFF-PEAK RATE. RAPIDLY INCREASING COST OF OIL, LPG, AND NATURAL GAS.

1981 - 82 - EXTREME WEATHER CONDITIONS (-97°F) WIND CHILL - TRUE TEST OF THE ABILITY TO CONTROL LOAD. MINNKOTA SYSTEM - IN EXCESS OF 100 MEGAWATTS OF LOAD.

1982 - INTERVIEWED WITH ENERGY MANAGEMENT EDITOR OF ELECTRICAL WORLD. - VISITATION WITH CANADIAN GOVERMENT OFFICIALS AND HYDRO ELECTRIC PERSONNEL ABOUT OUR SUCCESS STORY. - TRAVELED TO CANADA TO TELL OUR STORY TO ONTARIO HYDRO AND QUEBEC HYDRO. - VISITATION OF A CANADIAN PLENUM HEATER MANUFACTURER. OUR PROGRAM WAS A MAJOR FACTOR INFLUENCING THE CANADIAN GOVERNMENT TO ESTABLISH DUAL HEATING AS BEING THE VEHICLE TO ACHIEVE OIL INDEPENDENCE BY 1992.

1982 - 83 - RECORD BREAKING MILD WINTER - OIL PRICE REDUCTION-INCREASING WHOLESALE POWER COST - PRIMARILY BECAUSE OF NEW POWER PLANT CONSTRUCTION. STUDY PROJECT APPLYING STATE OF THE ART - CONTROLS FOR CURRENT-LIMITING ELECTRIC HEATING APLICATIONS.

1983 - OFF-PEAK ENERGY PROMOTION.

Cass County Electric Cooperative

E/M/P

Even Monthly Payment Plan Now Available

Just as our Load Management Program has helped reduce our peak demands, this plan will reduce those peaks in your electric bill.

Those of you that are participating in our Load Management Program with dual heating systems are experiencing high and low peaks in your electric bill. We know these high bills are creating hardships for some of you in meeting your monthly payment. This plan will even out those monthly payments.

If you are not participating in our Load Management Program because of those high bills in the winter months, we hope this plan will encourage you to become a part of the Load Management Program.

Under the Even Monthly Payment (E.M.P.) Plan, your payments will be equalized over the next twelve months, based on your previous twelve months' billing. Basically, if your annual bills are between $500 and $12,000 and your account is paid up, you may request to be billed under this plan.

This plan will be available until September 1st, so act now and call your area service center for details.

(Note: The line through the M illustrates the objective of this plan — to shave the peaks off your electric bills.)

Summer Work Schedule Adopted

Beginning June 1 and continuing through August 31, Cass County Electric Cooperative will operate on a summer work hour schedule. All offices will be open from 7:30 a.m. to 4:30 p.m., and will be open over noon as in the past.

Dual Heat System Gone Bad?

Some members with dual heat systems installed before 1980 have had trouble with the electric heat section of the system. Most of the problems have been with electric duct heaters, although other components have failed in some cases. If you've had trouble with your system, help is now available. We can loan you up to $500 at 5% interest to retrofit your dual heat system so that it will work right. Please note this is only for systems installed before 1980.

If you'd like information on financing for a dual heat retrofit, contact your local member service department.

1984 DUAL HEAT PROMOTION ANNOUNCED

Remember the Bonus Bucks promotion last year as an incentive to gain new dual heat members? This year's promotion is expected to be even more successful at adding off peak load and reducing peak demand.

A guaranteed discount above and beyond the normal off peak discount will be available for a three year period for all members who add dual heat between now and December 31, 1984. Eligible members include those with existing all electric heat, fossil fuel heat and new construction.

The discount is .5¢ per KWH above the going off peak discount for residential members and .7¢ per KWH above the going discount for commercial loads.

From time to time we get questions as to the wisdom of trying to add load when everyone else is promoting load reductions. This type of promotion is aimed at adding off-peak load which will increase total volume of kilowatt hour sales reducing the cost per kilowatt hour. Another benefit is that this new load is completely controllable and will add nothing to the peak demand. In fact, for an all electric home conversion, the peak demand will actually be less than in previous years.

The addition of more off peak load benefits all members of the cooperative by lowering wholesale power costs. Do your part and get involved today. See the table to estimate your yearly savings or call your local service center for an on-site evaluation of your present heating system and your home's energy efficiency. Let our energy management team show you why dual heat really is "The Affordable Choice".

See What Dual Heat Can Do For You!

Fuel	Use/Year	Dual Heat Annual Savings
Oil	1,200 gal.	$610
	1,000 gal.	$509
	800 gal.	$409
	600 gal.	$305
Electric	30,000 KWH	$810
	25,000 KWH	$675
	20,000 KWH	$540
	15,000 KWH	$405
Propane	2,000 gal.	$789
	1,600 gal.	$631
	1,200 gal.	$473
	800 gal.	$315
Natural Gas	2,000 CCF	$467
	1,600 CCF	$373
	1,200 CCF	$280
	800 CCF	$187

ENERGY MANAGEMENT PROGRAMS
FINANCIAL ASSISTANCE

		1977	1978	1979	1980	1981	1982	1983	1984
6%	NUMBER	8	67	41	3	3	1	1	
	AMOUNT	$7,325	$67,125	$40,670	$2,259	$1,504	$279	$493	
9%	NUMBER			55	94	2	3	2	
	AMOUNT			$54,055	$90,963	$1,477	$1,817	$942	
12%	NUMBER				65	73	2	3	
	AMOUNT				$64,469	$71,001	$1,249	$2,129	
5%*	NUMBER					153	302	259	95
	AMOUNT					$241,055	$480,351	$401,741	$133,831

*SECTION 12 ERC PROGRAM

DUAL HEAT ---------- 505

INSULATION & WEATHERIZATION ----- 47

BOTH---------- 257

CASS COUNTY ELECTRIC COOPERATIVE, INC
Kindred, North Dakota

ERC LOAN PROGRAM
5-4-84

Loan Categories and Amounts

Dual heating	505	for	$ 694,668
Insulation/weatherization	47	for	38,703
Both	258	for	525,718
	810		1, 259,089

Average Loan Amount : $1554

a. Total funds available	$ 1,656,500
b. Loans issued	1,259,089 (-)
c. Withholding losses	123,000 (-)
d. Current balance available	$ 274,411
e. Loans being processed 18 x $1554 =	27,972 (-)
f. Anticipated net funds available	$ 246,439
g. Estimated number of loans available	158

Bradley J. Schmidt
ERC Loan Administrator

"DIVERSIFIED UTILIZATION" CAN PLAY A STRONG HAND IN DEALING WITH THE ENERGY CRISIS

Mike Gustafson
Cass County Electric Cooperative, Inc.
Kindred, North Dakota

September, 1980

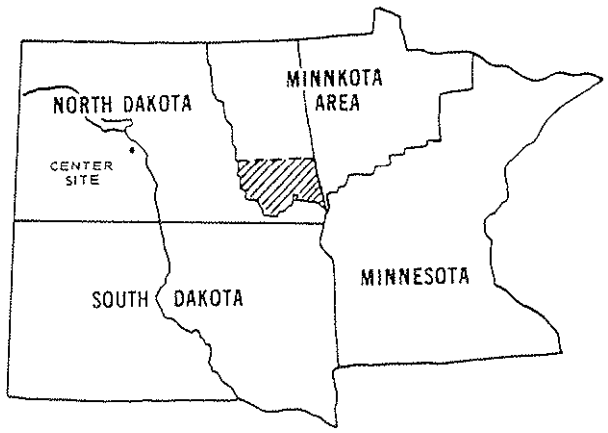
Abstract — As a result of the oil embargo in 1973, many electric utilities realized, for the first time, the responsible role they would have to play in providing adequate energy requirements for consumers, world-wide. Cass County Electric, one of the 12 associated distribution cooperatives owning Minnkota Power, met this challenge by establishing one of the first full-scale load control projects in the United States.

This paper will review the events leading to the development of an energy management program, emphasizing a diversified approach to effective energy utilization. The past four years of experience have shown significant results in improved annual load factor and related savings in wholesale power costs.

Although factors affecting efficiency and costs are probably the most noticeable, it is important to emphasize the fact that approximately 2½ million gallons of liquid fuel equivalent have been displaced for other uses by the members of this cooperative program.

INTRODUCTION

CCEC is a North Dakota rural electric cooperative serving 9,938 services in the southeastern portion of the state.



In addition to the rural area, these services include members in 30 incorporated towns, 84 residential subdivisions and areas within the cities of Fargo, population 60,000, and West Fargo, population 9,930.

The electric distribution system consists of 5,060 miles of line with 23 percent being underground. The utility plant is valued at approximately $25 million. In 1979 the Cooperative sold 255,000,000 kilowatt hours, a 14.2 percent increase over 1978. A very significant factor relating to this growth in sales is the fact that the coincidental billing demand was less than it was a year ago, because of the load management program developed within this system. The average selling price to the member-owners was 2.7 cents per kilowatt hour, while the wholesale cost of power was 1.3 cents.

81 SM 398-7 A paper recommended and approved by the IEEE Power System Engineering Committee of the IEEE Power Engineering Society for presentation at the IEEE PES Summer Meeting, Portland, Oregon, July 26-31, 1981. Manuscript submitted September 3, 1980; made available for printing April 27, 1981.

The Impact of the 1970s

One of the most significant factors affecting CCEC and their power supplier during the early 1970s was a trend toward total electric living. Almost all new construction included electric heating, but unfortunately this trend resulted in a declining annual load factor, because of the fact that electric heating demands are directly related to climatic conditions. [1a] It was because of this experience, coupled with sky-rocketing inflation, that caused CCEC and their power supplier to enter into a load management program.

Problems Provide Opportunities

With this introduction it should be pointed out that an old technique in the communications business is for a motivational speaker to convince his or her audience that problems are, in reality, opportunities; therefore I hope that our experiences will motivate you and the results may become opportunities for you, also.

It is rather obvious that we don't need to dwell on our national energy problem, because we read and hear about it every day. But on the other hand, let's look at what some of our opportunities have been.

1. Much of our success can be credited to Minnkota Power for having the foresight to secure coal rights in the early 1960s. They were one of the first to develop mine-mouth generating facilities to provide energy for the needs of rural people. Presently they have capacity on line and have interest in future developments to assure some 65,000 member-owners of a future power supply at reasonable rates.

2. When considering our present national energy dilemma and the fact that many states do not have available resources to meet their energy needs, we can be thankful that North Dakota has proven reserves of some 15 billion tons of lignite coal, with indications that there may be as much as 350 billion tons. With present day technology and a new emphasis on synthetic fuels, we can be assured that this natural resource will play a very important role in meeting the energy needs of future generations.

3. Although electric heat can be referred to as part of the problem relating to poor annual load factors, we must not forget that electric heating can be credited for volume sales during a period when capacity was readily available and costs were decreasing. The proper management of electric heating can, and will, play an important role in future utility marketing.

4. The effect of the oil embargo in 1973 and the increasing cost of energy provided an excellent setting to emphasize the need for conservation and effective utilization of our resources.

A Key Factor In Development

Without question, one of the greatest opportunities in developing this program resulted from a problem experienced by a large, regional shopping center located at Fargo, North Dakota. As a result of the oil embargo in 1973, this 33 million dollar facility was notified that their natural gas supply was being curtailed and that their allocation of oil would be increased by 10 percent. It did not take long to realize that a business could not survive a North Dakota winter with approximately 55 percent of the required energy to provide commercial heating. As a solution to this problem, Cass County Electric offered to provide electrical capacity and energy to continue the on-going operation of this new shopping center. It is interesting to note that CCEC's General Manager, Willard Grager, indicated that he could not assure them a lower cost, but that he could assure them that with the use of electric energy and their allocation of fuel oil, they could at least keep the doors open for business. As such, the major problem facing West Acres was not the type of energy to use or even what the forecasted cost of that energy might be. It was a problem as to what type of energy was available. This is a very pointed example of the fallacies included in the Building Energy Performance Standards

outlined by the Department of Energy, where electric heating is being discouraged, without considering the resources involved.

It was this unique experience that started what today is referred to as our load Management Program. As a winter-peaking electric utility, we knew that we could improve our system efficiency by automatically controlling electric load over short-term peaks. With West Acres Regional Shopping Center already possessing oil-fired boilers for commercial heating, we took advantage of this control option to use off-peak electric energy as the primary fuel, and oil as the peaking fuel. This concept, which started in January, 1974, has proven very acceptable with the following accomplishments. (Figure 2)

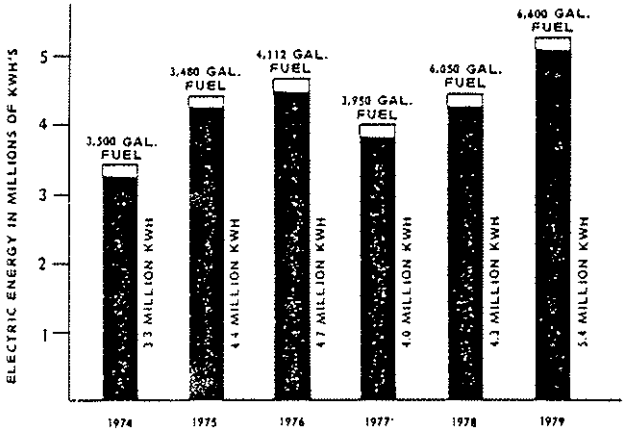


Figure 2: Diversified Energy Requirements For A Regional Shopping Center

Since 1974 they have displaced the equivalent value of 1,071,000 gallons of liquid fuel and have been a significant factor in improving our generation and distribution systems' efficiency. Our distribution annual system load factor under a 100 percent ratchet clause and coincidental billing concept, has increased from 46 percent to 61 percent.[1] It is because of the success of this experience that the dual heating concept has spread to approximately 1,300 members who participate in our automatic load control program.

A Condition of Service

In September of 1977, the Board of Directors and Management took a very strong position by establishing a policy which would not allow more than 2 kilowatts of electric heat to be used unless it had the ability to be managed under a control program. Although this was considered unconstitutional at the time, especially by other utilities, it has since proven to be a key factor in relating the importance of energy management to our member-owners. This policy has met very little resistance, with the exception of developers interested in multiple dwelling facilities. It seemed as though their main objective was the bottom line cost and not once considering the cost of energy or its availability for those consumers occupying these facilities. In a most recent contact with a builder and developer in Fargo, the decision was made to utilize the dual fuel heating program in a 500-unit apartment complex, because it was by far, the most cost-effective system available.

A control requirement for electric heating was justified under our conditions of service, much like the restrictions being placed on motor size, starter requirements, etc.

Pricing Signals and Financial Assistance

To provide encouragement and motivation for members to participate in this program, a policy was developed offering discount electric rates and financial assistance for the installation of dual heating systems.

The discount rate, which was patterned from the success of the telephone industry, provides credits in two categories. For those electric loads that can only be controlled for a maximum eight hour period, a ¾¢/kwh discount will apply. If the load can be controlled for a longer period of time, the credit is then increased to 1.2¢/kwh. Water heaters are good examples of short-term loads while dual heating systems generally represent the long-term category.

In addition to off peak pricing signals, a $1,000 loan is made available to members who wish to install a dual heating system. The present interest rate is 12 percent and must be paid back within a 5-year period. Repayment of the loan is made by the utility withholding the earned discount until the note is repaid in full.

A Need for Information and Education

As a result of the success of West Acres, our residential and small commercial load control program started in 1976-77. With the announcement of this program and the effect of the control policy on all new applications of electric heat, our first objectives were to conduct effective informational programs to assure that everyone involved in our industry knew what was going on. This task was a tremendous challenge, because it was something entirely new and many contractors responded by indicating that it simply would not work. In addition to this attitude, the manufacturing industry failed to see the need for equipment compatibility as we tried to emphasize the benefit of using a dual energy system to provide domestic and commercial heating.

As time progressed and prototype equipment was used to prove the benefits provided for the member-owners, the manufacturing industry started to respond but they still could not justify the retooling costs for a limited market. But as OPEC put the squeeze on our national energy problem, many utilities started to inquire about this program called dual heating. At the present time it appears as though the leading manufacturers are responding to the needs of utilities featuring energy management programs.

As a result of a new program and equipment, there also became a need to provide education to assure the proper installation and control of the equipment. With the assistance of our wholesale power supplier and the North Dakota Continuing Education Department, we conducted a series of classes highlighting types of equipment, proper installation and control requirements to be compatible with the selected utility communications system. These meetings proved to be very helpful, not only from a technical point of view, but also because it provided a better understanding of the program for those who attended. We would highly encourage this kind of program, as soon as possible, in developing an automatic load management program.

RESULTS

One of the most significant results relating to the use of dual heating systems is the amount of load that can be controlled per receiver. Although some of our control points include large commercial facilities, our experience provides an approximate average of 32 kilowatts per receiver.

Date	Receivers Programmed	KW's Controlled	Average Per Receiver
Nov., 1977	39	1,138	29
Dec., 1977	88	2,303	26
Jan., 1978	146	3,881	27
March, 1978	174	4,490	26
June, 1978	221	5,672	26
Sept., 1978	273	6,947	25
Dec., 1978	429	11,439	27
Jan., 1979	494	13,357	27
March, 1979	561	15,081	27
June, 1979	609	19,798	33
Sept., 1979	678	21,634	32
Dec., 1979	931	30,513	33
Jan., 1980	1,056	34,330	33
March, 1980	1,149	37,877	33
June, 1980	1,237	40,454	33
Sept., 1980	1,312	42,639	32

This relationship is important when you consider the fact that CCEC has a total connected load of 42 megawatts under control, with only 1,296 control points. This ratio also plays an important role when considering the costs of various control strategies.

Sales are the Answer

In a recent newsletter put out by the Food and Energy Council,[2] it emphasized that sales are the answer — it is inevitable that costs are going to increase per unit if there is no growth. What someone needs to address is the fact that a kilowatt hour that is not used has a value equal to zero and is a tremendous cost to the power supplier, so therefore, if we are going to be responsible to provide

capacity and energy, it should be our objective to market energy aggressively, while striving for the best utilization factors and efficiency.

During the past four years this relationship between demand limiting and increased energy sales has proven to be very successful. (Figure 3) Although it may not be possible to achieve these results indefinitely, it is our objective to increase our power supplier annual load factor to approximately 70 percent.

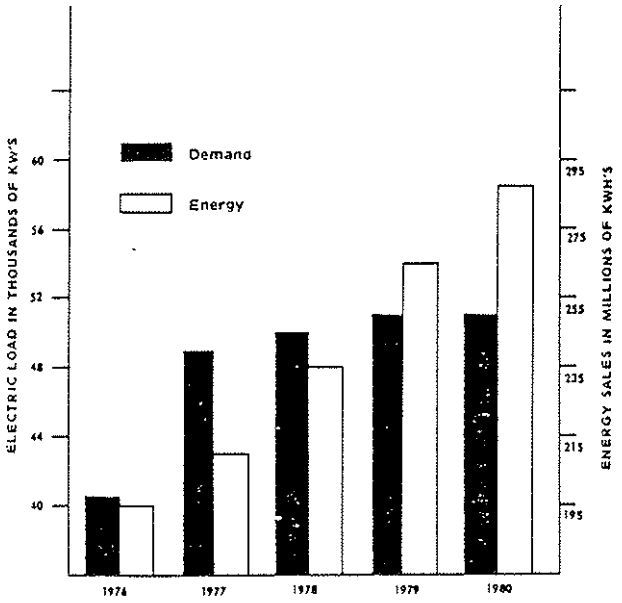


Figure 3: Electric Demand and Energy Sales Ratio

The American consumer has to be reminded that the 1970s has brought an end to a declining cost trend for electric energy and it is suddenly imperative that electricity users understand the cost consequences of their behavior and to be offered the opportunity of reducing their bills whenever their behavior reduces energy costs.

In examining a sales and cost trend for CCEC during the 1970s it is rather apparent that the cost per unit of energy sold will increase. (Figure 4)

With a mild winter experienced during the winter of 1979-80 and a significant effort by members to conserve energy of all types, it appears that the total fixed costs including wholesale power costs will exceed growth in sales for the first time in many years.

It is this phenomenon that is a direct answer to those members who claim they conserve energy, only to see the rates increase.[4]

It is our belief that we must stress the utilization of energy. There is no room for waste. Conservation, to me, can best be related in the following definition by John Turrel, the publisher and editor of the Electric Letter, "Conservation means doing better, not being without, it means increasing your energy efficiency and productivity, reducing our waste, re-directing our natural resources to more appropriate uses in matching the kind of energy to the task. It is the cheapest, most flexible and most environmentally acceptable energy resource we have."

Study Projects

At the present stage of our load management program, two areas of concern are being studied. One is an on-going project of testing new types of equipment that may be compatible with the parameters of our automatic control system. Examples include: dual heating options for mobile homes, liquid and solids material storage devices, outdoor fuel-fired heating systems for secondary peaking energy, computerized load control equipment without a back-up energy source and alternative energy options that may include wind and solar mixed with off-peak electric energy.

The second area of concern relates to the diversity of electric heating loads, prior to being controlled, versus the net load characteristics obtained when loads are being restored.

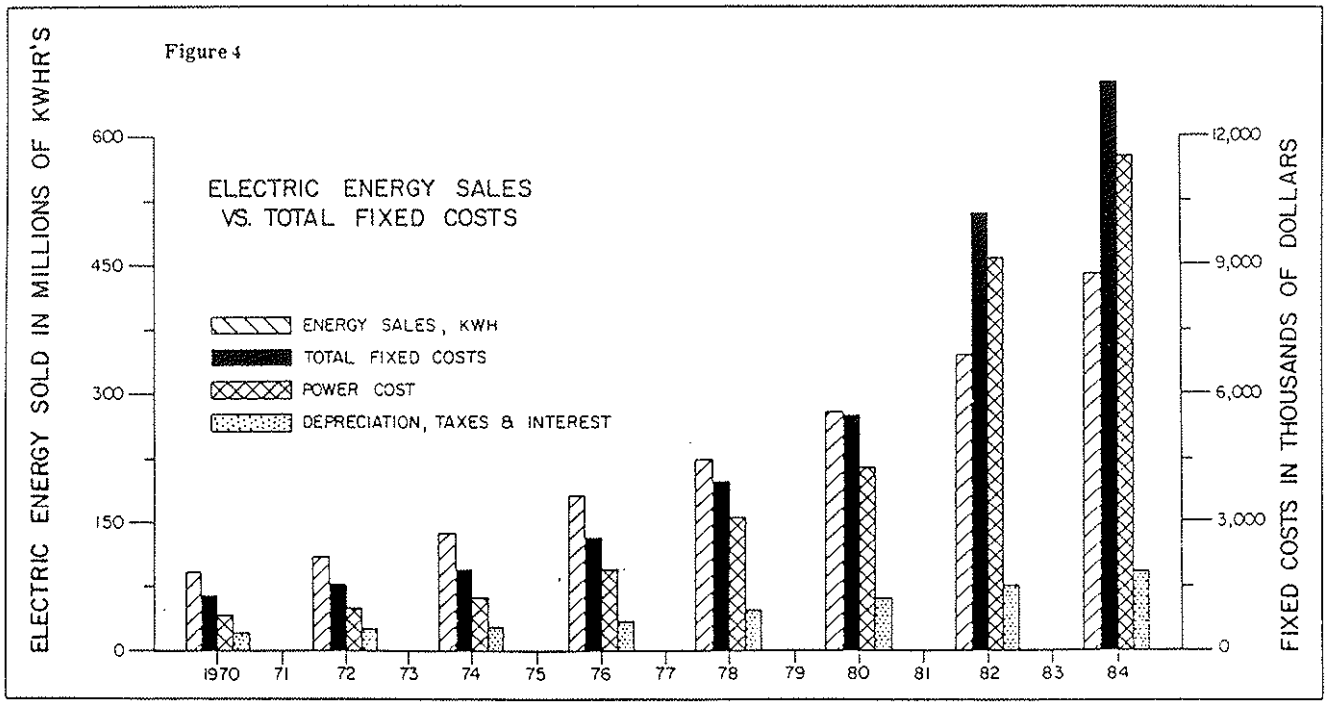
To gather data for this study project, a residential subdivision with 23 dwellings was selected. Of this total, 21 homes have dual heating systems, while one is heated with fuel oil and the other is a combination of oil and supplementary electric with limited control.

Survey test recorders are located at the service entrance cabinets of four homes. Within each home, test recorders were placed on different types of controlled loads to identify load characteristics before and after control functions. The primary service feeding this subdivision is also being monitored, along with wind and temperature data. This test equipment presently is in place and we are looking forward to recording the load characteristics for the coming control season.

CONCLUSION

In addition to the tremendous success in electric load control at Cass County Electric, it can be said that the improvement in

Figure 4



member relations and over-all cooperative attitude by members toward energy tariffs and rural electrics is the greatest benefit from the program.

Presently members participating in the program use from 25 percent to 85 percent of their total energy requirements from the off-peak program. This average cost is in the range from 1.8 cents to 2.3 cents per kilowatt hour for their total energy usage. It is anticipated that Cass County Electric will have the ability to shed 25,000 kilowatts of electric load during the upcoming winter. This ability to control load can be translated into an approximate value of 2.4 million dollars in related savings from wholesale power costs. It is anticipated by the year 2000 that Minnkota and its associated distribution cooperatives could transfer the space heating energy requirements of some 40,000 to 50,000 rural homes, schools and commercial establishments from a total commitment of petroleum products to electricity derived from hydro and coal resources. This has the potential to reduce our nation's liquid fuel needs by some 50 million to 100 million gallons per year. All of this could be accomplished with no subsidy and at a substantial savings to consumers over alternate heating methods. Results to date from actual installations indicate that we have displaced 2½ million gallons of fuel and saved the member-owners some 2½ million dollars in power costs, which does not include the replacement cost of oil or gas.

In closing, I hope that some of our experiences will provide opportunities for utilities across the nation to lead the way in energy efficiency.

REFERENCES

(1) M.D. Nelson, "Minnkota's Load Management Program: Economic Aspects", presented at the 1979 summer meetings of the IEEE Power Engineering Society. Vancouver, B.C., July 15-20, Paper No. F79-671-9

(1)a M.D. Nelson, "Minnkota's Program of Load Management: Seven Years in Review", presented at the 1980 summer meetings of the IEEE Power Engineering Society, Minneapolis, Minnesota, July 14-18.

(2) Food and Energy Council Newsletter, Aug. 1, 1980, Food and Energy Council, 909 University Avenue, Columbia, Missouri, 65201

(3) Howard F. Perry, "Load Management, Electric Power Rates and the Public Interest", published in the NRECA Management Quarterly, Winter 1977/1978. National Rural Electric Cooperative Association, 1800 Massachusetts Avenue NW, Washington, D.C., 20036

(4) 1979 Annual Report, Cass County Cooperative, Inc., Kindred, North Dakota, 58051

Mike Gustafson was born in Kenmare, North Dakota, on December 6, 1946. He graduated from North Dakota State University in 1970 with a B.S. degree in Agriculture Mechanization. A teaching certificate in Vocational Agriculture and a M.S. degree in Agriculture Mechanization were obtained in 1972.

Mr. Gustafson was employed by Sheyenne Valley Electric, one of the 12 associated distribution cooperatives owning Minnkota, in 1973. While employed with this cooperative he was instrumental in many of the first study projects involved in the development of Minnkota's load control program. Since November of 1977, he has been employed by Cass County Electric as their Director of Member and Public Relations, with full responsibility for energy management programs.

Mr. Gustafson is an associate member of the American Society of Agriculture Engineers.

LOSS OF TERRITORY/SALE OF FACILITIES

RESULTING FROM ANNEXATION

by

W. R. FLEMING
General Manager

ALLEN R. RITCHIE
Manager of Administrative Services

SHENANDOAH VALLEY ELECTRIC COOPERATIVE
P. O. Box 8
Dayton, Virginia 22821-0008

Presented To

THE RURAL ELECTRIC MANAGEMENT DEVELOPMENT COUNCIL
Atlanta, Georgia
May 21, 1984

OUTLINE

SVEC/HEC - LOSS OF TERRITORY AND SALE OF FACILITIES AS RESULT OF ANNEXATION

Preamble

1. Annexation of territory served by SVEC under certificate from SCC.

2. VA Code Section 56-265.4:2 gives HEC right to acquire SVEC facilities by condemnation or negotiated settlement.

3. Parties disagree over SVEC's exclusive right to serve in newly annexed area.

4. Rockingham Circuit Court issued declaratory judgment affirming SVEC's exclusive right to serve until HEC has complied with Section 56-265.4:2.

5. Notice of appeal filed.

6. Parties have arrived at negotiated settlement of acquisition of SVEC facilities and right to serve within newly annexed territory.

7. Parties are desirous of evidencing terms of agreement in Contract of Sale.

I. DATE OF CONTRACT - 9/30/83

II. ASSETS SOLD

A. Plant including lines, poles, transformers, easements, contract rights, etc., excluding meters and designated main feeder lines, located within newly annexed boundaries according to written inventory.

B. Right to serve consumers within city limits.

III. PURCHASE PRICE - $3,000,000 to be paid in cash 30 days following approval of this contract by appropriate regulatory authorities.

IV. STATUS OF ASSETS

A. Inspected by HEC - as is condition.

B. Warranties for tangibles

1. Title
2. Right to transfer
3. Free from liens (REA, CFC)

C. Easements - quitclaim assignment by deed of easement.

D. Mutual hold harmless provisions re liability to third parties.

V. TRANSFER OF POSSESSION

A. Following approval of regulatory authorities, amendment of certificate of convenience and necessity from SCC.

B. According to timetable proposed by HEC.

C. SVEC to notify consumers explaining procedure for changeover and termination of membership in Coop.

D. Changeover procedures to be governed by operating agreements.

VI. PENDING TRANSFER OF POSSESSION

A. SVEC will serve and bill present consumers.

B. SVEC will extend service to new consumers in certificated area.

C. HEC to reimburse SVEC 30 days following receipt of statement of expense incurred in service extension.

D. Capital improvements to system by SVEC to be reimbursed by HEC within 30 days of billing. Agreed to by HEC.

VII. REINTEGRATION OF SVEC SYSTEM

A. SVEC will have continual use of designated main feeder line located within City.

B. Easements for such lines to be transferred to HEC by quitclaim deed reserving right of SVEC to use and maintain.

C. HEC may relocate at own expense.

D. Main feeder lines to be designated on maps attached to contract.

E. Non-designated lines will be relocated by SVEC, reimbursed by HEC 30 days following bill.

F. HEC will assist SVEC in upgrading of designated feeder lines and SVEC will reimburse HEC for any cost incurred such as additional easements.

VIII. OPERATING AGREEMENTS GOVERNING TRANSFER OF CONSUMERS

A. Final billing by SVEC, removal of meters, reading by SVEC until HEC meters installed.

B. Security deposits will be transferred to HEC after final billing by SVEC and after having applied to final bill if needed.

C. SVEC to assist in deactivating lines to consumers (severance expense) no charge.

D. SVEC to assist HEC with other work on reimbursable basis (non-severance expense) to be reimbursed 30 days following billing.

IX. JOINT USE AGREEMENTS

A. SVEC to transfer and assign to HEC its rights under joint use agreements with Continental Telephone, VEPCO and Warner Amex.

B. HEC will assume obligations of joint use agreements.

C. Income accrued to transfer of possession to SVEC.

D. SVEC to identify assets subject to joint use and communicate to HEC.

E. SVEC to communicate terms of this article to joint users prior to transfer.

SALE OF UTILITY PLANT-HEC
PROFORMA JOURNAL ENTRIES

ASSUMPTIONS:

1.	Sales Price		$3,000,000	
	Less Reintegration	$184,200		
	Reimburs. by HEC	(134,000)	50,200	$2,949,800
2.	Original Cost (9/30/83 Ave. CPR Cost)			539,336
3.	Associated Accum. Deprec. (6 years)			108,429
4.	Associated Costs (A/C 186.04) (Est.)			140,000
5.	Note Receivable			1,500,000
6.	Deferred Future Loss Revenues			2,018,909
	Sales Price		$2,949,800	
	Replacement Cost New	1,165,131		
	Less Deprec.	(234,240)	930,891 RCND	
			$2,018,909	

- The journal entries necessary to record the above assumptions are as follows:

		A/C	DR	CR
1.	Cash-Trustee A/C	131	1,449,800	
	Note Receivable-HEC	141	1,500,000	
	Electric Plant Sold	102		2,949,800
	To record plant sold.			
2.	Electric Plant Sold	102	140,000	
	Deferred Annexation Costs	186		140,000
	To transfer associated costs.			
3.	Retirement WIP	108.80	539,336	
	Utility Plant Accounts	360-370's		539,336
	To record original cost of plant sold to HEC.			

		A/C	DR	CR
4.	Accum. Prov. for Deprec. Retirement WIP To record applicable deprec. to plant sold-6 years.	108.06 108.80	108,429	108,429
5.	Electric Plant Sold Retirement WIP To close remaining balance in A/C 108.80.	102 108.80	430,907	430,907
6.	Electric Plant Sold Deferred Credits-Future Loss Revenue to HEC-10 years To set up future loss revenue to HEC over a 10 year period. (1/120 each month to be credited to A/C 421.03, Non-Operating Income of $16,824).	102 253.01	2,018,909	2,018,909
7.	Electric Plant Sold Gain on Sale of Plant To close remaining balance in A/C 102. (Note-To be recorded as Non-Operating Income in month of final execution of contract.)	102 421.01	359,800	359,800

SHENANDOAH VALLEY ELECTRIC COOPERATIVE
BASIS FOR DEPRECIATION-ANNEXATION, HEC
9/30/83

#	Year	Distr. Plant Annual Rate	Original Cost		Replacement Cost New	
			Asset Value	Deprec.	Asset Value	Deprec.
1	1978	3.3612	$39,336	18,128	1,165,131	39,162
2	1979	3.3612	$39,336	18,128	1,165,131	39,162
3	1980	3.3420	$39,336	18,025	1,165,131	38,939
4	1981	3.3503	$39,336	18,069	1,165,131	39,035
5	1982	3.3503	$39,336	18,069	1,165,131	39,035
6	1983	3.3393	$39,336	18,010	1,165,131	38,907
				$108,429		$234,240

Daily News-Record
Harrisonburg, Va., Saturday, April 16, 1983
13

Electric Cooperative Sues HEC

By RANDY MURPHEY
News-Record Staff Writer

Shenandoah Valley Electric Cooperative went to court Friday in an attempt to block the Harrisonburg Electric Commission from extending service into annexed SVEC territory until an agreement is reached by the two utilities.

The Dayton-based rural electric co-op filed suit against HEC in Rockingham County Circuit Court a week after discovering that HEC has begun laying an underground line to the new Harmony Hills subdivision just north of Park View.

The Harmony Hills subdivision, being developed by brothers Carl and Orden Harman, is in the extreme northwest portion of the 11.4 square miles of Rockingham County that the city annexed Jan. 1.

The 130-acre subdivision also is the area SVEC has been providing electrical service under a State Corporation Commission franchise.

The two-page suit asks the court to declare that HEC is violating state annexation law by extending its service into the SVEC's territory before a settlement has been reached on how SVEC will be paid for facilities and customers HEC will take over.

SVEC General Manager Mark McNiel and HEC General Manager Kenneth Frantz both said SVEC was given permission to provide service to the first homes being built in Harmony Hills just days before annexation became effective because HEC could not provide service at that time.

McNiel said he interpreted HEC's permission to be in effect until the city-owned power company condemned SVEC's territory or a compromise was reached on compensation for SVEC for its annexed facilities.

Frantz maintained Friday that HEC intended SVEC to provide the service only until HEC could extend its lines to serve the new subdivision.

McNiel said Friday that after SVEC officials learned that HEC was laying a new line to Harmony Hills, they met with HEC representatives Tuesday.

McNiel and SVEC operations manager W. Richard Fleming said HEC officials said at that meeting that they would extend their lines into SVEC's service areas within the annexation territory rather than buy out SVEC's lines and integrate them into HEC's existing system.

"They said we're just going to parallel your system and take your customers," McNiel said.

Frantz maintained, however, that HEC officials said duplicating service was stated only as an alternative if no compromise in negotiations could be reached.

SVEC has about 800 customers, all but a few of which are residential customers, within the 11.4-square-mile annexation territory. Those 800 customers represent 10 percent of SVEC's customers in Rockingham County.

In addition to the area north of Park View, most of SVEC's annexed customers are concentrated along Port Republic Road east of Interstate 81 and include Deer Run Apartments and homes in Ashby Heights, Forest Hills, Harrington Heights, Portland East and Rosedale subdivisions. That area also includes ComSonics, a cable television research and development firm.

The Port Republic Road area is SVEC's highest concentration of customers and one of its highest use and revenue producing areas.

Another of SVEC's highly-prized territories is the along Keezletown Road (Va. 925) and Smithland Road (Va. 721) and includes Fairway Hills, which has some of the city's most expensive homes.

Back in December, McNiel said SVEC offered to sell its facilities to HEC for $3.5 million to $4 million. That figure also includes compensation SVEC feels

Continued on Page 15, Col. 5

SVEC Sues HEC

Continued from Page 13

it is due for lost revenues as a result of lost service area and customers.

"We think there should be some compensation for future and potential revenue," and SVEC based that compensation on a formula used by four states, said Fleming.

Frantz said more than half of the $4 million SVEC wants for compensation for its annexed facilities is for "intangibles" — such as lost revenue and SVEC's cost of redesigning its system to serve its remaining customers.

Frantz said HEC officials do not feel obligated to pay SVEC anything for those losses and insisted HEC could build its own lines to serve SVEC's annexed territory for under $2 million.

McNiel and Fleming, however, feel that HEC's threat of duplicating service is expensive and wasteful and that the cost simply will be passed on to customers.

"But what is really bugging us is this attempt to circumvent the law and make a determination as to what the value is" of SVEC's facilities, McNiel explained.

HEC also is negotiating with Vepco, which has most of the commercial and industrial customers within the annexation area.

McNiel noted, however, that there is a major difference between SVEC and Vepco.

Although Vepco will lose customers, its power sales will not be affected by the loss because HEC buys its power from Vepco. What Vepco will lose is the difference between the revenue generated by retail sales direct to customers and wholesale sales to HEC.

SVEC, however, will lose both customers and power sales. Like HEC, SVEC buys its power wholesale, but at a slightly higher rate, and distributes that power at retail rates to customers.

Fleming said SVEC officials are "perfectly agreeable" to go through condemnation proceedings if HEC is not willing to negotiate.

However, Fleming conceded that HEC's bold move to begin providing service in SVEC's territory with no notice or warning dented SVEC's trust in HEC.

Conceding that it may be "conceited," McNiel said he feels that even if HEC does duplicate SVEC's current service, he's convinced his customers will not leave "in droves" for HEC.

Frantz feels otherwise, primarily because HEC's residential rates are lower than SVEC's.

Frantz explained that as soon as annexation was finalized, HEC had every intention of extending its services to new commercial, industrial and residential development as soon as possible, regardless of whose territory it had been.

"We have an obligation — if not a court order — to provide the same service in the annexation area that is provided in the old city," Frantz added.

5/6/83

Truce Called In Dispute By HEC, SVEC

By RANDY MURPHEY
News-Record Staff Writer

Shenandoah Valley Electric Cooperative appears to have won the first round in its legal struggle with Harrisonburg Electric Commission over disputed service territory.

HEC General Manager Kenneth Frantz said Thursday that the city-owned power company has agreed to stop work in the annexed Harmony Hills subdivision until Rockingham County Circuit Court Judge Joshua Robinson rules on SVEC's lawsuit against HEC.

SVEC sued HEC April 15 in an effort to block HEC from extending its service into annexed SVEC territory until an agreement is reached by the two utilities on compensation due SVEC for annexed facilities.

SVEC's suit asks the court to declare that it has the exclusive rights to provide electric service in all of the territory — whether annexed by Harrisonburg or not — awarded the rural electric cooperative by State Corporation Commission until a compensation agreement is reached.

When HEC failed to stop work in the Harmony Hills subdivision just north of Park View off Va. 42 after filing its suit, SVEC asked the court for a preliminary injunction to halt the work.

Those court papers were filed Wednesday, and Thursday SVEC attorney Larry Hoover agreed not to pursue the injunction after HEC agreed to stop work in the Harmony Hills subdivision.

Frantz said HEC will withdraw its work crews and a contractor doing the ditch work for the new underground lines today after finishing a line to serve a future street light.

"We're going to quit work out there until we have a court hearing on" SVEC's suit, said Frantz. "Until that is settled, we've agreed to stop work."

Frantz said HEC's concession to stop work in Harmony Hills was not an admission that SVEC would win an injunction or that HEC was wrong in extending its service into SVEC's annexed territory prior to reaching a settlement on annexed facilities.

In HEC's reply to SVEC's suit, attorney William R. Cogar of the Richmond law firm of Mayer, Valentine, Davenport & Moore said he asked the court to dismiss the suit because there "is no basis in law for their (SVEC's) claim" to exclusive territorial rights within Harrisonburg's boundaries.

"State law authorizes cities to provide electrical service within their boundaries," and all that HEC is attempting is to provide that service within the newly annexed portions of the city.

Cogar, who also represented Harrisonburg in its successful annexation of 11.4 square miles of surrounding Rockingham County, said HEC does not quibble with the facts in the case, as seen by SVEC.

"Even if everything (SVEC officials) say is true, they're still not entitled to the relief they seek," he said.

He noted HEC also could argue that it is under the annexation court order, which requires Harrisonburg to extend the same municipal services provided within the old city limits to the annexed area.

HEC is "not trying to oust SVEC. They can stay right there and serve anybody who desires to be served by them. But if they (power consumers) prefer to be served by us, then that's what we're there for," Cogar added.

During recent weeks, HEC and SVEC crews have been virtually working side-by-side extending each utility's lines within the subdivision. And Vepco, which also had some of its territory annexed, was working as late as Thursday in another portion of the subdivision within its service area, SVEC operations manager W. Richard Fleming said Thursday.

Fleming said SVEC connected a four-unit townhouse building in Harmony Hills to its power lines Thursday. That is the second four-unit complex SVEC is serving in the subdivision. The first was "booked up several months ago," Fleming added.

Frantz estimated that HEC has already invested some $20,000 in labor, materials and contract work extending its lines within the subdivision. He said HEC has built some 3,000 feet of conduit but has only installed 1,650 feet of power lines.

Frantz said HEC has every intention of negotiating with SVEC over annexation compensation, despite cooperative officials' claims to the contrary. HEC, however, will not approach SVEC until negotiations — now underway — with Vepco on its annexed facilities are finalized, Frantz added.

In summing up SVEC's position, Fleming said, "We've had a good working relationship (with HEC) in the past . . . We just hope we can clear this hurdle" and return to that previous working relationship.

Frantz indicated a similar desire.

No Progress In Talks, Say SVEC, HEC

By RANDY MURPHEY
News-Record Staff Writer

Harrisonburg Electric Commission and Shenandoah Valley Electric Cooperative officials resolved nothing Friday during a half-hour closed-door meeting in Dayton over HEC's attempt to take over annexed SVEC facilities.

"We just didn't settle anything," SVEC General Manager Mark McNiel said following the closed session.

McNiel declined to comment farther on the meeting, saying that "we kind of agreed not to say too much about it (Friday's talks) one way or the other" because of pending litigation.

The rural electric cooperative filed suit in Rockingham County Circuit Court against HEC in mid-April in attempt to block HEC from extending its lines into SVEC's service area.

The SVEC suit asks that the court declare that HEC cannot extend its service into territory awarded the cooperative by the State Corporation Commission until the two have reached either a negotiated or court settlement over compensation due SVEC's annexed facilities.

SVEC is asking nearly $4 million in compensation for both facilities annexed by HEC and for lost revenue as a result of Harrisonburg annexing about 10 percent or 800 of its customers in Rockingham County.

HEC continued constructing lines into SVEC's area after the suit was filed but voluntarily stopped work after SVEC threatened to seek a court injunction to halt HEC's construction.

The hearing on the declaratory judgement sought by SVEC is scheduled July 8.

HEC General Manager Kenneth Frantz also declined comment on Friday's meeting with cooperative officials other than to confirm that the closed-door session was requested by the city-owned power company to discuss annexation-related matters and SVEC's suit.

Prior to the joint meeting, three HEC commissioners held a brief closed-door session at the HEC office. The commission took no action, Frantz reported.

HEC was represented in Dayton by Frantz, assistant general manager Mike York and commissioners L. Yancey Gilliam, Emmet C. Stroop and O. Walton Wine.

Representing SVEC were McNiel, operations manager W. Richard Fleming, engineer Doug Wine and staff assistant Allen Ritchie.

HEC Heading For Condemnation Suit

By RANDY MURPHEY
News-Record Staff Writer

The Harrisonburg Electric Commission indicated a willingness Tuesday to seek a court condemnation of annexed Shenandoah Valley Electric Cooperative facilities.

The commission, however, delayed asking the Harrisonburg City Council to adopt a resolution authorizing HEC to enter condemnation proceedings against the rural electric cooperative. The decision to delay action followed a 90-minute closed session.

HEC General Manager Ken Frantz said the city-owned utility is prepared to continue negotiations and make one more offer to SVEC officials during the next month while fine-tuning the condemnation resolution to be presented to the council. Frantz declined to make public the contents of the proposed resolution.

"If we can't come to terms," HEC is prepared to go to court, Frantz said, adding that the offer HEC already has made is "more than what the inventory of their facilities is worth."

The council had the HEC resolution on its agenda Tuesday night but skipped over the item after Frantz reported HEC's decision to delay action.

One councilman revealed privately that he wasn't prepared to act on the resolution Tuesday, anyway. He indicated that he does not feel there has been "enough dialogue" between HEC and SVEC officials yet for the city to give up on negotiations.

Also Tuesday, the electric commission was told by Comptroller Gary Green that the Federal Energy Regulatory Commission staff recommended cutting Vepco's 6.8 percent wholesale rate hike request by more than half at last week's preliminary hearing on the rate increase.

Green said the FERC staff suggested a 3.23 percent increase would be more in line. That would save $2.1 million in wholesale power costs for the state's seven municipally owned utilities, including HEC and Elkton, buying power from Vepco.

If Vepco and the municipalities cannot agree on the FERC staff rate increase by Sept. 13, the regulatory agency's three commissioners and judge will hold "a full hearing" the following day to determine the rate increase, Green said.

Daily News-Record
Harrisonburg, Va., Friday, September 30, 1983

HEC, SVEC Reach Agreement

By RANDY MURPHEY
News-Record Staff Writer

The Harrisonburg Electric Commission agreed Thursday to pay Shenandoah Valley Electric Cooperative $3 million to take over some 800 SVEC customers the city annexed.

The agreement struck a week ago by negotiating teams was kept quiet until Thursday, when the pact was unanimously approved by the Harrisonburg Electric Commission and SVEC's board of directors.

The agreement takes effect as soon as SVEC wins approval from the State Corporation Commission (SCC), the federal Rural Electrification Administration (REA) and the National Rural Utility Cooperative Finance Corp. (CFC). The REA and CFC approval is needed because they hold liens on SVEC's facilities, including those annexed and being sold to HEC.

Mark McNiel, general manager of the Dayton-based rural electric cooperative, said he foresees no difficulty in SVEC obtaining the creditor approval.

HEC General Manager Ken Frantz said he understands that state laws requires the SCC to approve the annexation-spawned takeover.

Neither Frantz nor McNiel could say how long SCC approval would take.

Announcement of the agreement following HEC's meeting Tuesday afternoon was unexpected.

Less than two months ago, HEC appeared headed into court to seek condemnation of SVEC's facilities within the 11.4 square miles of Rockingham County annexed by Harrisonburg.

But behind the scenes, Frantz, McNiel and their bosses — HEC Chairman Walt Wine and SVEC President H. W. May — were quietly exploring a negotiated settlement, which culminated Sept. 22 when a tentative bargain was struck.

Although HEC held its regular monthly meeting only Tuesday, no hint was given that an agreement had been reached.

Frantz explained that the commission chose to delay its public vote until Thursday when SVEC could get most of its dozen board members — scattered from Rockbridge County to Strasburg — together to affirm the pact.

"We didn't want them reading it in the paper first," Frantz said, explaining the reason for the delay and virtually simultaneous vote.

During a joint interview Thursday afternoon, Frantz and McNiel agreed that they were anxious to reach an agreement to avoid a costly court battle.

HEC officials and the Harrisonburg City Council "didn't want to go that route," Frantz said.

"And we didn't want to go to court either, if we could avoid it," McNiel added.

"We were both concerned about how much we'd have to pay lawyers and expert witnesses," Frantz added, noting that "all of that money would go right out of the community."

Of the $3 million SVEC will receive for giving up its service territory annexed by Harrisonburg, McNiel said, with a chuckle, "It's not enough, but I don't want to go through that again."

One of the major hangups in early negotiations was SVEC's claim that it should be reimbursed for lost revenues as a result of losing 800 or about 10 percent of its Rockingham County customers. The area annexed also represented some of SVEC's best revenue producing territory because of the large concentration of customers.

While McNiel confirmed that "a little bit" of the $3 million represents reimbursement for potential lost revenues, he declined to say how much. "We prefer to just talk about the one figure," McNiel said.

Last spring when SVEC filed suit against HEC to prevent it from expanding its system into SVEC's territory until a settlement was reached, McNiel indicated that the cooperative wanted $4 million — about twice what HEC had indicated it was willing to pay. McNiel also indicated then that the $4 million included some reimbursement for lost power sales.

Thursday, however, McNiel said, "We both realized that we both would have to give a little bit, and we did."

As part of the agreement, SVEC will be permitted to keep its estimate 800 meters and HEC will install new ones at a cost of about $25,000.

After the agreement is approved by regulatory agencies and SVEC's creditors, HEC will connect annexed SVEC customers to its lines and take the final readings off the SVEC meters, which will be removed and replaced with HEC meters.

Frantz said those customers, who generally should realize about a 5 percent savings in electrical costs, should not be inconvenienced for more than 15 minutes when feeder lines are switched.

In the meantime, SVEC will continue to expand its system in the annexed territory, but HEC will pay construction costs. That is being done to ensure that all potential customers are provided service, McNiel noted.

Early in the summer HEC reached a similar agreement with Vepco on the takeover of more than 700 Vepco customers annexed by Harrisonburg. Under that agreement, which still is awaiting regulatory approval, HEC agreed to pay Vepco nearly $2.4 million.

To finance both the Vepco and SVEC deal, HEC received authorization from the Harrisonburg City Council to borrow up to $5 million for a year.

Frantz said Thursday that he does not anticipate the city-owned utility having to ask the council to raise the debt limit higher to pay SVEC.

"We'll need all of that ($5 million) and any we can scrape up . . . and more," Frantz said.

For now, however, Frantz said, "We're anxious to get on with our business of serving our customers."

"You can put down that we both concurred in that," McNiel added.

ELECTRIC DISTRIBUTION FACILITIES PURCHASE AGREEMENT

THIS ELECTRIC DISTRIBUTION FACILITIES PURCHASE AGREEMENT, dated December 6, 1983, between Shenandoah Valley Electric Cooperative (SVEC), a Virginia electric co-operative, with its principal office in Dayton, Virginia 22821, and the City of Harrisonburg, acting by and through the Harrisonburg Electric Commission (HEC), with its principal office at 89 West Bruce Street, Harrisonburg, Virginia 22801, provides as follows:

WHEREAS, the City of Harrisonburg annexed certain portions of Rockingham County, effective January 1, 1983, and SVEC holds a Certificate of Public Convenience and Necessity issued by the State Corporation Commission authorizing it to own electric utility distribution facilities and render electric utility service in its service territory which includes portions of the aforesaid annexed areas; and

WHEREAS, HEC furnishes electric utility service within the City of Harrisonburg except in those portions of the annexed area that are served by SVEC and the Virginia Electric and Power Company (VEPCO); and

WHEREAS, HEC desires to furnish electric utility service throughout the City of Harrisonburg including the annexed area, and therefore desires to purchase the

electric distribution facilities presently owned and operated by SVEC in the annexed area; and

WHEREAS, SVEC is willing to sell these facilities provided it is adequately compensated for the value of the facilities and the loss of revenues resulting from SVEC's relinquishment of its right to serve in the annexed area;

NOW, THEREFORE, in consideration of the premises and the mutual obligations hereinafter stated, the parties agree on the sale and purchase of electric distribution facilities in the annexed area as follows:

1. Description of Facilities Sold and Purchased. SVEC agrees to sell and convey and transfer and HEC agrees to purchase and pay for SVEC's electric distribution facilities within the corporate limits of the City of Harrisonburg as they existed on September 30, 1983, as described on Exhibit A. Certain facilities within the corporate limits of the City are excluded from the sale and purchase and are described on Exhibit B. Exhibit A was prepared from an inventory made on September 30, 1983. Any additional facilities installed by SVEC subsequent to September 30, 1983 to provide service to new customers within its certificated area or to meet

additional service requirements of its existing customers within the boundaries of the City shall be billed to HEC by SVEC on the basis of work order costs (net actual cost) and HEC shall pay for such facilities within thirty (30) days of billing or within thirty (30) days of Closing, whichever is later. Prior to making any major additions, notice of such additions to the facilities by SVEC shall be given to HEC and the parties shall agree on such additions; provided that such agreement shall not be required for any addition that (i) is necessary to preserve SVEC's current standards of providing service or (ii) would delay or affect SVEC's response to any customer's request for service.

2. Evidence of Transfer. At Closing, SVEC shall deliver to HEC a properly executed Bill of Sale conveying and transferring ownership of the facilities to HEC.

3. Purchase Price and Payment. The purchase price shall be THREE MILLION DOLLARS ($3,000,000). HEC shall pay to SVEC by certified or cashier's check the sum of ONE MILLION FIVE HUNDRED THOUSAND DOLLARS ($1,500,000) at the Closing. HEC shall also execute and deliver to SVEC at

the Closing a note for the balance of the purchase price, which note shall accrue interest at the rate established the day prior to Closing for Twenty Six Week U.S. Treasury Bills and shall be payable to SVEC, together with accrued interest, on January 2 following the Closing.

4. Closing. Closing shall be held at the SVEC principal office in Dayton, Virginia, on a date mutually agreeable to the parties within thirty (30) days after all regulatory approvals set forth in paragraph 5(a) shall have been granted.

5. Conditions of SVEC's Obligations. SVEC's obligations hereunder are subject to the fulfillment prior to the closing date of each of the following conditions:

a. SVEC shall have obtained all necessary approvals without any provision or condition that SVEC in good faith reasonably deems to be unacceptable from the State Corporation Commission of Virginia and the Public Service Commission of West Virginia, if necessary. SVEC agrees that it will make prompt and timely application for such approvals, and that SVEC and HEC shall promptly and with all due diligence, acting jointly or individually as may be appropriate, use their best efforts to obtain all necessary regulatory approvals in a timely fashion. After Closing, SVEC agrees

to have its Certificate of Convenience and Necessity from the State Corporation Commission amended to exclude the annexed area;

b. SVEC shall have obtained all necessary releases and other required documents under the Loan Contract dated April 25, 1955, as amended between SVEC and the United States of America, acting through the Rural Electrification Administration and Loan Agreement dated September 9, 1971, as amended between SVEC and The National Rural Utilities Cooperative Finance Corporation, permitting the conveyance and transfer of the facilities, and SVEC agrees that it will make prompt and timely application for such releases and use its best efforts to obtain them in a prompt and timely fashion;

c. SVEC shall have received a certified copy of resolutions duly adopted by the governing body of HEC approving or ratifying this Agreement and the transactions hereunder;

d. HEC shall have tendered delivery of a cashier's or certified check, payable to SVEC, in the amount specified in paragraph 3.

6. Conditions of HEC's Obligations. HEC's obligations hereunder are subject to fulfillment prior to Closing of each of the following conditions:

a. SVEC shall have delivered to HEC satisfactory evidence that SVEC has obtained all necessary releases and other required documents under any loan agreements or other agreements it may have with third parties that are required to permit SVEC to convey the facilities.

b. HEC shall have received an opinion rendered by counsel to SVEC which states that SVEC has full legal right, power and authority to execute this Agreement and to perform its obligations hereunder and that SVEC has obtained all consents, approvals or releases from third parties required to be obtained by SVEC prior to the Closing.

c. HEC shall have received a certified copy of the resolutions duly adopted by the Board of Directors of SVEC approving or ratifying this Agreement and the transactions hereunder;

d. HEC shall have received satisfactory evidence that SVEC's interests in certain Joint Use Agreements referred to in paragraph 13 have been properly assigned to HEC.

e. SVEC shall have tendered delivery of the Bill of Sale referred to in paragraph 2.

7. SALE WITHOUT WARRANTY. THE FACILITIES TO BE SOLD UNDER THIS AGREEMENT SHALL BE SOLD ON AN "AS IS" BASIS,

AND SVEC MAKES NO WARRANTY OR REPRESENTATION WHATSOEVER, EXPRESS, IMPLIED OR STATUTORY, AND DISCLAIMS ANY AND ALL WARRANTIES, INCLUDING, WITHOUT LIMITATION, ANY REPRESENTATIONS OR WARRANTIES AS TO THE VALUE, QUANTITY, QUALITY, CONDITION, SALEABILITY, OBSOLESCENCE, MERCHANTABILITY, FITNESS OR SUITABILITY FOR USE OR WORKING ORDER OF ALL OR ANY OF SAID FACILITIES.

8. Liabilities of the Parties. SVEC shall not be liable to HEC for any damages for any claim for personal injury or property damage or related to the condition of the facilities arising out of HEC's acquisition, ownership or operation of the facilities, and HEC shall indemnify and hold SVEC harmless from and against any such damages. HEC shall defend, at HEC's sole cost and expense, all such claims and lawsuits against SVEC arising from the transfer of electric service customers in the annexed area.

9. Maintenance of the Facilities Pending Closing. SVEC will maintain the facilities in good condition, normal wear and tear excepted, until Closing. If the facilities or any portion thereof are damaged or destroyed prior to Closing, such facilities shall be repaired or reconstructed by SVEC and HEC shall pay SVEC for any net increase in the value (original cost depreciated) of the facilities resulting from the repair or reconstruction. Such payment shall be made

within thirty (30) days of Closing.

10. Supply of Electric Service to Customers. After the Closing, HEC will be required to perform certain work with respect to the facilities before electric utility service can be furnished to customers in the annexed area through HEC's distribution system. SVEC shall continue to furnish electric utility service to and receive payments from each customer in the annexed area until HEC shall have completed the work necessary for HEC to furnish electric service to such customers through HEC's electric distribution system. SVEC and HEC each agree to cooperate with each other to allow the orderly transfer of customers. In particular, SVEC agrees to assist at its own expense in deactivating its electric distribution lines to its present customers. SVEC also agrees to assist HEC with other work connected to the changeover to the HEC distribution system, for which HEC will reimburse SVEC within thirty (30) days following billing for such requested assistance.

11. Use and Relocation of Main Feeder Line Within City. SVEC will have the continued use of the main feeder line within the City shown on Exhibit B. Easements for such line shall be conveyed and transferred to HEC with a reservation for full and unrestricted use by SVEC. Any relocation of the

main feeder line or portion thereof shown on Exhibit B shall be the responsibility of HEC, including securing necessary easements of right of way, and HEC shall promptly reimburse SVEC for all costs incurred by SVEC in connection with such relocation. Such main feeder line shall be available for joint use by HEC and such joint use shall be subject to the existing joint use agreement between the parties. HEC agrees to assist SVEC in upgrading (e.g. increase of circuit voltage) the main feeder line or portion thereof by acquiring any additional right of way that may be required and SVEC shall promptly reimburse HEC for any costs incurred by HEC at SVEC's request.

12. Substitution of Main Feeder Line to Reintegrate SVEC System. SVEC will construct a new feeder line outside of the City to replace an existing main feeder line within the City and reintegrate its system. Both the existing and new feeder lines are shown on Exhibit C. HEC agrees to reimburse SVEC as a reintegration cost the sum of ONE HUNDRED THIRTY-FOUR THOUSAND DOLLARS ($134,000) in addition to the purchase price referred to in paragraph 3. Such reimbursement shall be made to SVEC within 30 days following billing by SVEC.

13. Conveyance of Right of Way Easements. SVEC agrees, at no additional consideration to HEC, to convey to HEC its right of way easements associated with the facilities sold and purchased under this Agreement. HEC will pay or absorb all expenses related to such conveyance, including without limitation, the costs related to field work necessary to determine the proper easements to be conveyed. The parties agree that the conveyance of easements shall not be a condition to Closing.

14. Joint Use Agreements. SVEC and HEC agree that appropriate adjustments shall be made to the list of poles that are covered by the Joint Use Agreements between the parties. SVEC agrees to transfer and assign to HEC its rights under Joint Use Agreements with Continental Telephone of Virginia and Warner Amex Cable Communications, Inc. in respect of facilities located within the City. HEC agrees to assume all of the obligations of SVEC under such Joint Use Agreements. Identification of poles subject to Joint Use Agreements with Continental and Warner Amex are set forth on Exhibit E. SVEC shall be entitled to receive any income accrued under such Joint Use Agreements up to the time of transfer of possession of the facilities to HEC.

15. Real Estate and Personal Property Taxes. SVEC will be responsible for the real estate and personal

property taxes assessed on the facilities described on Exhibit A until sixty (60) days following Closing.

16. Entire Agreement. This Agreement constitutes the entire understanding between the parties hereto superseding any and all previous understandings, oral or written, pertaining to the subject matter contained herein.

17. Amendments. This Agreement may not be amended, modified or terminated, nor may any obligation hereunder be waived orally, and no such amendment, modification, termination or waiver shall be effective for any purpose unless it is in writing and signed by both parties, and all necessary regulatory approvals have been obtained.

18. No Waiver. The failure of either party to enforce at any time any of the provisions of this Agreement or to require at any time performance by the other party of any of the provisions hereof shall in no way be construed as a waiver of such provisions, nor in any way to affect the validity of this Agreement or any part hereof, or the right of such party thereafter to enforce each and every such provision.

IN WITNESS WHEREOF, the parties have caused this Agreement to be signed and sealed this 6th day of December, 1983, by their duly authorized representatives.

SHENANDOAH VALLEY ELECTRIC COOPERATIVE

By Howard V. May
Howard V. May, President

[SEAL]

Paul L. Huffman
Secretary

HARRISONBURG ELECTRIC COMMISSION

By O. Walton Wine
O. Walton Wine, Chairman

L. Yancey Gillum
Secretary

RURAL ELECTRIC MANAGEMENT DEVELOPMENT COUNCIL

27th Annual Conference

Atlanta, Georgia

May 21, 1984

"DEREGULATION - IMPACT ON CO-OP MANAGEMENT"

BY

Everett C. Bristol, Chief Engineer/Staff Assistant

Yampa Valley Electric Association, Inc.

Steamboat Springs, Colorado

"Deregulation - Impact on Co-op Management"

Any speech title may engender several trains of thought as to what the topic of discussion really is. This particular topic relates to the recent co-op deregulation experience in Colorado. Deregulation is better described as less regulation and the impact on co-op management relates to methods and practices of management, rather than the ulcers, high blood pressure and gray hair of the co-op Manager.

Some rural electric systems are state-regulated and others are not. In a 1983 R.E. Newsletter, it was noted that Sussex R.E.C., the only co-op in New Jersey, was exempted from state regulation and, at that time, New Jersey became the 27th state to exempt rural electric co-ops from regulation. Colorado joined the "non-regulated" states in 1983, making at least 28 states exempt from rate regulation, 18 states regulated as to rates and four states with no R.E.A. systems.

The nature and extent of regulation varies immensely from state to state - very tight, loose, arbitrary, liberal, rates only, securities, line extensions, territory, etc. Some co-ops are regulated in more than one state, which really adds to the confusion in those co-ops.

How does this matter of regulation or non-regulation impact a co-op? A 1983 C.F.C. study on rate regulation found that:

1. A typical, simple rate case costs some $30,000; in addition, there are annual assessments to support Commission activities of 0.1% of revenue. Neither of these direct costs include staff time for research, compiling data, filing reports,

etc. (Complex rate cases can be expensive at $160/hour for Senior Counsel, $120 for Junior Counsel and a mere $85/hour for expert witnesses - Y.V.E.A. experience).

2. Time frames for rate cases run 5-7 months on the average, but sometimes over a year.

3. Regulated co-ops, in general, have lower T.I.E.R.'s (1.79 vs. 2.47) and lower equities (21.5% vs. 34.4%). The average cost for 500 kwh's, on the other hand, was higher in the regulated states ($31.39 vs. $27.23). These are arithmetic averages without regard to number of systems per state or dollar weighting.

There is a national trend toward deregulation and Colorado became a part of that trend, but it wasn't easy. The first effort in 1982 was terminated and the bill was killed because of unacceptable amendments. The effort in 1983 was successful; but why did the co-ops work so persistently for deregulation? Y.V.E.A.'s reasons are probably typical:

1. The P.U.C. cases became so numerous and confusing that we initiated a special board report to keep score on the pending cases.

2. Direct costs of hearings and rate cases became a major concern.

3. Preoccupation of co-op staff in doing research, making studies, developing testimony, responding to endless interrogatories, etc.; we were at the point of hiring a staff specialist for P.U.C. matters only.

4. Imposition of irrelevant and impractical regulations, inappropriate to our system in terms of economic conditions, minority populations, transient consumers and other unique constituencies.

5. Arbitrary rate formats, sometimes on a trial basis, to test theories of the P.U.C. staff.

6. Unreasonable sensitivity and response to a small, highly vocal group committed to no-growth in Western Colorado.

7. A generic rate case mandating several special rates, including demand-energy rates in direct contradiction to previously authorized, and successfully working, flat rates. The flat rate concept, while perhaps unique to Y.V.E.A. and other Colorado-Ute member systems, has been widely accepted.

The potential loss of this billing methodology was a rallying point in building support for the deregulation bill. To get the bill passed was no easy task. Colorado does not have the most cohesive statewide organization. The co-ops are served generally by Tri-State G & T in the East and Colorado-Ute in the West, with the Rocky Mountains in between. Water diversion and political representation have otherwise contributed to a long-standing east-west dichotomy. Tri-State was already exempt from regulation, but the Governor threatened to veto the deregulation bill if Colorado-Ute was included. So, Colorado-Ute was sacrificed (more about that later). With a good program of employee involvement, public meetings, direct mailings, member petitions, letter-writing campaigns and support from the radio

and press, Senate Bill 224 was passed, and approved by the Governor.

As might be expected, the final version of the bill fell short of what was desired. Actually there were a lot of questions as to what the law intended; when a panel of 15 C.R.E.A. lawyers met to interpret the provisions of the law, most of the issues ended up in an 8 to 7 majority decision. But it did allow for the members of each co-op to decide for themselves whether they wanted less P.U.C. regulation. The scoreboard shows that the members of all 19 co-ops voting so far, have voted overwhelmingly for less regulation (by margins ranging from 3 to 2 to as high as 15 to 1). The Boards of four systems have not yet put the question to their members, apparently fearing disapproval or perceiving other disadvantages in the new law.

The new law does provide some changes and substantial consumer safeguards which likely account, in part, for the large affirmative majorities so far in the voting on deregulation; among these safeguards are:

1. Certified service areas will remain the same. Any extension of a service area would still have to meet with P.U.C. approval.

2. There must be a thirty day notice to all consumers of any proposed changes in rates, rules or regulations.

3. Meetings of the Yampa Valley Electric Association Board of Directors will be open to the public.

4. Prior to November 1, 1983, Yampa Valley Electric Association's Board of Directors must formulate a set of regulations which provide for input from consumers.

5. Board agenda and meeting time and place must be posted at least ten days prior to the meeting.

6. Senate Bill 224 expires July 1, 1987.

In reflecting on changes in operations and any differences in the "before and after" management practices, we don't see any that are obvious or significant at this early stage. . . but they'll come. The most significant result of the deregulation is that we can continue our flat rates and not have to adopt a series of different rates with the attendant, substantial costs in demand meters and related equipment.

If we look closely enough, however, there may be some subtle changes in management of member relations. It is entirely possible that over the years we have fallen into some bad habits. If some regulation was unpopular, even though necessary, have we tended to place the blame on the P.U.C.? And when we felt we were right and could justify our position, have we become impatient and not taken the time to resolve a sticky consumer problem? Was it easier to refer it to the P.U.C. and let them explain why we were right?

Now, "The Buck Stops Here!" We've adopted a comprehensive "due process" procedure for consumer complaints as prescribed by the new law. It's quasi-judicial, some say as legalistic as the P.U.C. hearing process. But it does provide an added

incentive to deal with all member concerns and consumer problems promptly and satisfactorily, so they don't get to the "due process" stage.

We've not made any abrupt or major changes as a result of deregulation. Members understandably are sensitive to any perceived changes resulting merely from the new autonomy. The Board of Directors adopted in total the existing rates, rules and regulations as previously filed with the P.U.C. These will be modified over a period of time as circumstances warrant, as opportunities for consumer benefits arise, and as anticipated results can be discussed with the members. A minimum of bylaw changes are required for compliance with the new law and these will be acted on at the Annual Meeting, June 16. This will also be our first experience with election of Directors with members voting by mail or in person at the meeting.

Earlier it was mentioned that Colorado-Ute had been excluded from the deregulation law passed in 1983. So this year legislation was introduced specifically to exempt Colorado-Ute and it was passed by both houses. Guess what, the Governor vetoed the bill. Never mind that $10 million additional financing costs each year for the next 25 years were at stake. This same Governor thinks that the people of Western Colorado are too stupid to run their own rural electric cooperatives and that three experts in Denver know better than we do what's good for us.

This is the same Governor who opposed the '76 Winter Olympic Games for Colorado. This is the same Governor who said that one

of every eight women in Las Vegas was a prostitute. This is the same Governor who said that old people should die and get out of the way.

It has been suggested that his newly created Office of Consumer Counsel wouldn't have enough to do if all the co-ops were deregulated, so he wanted to hang on to Colorado-Ute and that's the real reason he vetoed the bill.

Rural electric cooperatives have operated more or less successfully for years - some regulated, some not regulated. In general, systems in "regulated" states have lower T.I.E.R.'s, lower equities, and higher rates than "non-regulated" states. Admittedly these are generalizations, and individual systems within a given state may achieve substantially different results.

Deregulation lessens the frustrations of coping with arbitrary constraints, and affords new opportunities to manage creatively. But, at the same time, it places a greater burden on management to achieve results acceptable to the members and consumers.

Craig McBower

DIRECTORSHIP OF S. E. IOWA COOPERATIVE ELECTRIC ASSOCIATION

It is the responsibility of the Board of Directors to appoint a committee on nominations who will be charged with the responsibility of preparing a list of nominations for Directors which shall include at least two candidates for each position to be filled at the election.

The committee on nominations shall be selected so as to insure equitable representation to the different sections served or to be served by the Cooperative.

We appreciate your willingness to attend this Nominaing Committee Orientation meeting which is designed to inform you of the responsibility of serving on the Nominating Committee. We have put together this packet to assist you in undertaking this responsibility and to assist you in selecting qualified candidates for the position of Director if you are appointed and willing to serve on this Nominating Committee.

Included in this packet are the following:

1. Brief explanation on the General Powers, Election and Tenure of the Board of Directors.

2. Guidelines for Nominations and the Nominating Committee.

3. "What is expected of a Director"

4. System map of the Cooperative showing the residence of the nine (9) Directors. Those in red are the Directors whose term expire and those in green are the Directors not up for re-election.

5. General Board Policy #3 listing the Board Functions, Duties & Responsibilities of the Officers, Boards Term and Eligibility for Office.

6. General Board Policy #4 with information regarding Board Meetings.

7. General Board Policy #5 - Directors Fees & Expenses

8. General Board Policy #6 - Directors Meeting Attendance Requirements & Recommendations.

The Board of Directors will be officially appointing the Nominating Committee at their regular scheduled meeting

on June 19, 1984. The official meeting of the Nominating Committee for the purpose of preparing a list of nominations for Directors will be held on Thursday evening, June 28, 1984 to begin at 7:00 PM.

DIRECTORSHIP OF S. E. IOWA REC

The business and affairs of the Cooperative shall be managed by a Board of nine (9) Directors to be elected by and from the membership at the annual meeting of members. The Annual Meeting is held the first Tuesday in August.

Directors are elected for a term of three (3) years. Each year three (3) Directors shall be elected by and from the members. Also this year one individual shall be elected to fulfill a two (2) year term. No member shall be eligible to become or remain a Director or to hold a position of trust in this Cooperative who is not a bona fide resident of premises served by this Cooperative. Any individual or association, corporation, partnership or organization which requires the services rendered by the Cooperative may become a member of the Cooperative by paying the membership fee and agreeing to comply with the Articles of Incorporation, By-laws and Policies of the Cooperative.

No member of this Cooperative may own more than one membership and each member holding a Membership Certificate shall be entitled to one (1) vote at all Corporate Meetings. It is the duty of the Board of Directors to appoint a committee on nominations consisting of nine (9) members who shall be selected so as to insure equitable representation for Directors which shall include at least two (2) candidates for each position to be filled at the election.

Any fifteen (15) or more members may make other nominations for Directors by petitioning over their signature, not less than twenty (20) days prior to the Annual Meeting. No nominations may be made from the floor at the meeting except due to death, ineligibility or withdrawal of a nominee. A ballot containing the names of all the nominees shall be mailed with the notice of the meeting.

"WHAT IS EXPECTED OF A DIRECTOR"

Over a period of time the Board of Directors has put together their experiences as a director and listed what might be called a minimun of what should be expected of a director. The Bylaws establish certain qualifications that must be met. These include:

1. Must be a member of the Cooperative.

2. Must be a bona fide resident of the premises served by the Cooperative.

3. Must not be employed or financially interested in a competing enterprise.

4. Must not be employed by or financially interested in a business selling electric energy or supplies to the Cooperative.

5. Must not be employed or financially interested in a business primarily engaged in selling electrical appliances, fixtures or supplies to members of the Cooperative.

We have enclosed the following Board policies for you to review and take into consideration when contacting individuals that would be willing to be nominated to serve as Director of the Cooperative. Following is a list of items that we feel is expected of an individual to be a competent Director:

1. Attend all regular monthly board meetings beginning at 9:00 AM on the 3rd Tuesday of each month, attend the annual meeting of members held the 1st Tuesday in August each year.

2. Attend all special meetings called by the Board. He or she should attend state district meetings and the Annual Iowa Association of Electric Cooperatives meeting held in December each year.

3. He or she is expected to attend either or both the Regional meeting or National meeting of the National Rural Utilities Cooperative Finance Corporation and National Rural Electric Cooperative Association. These meetings are not conventions, but business meetings of the member-systems where the policies of the organizations are decided upon by elected delegates and set forth in resolutions on a wide variety of subjects spanning the business of rural electric systems and the welfare of rural electric member-consumers.

4. The director is also expected to attend one director's instructional seminar during the first and probably the second year. These meetings, with a few others, will total approximately 31 days each year.

5. New directors are expected to attend an Orientation meeting with the General Manager, staff and Board President at the headquarters building before the first official board meeting in August.

6. Work in harmony with all members of the Board of Directors for the good of all the member-consumers of the Cooperative.

We believe that the S. E. Iowa Cooperative Electric Association is in existence to provide a necessary and satisfactory service to its member-consumers. S. E. Iowa Cooperative Electric Association does not exist solely for the benefit of any one group, consumers, employees, or public, but that all the benefits for all groups must be in balance, and the product of a well run enterprise.

The opportunities carry with them great responsibilities, both economic and social. The responsibilities of the Directors require a high degree of competence in performance and a high order of good citizenship. The individual and corporate relationships should be governed by the highest standard of conduct and ethics and with these ideals each Director should devote his efforts toward achieving and maintaining a position of acknowledged leadership.

Serving on this Nominating Committee is one of great importance and responsibility. The members of the Cooperative appreciate the time you have set aside to fulfill this task.

As per Cooperative policy you will be reimbursed for your time and mileage and we ask that you keep a record of the miles you drive for this purpose. It is our pleasure to work with you and give you any necessasry assistance that you may require.

Sincerely,

Craig W. DeBower
General Manager

S. E. IOWA COOPERATIVE ELECTRIC ASSOCIATION

EMPLOYEE POLICY #2

SAFETY AND LOSS CONTROL

It is our firm belief that no function is of greater importance than the safety and health of employees, consumer-members and the general public. We believe that no operating condition or urgency of service can ever justify endangering the life of anyone or the destruction of property. The objective can only be reached by the cooperation, understanding, and constant observation of safe working practices by each employee.

Our combined commitment to safety awareness and to accident prevention will achieve for us an injury free workplace that we will be proud of.

The general requirements required by the S. E. Iowa Cooperative Electric Association's Board of Directors, R.E.A., OSHA, and the I.A.E.C. Job Training and Safety Department are:

a. The Employer shall initiate and maintain such programs as may be necessary to provide for frequent and regular inspections of the job site, materials, and equipment.

b. The Employer shall instruct each employee in the recognition and avoidance of unsafe conditions and in the regulations applicable to his/her work environment to control or eliminate any hazardous or other exposure to illness or injury.

c. The Employer shall initiate and maintain such rules, regulations, policies necessary to provide a safe working condition at all times and shall also provide means of enforcement of these rules and the support of such enforcement actions which may be taken.

RESPONSIBILITY

The administration and execution of all activities of the Cooperative are carried out under the leadership and direction of the General Manager. The General Manager is to report periodically to the Board of Directors on the Safety of the Cooperative and its employees.

The Cooperative shall appoint a Safety Committee whose primary responsibility is the implementation of the Safety and Loss Control Program. They shall be DIRECTLY responsible to the General Manager in this capacity whether or not their

duties in the Cooperative be in a line function, office function or in a staff function. They shall have the ability and time to coordinate the entire safety effort.

The Safety Committee shall be composed of two non-bargaining unit personnel, two bargaining unit personnel of which one is a Foreman and one a non-foreman, and the Staff Assistant who coordinates the Cooperative's insurance programs. The Safety Committee's responsibility shall include the following:

a. Coordinate the effort that all personnel follow the procedures and safety practices adopted by the Cooperative.

b. Assist in evaluation of public liability exposures and their control.

c. Assist the IAEC Job Training & Safety instructor in conducting scheduled meetings at the Cooperative. Suggest the types of programs which would be most beneficial to the Cooperative.

d. Coordinate the safety and training meetings to supplement the other programs presented.

e. Prepare a written report quarterly for the General Manager and Board of Directors of the Cooperative detailing the Safety and Training activities.

f. Maintain a working relationship with representatives of the insurance carriers. Cooperate with the insurance carrier's Safety Consultant in analyzing the Cooperative's exposure to loss and recommending corrective action and controls.

g. Coordinate the effort toward achievement of NRECA Safety Accreditation.

h. Investigate all accidents and incidents that occur and forward copy of written report to General Manager.

i. Assure that accident statistics, including recordable injuries, lost-time days, and man-hours worked, are maintained and submitted to the appropriate agency.

j. Assume responsibility and make sure all rubber goods and protective equipment are inspected as required.

The Safety Committee shall meet regularly on a quarterly basis. A Director of the Cooperative may also be in attendance at this meeting. Special meetings may be called by the

Chairperson of the Safety Committee for the purpose of investigating an accident or claim.

SUPERVISOR'S SAFETY RESPONSIBILITY

The immediate job of preventing accidents and controlling work health hazards falls upon the Supervisor, not because it has been arbitrarily assigned, but because safety and production control are closely associated supervisory functions. As used in these procedures any employee who directs the work of others is a supervisor.

Some of the duties of each Supervisor in discharging their safety responsibilities are to:

a. Provide leadership in safety.

b. Enforce safety rules and practices.

c. Inspect tools, apparatus and equipment frequently and take prompt action so that faulty or defective equipment is repaired or replaced.

d. Observe work areas and barricade or restrict those which are hazardous to employees, other workers, member-consumers or the general public.

e. Be certain that he/she understands clearly the work that is to be done and that their personnel understand their individual duties.

f. Hold adequate tailgate conferences before the start of each job, large or small, to be sure all affected personnel understand clearly how the work is to be done.

g. Assign the more difficult and hazardous work to the competent, more experienced personnel.

h. Exercise close supervision over work, especially in hazardous situations. All hazards are to be pointed out and proper protective measures taken to enable the work to be performed safely and efficiently. Be alert for hazards which may develop as the work progresses.

i. Train new or inexperienced employees, being sure to pay particular attention to their work and observing it closely. Wherever possible, assign an experienced employee to work with a new employee so that he/she may learn to work safely as a habit.

j. Report all accidents promptly as prescribed in the section entitled "Accident and Report Investigation".

Each Supervisor will make certain that the persons under him/her perform their work in the manner specified. The Supervisor will be held responsible for the safety and welfare of their personnel.

EMPLOYEE'S RESPONSIBILITY

It is the responsibility of each employee, including Supervisors, to conduct themselves in such a manner while at work so that he assures:

a. Personal Safety.

b. Safety to fellow employees.

c. Protection for the Public.

d. Protection for company property, and for public and private property.

In addition to the above:

e. It is the responsibility of each employee to report to the person in charge, all unsafe conditions or acts which are seen on the job.

f. When an employee is requested to do any work under conditions not believed to be safe, he/she shall not start work without first calling these conditions to the attention of the person in charge.

g. It is the responsibility of each employee to be acquainted with the principles of first aid and resuscitation.

h. It is the responsibility of each employee to attend all safety meetings and to take an active part in safety work.

i. It is the responsibility of each employee to know and understand the safety rules which apply to the work he is performing.

j. It is the employees responsibility that all first-aid and first report of injuries and property damage claims be reported first to your Supervisor and then to the Staff Assistant within 24 hours following the incident.

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ACCIDENT AND REPORT INVESTIGATION

All accident and property and equipment damage incidents will be reported to the Staff Assistant for investigation within 24 hours of the incident. In the event the Staff Assistant is not available, or if a condition of major liability exists, a Safety Committee Member will assist in the investigation.

a. It will be the responsibility of the individual causing damage to make the Initial Report to both the Staff Assistant and to the employee's direct supervisor. (Proper Forms Shall be Used as Attached).

b. The employee's Supervisor, or Person-In-Charge shall file the Initial Report in situations where the employee is injured and can not make the report himself.

The investigation, research and collection of reports shall be completed by the Staff Assistant. Additional members of the Safety Committee will be involved in investigations that consist of property damage, lost time accidents involving employees and accidents involving non-employees. Reports of investigations will be made to the General Manager.

An investigation will be conducted by the Safety Committee on all reports, safety violations and incidents or accidents if there was an unsafe act, injury to person or property or equipment, or any other lossage, which was due to a violation of a safety rule and those involved may be subject to disciplinary action.

Before payment, Loss of Time, Filing for Compensation, or Leave can be granted, Proper Reporting Procedures must be followed. WE STRESS THE IMPORTANCE OF IMMEDIATE REPORTING.

a. All accidents, personal injuries, job related illnesses, or property damage shall be reported immediately to the employee's Supervisor and then to the Staff Assistant. A written report must follow-up verbal reports within 24 hours.

b. Simple first-aid treated injuries or sickness or incidents not resulting in doctor treatment will be reported on the appropriate form and turned in to the Staff Assistant within 24 hours of the incident.

c. In accidents not involving lost time or incidents where employees did not see a doctor, but where there is a possibility of doctor's visit at a later date, or even lost time, the Supervisor's Report of Injury

Form shall be completed and filed with Staff Assistant within 24 hours. The Supervisor shall be notified immediately.

d. In accidents involving Lost Time, or if the employee was taken to the Doctor, the Employers Work Injury or First Report of Injury Form shall be completed immediately.

Failure on the part of the employee to read the Personnel Policies, Safety Rules and Regulations, or Management and Supervisor's Safety Directives shall not constitute an excuse for freedom from Disciplinary Reprimand Procedures.

Reporting known false facts, false accidents, or the attempt to receive payment for accidents which did not happen on the job will constitute a safety violation which may result in a disciplinary reprimand.

Failure to report damage of company equipment, property loss, or injury, or damage to consumer's property while acting as an employee of S. E. Iowa REC will require a mandatory investigation by the Staff Assistant or Safety Committee or both, and proper action will be taken to insure future reporting.

Failure to follow these rules on reporting may cause employee to not be eligible for compensation, insurance or leave, and may cause employee to be reprimanded or dismissed.

The Accident or Incident Investigation is the Supervisor, or the Safety Investigator's analysis and account of an accident based on factual information of all factors involved. IT IS NOT a mere repetition of the worker's explanation of this incident. Analysis is the key. Objective information must be obtained and used as the basis for the analysis. Steps to be taken to prevent a recurrence must also be included to fulfill the purpose of the investigation.

COMPANY DOCTOR

Except in Emergency Conditions where it is not possible, employees will report to the Company Doctor in cases of Industrial Sickness or Injury. An Employee will not be allowed to return to work unless the Release Form has been completed by the Company Doctor, which states the employee can return to 100% duty. There are no Light Duty Jobs. In some cases, the release from the Company Doctor will be required even though an employee has a release from his own doctor. The Company Doctor knows what the employee's duties are and under what conditions he/she has to work. This rule is to cut down on re-injury, etc.

Any employee who has been off regular work on Short Term Disability or Long Term Disability will not be allowed to return to work until such time that a release has been made by the Company Doctor as designated by the Cooperative. A person returning to the position of employment from disability must be able to fulfill the position he/she was assigned prior to disability. Any lesser position will be made only upon determination of job positions available at the time of return and then only upon approval of the General Manager.

TWO-WAY RADIO PROCEDURES

The Cooperative uses the two-way radio system not only for communications but also for the safety of its personnel and member-consumers. The following radio dispatch procedures shall be adhered to by all employees when operating company trucks.

a. 10-8 (In-Service)
When leaving the warehouse or headquarters facility each morning giving their destination.

b. 10-23 (Arrived at Destination)
Report to radio dispatcher when arriving at destination or job site.

c. 10-44 (Leaving Job Site)
Report to radio dispatcher when leaving one job site for another giving destination and also report 10-23 to radio dispatcher when you have arrived at new destination.

d. 10-7 (Out of Service)
At coffee or lunch break or any other time radio is unattended and personnel are away from vehicle such as walking right-of-way, etc., advise radio dispatcher giving location, and estimated time out of service. Await for response from radio dispatcher before proceeding.

e. 10-8 (In Service)
When returning to vehicle after completion of coffee or lunch break, walking right-of-way, etc. 10-44 when leaving that particular location giving destination and 10-23 when arriving at new destination.

f. 10-7 (Out of Service)
When returning to the facility at the end of the days work.

g. 10-33 (EMERGENCY)
In case of extreme emergency use the words "MAYDAY, MAYDAY". Give location, extent of emergency and repeat. Ask the radio dispatcher to repeat your message so it is verified prior to dispatching a rescue unit.

h. Outages and Restoration of Service
Contact shall be made with radio dispatcher informing him/her of all pre-arranged outages and when service is restored for any purpose.

During normal business hours there will be a dispatcher on the radio and all radio communication as described will be logged as required by FCC. After hours those on telephone duty will come to the office to monitor the radio while the crews are working. All communications will be logged. The two-way radio is approved by FCC for communication business purposes only. No nonsense or playing of music over the radio.

HAZARD OBSERVATION REPORTING

An accident is an undesired event that results in personal injury and/or property damage. It is the goal of the Cooperative to prevent an accident before it happens. One of the major tools in this management stage is the Line Inspection and Work Order Record as attached. This form will be completed daily by the line personnel and submitted each day to the Line Superintendent. This will be completed as part of the daily line patrol and will be the Cooperative preventative maintenance program pointing out potential accident causes before they occur. This reporting form and inspection plan is also required by the Iowa State Commerce Commission per their Docket No. RMU-82-18 dated January 26, 1983.

DISCIPLINARY REPRIMAND

Safety is for the benefit of the Employee, the Cooperative, Member-Consumers and the General Public. It is therefore of the utmost importance that all of the safety rules and procedures described herein and the Safety Rules and Operating Procedures of the Iowa Association of Electric Cooperatives be adhered to. Both the Cooperative and employees shall comply with said rules.

Employees found in violation of the Safety and Loss Control Program shall be subject to the following disciplinary action by the Cooperative:

First Offense:	Reprimand by immediate Supervisor followed by a written warning. The written warning will be removed after one year if there have been no subsequent offenses.
Second Offense: (within one year of 1st offense)	One day suspension without pay.
Third Offense: (within 2 years of 2nd offense)	Three days suspension without pay.
Subsequent Offense:	Discharge

If the employee in charge does not enforce the above-mentioned safety rule and operating procedures, he shall be subject to the disciplinary action by the Cooperative.

The Rules and Policies which are set and enforced by the Cooperative will be in harmony with the purpose of the IAEC Job Training and Safety Department, the Policies of this Cooperative, and the approved Union Contract. All action taken will be for the betterment of the employee and will insure a safer working condition.

ORGANIZATIONAL RENEWAL

Dr. Gordon Lippitt

I. Looking at Management Trends

Looking at the next revolution

First revolution was agricultural -
Second revolution was industrial -
1980 and beyond - - - - - - - - - - -

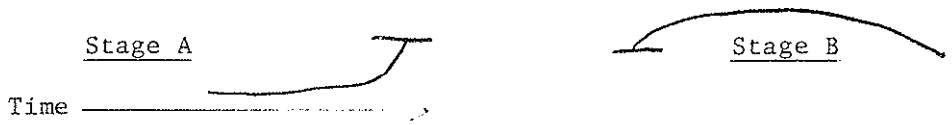
1982 - Toffler's "Third Wave"

Toffler said that the third wave will sweep across the world in a few decades. Changes will be made in production - robotics. Changes in work practices - more people will be working at home.

We will have pro-sumer economics. Healing the rift between producer and consumer.

Emphasis will be on resource conservation.

1982 - Jonas Salk's "Survival of the Wisest" - Speaking about businesses.



Grow	Centralize
Expand (get larger)	Stabilize
Quantity	Reduce
Size	Console
Independence	Interdependence

1983 - "Megatrends" - John Naisbitt - Ten Trends

Now	Future
Industrial society	Information society
Forced technology	High-Tech - High-Touch
National economy	World economy
Short term	Long term
Centralization	Decentralization
Institutional help	Self help
Representative democracy	Participative democracy
Hierarchies	Networking
North	South
Either/or	Multiple options

1983 - Peters and Waterman's "In Search of Excellence"

Businesses which are successful have the following:

- A bias for action
- Close to the customer
- Autonomy and entrepreneurship

- Productivity through people
- Hands-on, value driven
- Stick to their knitting
- Simple form, lean staff
- Loose and tight properties
  (Centralized - decentralized)

Relate the recent writing on management to everyday concerns of managers.

Centralized - Decentralized

Businesses explored theories X, Y, and Z. Statement itself says you must be selective in what you centralize and what you decentralize. Decision is up to the manager. We must do both - centralization and decentralization at the same time. The dilemma is how we do both effectively at the same time. Mission of the cooperative is centralized. More opportunity for decentralization where employee can make decision without affecting others' actions and results.

Quality of Work Life

If management is creative enough, qualify of work life can be improved. Questions include how do you involve people in giving input to decisions which affect them. Relationships must be good between supervisor and employees to achieve this type of input. Employees are motivated by different things today than they were a few years ago. Techniques used for years to motivate employees don't work today. Question is how do we find ways to meet people's expectations in the work place.

Task Forces

We need to make task forces more meaningful. Use these to help build motivation. Can utilize quality circles to deal with issues before they become problems. Quality circles can fail if management expects immediate results. Need two years for results. Terminate task force when job is finished.

Training People to Use Sophisticated Equipment

Too often we focus on the dilemma of sophisticated data processing or other equipment and personnel who do not know how to make the best use of the equipment. We must train people to get the most out of the equipment. Tap people in the cooperative who are interested in doing the job. Realize there is an intimidation question about the use of the equipment. We have to go back and look at what motivated us to make changes in our cooperatives in the past. Apply what we have learned. Utilize those persons willing to use the equipment to train and involve others.

Team Effort

Applicable to managers. Younger people today are more inclined to become involved. Some employees have tunnel vision. We need to help them expand their thinking. Involvement brings about team effort and unity in the organization.

Relating to Employees and Members

The need for relating more closely with employees and members is brought about by today's society. Bring in employees and sit down with them and deal with them and their problems on a one-to-one basis. Member consumers who are irritated by a cooperative action - bring them in with other members from the same area to a dinner meeting to discuss the problem. Make use of member advisory committees. Send employees to stress management workshops - stress workshops which talk about the value of stress. We must learn to cope with it. Make use of employee assistance programs. Put emphasis on employee's responsibility for his/her own health and physical well-being. Develop wellness coalitions between cooperatives, hospitals, individuals, and health insurers.

More Communication From a Distance Rather Than Face to Face

This is already here, moving rather slowly and we must help people make use of it. Examples: electronic mail, teleconferencing, etc.

Successful Practices of Management Spreading to Other Organizations

This goes back to the hierarchy of needs. Need a higher degree of involvement with personnel. Hold regular staff meetings once a week. Go to employees instead of having them come to you. Sit down with them and talk things over. Carry management to the people. Have task forces and committees which involve more people. Organizations some times clobber people who have new ideas. Create a climate which will bring out new ideas from employees.

Effective Use of Time

Many cooperatives are already using flex time. Examples: Four ten-hour days. Cashier works from 6:00 A. M. to 3:00 P. M. Service crews stagger hours - work from 2:00 P. M. to 10:00 P. M. People who do underground construction leave earlier and come in later. Cuts down on lost motion in early morning when crews are trying to get out. Programmers on flex time work on weekends and holidays. College students, part time; senior citizens, part time; mothers who work from their homes. Meter readers paid by the number of meters read or on a contract basis. Make special use of a task force for special project of setting materials program up on the computer. Have had a task force on rates. Employee groups do role playing to train for doing performance appraisals - videotape the role playing and do critique.

Making Better Use of Limited Resources "Down-Sizing"

This is a trend of these economic times. Looking at trend from control and planning standpoint. Try to down-size personnel through attrition. Don't over-react to situations. Caution should be applied to down-sizing. Management must respond to needs. Example: Co-ops which are growing would have problems reducing staff. Look at long-term values. Be flexible. Use automation where possible. Good planning and controls with good accountability is the answer.

SELECTED MANAGEMENT TRENDS FOR THE 1980's

A review of some of the most thoughtful projections of management functions and roles in the next decade (e.g., from Hudson Institute, Stanford Institute, Toffler, Espandiary, Futurist Journal, etc.) suggest some trends which seem to suggest some priorities for management development programs. Here is a sample:

Do they seem relevant to your organization?
Do they suggest some competency development priorities for you and other members of management?

Trend #1 The trend toward both selective centralization and decentralization of authority and wider distribution of accountability will continue to accelerate.

Trend #2 There will be a growing emphasis on the quality or meaningfulness of work life, with emphasis at the management level on flexibility of problem-solving tasks and skills.

Trend #3 The matrix management trend will accelerate, with its emphasis on temporary problem-solving task forces and "putting the right heads together" (from any place in the organization) to get a job done.

Trend #4 Much more attention to the interface between technical resources (e.g., computers) and human resources (experience, brains, skills) - the creative integration and meshing of these two resources.

Trend #5 Much greater involvement of the "doers" in decision-making, two-way interaction between the managers and the managed regarding planning and decision-making.

Trend #6 More provision of, and use of, stress management and conflict management resources by managers. A sign of strength rather than weakness to use such technical help.

Trend #7 Much more problem-solving and communication through a distance as compared to face-to-face interaction. Rapid development in use of new technologies of communication.

Trend #8 Great emphasis on efficient use of innovativeness through procedures for identifying, documenting, evaluating, and spreading successful practices of managing, marketing, etc.

Trend #9 Rapid acceleration in the use of some of the new approaches to the effective use of human energy and competence, such as flextime, part time jobs, senior wise people, ad hoc assignments, audio-visual models, etc.

Trend #10 A growing concern for the realization that resources of money, raw materials, time, capital equipment, etc. are limited and that management must effectively apply economics, "cut back", "downsizing", or "belt tightening" to adapt and survive. Be lean but not mean.

Organizational Diagnosis

Schools of thought about organizational effectiveness:

- Scientific Management School - Rational Efficiency
- Human Relations School - Interpersonal Interface
- Socio-technical School - Joint Optimization
- Organizational Development School - Open Systems With Teamwork
- Micro-economics School - Contribution to Economy

Best school is the school which brings a holistic approach to continuous organizational renewal.

Organizational effectiveness is no one thing. (See article by Gordon Lippitt titled "Organization Renewal - A Challenge to Pro-Active Managers." A copy may be obtained from Development Publications, 5605 Lamar Road, Washington, D. C. 20016.)

External Impacts on the Organization

- Cost of Raw Materials
- Cost of Capital Funding
- International Competition
- Changing Fashion
- Sociological Changes
- Demographic Changes
- Others - Government Regulations, External Competition, etc.

Internal Impacts on the Organization

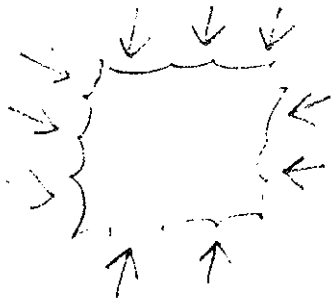
- Technological Obsolescence
- Poor Morale
- Lack of Capital
- Inadequate Productivity
- Human Resource Problems
- Management Problems
- Inadequate Marketing - Sales
- Others - Incompetence, Poor Planning, etc.

Effectiveness is not one thing. An organization can be effective or ineffective on a number of factors that may be independent of each other. Organization effectiveness is an underlying concept, model or theory that constitutes for that operational situation what effectiveness means.

Reaction to Trends

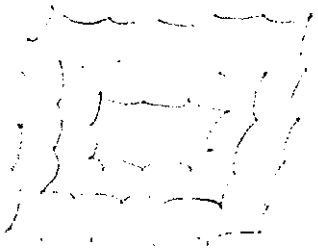
Denial - No Problem
Crisis - All hands on deck
Survival - Head for the lifeboats
Self-Destruct - (Pac-Man Approach) - Eating each other
**Renewal - Strategic Replanning

Adaptive Strategies

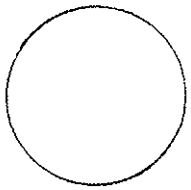


Environmental Encroachment
Danger comes and awareness is aroused. Fight begins.

Domain Defense
Goal is to preserve the legitimacy of the domain.



Domain Offense
Goal is to expand the domain.



Domain Creation

Goal is to add related domains

Example of adding related domains is CFC which has opened up capital market for electric cooperatives.
Electric cooperatives can now get loans for water and sewer.
Cooperatives are working in all three domains.

II. Limited Resource Management

What usually happens in organizations faced with decline.

1. Centralization - Not participativeness
2. Rigidity - Not flexibility
3. High administration ratios - Not low ratios
4. Internal emphasis - Not external emphasis
5. Incrementalization - Nibbling away
6. Absence of long range planning
7. Conservatism - Not innovation
8. An emphasis on efficiency - not on effectiveness

Managing Limited Resources takes into account the external social and economic potentials and realities. It looks at the internal organization, realities. External gives macro view; internal gives micro view.

The process of change includes a proactive utilization of resources which requires diagnosis of the problem, goal setting, and development of action plans with follow-up evaluation. Resources include capital, equipment, and personnel.

Do an exercise with staff of cooperative on looking at limited resource management, listing the negatives and the positives of "down-sizing." People tend to approach down-sizing as a negative experience, yet the average number of positive experiences usually listed in such an exercise is twenty-one.

Some Psychological Elements to Down-Sizing

Reactive	Proactive
Calamity	Challenge
Powerlessness	Potency to act
Protectionism	Trust
Hopelessness	Stay in business
Sacrifice	Possibilities
Apathy	Creativeness

Reactive and Proactive Ways of Responding to Down-Sizing Confrontation

Reactive	Proactive
*Focusing on problem/pain	*Focusing on images of potential
*Focusing on cutting only	*Searching for alternative resources
*Across the board reduction "nibbles"	*Reprioritizing goals
*"Closet decisions" at the top	*Involving everyone in ideas, commitments
*Protective guarding of turfdom	*Exploring, sharing, pooling, exchange
*Assigning overloads, cutting out functions	*Restructuring rules, re-training
*Cutting most vulnerable personnel	*Preserving problem-solving and development resources
*Cutting back on services, markets, innovation resources	*Exploring new markets, supporting research and development
*Keeping on with regular pattern, but skimp and reduce	*Scanning for simplification models
*Cutting all "marginal" resources, keeping old senior core	*Experimenting with flexible work patterns (part-time, young, volunteers, etc.)

In Down-Sizing An Organization Needs Training More Than Ever

Ideas Generated for Use in Down-Sizing

- Hold people accountable for performance.
- Use of temporary employees.
- Assess markets for load management.
- Joint use of equipment with other cooperatives.
- Reorganization to give greater flexibility.
- Treating old poles (Osmose).
- Use of data processing to improve work order procedures, making one job order form do for all jobs.

Reactive and Pro-Active Ways of Responding to Downsizing Confrontations

A. Reactive	B. Pro-Active
* Focusing on problem/pain	* Focusing on images of potential
* Focusing on cutting only	* Searching for alternative resources
* Across the board reduction "nibbles"	* Reprioritizing goals
* "Closet decisions" at the top	* Involving everyone in ideas, commitments
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- Take eight or ten people to do time studies. Keep yardsticks current. Give people feedback on how they compare to the yardstick.
- Share engineer at co-op with a neighboring cooperative.
- Share video equipment with another cooperative.
- Using co-op students from college to do programming.
- Give senior staff speed reading courses.
- Managers use their intuition more in the future.
- Use of contractors instead of replacing personnel.
- Getting bids on work units to check against co-op's actual costs.
- Meter readers are part-time people, without objection from the union.
- Organizing warehouse which fits the way materials are picked up.
- System automation for load management.
- Paying people who are reaching early retirement age to retire. Give bonus equivalent to the cost of benefits from time of employee's retirement to normal retirement date.
- Contract with right-of-way contractor spells out that co-op has option of using own crews in slack times for right-of-way reclearing.
- Co-op is part owner of a cable TV system and shares lineman with telephone cooperative, electric cooperative, and TV system. Cost is billed to each cooperative for time spent working for that cooperative.
- Training program held two hours a week for six weeks for all employees who wanted to learn the use of a mini-computer. 21 employees and their spouses participated, after hours.
- Clarify mission statement and objectives.
- Did reorganization study.
- Encouraged all employees to read the book, "The Farmer Takes A Hand," the history of the rural electrification program in the United States.
- Making use of micro-computers which is a tool that allows employees to create their own formats for reports, do research, etc.
- Built a hot line trailer with safety demonstration for use with all types of groups, using "React" materials as handouts at demonstrations.
- Hold annual management retreat for staff and board. Developed some long range and short range goals and prioritized them. Sit down systematically and review progress and do re-planning. Board and staff now know what our priorities are.
- Improved our filing system - emptied 37 files of consumer records and put information on microfiche.
- Co-op formed a floating crew of linemen who were no longer needed because of decline in construction and bids on work for other cooperatives.

(See article "Down-Sizing - How to Manage More With Less" by Gordon and Ronald Lippitt. Copy may be obtained from Development Publications, 5605 Lamar Road, Washington, D. C. 20016.)

(See "A Selected Bibliography on Limited Resource Management" attached to this report.)

III. Managing Conflict

Time Spent on Conflict Management

CEO - 18%
VP's - 21%
Middle Managers - 26%

Sources of Conflict (In order of frequency)

1. Communications misunderstanding
2. Personality clashes
3. Value and goal differences
4. Substandard performance
5. Differences over methods
6. Responsibility issues
7. Lack of cooperation
8. Authority issues
9. Frustration and irritability
10. Competition for limited resources
11. Non-compliance with rules and policies

Comment on list: "Put goals and values number one. These change order from day to day."

Definition of Conflict

Conflict is a real difference between two or more parties that is characterized by tension, disagreement, and emotionality so as to tend to polarize the differences between the parties.

Destructive Nature of Conflict

- Diverts energy
- Destroys morale
- Polarizes groups
- Deepens differences
- Obstructs cooperative action
- Produces irresponsible behaviour
- Expensive - takes time and energy
- Destroys productivity

Creative Nature of Conflict

- Opens up issues
- Develops clarification
- Improves problem solving quality
- Increases involvement
- More spontaneity
- Authenticates communications
- Needed for growth
- Clarifies ambiguity
- Increases productivity
- Clears the air
- More unification - more moving toward a common goal

Climate Needed to Resolve Conflict

- Professional
- Desire to resolve situation
- Give and take

Communications During Conflict Resolution

- Eye Contact
- Hand waving
- Finger pointing
- Giving examples

Things Which Occur During Conflict Resolution

- Listening
- Persuasion
- Clarifying terms
- Present logic
- Poker face
- Intimidation
- Concession
- Cite examples
- Implied physical examples
- Emotional comments and actions

Usual Areas of Disagreement

1. Facts
2. Methods
3. Goals
4. Values

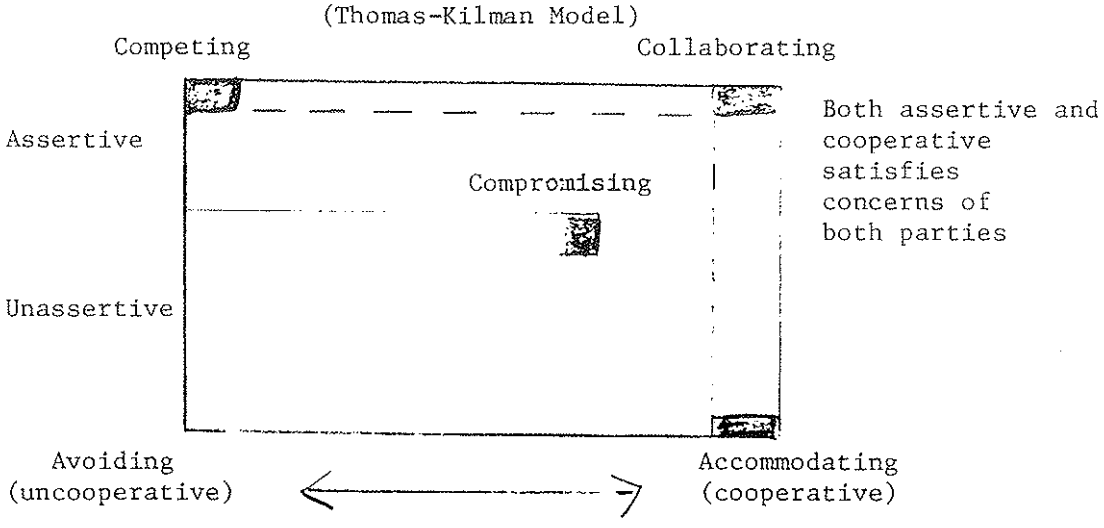
(These grow progressively more difficult to resolve. No. 1 easiest to resolve. No. 4 is the most difficult.)

Conflict Resolution Approaches

1. Withdrawal - retreating from an actual or potential area of conflict.
2. Smoothing
3. Compromising
4. Forcing
5. Confronting

Conflict Management Modes

(Thomas-Kilman Model)



Most frequent type of conflict resolution is compromise.

Collaboration is best. It confronts the situation and looks for an answer acceptable to both parties.

There is a place for all five conflict management modes.

Evolution of Conflict - the Five Stages

1. Anticipation
2. Conscious but unexpressed difference
3. Discussion
4. Open dispute
5. Open conflict

To Manage Conflict

1. Examine the nature of the conflict
2. Look at factors underlying the conflict
3. Explore the stages of resolution
4. Select an appropriate course of action

(See article "Managing Conflict in Today's Organizations" by Gordon Lippitt, and a learning instrument for developing skills in "Management of Differences" by Jacqueline Rumley. Both may be obtained from Development Publications, 5606 Lamar Road, Washington, D. C. 20016.)

IV. Manager's Role in Managing Change

Kinds of Change

Unplanned change - is reactive
Planned change - is pro-active

Stages in Change (Personal Situation - Example: Daughter announces she is going to be married.)

1. Shock
2. Disbelief
3. Guilt
4. Projection
5. Rationalization
6. Integration
7. Acceptance

Good management can greatly lessen first four stages by good planning, involvement, communications.

Phases of Organizational Crisis and Responses

	Phase	Interpersonal Relations	Intergroup Relations	Communications
Time ↓	1. Shock	Fragmented	Disconnected	Random
	2. Defensive retreat	Protective Cohesion	Alienated	Ritualized
	3. Acknowledgement	Confrontation	Mutuality	Searching
	4. Adaptation and Change	Interdependent	Coordination	Authentic and Congruent

Time	Leadership and Decision Making	Problem Handling	Planning and Goal Setting	Structure
	1. Paralized	None	Dormant	Chaotic
	2. Autocratic	Mechanistic	Expedient	Traditional
	3. Participative	Explorative	Synthesizing	Experimenting
	4. Task Oriented	Flexible	Exhaustive and Integrative	Organic

Think of the rural electric cooperatives and the changes which went through these crisis phases.

Causes of Resistance to Change

1. Unclear goals
2. Poor communications
3. Lack of involvement
4. Personal request
5. Ignore group norms
6. Lack of trust
7. Satisfaction with status quo
8. Inadequate rewards
9. Excessive work pressure
10. Fear of failure
11. Past experience with change.
12. Change too rapid (causes disequilibrium)

People will make changes because change solves problems.

Group added to the above causes of resistance to change the following:

- Disagreement with change
- Fear of loss of employment
- Grouping - peer pressure
- Too much work for benefit involved
- Imaginary objections
- Dislike of source of change
- "Not invented here" - doesn't like because didn't think of it
- Someone else will get more out of this than I do

PLANNING CHANGE

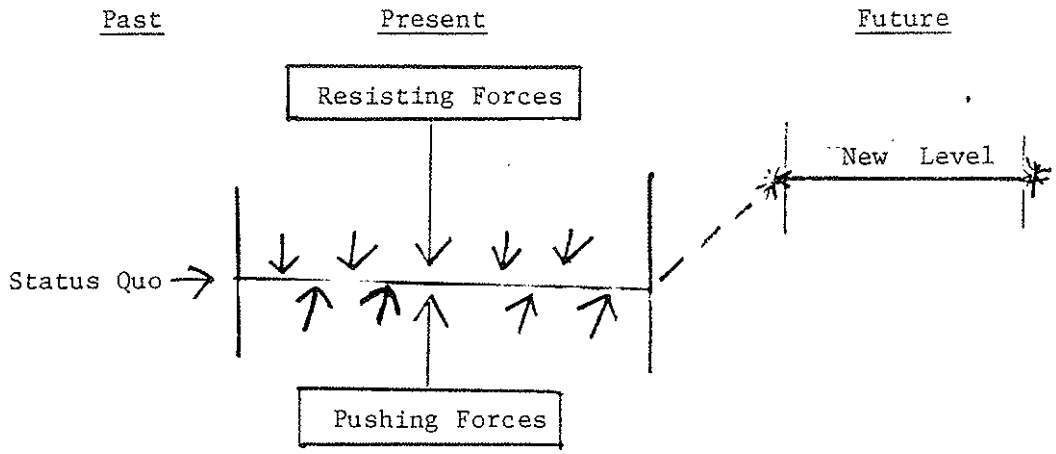
Diagnostic Phase

Planning Phase

Implementing Phase

Evaluation Phase

DO FORCE FIELD ANALYSIS



Discussed use of an analysis form titled "The Analysis Form for Diagnosing the Change Process" published by Development Publications, 5606 Lamar Road, Washington, D. C. 20016, for diagnosing the change process.

Dr. Lippitt commented that some managers jump into planning before they go through the diagnostic stage.

(Used case study to demonstrate use of forced field analysis.)

Factors Affecting Acceptance of Change

1. Clear goals
2. Control of environment
3. Trust in change initiators
4. Search is targeted
5. Good communications
6. Involvement in change process
7. Change is related to one's values

(See article "Coping With Change" by Gordon Lippitt. Copy may be obtained from Development Publications, 5605 Lamar Road, Washington, D. C. 20016.)

(See article "Organization Renewal - A Challenge to Pro-Active Managers" by Gordon Lippitt. A copy may be obtained from Development Publications, 5605 Lamar Road, Washington, D. C. 20016.)

Dr. Lippitt concluded his seminar by stating that in the field of management we have a tendency to read current literature, go to seminars, and then say "What the hell? I have enough to do when I get home putting out fires."

He stated that we have to get off our backsides and be accountable.

Dr. Lippitt quoted from the preface of a book titled "Organizational Frontier and Human Values" which he has written.

These words are paraphrased as follows: There is a time to confront and a time to reduce tension - a time to accelerate change and a time to slow it down. Don't act in fear.

Dr. Lippitt commended the Council for sharing ideas and a rich learning experience during the seminar.

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on

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A DIFFERENT APPROACH TO MERIT PAY

Barbara Deverick, Administrative Manager
Blue Ridge EMC, Lenoir, N.C.

I. HISTORY OF OUR PROGRAM

- Formal wage and salary program implemented in 1960 with the assistance of Bob Kabat.

  Plan's 3 classifications: Management/Supervisory, Trades and Crafts, and Clerical.
- Revisions in program in 1965 with Jim Kelly. Added a fourth plan for Administrative/Technical-Supervisory. Changed Management plan to Management/Professional.
- Maintained and modified plan ourselves since that time.
- 1980, with new manager, we had Towers, Perrin, Forster, & Crosby audit our Salary and Benefits Administration Program.
- TPF&C's audit report indicated we had done a pretty good job maintaining and administering our Wage and Salary Program. The report did, however, raise the question of possible discriminatory pay patterns which could develop with a separate pay schedule for clerical positions which are primarily filled by women, and recommended that consideration be given to revising our Wage and Salary Program to have only one plan encompassing all positions. We searched for a program which we felt would meet our needs for an integrated program which could be relatively easy to administer by supervisors and yet permit the manager to maintain absolute budgetary control.

We believe we have found this program in our adaptation of the EVALUCOMP Program which has 25 years of experience behind it and is based on market value of the job.

The EVALUCOMP Structure has the following features:

(1) Minimum of Grade 1 is based on the federal minimum wage.

(2) A progression of midpoints is 6% from one grade to the next.

(3) Grade minimums and maximums are rounded to the nearest $100.

(4) Salary range spreads (minimum to maximum) are based on data resources used in developing the plan and the salary range spread can increase from 30% to 60% under the EVALUCOMP Program.

Our spread gradually increases from 35% for lower grades to 60% for higher positions.

In implementing the program, we did a complete re-evaluation of all our positions, using 32 benchmark positions.

Jobs are assigned to salary ranges by choosing the range with the midpoint closest to the average actual salary being paid in the labor market.

Employees whose performance is fully satisfactory will generally be paid at or close to the midpoint.

Persons newly assigned to a job or new hires whose performance is not yet fully satisfactory should be paid in the first quartile of the salary range.

Under this plan, improved job performance can be recognized with a merit increase or, in case of a promotion, an increase may be given as is appropriate to the performance.

Once the plan is in place, guidelines must be given for salary administration which -

(1) Assure objectives of the plan are met and philosophy of salary administration is followed.

(2) Permits authority to be delegated at the point where action must be taken.

(3) Eliminates decisions on repetitive matters.

(4) Produces coordinated consistent action among all divisions and departments.

Positions not fitting into the salary ranges may need adjustments. If the position falls below the minimum of the new range for the grade for the position, it needs to be adjusted to bring the position into the minimum of the grade.

Persons whose salary fall above the maximum of the new range should be frozen at their current salary and red circled.

Each person's salary is then assigned a compa-ratio with the salary for the position which the person holds being 100 at the midpoint of the range. Therefore, if an employee's salary is 10% more than the salary rate at midpoint of the salary range for his position, he, therefore, has a compa-ratio of 110. Should his salary be 10% below the midpoint, he would have a salary compa-ratio of 90.

One principle of the plan is that employees paid at or below the compa-ratio of 100 have more opportunity for merit salary increase than an individual with a compa-ratio of more than 100.

Annually the plan is adjusted, based on the labor market data.

The salary plan is adjusted by raising the midpoint of the plan by the percentage which is indicated from the labor market survey.

No changes are made in any individual's salary at the time the midpoint is raised, however, new compa-ratios are calculated for each employee.

A merit grid is used to permit each supervisor the latitude to give merit increase ("Pay for Performance") rather than giving an automatic, uniform, across-the-board increase to all employees. It forces the supervisor to be tough-minded. There is no way a supervisor can have a "runaway misuse" of merit increases under this program.

The manager sets the overall merit budget and the percentage increases to be given during the payroll year. For example, the 1984 merit grid might look like this:

1984 EVALUCOMP GRID

MERIT INCREASES

EXPECTED COMPANY DISTRIBUTION	RATING	% INCREASE BELOW MIDPOINT	% INCREASE ABOVE MIDPOINT
5%	Outstanding	7.0	6.0
20	Above Average	6.0	5.0
50	Satisfactory	4.5	3.5
20	Minimally Acceptable	3.5	2.5
5%	Unsatisfactory	0	0

A grid may be simple or complex, depending on whether you want to get into the four quartiles and more numerous rating gradations.

The use of such a grid forces the supervisor to carefully consider the performance of personnel supervised, using performance data, work plan results, and performance evaluation.

Each employee is evaluated against his performance results and the merit increase based on this performance.

The use of this plan provides a system that forces a supervisor to make compensation decisions related to performance.

Until such a program is put into effect, it is difficult to get supervisors to really look at performance and to talk with their subordinates (one-on-one) about performance.

It is really more difficult for the supervisor than for the subordinate when the supervisor is forced to <u>really</u> communicate with the individual about his salary change.

There must be a tie between performance and pay throughout the organization. However, the measurements will not be the same.

Where there is not a tie between performance and pay throughout an organization, there is created an element of unfairness and does not promote the development of the individual.

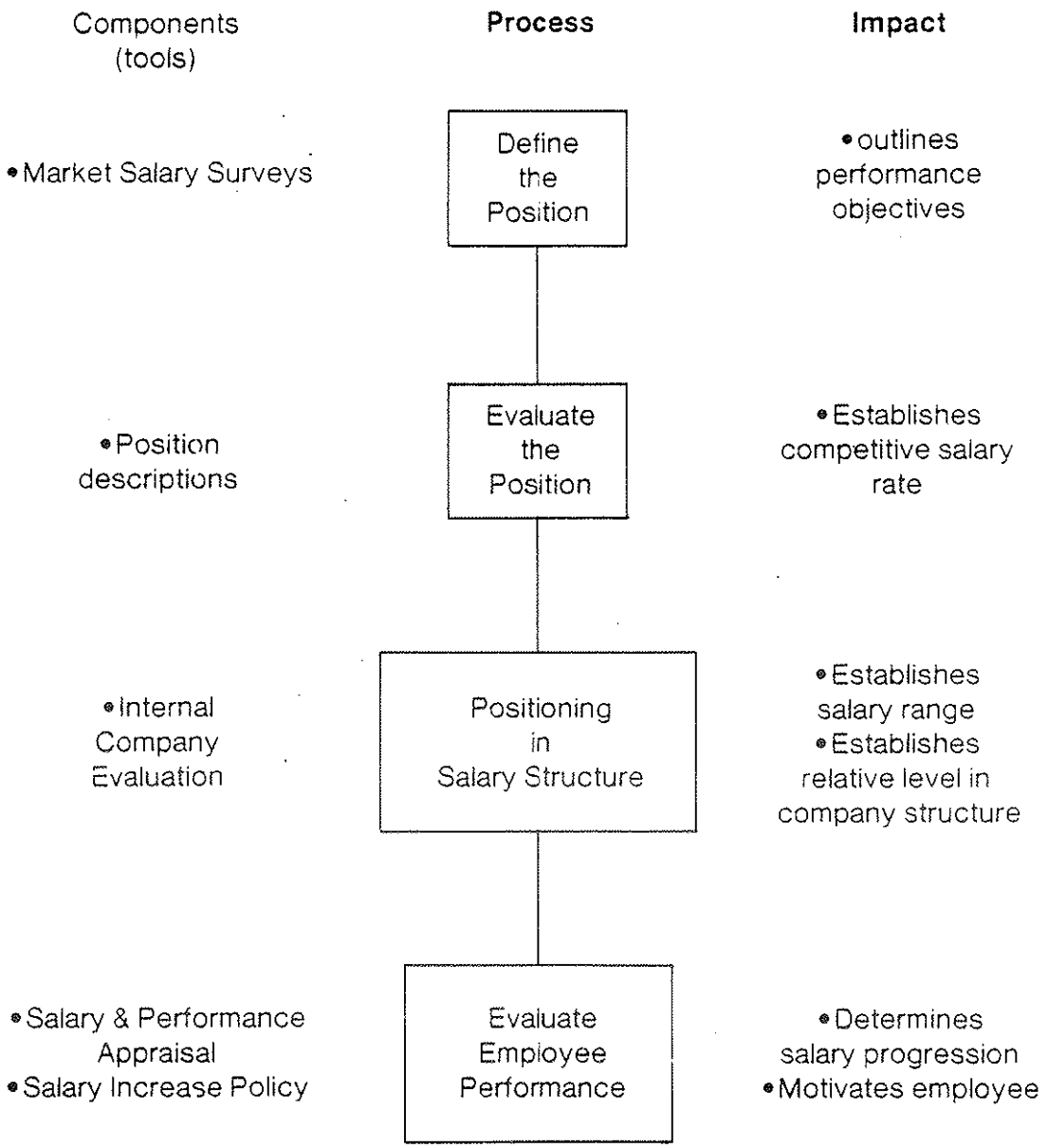
One final word of caution, before a cooperative decides to implement such a plan, there must be a strong commitment to such a program by the general manager and the senior management staff, even to the point of requiring supervisors to carry out their decisions on merit increases for personnel reporting to them within the parameters given and based on performance.

It truly forces the supervisor to deal with each subordinate on a one-to-one basis regarding his work performance. The tools for performance evaluation for merit salary adjustment which the supervisor uses are:

(1) The annual performance appraisal results.
(2) Annual written work goals results.
(3) Performance measured against written job standards.

Both the supervisor and the subordinate must confront the subordinate's performance in communicating about salary changes under this program. The full onus for the action taken with any salary adjustment under this program is on the supervisor. He has complete control within the parameters outlined in the annual merit grid.

Salary Determination



THE EVALU-COMP STRUCTURE HAS THE FOLLOWING FEATURES:

1) MINIMUM OF GRADE 1 IS BASED ON THE FEDERAL MINIMUM WAGE.

2) A PROGRESSION OF MIDPOINTS IS 6% FROM ONE GRADE TO THE NEXT.

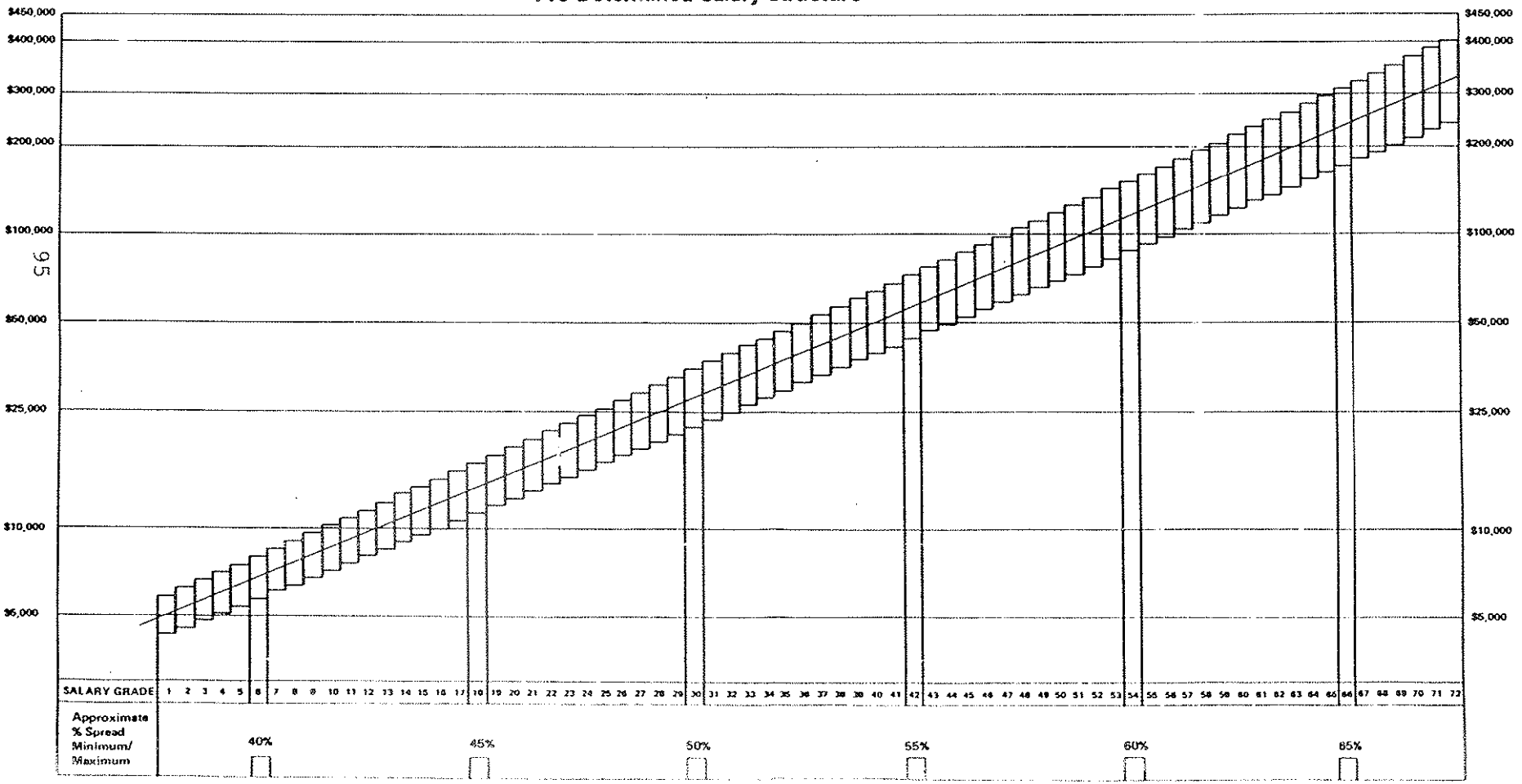
3) GRADE MINIMUMS AND MAXIMUMS ARE ROUNDED TO THE NEAREST $100.

4) SALARY RANGE SPREADS (MINIMUM TO MAXIMUM) ARE BASED ON DATA RESOURCES USED IN DEVELOPING THE PLAN AND THE SALARY RANGE SPREAD CAN INCREASE FROM 30% TO 60% UNDER THE EVALU-COMP PROGRAM.

EXECUTIVE COMPENSATION SERVICE

Evalcomp

Pre-Determined Salary Structure



EVALUCOMP SALARY STRUCTURE

Grade	Minimum	Midpoint	Maximum	Percent Spread
1.	$ 4,470	$ 5,250	$ 6,030	
2.	4,740	5,600	6,450	
3.	5,020	5,950	6,880	
4.	5,250	6,250	7,250	
5.	5,570	6,650	7,740	
6.	5,880	7,050	8,230	40%
7.	6,200	7,450	8,710	
8.	6,560	7,900	9,240	
9.	6,960	8,400	9,840	
10.	7,390	8,900	10,470	
11.	7,770	9,400	11,030	
12.	8,250	10,000	11,750	
13.	8,730	10,600	12,470	
14.	9,250	11,250	13,250	
15.	9,810	12,000	14,090	
16.	10,320	12,600	14,880	
17.	10,960	13,400	15,840	
18.	11,590	14,200	16,810	45%
19.	12,260	15,100	17,840	
20.	12,980	16,000	18,920	
21.	13,730	16,900	20,070	
22.	14,510	17,900	21,290	
23.	15,380	19,000	22,620	
24.	16,280	20,200	24,020	
25.	17,180	21,300	25,420	
26.	18,240	22,650	27,060	
27.	19,260	23,960	28,640	
28.	20,390	25,400	30,410	
29.	21,600	26,950	32,300	
30.	22,840	28,550	34,260	50%
31.	24,160	30,25[illegible]	36,340	
32.	25,600	32,100	38,610	
33.	27,060	34,000	40,940	
34.	28,650	36,050	43,450	
35.	30,200	38,200	45,930	
36.	32,080	40,500	48,920	

Grade	Minimum	Midpoint	Maximum	Percent Spread
37.	$33,920	$42,900	$51,880	
38.	35,920	45,500	55,080	
39.	37,990	48,200	58,410	
40.	40,130	51,000	61,870	
41.	42,580	54,200	65,820	
42.	45,060	57,450	69,840	55%
43.	47,690	60,900	74,110	
44.	50,460	64,550	78,640	
45.	53,390	68,400	83,410	
46.	56,530	72,550	88,570	
47.	59,790	76,850	93,320	
48.	63,300	81,500	99,700	
49.	67,000	86,350	105,460	
50.	70,880	91,550	112,220	
51.	75,010	97,050	119,090	
52.	79,370	102,850	126,330	
53.	83,980	109,000	134,020	
54.	88,890	115,550	142,220	60%
55.	94,090	122,500	150,920	
56.	99,570	129,850	160,140	
57.	105,380	137,650	169,920	
58.	111,520	145,900	180,280	
59.	118,020	154,650	191,290	
60.	124,910	163,950	202,990	
61.	132,210	173,800	215,390	
62.	139,900	184,200	228,500	
63.	148,060	195,250	242,450	
64.	156,720	207,000	257,280	
65.	165,840	219,400	272,960	
66.	175,550	232,600	289,660	65%
67.	185,780	246,550	307,320	
68.	196,590	261,300	326,000	
69.	208,150	277,100	346,050	
70.	220,270	293,700	367,130	
71.	233,100	311,300	389,490	
72.	246,730	330,000	413,270	

Guidelines for Salary Administration

Must:

1) Assure objectives of the plan are met and philosophy of salary administration is followed.

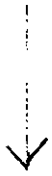
2) Permits authority to be delegated at the point where action must be taken.

3) Eliminates decisions on repetitive matters.

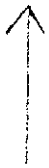
4) Produces coordinated consistent action among all divisions and departments.

COMPA-RATIO

EMPLOYEE BEING PAID ABOVE MIDPOINT OF SALARY LEVEL FOR HIS/HER POSITION HAS LESS POTENTIAL FOR MERIT INCREASE.



SALARY LEVEL MIDPOINT OF RANGE - 100 COMPA-RATIO.



EMPLOYEE BEING PAID BELOW MIDPOINT OF SALARY LEVEL FOR HIS/HER POSITION HAS GREATER POTENTIAL FOR MERIT SALARY INCREASE.

ANNUAL SALARY INCREASE GUIDE

Performance Rating	Code	Current Salary		
		Lower Third	Middle Third	Upper Third
Outstanding	3	10–15%	7–10%	5–7% Not to exceed maximum rate
Above Satisfactory	2	7–10%	5–7%	5% Not to exceed maximum rate
Satisfactory	1	5–7%	5% Not to exceed top of middle third	No increase
Below Satisfactory	½	1 or 2 increases of 5%—not to exceed lower third	No increase	No increase
Unsatisfactory	0	No increase	No increase	No increase

The above Salary Increase Guide is to be used in determining the maximum amount of annual increase that may be granted at any one time to an exempt employee if he is deserving of an increase. Increases within policy for exempt employees may not be granted more often than annually. Increases granted within the limitations set forth above are considered within policy.

The upper third (premium range) is restricted for out of policy salary actions.

Financing of Construction Needs

Leon Netardus - Business Manager

Guadalupe Valley Electric Cooperative, Inc.

In these turbulent economic times obtaining funds to finance construction on a rural electric system can demand a great deal of soul-searching and some hard basic decisions. As long as our only construction money came from REA and a supplemental lender such as CFC, and costs were stable, the most pressing decision to be made was when to go for a loan and what should be included.

These days we have different options open to us on financing, and interest rates are two or three times what they were a few years ago. As a matter of fact, there is serious doubt if REA will be available to rural electric systems for loans at all. Each piece of information that comes out of REA, the Department of Agriculture or the present Administration in Washington makes us believe that certain people are doing everything they can do to reduce available loan funds, increase interest rates, impose new rules and in short, to eliminate REA.

Our General Manager at Guadalupe Valley Electric Cooperative, Doyle Hines, several years ago forsaw that this could become a problem and began to study the consequences. He approached the problem from two angles: what the results would be if financing was changed, and what would our members think about some changes. At every opportunity he talked to our memberships at Annual Meetings, District Meetings, and Member Information Committee meetings, asking, "How do you feel about becoming less reliant on outside sources of funds and reducing our interest cost?" In many discussions the members always said they could see the good points of borrowing less money, realizing at the same time that internally generated funds could only come from the members.

With such support, Doyle proceeded to get all the information available on this problem. A ten year financial forecast was run using twelve different scenarios from a 70-30 percent REA, CFC funding to a 100 percent CFC loans and using different Times Interest Earned Ratios along with increasing interest rates. As expected, when more internally generated funds were used for construction the interest expense declined dramatically. What was a surprise was that the average cost per kilowatt hour to the member was not much different at the end of the period! With a calculated refund of Capital Credits, what this amounted to was borrowing from the consumers, saving interest cost and then giving back part of the money. (Appendix A).

At this time our REA Field Representative suggested we project a further 10 year Financial Forecast and to flatten our KWH usage in order to present the worst possible situation. When the summaries were compiled they showed a continuation of the same trends of the first forecast. In general, if less loan funds were used and TIER was increased to between 2.5 and 3.0, interest expense was reduced, equity increased and the net cost to the consumer changed very little (Appendix B).

The first opportunity to test our theory was with the rate change which went into effect December 1, 1982. We had asked the Texas Public Utility Commission for a TIER of 2.5 and a return on investment of eleven percent. These requests were approved in the final order and resulted in an average increase in rates of eleven percent. We at GVEC were all wondering, "Will this do what we want?"; "Will we meet the TIER goal; "Will our equity increase as expected?"; and most of all, "How will the members react?".

To take the most important first, the members made very few complaints. We suspected this was because we tried to keep them fully informed in our own newsletter and through advertisements and press releases. As a result, the negative impact was minor.

As for the financial statistics, the change was dramatic. The rates performed even better than expected and the net TIER increased from a low of 1.39 to 2.82 in the thirteen months from November, 1982 to December, 1983. The system equity as a percent of assets went up from 24 percent to 29 percent in the same period of time. These and other statistical measures have continued to get better during 1984.

To monitor this data we have a monthly Financial Profile analysis prepared by C. H. Guernsey of Oklahoma City. (Appendix C) This is on a twelve months ending basis and allows us to watch the trends every month. In addition it has information on expenses as compared to sales, Operating Revenue and percent of plant. It gives us a very accurate picture of where we have been and where we are heading.

Once the course is set, it is prudent to watch the progress in relation to expectations. Our Power Requirements Study of 1982 made a projection of peak demand and energy purchases as compared to the prior study. Like most utilities, the new study was considerably below the 1977 prediction. To keep posted on this area of concern we plotted our current demand and purchases and found them to be just a little more than the latest forecast. (Appendix D) We trust this means that current assumptions have been used.

Another tool we used as a check is our 1984 Operating Budget which indicates the rates will again perform superbly to increase our TIER, Equity and cash flow. (Appendix E) Expenses are expected to follow recent trends but there is no increase in the average KWH usage calculated in the revenue; just the increased number of consumers.

We have been concerned about operating costs, system efficiencies and plant additions, so as we began to look for areas of savings, we were able to focus on certain areas:

1. Power Costs - historical and future. A review of this data (Appendix F and G) shows no real decline in the continued increase in costs.

2. Line Loss - what now costs us 1.8 million dollars per year will be over 6 million dollars in a few short years (Appendix H).

3. Load Management - reliable estimates indicate that demand costs will triple in the next ten years (Appendix I). This will make feasible a defined Load Management program which is now being implemented for future demand cost avoidance.

In summary, we have found that internally generated funds to finance construction and avoid interest expense is a viable alternative under the circumstances which are present in our situation. This does not mean that all electric cooperatives would find this to be true. The factors to be considered before such a course is plotted are: (not in order of importance)

Growth rate

Interest rate levels

Availability of loan funds

Current rate of internally generated funds

The demands of your State Utility Commission

Rates of adjoining utilities

Patronage refund requirements

The financial position of the Cooperative

The financial trends of the Cooperative

We may not be able to control growth to any extent; interest rates and loan funds will dictate most of our plans; a hostile Commission may not let us change rates sufficient to generate construction funds or to make Capital Credit refunds; the financial trends may make changes extremely difficult. In any case, we do not recommend pricing yourself out of the range of the surrounding utilities. We may have a partial monoply, but competition is still very important.

The Wall Street Journal of April 17, 1984 had an article about the possibilites of electric utilities filing for bankruptcy because rates and cash flow were not keeping pace with expenses and demands. It said that a utility coming out of bankruptcy would have additional expenses in premiums for capital investments. The line that caught my eye said, and I quote, "Same regulators are now trying to determine whether the extra expenses would result in higher long-term rates after Chapter 11 than the rates needed to avoid the filing in the first place."

I compared this to our situation where delay in establishing electric rates sufficient to improve the financial statistics probably would mean that our consumers would pay more in the long term.

While this is by no means a thorough review of all financing possibilities, we hope it will encourage you to make a study of your situation and plot a course for the future.

Guadalupe Valley Electric Cooperative, Inc.

FINANCIAL FORECAST SCENARIOS

1983 —— 1992

Case No.	REA/Supplemental Ratio TIER and Interest Rate	Funds Required: REA Funds	+ Supplemental Funds	= Future Borrowing	General Funds To Be Invested In Plant	Total Interest Expense	Capital Credits Paid	System Equity in 1992	Total Rate Increases Over 1983 Level (%)	Average Residential Bill In 1992 (1214 KWH)	Cost Per KWH In 1992
1	70-30 —— 1.5 TIER 5% REA - 11.5% CFC	$19,180,000	$8,220,000	$27,400,000	$24,526,000	$27,662,000 $32,825,000	$5,163,000	33.1%	35.61%	$112.90	9.30¢
2	70-30 —— 3.0 TIER 5% REA - 11.5% CFC	7,115,500	3,049,500	10,165,000	41,761,000	21,842,000 $31,788,000	9,946,000	52.96%	38.85%	114.11	9.39¢
3	70-30 —— 2.5 TIER 7.5% REA - 11.5% CFC	8,634,500	3,700,500	12,335,000	39,591,000	27,357,000 $36,643,000	9,286,000	50.34%	41.48%	115.33	9.50¢
4	0-100 —— 2.5 TIER 0% REA - 12.5% CFC	-0-	12,456,000	12,456,000	39,471,000	27,820,000 $37,232,000	9,412,000	50.61%	42.41%	115.33	9.50¢

NOTES:

1. Financial forecast scenarios performed at TEC using the REA approved programs.
2. GVEC has $44.0 millions system investment in 1983 - projected to add $52.0 million thru 1992.
3. GVEC imbedded interest cost, 1983/1992 is $17.4 million total.
4. GVEC Cost of Power increases calculated at 5.6% annually thru 1992.
5. Annual business inflation used: 5% for Operation & Maintenance
   10% for Administrative & General
   $25,000 annual tax increase

Doyle Hines
11/28/83

APPENDIX A

Guadalupe Valley Electric Cooperative, Inc.

FINANCIAL FORECAST SCENARIOS

1993 - 2002

Case No.	REA/Supplemental Ratio TIER and Interest Rate	Funds Required: REA Funds	+ Supplemental Funds	= Future Borrowing	General Funds To BE Invested In Plant	Total Interest Paid	Capital Credits Paid	System Equity in 2002	Total Rate Increases Over 1992(%)	Average Res. Bill in 2002 (1214 KWH)	Cost Per KWH in 2002	TOTAL PLANT
5	70-30-----1.5 TIER 5% REA - 11.5% CFC	$19,958,752	$7,766,351	$27,725,103	$31,664,397	$46,509,125	$5,942,365	41.39	86.20%	$188.17	15.50¢	$144,270,501
						52,451,490						
6	70-30-----3.0 TIER 5% REA - 11.5% CFC	-0-	-0-	-0-	59,389,500	30,505,024	14,718,841	65.22	86.18	188.17	15.50¢	$144,270,501
						45,223,865						
7	70-30-----2.5 TIER 7.5% REA - 11.5% CFC	4,356,773	1,867,187	6,223,960	53,165,540	32,489,630	11,828,120	58.94	85.73	186.95	15.40¢	$144,270,501
						44,317,750						
8	0-100-----2.5 TIER 0% REA - 12.5% CFC	-0-	5,106,649	5,106,649	54,383,131	33,777,399	12,253,940	60.10	86.45	188.17	15.50¢	$144,270,501
						46,031,339						

APPENDIX B

FINANCIAL PROFILE ANALYSIS REPORT : Guadalupe Valley
APR. 17, 1984 Tx-94-Gonzales
Prepared by C. H. Guernsey & Company

PER NO.	12 MOS. ENDING	RATE BASE $	RETURN $	RATE OF RETURN %	INTEREST ON LONG TERM DEBT $	NET MARGINS $	OP. TIER	EQTY. AS%OF ASSETS	EQTY. AS%OF CAP.	AVG. LINE LOSS %	AVG. DEBT COST %	RETURN ON EQUITY %	GROWTH RATE %	OTHER INC.AS %-R.B.	NET TIER	O&T CAP CREDITS %-OTHER
1	MAR. '82	33936589	1610037	4.74	1333046	682015	1.21	22.78	24.60	6.27	5.09	3.68		1.19	1.51	.00
2	APR. '82	34096368	1674180	4.91	1372399	715144	1.22	22.42	24.38	6.03	5.16	4.12	12.95	1.21	1.52	.00
3	MAY '82	34737637	1725366	4.97	1414271	728616	1.22	22.68	24.38	6.01	5.25	4.09	13.73	1.20	1.52	.00
4	JUNE '82	35007784	1648916	4.71	1452721	616985	1.14	22.76	24.54	6.25	5.32	2.83	11.89	1.20	1.42	.00
5	JULY '82	35115476	1673214	4.76	1498904	590878	1.12	21.78	23.65	6.42	5.40	2.72	10.97	1.19	1.39	.00
6	AUG. '82	35206210	1856714	5.27	1537184	737686	1.21	21.92	23.88	6.37	5.47	4.66	10.58	1.19	1.48	.00
7	SEPT '82	35400101	1862609	5.26	1573606	699741	1.18	22.10	24.14	6.66	5.53	4.43	9.52	1.16	1.44	.00
8	OCT. '82	35626263	1915554	5.38	1631330	671253	1.17	22.38	24.26	5.63	5.66	4.49	9.43	1.09	1.41	.00
9	NOV. '82	35881217	1853887	5.17	1618293	628769	1.15	23.22	24.81	6.50	5.55	3.99	8.25	1.10	1.39	.00
10	DEC. '82	37731559	2073983	5.50	1644599	1010094	1.26	23.21	24.81	6.41	5.59	5.23	13.13	1.54	1.61	.00
11	JAN. '83	37774702	2401509	6.36	1665487	1306364	1.44	23.39	25.25	6.19	5.61	8.57	12.57	1.51	1.78	.00
12	FEB. '83	37910289	2791967	7.36	1679195	1683710	1.66	24.37	26.16	5.97	5.61	12.31	12.58	1.51	2.00	.00
13	MAR. '83	37962726	2981058	7.85	1700209	2005082	1.75	25.46	26.99	6.38	5.64	13.83	11.86	1.91	2.18	.00
14	APR. '83	38157176	3096646	8.12	1715262	2096317	1.81	25.12	26.74	6.45	5.65	14.87	11.91	1.87	2.22	.00
15	MAY '83	38299539	3290828	8.59	1725528	2283337	1.91	25.43	27.07	6.55	5.64	16.54	10.25	1.87	2.32	.00
16	JUNE '83	38455375	3511561	9.13	1739028	2496563	2.02	25.44	27.16	6.14	5.65	18.48	9.85	1.88	2.44	.00
17	JULY '83	38674936	3739486	9.67	1746529	2724513	2.14	25.13	27.23	5.90	5.65	20.42	10.14	1.89	2.56	.00
18	AUG. '83	38609582	3784348	9.80	1753416	2780230	2.16	25.16	27.52	6.53	5.65	20.74	9.67	1.94	2.59	.00
19	SEPT '83	38752180	4019834	10.37	1759515	3022273	2.28	26.29	28.49	6.33	5.65	22.23	9.47	1.97	2.72	.00
20	OCT. '83	39061663	4193160	10.73	1763818	3250953	2.38	27.29	29.27	6.69	5.66	23.01	9.64	2.10	2.84	.00
21	NOV. '83	39230474	4552953	11.61	1766818	3606105	2.58	28.36	30.20	6.00	5.66	25.35	9.33	2.09	3.04	.00
22	DEC. '83	39529505	4343533	10.99	1768666	3210246	2.46	27.53	29.60	6.86	5.66	23.67	4.77	1.61	2.82	.00
23	JAN. '84	39677701	4275986	10.78	1769873	3152759	2.42	26.93	29.29	7.35	5.65	23.15	5.04	1.63	2.78	.00
24	FEB. '84	39812625	4374097	10.99	1780172	3642056	2.46	29.32	31.44	6.33	5.68	22.56	5.02	2.63	3.05	.00
25	MAR. '84	40067317	4350109	10.86	1778904	3471181	2.45	29.78	31.83	6.26	5.67	21.96	5.54	2.25	2.95	.00

RATE BASE=(YR-END NET PLANT) 1.08189 NET MARGINS=PAT.CAP.& MARG.(LINE23) AVG.DEBT COST=INTEREST(12 MO.AVG.LTD)
OP. TIER EXCLUDES OTHER INC. & EXP. OTHER=NON OP.MARG.,O&T CAP.CR.,ETC. GROWTH RATE=ANNUAL INC. IN NET PLANT

APPENDIX C (Page 1)

Guadalupe Valley Tx-94-Gonzales
TWELVE MONTHS ENDING MAR. 1984
RATE BASE $ 40067317 RETURN $ 4350109
OPERATING REV. $ 34320935 PLANT GROWTH = 5.54 %/YR.
THE DESIRED RATE OF RETURN USING CFC FORMULA IS :

ROTATION PERIOD	RETURN IN EQUITY	RATE OF RETURN
10	13.29	8.10
15	9.99	7.05
20	8.40	6.54

THE FOLLOWING RATE INCREASE/DECREASE IS REQUIRED
IN ORDER TO REALIZE THE SPECIFIED RATE OF RETURN

RATE OF RETURN	OPER. TIER	REQUIRED RETURN	ADDITIONAL REVENUE	% INC./DEC.
5.00	1.13	$ 2003366	($ 2346743)	(6.84)
5.50	1.24	$ 2203702	($ 2146407)	(6.25)
6.00	1.35	$ 2404039	($ 1946070)	(5.67)
6.50	1.46	$ 2604376	($ 1745734)	(5.09)
7.00	1.58	$ 2804712	($ 1545397)	(4.50)
7.50	1.69	$ 3005049	($ 1345060)	(3.92)
8.00	1.80	$ 3205385	($ 1144724)	(3.34)
8.50	1.91	$ 3405722	($ 944387)	(2.75)
9.00	2.03	$ 3606059	($ 744051)	(2.17)
9.50	2.14	$ 3806395	($ 543714)	(1.58)
10.00	2.25	$ 4006732	($ 343378)	(1.00)

LOWER LIMIT=INTEGER(20 YR ROR - 1.0)
UPPER LIMIT=INTEGER(10 YR ROR + 2.0)
Prepared by C. H. Guernsey & Company
Consulting Engineers & Architects
Oklahoma City, Oklahoma

FINANCIAL PROFILE ANALYSIS SPECIAL REPORT : Guadalupe Valley
APR. 17, 1984 Tx-94-Gonzales
Prepared by C. H. Guernsey & Company

Per Num	12months endins	Energy Sold-kWh	AVERAGE COST - MILLS PER kWh Operating Revenue	Power Cost	Revenue Less Power Cost	Trans. & Dist. Oper. & Maint.	Cons. Accnts Sales & Inf.	Admin & Gen Exp	O & M (Note1)	Fixed Cost (Note 2)	Operating Margins
1	MAR. '82	497699416	47.034	36.348	10.686	1.486	1.375	2.067	4.928	5.147	.357
2	APR. '82	508308693	47.588	36.850	10.737	1.505	1.359	2.083	4.946	5.144	.594
3	MAY '82	514656802	47.843	36.978	10.864	1.568	1.363	2.100	5.030	5.177	.604
4	JUNE '82	522424347	47.708	37.057	10.651	1.550	1.360	2.117	5.027	5.197	.376
5	JULY '82	532589297	47.816	37.203	10.613	1.550	1.358	2.120	5.028	5.207	.327
6	AUG. '82	541304590	48.800	37.916	10.885	1.576	1.341	2.110	5.027	5.217	.590
7	SEPT '82	547238987	49.465	38.564	10.901	1.601	1.335	2.139	5.074	5.299	.528
8	OCT. '82	554324577	49.887	38.907	10.980	1.638	1.323	2.150	5.111	5.356	.513
9	NOV. '82	551449206	50.578	39.590	10.988	1.668	1.332	2.180	5.180	5.381	.427
10	DEC. '82	558230503	51.269	39.771	11.498	1.695	1.321	2.220	5.236	5.493	.769
11	JAN. '83	560751752	51.818	39.711	12.107	1.708	1.304	2.245	5.258	5.537	1.313
12	FEB. '83	561097389	52.829	39.902	12.927	1.737	1.304	2.314	5.355	5.588	1.983
13	MAR. '83	558928022	53.385	39.959	13.427	1.765	1.310	2.378	5.453	5.682	2.292
14	APR. '83	555672082	53.896	40.074	13.822	1.812	1.324	2.425	5.562	5.774	2.486
15	MAY '83	557652822	54.255	40.031	14.224	1.793	1.333	2.478	5.603	5.814	2.807
16	JUNE '83	561699234	54.743	40.118	14.625	1.807	1.337	2.495	5.639	5.830	3.156
17	JULY '83	561992577	55.673	40.520	15.153	1.859	1.337	2.537	5.733	5.874	3.546
18	AUG. '83	560328725	56.525	41.131	15.394	1.869	1.363	2.601	5.832	5.937	3.625
19	SEPT '83	562627988	57.020	41.194	15.826	1.863	1.370	2.619	5.853	5.956	4.017
20	OCT. '83	563928696	57.143	40.983	16.160	1.850	1.373	2.646	5.869	5.983	4.308
21	NOV. '83	570921562	57.531	40.809	16.722	1.854	1.367	2.673	5.894	5.948	4.880
22	DEC. '83	570337395	57.948	41.424	16.524	1.899	1.388	2.743	6.031	5.978	4.515
23	JAN. '84	575569084	58.375	42.015	16.360	1.886	1.403	2.758	6.048	5.958	4.354
24	FEB. '84	585802003	57.795	41.493	16.303	1.867	1.407	2.695	5.969	5.905	4.428
25	MAR. '84	593734124	57.805	41.695	16.110	1.846	1.407	2.674	5.927	5.853	4.331

Note 1. : Includes Trans & Dist O & M,Cons. Accts, Sales and A & G
Note 2. : Includes Depreciation,Tax,Interest & Other

FINANCIAL PROFILE ANALYSIS SPECIAL REPORT : Guadalupe Valley
APR. 17, 1984 Tx-94-Gonzales
Prepared by C. H. Guernsey & Company

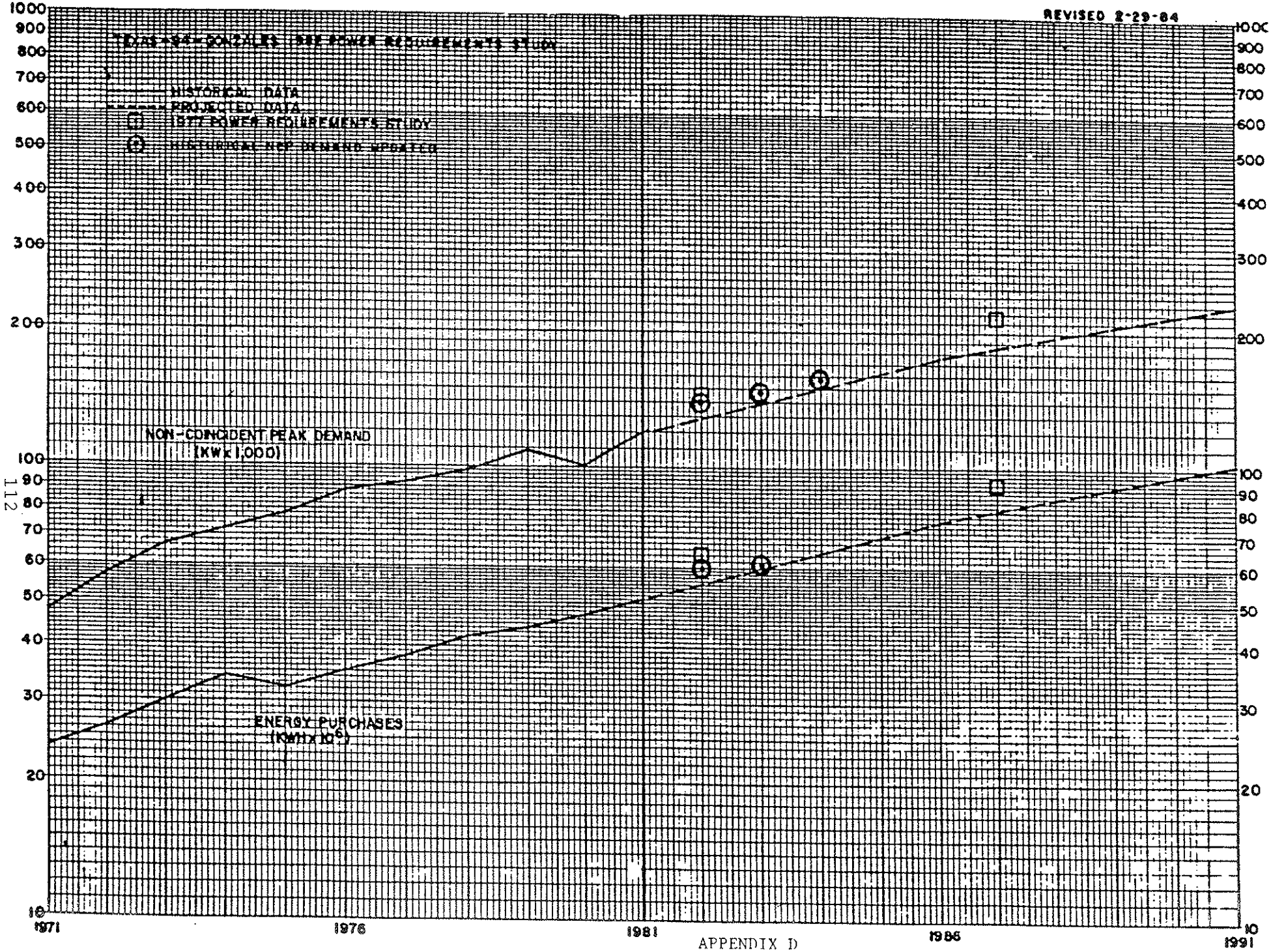
Per Num	12months ending	Total Revenue	Operating Revenue	Power Cost	Revenue Less Power Cost	Trans. & Dist. Oper. & Maint.	Cons. Accnts Sales & Inf.	Admin & Gen Exp	O & M (Note1)	Fixed Cost (Note 2)	Operating Margins
			AVERAGE COST - PERCENT OF OPERATING REVENUE								
1	MAR. '82	23408960	100.000	77.281	22.719	3.159	2.924	4.394	10.477	10.944	1.183
2	APR. '82	24189347	100.000	77.437	22.563	3.162	2.856	4.376	10.394	10.810	1.248
3	MAY '82	24622565	100.000	77.292	22.708	3.276	2.848	4.389	10.514	10.822	1.263
4	JUNE '82	24923769	100.000	77.674	22.326	3.249	2.851	4.437	10.537	10.893	.787
5	JULY '82	25466264	100.000	77.805	22.195	3.241	2.841	4.433	10.515	10.890	.684
6	AUG. '82	26415767	100.000	77.696	22.304	3.230	2.748	4.323	10.301	10.691	1.210
7	SEPT '82	27069227	100.000	77.962	22.038	3.236	2.698	4.324	10.257	10.713	1.068
8	OCT. '82	27653808	100.000	77.990	22.010	3.284	2.652	4.309	10.245	10.737	1.028
9	NOV. '82	27891122	100.000	78.275	21.725	3.298	2.634	4.310	10.242	10.639	.845
10	DEC. '82	28619736	100.000	77.573	22.427	3.307	2.576	4.330	10.213	10.714	1.500
11	JAN. '83	29057206	100.000	76.635	23.365	3.297	2.516	4.333	10.146	10.686	2.533
12	FEB. '83	29642301	100.000	75.530	24.470	3.287	2.469	4.381	10.137	10.578	3.754
13	MAR. '83	29838540	100.000	74.849	25.151	3.306	2.455	4.454	10.215	10.643	4.293
14	APR. '83	29948448	100.000	74.355	25.645	3.362	2.457	4.500	10.320	10.713	4.613
15	MAY '83	30255690	100.000	73.782	26.218	3.305	2.456	4.566	10.327	10.717	5.174
16	JUNE '83	30749114	100.000	73.285	26.715	3.301	2.442	4.557	10.300	10.650	5.765
17	JULY '83	31287790	100.000	72.782	27.218	3.339	2.402	4.556	10.297	10.552	6.370
18	AUG. '83	31672593	100.000	72.766	27.234	3.306	2.411	4.601	10.318	10.503	6.412
19	SEPT '83	32080867	100.000	72.245	27.755	3.268	2.403	4.594	10.264	10.445	7.046
20	OCT. '83	32224590	100.000	71.721	28.279	3.238	2.403	4.630	10.271	10.470	7.539
21	NOV. '83	32845607	100.000	70.934	29.066	3.223	2.376	4.645	10.244	10.339	8.483
22	DEC. '83	33049902	100.000	71.485	28.515	3.278	2.396	4.734	10.408	10.316	7.791
23	JAN. '84	33600168	100.000	71.974	28.026	3.231	2.404	4.725	10.360	10.207	7.459
24	FEB. '84	33856543	100.000	71.792	28.208	3.230	2.435	4.663	10.328	10.218	7.662
25	MAR. '84	34320935	100.000	72.130	27.870	3.193	2.434	4.626	10.253	10.125	7.492

Note 1. : Includes Trans & Dist O & M.Cons. Accts, Sales and A & G
Note 2. : Includes Depreciation,Tax,Interest & Other

FINANCIAL FORECAST DATA : Guadalupe Valley
APR. 17, 1984 Tx-94-Gonzales
Prepared by C. H. Guernsey & Company

Period	Purchased Power mills/kWh	O & M Expense $	O & M Expense %Plant	A & G Expense $	A & G Expense %Plant	Deprec.Exp. $	Deprec.Exp. %Plant	Tax Expense $	Tax Expense %Plant	Tax Expense %Rev.	Cons.Acct.Exp. $	Cons.Acct.Exp. /Cons.	Cons. Served	Total Plant
MAR.'82	33.97	739464	1.94	1034831	2.72	1035752	2.72	223367	.59	.95	684421	30.93	22128	38043374
APR.'82	34.53	764950	2.00	1064772	2.78	1046144	2.74	226587	.59	.94	690840	31.16	22170	38235888
MAY '82	34.66	806738	2.07	1087103	2.80	1050953	2.70	229370	.59	.93	701365	31.56	22221	39892335
JUNE'82	34.64	809729	2.06	1112349	2.84	1066590	2.72	248329	.63	1.00	710625	31.91	22267	39216573
JULY'82	34.72	825284	2.09	1135430	2.88	1076499	2.73	250447	.64	.98	723499	32.42	22313	39400533
AUG.'82	35.40	853161	2.16	1148581	2.90	1085880	2.75	253686	.64	.96	725925	32.46	22363	39553402
SEPT'82	35.89	875923	2.20	1177350	2.96	1094937	2.75	256385	.64	.95	730317	32.58	22418	39808804
OCT.'82	36.61	908130	2.27	1196599	2.99	1103702	2.75	259213	.65	.94	733483	32.65	22467	40067983
NOV.'82	36.91	919899	2.28	1209034	3.00	1112458	2.76	261710	.65	.94	734586	32.63	22515	40330374
DEC.'82	37.11	946319	2.25	1249103	2.97	1128764	2.68	315129	.75	1.10	737325	32.68	22560	42105845
JAN.'83	37.14	957987	2.27	1268977	3.01	1142166	2.71	319539	.76	1.10	731129	31.64	23109	42192872
FEB.'83	37.41	974382	2.30	1308476	3.09	1154522	2.72	314611	.74	1.06	731948	31.66	23119	42399825
MAR.'83	37.29	986494	2.32	1338921	3.15	1167639	2.75	320651	.76	1.07	732417	31.64	23152	42463991
APR.'83	37.37	1006983	2.36	1357522	3.18	1180565	2.77	325288	.76	1.09	735969	31.75	23180	42667756
MAY '83	37.29	999887	2.33	1391506	3.24	1198961	2.79	330628	.77	1.09	743095	32.00	23219	42901784
JUNE'83	37.54	1015056	2.36	1411301	3.27	1207100	2.80	318835	.74	1.04	750861	32.28	23263	43095595
JULY'83	38.01	1044770	2.41	1435443	3.31	1221238	2.81	323656	.75	1.03	751415	32.23	23313	43399050
AUG.'83	38.32	1047073	2.41	1467103	3.38	1235098	2.84	328282	.76	1.04	763691	32.68	23369	43425426
SEPT'83	38.46	1048318	2.40	1483099	3.40	1249402	2.87	332570	.76	1.04	770774	32.90	23426	43605044
OCT.'83	38.12	1043388	2.38	1501593	3.42	1263788	2.88	336546	.77	1.04	774424	32.99	23476	43850259
NOV.'83	38.25	1058495	2.40	1535469	3.48	1278172	2.90	341315	.77	1.04	780527	33.17	23528	44074329
DEC.'83	38.47	1083322	2.44	1577451	3.55	1285327	2.89	342633	.77	1.04	791794	32.90	24069	44405741
JAN.'84	38.81	1085618	2.43	1601021	3.59	1292792	2.90	353511	.79	1.05	807703	33.45	24145	44629300
FEB.'84	38.75	1093414	2.44	1592167	3.55	1300907	2.90	365011	.81	1.08	824489	34.00	24248	44829487
MAR.'84	38.97	1095820	2.43	1600893	3.55	1307520	2.90	375551	.83	1.09	835235	34.41	24271	45154104

asterizing


REVISED 2-29-84
TEXAS-NEW MEXICO POWER REQUIREMENTS STUDY
HISTORICAL DATA
PROJECTED DATA
(BTU POWER REQUIREMENTS STUDY
HISTORICAL NCP DEMAND UPDATED
NON-COINCIDENT PEAK DEMAND
(KW x 1,000)
ENERGY PURCHASES
(KWH x 10^6)
1000
900
800
700
600
500
400
300
200
100
90
80
70
60
50
40
30
20
10
1971
1976
1981
1986
1991

G.V.E.C.

1984 OPERATING BUDGET

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	TOTAL
Operating Revenue	$2,898,000	$3,211,000	$2,822,000	$2,651,000	$2,598,000	$2,715,000	$3,111,000	$3,365,000	$3,453,000	$3,142,000	$2,892,000	$2,581,000	$35,439,000
Cost of Power	2,145,000	2,084,000	1,658,000	1,702,000	1,748,000	2,123,000	2,295,000	2,499,000	2,274,000	1,985,000	1,929,000	1,958,000	24,400,000
Transmission Expense	3,700	3,700	3,700	3,700	3,700	3,700	3,700	3,700	3,700	3,700	3,700	4,300	45,000
Dist. Exp. - Oper.	37,500	37,500	37,500	37,500	37,500	37,500	37,500	37,500	37,500	37,500	37,500	37,500	450,000
Dist. Exp. - Maint.	56,200	56,200	56,200	56,200	56,200	56,200	56,200	56,200	56,200	56,200	56,200	56,800	675,000
Consumer Accts. Exp.	52,500	52,500	52,500	52,500	52,500	52,500	52,500	52,500	52,500	52,500	52,500	52,500	630,000
Con Serv & Info Exp	21,800	21,800	21,800	21,800	21,800	21,800	21,800	21,800	21,800	21,800	21,800	22,600	262,400
Admin & General Exp	166,200	166,200	113,200	113,200	116,200	116,200	113,200	113,200	113,200	113,200	113,200	166,800	1,524,000
TOTAL O & M EXPENSE	$2,482,900	$2,421,900	$1,942,900	$1,986,900	$2,035,900	$2,410,900	$2,579,900	$2,783,900	$2,558,900	$2,269,900	$2,213,900	$2,298,500	$27,986,400
Depr & Amort Exp	112,500	113,500	114,500	115,500	116,500	117,500	118,500	119,500	120,500	121,500	122,500	122,500	1,415,000
Tax Exp - Property	18,900	18,900	18,900	18,900	18,900	18,900	18,900	18,900	18,900	18,900	18,900	18,800	226,700
Tax Exp - Other	12,200	12,200	12,200	12,200	12,200	12,200	12,200	12,200	12,200	12,200	12,200	11,600	145,800
Int on Long-Term Debt	149,000	150,000	151,000	152,000	153,000	154,000	155,000	156,000	157,000	158,000	159,000	156,000	1,850,000
Other Deductions	900	900	900	900	900	900	900	900	900	900	900	1,100	11,000
TOTAL COST OF ELE SERV	$2,776,400	$2,717,400	$2,240,400	$2,286,400	$2,337,400	$2,714,400	$2,885,400	$3,091,400	$2,868,400	$2,581,400	$2,527,400	$2,608,500	$31,634,900
PAT CAP & OPER MARGINS	$121,600	$493,600	$581,600	$364,600	$260,600	$600	$225,600	$273,600	$584,600	$560,600	$364,600	($27,500)	$3,804,100
Non-Oper Margins - Int	27,000	27,000	27,000	27,000	27,000	27,000	27,000	27,000	27,000	27,000	27,000	26,000	325,000
Ono-Oper Margins - Oth	8,000	8,000	158,000	8,000	8,000	8,000	12,000	8,000	8,000	8,000	8,000	8,000	250,000
PAT CAPITAL & MARGINS	$156,600	$528,600	$766,600	$399,600	$295,600	$35,600	$264,600	$308,600	$619,600	$595,600	$399,600	$8,500	$4,379,100
OPERATING STATISTICS													
Miles of Line	4,443	4,450	4,457	4,464	4,471	4,478	4,485	4,492	4,498	4,504	4,510	4,516	
Total Serv. in Place	25,444	25,542	25,640	25,738	25,836	25,934	26,032	26,130	26,228	26,326	26,424	26,522	
Billed Consumers	24,231	24,329	24,427	24,525	24,623	24,721	24,819	24,917	25,015	25,113	25,211	25,309	
KWH Sold	49,806,000	52,556,000	48,499,000	45,712,000	44,855,000	46,700,000	53,112,000	57,310,000	58,795,000	53,614,000	46,994,000	44,327,000	602,280,000
KWH Purchased	56,060,000	54,374,000	43,687,000	45,243,000	46,347,000	56,025,000	59,988,000	64,916,000	59,078,000	51,778,000	50,549,000	51,321,000	639,366,000
Percent System Loss	11.2	3.3	-11.0	-1.0	3.2	16.6	11.5	11.7	0.5	-3.5	7.0	13.6	5.8
Operating Ratio (10/1)	85.7	75.4	68.8	74.9	78.4	88.8	82.9	82.7	74.1	72.2	76.6	89.1	79.0
Total Plant (Thousands)	$44,391	$44,727	$45,063	$45,399	$45,735	$46,071	$46,407	$46,743	$47,079	$47,788	$48,124	$48,460	

APPENDIX E

GUADALUPE VALLEY ELECTRIC COOPERATIVE, INC.

HISTORICAL & PROJECTED COST OF POWER

Year	Hist. & Proj. Cost of Power
1980	$15,520,208
1981	$16,813,209
1982	$22,201,218
1983	$23,625,841
1984	$27,247,221
1985	$31,766,820
1986	$41,989,490
1987	$51,963,401
1988	$60,573,663
1989	$58,649,799
1990	$68,082,906
1991	$77,578,570
1992	$86,630,832
1993	$96,932,472

APPENDIX G

GUADALUPE VALLEY ELECTRIC COOPERATIVE, INC.

HISTORIC LOAD AND COST DATA

Calendar Year	KW	%	KWH	%	$	%
1973	66729		300,642,000		1,873,946	
		9.01		13.29		142.38
1974	72739		340,591,160		4,542,120	
		6.52		(4.87)		52.94
1975	77479		324,019,600		6,946,804	
		12.41		8.07		31.76
1976	87098		350,180,800		9,153,318	
		6.62		9.20		5.33
1977	92863		382,412,200		9,641,238	
		5.20		9.73		21.77
1978	97695		419,613,000		11,740,601	
		11.18		5.23		14.07
1979	108618		441,549,500		13,393,041	
		(6.40)		7.00		15.88
1980	101667		472,441,266		15,520,207	
		18.39		7.74		8.33
1981	120363		509,011,216		16,813,208	
		16.21		17.50		32.05
1982	139869		598,204,198		22,201,218	
		2.33		2.67		6.42
1983	143121		614;158,400		23,625,841	
Average Annual Increase		10.41		9.48		

APPENDIX F

G.V.E.C. LOAD MANAGEMENT PROGRAM - LINE LOSS 3/23/84

Year	Total Sys Req (MWH)	Line Loss (%)	Line Loss (MWH)	GVEC Blended Cost	Dollar Value of Line Loss
1984	639,366	6.86%	43,861	42.616	$1,869,159
1985	710,000	6.86%	48,706	44.742	2,179,204
1986	782,000	6.86%	53,645	53.695	2,880,479
1987	826,574	6.86%	56,703	62.866	3,564,689
1988	873,688	6.86%	59,935	69.331	4,155,353
1989	923,488	6.86%	63,351	63.509	4,023,376
1990	976,127	6.86%	66,962	69.748	4,670,487
1991	1,030,000	6.86%	70,658	75.319	5,321,890
1992	1,088,710	6.86%	74,686	79.572	5,942,875
1993	1,150,766	6.86%	78,943	84.233	6,649,568

APPENDIX H

LOAD MANAGEMENT - PROJECTED DEMAND & COST

CASE 2

Year	GVEC NCP Demand (KW) (100% Ratch) (6% Ann Gr)	LCRA Projected Cost/KW (Incr 25%)	GVEC Projected Demand Cost (Dollars)
1983	1,717,452	$5.23	$8,982,274
1984	1,820,499	5.23	9,521,210
1985	1,929,729	6.27	12,099,401
1986	2,045,513	7.52	15,382,256
1987	2,168,244	9.56	20,728,409
1988	2,298,338	11.17	25,672,438
1989	2,436,238	14.53	35,398,545
1990	2,582,413	15.56	40,182,343
1991	2,737,358	15.56	42,593,284
1992	2,901,599	15.56	45,148,881
1993	3,075,695	15.56	47,857,814

APPENDIX I

A LOOK AT THE OTHER SIDE

William Miller, Executive Assistant
Seminole Electric Cooperative, Inc.

This discussion was about the changes which occurred when William Miller, manager of a distribution cooperative, moved to a position with a G & T cooperative.

Comments from Bill Miller:

- Been a distribution manager 17 years, now have to change my tune.
- Thought for 17 years problems were all with G & T.
- Now, I've had to change my perspective.
- Cited his experience as a distribution manager in two cooperatives in Oklahoma.
- When became affiliated with Seminole, first thing done was to visit all distribution managers.
- Information shared with the group is Bill Miller's opinions, not Seminole's.

SEMINOLE ORGANIZED IN 1948

- For 25 years was a paper G & T.
- Distribution cooperatives own most of the transmission line in Florida.
- Seminole represented the 11-member systems before the State Utilities Commission.
- 1973 Oil Embargo was driving point for Seminole because Florida's investor-owned utilities were dependent on oil for generation.
- Seminole also wanted to control its own power supply.
- Bought 14 MC in Crystal River Nuclear generating plant.
- 1976 started to build two 1200 MC units. First unit came on line in January 1984 and second unit in January 1981.

Seminole Electric Cooperative, Inc.

11 Member Systems.
390,000 meters.
1,000,000 energy users.
45 Florida Counties.
2 representatives from each member system; one director and one alternate who attends meeting but does not have a vote.
Limited Public Service Commission jurisdiction over G & T.
Seeking to phase out oil generation.
Serves large retirement population.
Peaks in winter.
Annual load factor 39.3.
(4 Florida cooperatives are served by Alabama Electric)

Question from floor: Has the problem of one member-one vote been raised since the systems served by Seminole range in size from 83,855 to 9,191?

Miller's Answer: This has been discussed and it is pointed out that the distribution system has a similar problem when it gives a large industrial member only one vote.

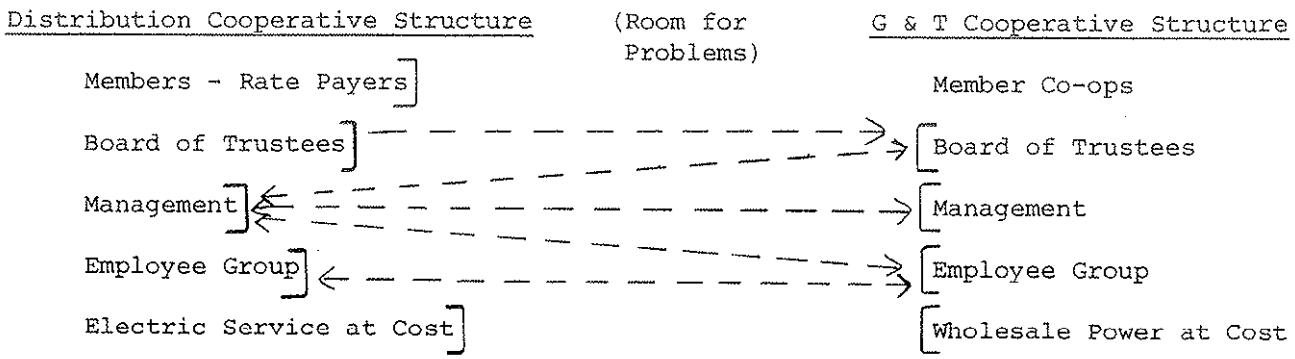
Utility Environment

- Arab oil embargo.
- Fuel Sources Dilemma:
  a. Nuclear - social and political.
  b. Fuel Oil - dependence on foreign source.
  c. Natural Gas - limited source.
  d. Coal - acid rain and transportation cost.
- Growth projections.
- Cost of wholesale power.
  a. Capacity.
  b. Cost of fuel.
- Changes in growth rate.
- Lack of Control.
- Stress and Frustrations

Human Side of Relationships Between G & T and Distribution Cooperatives

Investor Owned Utility Structure

Stockholders
↓
Board of Directors
↓
Management
↓
Employee Group
↓
Rate Payer



Seminole has eleven board members who bring eleven different philosophies.

3 Miller

Inherent problems in relationship between G & T and Member Systems

- Different Philosophies.
- Unpopular to actively support G & T.
- Transfer of Responsibility.
- Different load factors.
- Competitive factors.
- Personality conflicts.

Conclusions according to Miller:

- Capacity Construction Approach

  1. More regulatory oversight.
  2. More joint arrangements.
  3. Conservative decisions.

- Evolution

  1. Study needs.
  2. Develop solutions.
  3. Gradual implementation.

- Trust and Confidence.

- Personality of individuals involved.

- Listen to membership.

  1. Distribution
  2. G & T

- Sensitivity to signals.

- G & T should always remember its "roots."

A POWER CO-OP MANAGEMENT AUDIT

Harold Smith, Flint EMC
Bud Stacy, Oglethorpe Power Cooperative

Notes taken from the presentation made by Smith and Stacy
Comments by Smith who served as chairman of the Management Audit Committee

Oglethorpe is 10 years old.

Largest G & T Co-op in the United States.

Many decisions for Oglethorpe came rapidly.

39 member cooperatives and 39 board members.

Only distribution board members may be members of Oglethorpe board.

Managers may be alternates and may vote.

There has been a "tad" of conflict.

Management audit decision was made.

Committee of 7 appointed to oversee audit.

Committee decided all "dirty linen" should be washed.

All concerns of all individuals and groups affected by Oglethorpe were sought through written, confidential input for the audit.

All concerns were included in the scope.

13 companies sent the scope and asked to bid on audit.

10 companies responded. Committee interviewed three, ½ day each, questioning companies on their methodology for the audit, etc.

Committee made recommendation to the Oglethorpe board that Price Waterhouse make the audit. Board accepted the recommendation.

Price Waterhouse interviewed anyone who had a concern not included in the scope. This gave people a second opportunity to give input.

EMC member systems were invited to assist. Some did.

1 year and 4 days later (after 19 meetings) a report was given to Oglethorpe's board.

Audit required a lot of the committee's time. WELL WORTH THE TIME.

Comments by Stacy who discussed the documentation aspect of the audit.

Harold Smith was chairman of the committee.

Oglethorpe had as of 1983 a $3 billion capital investment with a $2 billion commitment through 1987, totaling $5 billion capital investment in plant.

2 Management Audit

Almost all of the $5 billion is in guaranteed loans. $2 million is in insured loans.

Stacy indicated that he had come to Oglethorpe from CIPCO, a G & T cooperative in Iowa.

Reported that for the past 22 months, Oglethorpe had had some kind of audit taking place in their headquarters.

Ten different audits were listed:

1. Georgia Power Company (auditing capital expenditures).
2. MEAG looking at transmission expenditures.
3. Independent financial auditors.
4. REA auditors.
5. Audit on safe harbour leasing.
6. Internal Revenue - auditing non-exempt side.
7. Internal Revenue - auditing exempt side.
8. OIG.
9. OMB.
10. Price Waterhouse - Pleasure to work with this firm on a management audit.

When you go through a management audit, get the most out of it.

Circumstances required that Oglethorpe move rapidly in its development.

Missed opportunities for member communications.

Oglethorpe manager supported audit.

IDEAL MANAGEMENT AUDIT

- - - - Maintains Independence (from all internal and external groups)

Gives credibility to audit.
Gives high acceptability to audit.
(not everyone accepts findings of such an audit, no matter how professionally it is done.)

- - - - Is Non-Adversarial

If audit is adversarial - no one wins.
Professional auditors work to remove adversarial atmosphere.

- - - - Is Well Coordinated

Auditor works with management to develop a work plan to do audit efficiently.

- - - - Promotes Exchange

Must have trust to promote exchange of information.

- - - - Emphasizes Strengths

Important for board and management to know from auditors what major strengths are. This information is most useful in the corporate strategic planning process.

- - - - Had Integrity

Comes from independence of auditor and auditor's professionalism as indicated from interviews and background information.

- - - - Praises Your Work

(If you're really lucky, auditor must be able to show good points and bad points.)

THE AUDIT PREPARATION

- - - - Assign Coordinator

Talk with auditors and learn that they expect to have a coordinator.

Coordinator is the interface between auditor and the organization.

Coordinator sets up the interviews.

Retrieves documents.

Responds to auditors requests within the timeframe for requested information.

Coordinator must be committed and know the organization.

- - - - Establish Guidelines

For staff on time frames, etc.

Coordinate your guidelines with the auditor's guidelines to their staff.

Include response time.

Establish guidelines before the fact.

- - - - Consult with Staff

Important for manager to consult with staff, tell what is happening what to expect, and how to respond.

Avoid surprises for your staff.

Good auditors don't play "I got you."

- - - - The Preparation

Insist on understanding with the firm.

This is important for staff and auditors.

THE AUDIT PROCESS

- - - - Cooperation

Cooperative within guidelines.

Must keep the cooperative operating.

- - - - The Audit Process

Don't be afraid to disagree.

If auditor is in "left field," tell him so.

Be ready to back up your position.

- - - - Keep Staff Encouraged

When you have numerous auditors, staff (people) gets tired.

Manager must be the cheerleader.

Find ways of promoting and keeping staff going.

- - - - Maintain Corporate Integrity

Be firm in review and comment phase.

Have supporting data for your position.

IMPLEMENTING RECOMMENDATION

- - - - Work Within the Existing Corporate Framework

- - - - Don't let auditors create outside the organization's structure.

- - - - Insist on staff participation. (Make it a part of their performance evaluation.)

- - - - Make reports to committees and board.

Price Waterhouse prepared summary from audit report.

Oglethorpe developed implementation plan which tied in with the scope used in the request for the audit proposal.

QUESTIONS AND ANSWERS

Q: Bad reports from audits sometimes come because auditors don't understand co-ops. What can we do?

A: Need auditors who understand utility business first; if they know co-ops, this is the icing on the cake.

Q: Do you feel audit was worthwhile?

A: Will always have a few you won't impact. The middle group will feel better; they accept the professional, independent auditor's opinion.

Q: How did it affect Oglethorpe's public image?

A: No affect. Wall Street says "Management Audit, what's wrong?" Couldn't believe audit's good report.

Q: What about the press?

A: If audit had been bad, would have been on the front page of the Atlanta Journal.

Comment: OIG now has a charter. GAO asked how come you never put out a good report? OIG replied not our job; our job is to find out the things which should have been done better or differently. With distribution system audits done by GAO, they can have nothing in the report which they can't document.

Comment by Harold Smith: Management audit was a healthy exercise for Oglethorpe to check our own pulse.

Q: Have you put into effect changes as a result of the audit?

A: Several recommendations are being implemented and they are a matter of timing. Some things we have disagreed with.

Q: Is Oglethorpe under the State Utility Commission?

A: No. We're doing everything we can, including this audit, to stay out from under the commission.

Q: Would you do the management audit over again?

A: Yes, maybe in five years. It is expensive. Audit cost about $300,000, and about $300,000 in staff time in addition. Price Waterhouse said to do it again, they would require from $500,000 to $600,000.

REPORT OF REMDC RESEARCH COMMITTEE

Wayne D. Keller, Chairman
Virgil Herriott, Project Leader

In his comments, Keller mentioned that the Council had been involved in research for a number of years and pointed out some of the projects which the Research Committee had spearheaded in the past, including the management evaluation guide and the productivity research report.

Keller stated that this year's project resulted from last year's study of the ten problems which had confronted distribution cooperatives in the past ten years and how these problems or challenges were met. He stated that the results of the study indicated that a major concern was the Distribution Member Cooperatives and the G & T Cooperatives' relationships.

He cited information contained on the attached information sheet concerning the scope of the current project. (See attachment.)

Keller said that the project had been led by Virgil Herriott, council member, recently retired;and Dr. Eugene Hunt of Virginia Commonwealth University assisted by Dr. Kurt Olmosk, West Virginia College of Graduate Studies. Keller thanked Virgil Herriott and Dr. Hunt for their excellent work with the project. He then introduced Virgil Herriott to discuss the results of the project, after stating that Dr. Hunt could not be present for the Council meeting because of the beginning of summer school at Virginia Commonwealth University.

Virgil Herriott gave some history of the progress of the project to this date. He stated that he and Dr. Hunt had met with the G & T Managers Association, by invitation, and presented the proposal regarding the participation of all G & T managers and board members and managers and board members of their distribution member systems in a mail survey. Virgil stated that the difficulty was that the G & T Managers didn't know who or what the Rural Electric Management Development Council was.

An excerpt was read from the G & T Managers Association minutes which indicated that the G & T Managers had decided not to participate in the survey. The minutes indicated a further motion by the G & T Managers that the Council seek the support of the NRECA management advisory committee and if it chose to sponsor the G & T Managers would support the survey.

Virgil further reported that many conversations were held with the G & T Association chairman, Don Norris, the executive committee members of the association, and discussions by both Virgil and Wayne Keller with Bob Kabat regarding the research project.

In early 1983, the Research Committee met with the Executive Committee of the G & T Managers Association at the NRECA annual meeting and the committee again stated the position of the association. Bob Kabat said no to participation by NRECA.

The Council members were reminded that the Council had concluded last year that NRECA would, in all probability, not want to become involved with the survey because it would be somewhat controversial.

Virgil then explained his long working relationship with Bill Matson, General Manager of Alleghany Generation and Transmission Cooperative of Harrisburg, Pa. He stated he had worked with Bill when Bill was located at East River G & T. He said that he had discussed the project with Bill at a social gathering and Bill agreed that Alleghany would be a pilot. Virgil went back to Bill after the meeting with the Executive Committee of the G & T Managers Association and Bob Kabat and Bill agreed to Alleghany's participation in a pilot project. However, Bill wanted to see the questionnaire to be used and was pleasantly surprised to see the nature of the survey questions.

The research project then became a case study to test the survey instrument and the methodology for such a survey.

Virgil then presented each Council member a copy of the survey instrument (see attached copy) and the report from Dr. Eugene Hunt and Dr. Kurt Olmosk entitled "A Test of methodology to assess the relationship between generation and transmission and distribution boards."

Virgil carefully reviewed the report from Dr. Hunt and Dr. Olmosk with the Council members. Virgil commented that the opinions expressed in the report were Dr. Hunt's and Dr. Olmosk's and he had not been able to review the report before it was finalized. He stated that he would discuss the report with Dr. Hunt before the report would be presented to the Alleghany Board. Virgil stated that Bill Matson had requested that Virgil attend an Alleghany Board meeting and discuss the results of the report with the Board.

Virgil commented that if the survey is done again with other G & T's, extra promotional effort should be made to get the surveys returned to give a higher percentage of returns than received at Alleghany. A follow-up mailing was suggested to help improve the return of the questionnaires.

Following the review of the report from Dr. Hunt and Dr. Olmosk (see copy attached and made a part of these Council proceedings), further discussion brought the following questions and comments.

QUESTIONS AND ANSWERS

Q: What has been Bill's response to the report?
A: Finally caught Bill this week on Monday evening. Bill focused on the negative aspects of the report. It is my feeling that the major emphasis of the report indicates perceptions of the large majority of the participants reflected a good image of Alleghany.

Q: Is Bill aware of the subject comments in the report?
A: Yes.

Q: What is your follow-up?
A: Will present the report to the Alleghany Board at their meeting in September. We could not coordinate a date before September.

Comment: Good report. Can understand some of the distribution directors' answers.

Q: Did report break down information by demographics?
A: Sampling was not large enough.

3 REMDC Research Report

Q: Could an analysis between distribution directors' and distribution managers' views be made?
A: This was done.

Comments: Could have had much better comparisons if the survey could have been done nationally. We would have a national profile to compare against.

Q: Has NRECA been made aware of the results of the case study?
A: We will talk about that tomorrow when we present the Research Committee's recommendations.

Q: Role perception of the G & T Director as to G & T's versus Distribution Co-op's interest--was this explored? Distribution Co-op director needs to be oriented as to representation on the G & T Board.
A: We tried to do this through the construction of the survey questions.

Q: What about comments at the end of the questionnaire?
A: This would have been difficult to relate and Dr. Hunt did not think this was a good idea.

Comment: It would be good to provide this opportunity for comments on future surveys.

Virgil commented that the Research Committee would welcome input on wages to improve project, including revision of the questionnaire.

Virgil stated that it had been fun working on this project.

Wayne Keller stated that he would be finishing his term as chairman of the Research Committee at this meeting and thanked the committee members and the Council for its excellent support of the work of the Research Committee.

RURAL ELECTRIC MANAGEMENT DEVELOPMENT COUNCIL
RESEARCH PROJECT
WORK PLAN - 1983-84

WHAT IS REMDC?

The Rural Electric Management Development Council was organized in 1958 by a small group of distribution cooperative managers and staff assistants who were interested in expanding their knowledge and skills in management beyond the parameters of accepted management training at that time. These people were innovators, reaching for unanswere concepts, through mutual concern and effort. The group has remained fairly small and they have continued their learning experiences by sharing experiences in innovative management projects, aided by invited management specialists. Membership in the Counci is open to rural electric management people in distribution, G & T cooperatives, and associated organizations who:

1. Have done advanced work in particular areas of management.
2. Will devote time and effort toward making a maximum contribution to study and research.
3. Have satisfactorily completed the NRECA Management Institute Program.

The group does not seek to compete with anyone, but rather to enhance and expand the available managerial training.

REMDC is an unincorporated, volunteer organization that depends upon membership by invitation. Over its two and one-half decades of existence, it has carried on a number of research projects which have benefited the total rural electric program. These projects include: (1) The Rural Electrification Management Evaluation Guide, developed by the Council and given to NRECA for distribution and training in its use; (2) Publis ing of a research paper on Productivity Improvement in Rural Electric Cooperatives using research gained from seven rural electric cooperatives carrying out productivity projects at their local cooperatives; (3) Numerous small projects focusing on specifi issues relating to rural electric management such as work planning, performance appraisals, board/manager relationships, and others. The council publishes an annual record of its meetings, including copies of papers presented by the members at the meetings on various management subjects.

CURRENT RESEARCH PROJECT

The Council has, for many years, had a Research Committee which directed and carried out the research project which the membership determined should be pursued. Funding for the research projects comes from the members of the Council.

The current research project originated from a study done by the Research Committee among the member cooperatives as to the challenges and opportunities facing the cooperatives in a changing world. In a discussion of the study results by the Council members, it appeared that an area which was of great interest and concern by the member cooperatives was the working relationships between the distribution cooperatives and their generation and transmission cooperatives, of which the distribution cooperatives are members. It was the decision of the group that the Research Committee should begin work on a research project which would ultimately help to improve the decision-making and working relationships between the distribution cooperatives and their generation and transmission cooperative. The first year of the project would be devoted to effort to develop and implement a survey which would determine the perceptions of how boards and managers of G & T and distribution member-cooperatives view the governance and decision-making process of the G & T. The results of the survey would then be used to develop a working plan for the Research Committee and the Council in future years. The Research Committee was directed by the Council to work closely with the G & T managers' group in the development and implementation of the survey to assure mutual support and cooperation.

RESEARCH PROJECT WORK PLAN FOR 1983-84 (Continued)

BELIEF FOR THE RESEARCH PROJECT

The Generation and Transmission Cooperatives were created by the distribution cooperatives which are the G & T's members and the objectives and goals of the G & T's must, in the long run, enhance the operations of their member cooperatives and benefit the ultimate members (end users) of the member cooperatives.

OBJECTIVES OF THE RESEARCH PROJECT

1. To determine key factors which influence the interactions of member distribution cooperatives and their generation and transmission cooperative.
2. To identify forces, both positive and negative, which affect achievement-oriented working relationships between member distribution cooperatives and their generation and transmission cooperative in defining objectives, decision-making, and accountability.
3. To develop recommendations for action programs to enhance the effectiveness of the working relationships between the member distribution cooperatives and their generation and transmission cooperatives.

OBJECTIVE OF THE SURVEY

To identify and correlate perceptions that exist among the managers and directors of member distribution cooperatives and their G & T cooperative about those forces, both positive and negative, which affect achievement-oriented working relationships between the distribution and the G & T cooperatives in defining objectives, decision-making, and accountability.

FIRST PHASE OF PROJECT AND PROJECT MANAGER AND CONSULTANT

A random sample survey of G & T managers and boards and member-distribution cooperative managers and boards will be the first phase of the project.

Virgil Herriott, General Manager, Sioux Valley Empire, Electric Association, Inc., P. O. Box 216, Colman, South Dakota 57017, is project manager, and Dr. Eugene Hunt, 2400 Landon Road, Richmond, Virginia 23229, is the consultant.

SCHEDULE FOR FIRST PHASE OF RESEARCH PROJECT - THE SURVEY (TENTATIVE)

1. Development of survey instrument - completed by October 1, 1983.
2. Testing - (At G & T Managers' Conference) - October 2 - 5, 1983.
3. Administering Survey - October 15 - November 15, 1983.
4. Processing Survey (computer) - November 15 - December 15, 1983.
5. Written Report Completed by April 30, 1984.*

* Note: Preliminary review of survey results by Committee at the NRECA Annual Meeting in San Francisco, January 22 - 25, 1983.

RESEARCH COMMITTEE

Wayne Keller, Chairman
Harold Smith
Dick Arnold
Charles Overman
Virgil Herriott

July 27, 1983

ELECTRICAL COOPERATIVE SURVEY

This survey is designed to gather data on the interaction of your G & T System and its member distribution cooperatives. Your identity is not required. The data you provide will be treated confidentially and will be used only for the purpose of this study. Thank you for your cooperation.

PART I. BACKGROUND

1. How many years have you been in the Rural Electric Cooperative Program (other than as just a consumer member)?

_____0-5; _____6-10; _____11-15; _____16-20; _____over 20

2. What is your present position?

_____Director of Distribution Cooperative but not Director of G & T

_____Director of Distribution Cooperative and Director of G & T

_____General Manager of Distribution Cooperative

3. How many years of service do you have as a:

_____Director of G & T

_____Director of Distribution Cooperative

_____General Manager of Distribution Cooperative

4. What is your present age? _____

5. What is your highest level of formal education completed?

_____High School Graduate _____Some college but not a graduate

_____Bachelor Degree _____Bachelor Degree with some advanced college

_____Masters Degree or beyond

PART II. OBJECTIVES:

(Please circle appropriate word or number in the following questions)

1. Do you know the objectives of:

Your Distribution Cooperative	Yes	No
Your G & T Cooperative	Yes	No

2. Do you have a copy of the objectives for:

Your Distribution Cooperative	Yes	No
Your G & T Cooperative	Yes	No

3. To what extent do you agree with the objectives of

	No opinion or Insufficient information	Very Little		Moderate		Great Deal
Your G & T Co-op	0	1	2	3	4	5
Your Distrib Co-op	0	1	2	3	4	5

4. How much influence do you have in determining or changing (up-dating) the objectives of:

Your G & T Co-op	0	1	2	3	4	5
Your Distrib. Co-op	0	1	2	3	4	5

5. How realistic are the objectives of:

Your G & T Co-op	0	1	2	3	4	5
Your Distrib. Co-op	0	1	2	3	4	5

6. How compatible are the objectives of your G & T Cooperative with those of your Distribution Cooperative?

1 2 3 4 5

7. How responsive is your G & T Cooperative to member Cooperative needs?

1 2 3 4 5

8. Is there a formal review process for the objectives of:

Your G & T Cooperative	Yes	No	Don't Know
Your Distribution Cooperative	Yes	No	Don't Know

PART III. DECISION-MAKING

1. (a) Are the areas of decision-making responsibility clearly defined between the board and their general manager of:

	No Opinion or Insufficient Information	Very Unclear		Moderate		Very Clear
Your G & T Co-op	0	1	2	3	4	5
Your Distrib. Co-op	0	1	2	3	4	5

(b) Once the responsibilities are defined, is the Board adhering to these definitions?

	No Opinion or Insufficient Information	Very Unclear		Moderate		Very Clear
Your G & T Co-op	0	1	2	3	4	5
Your Distrib. Co-op	0	1	2	3	4	5

(c) Once the responsibilities are defined, is the General Manager adhering to these definitions?

	No Opinion or Insufficient Information	Very Unclear		Moderate		Very Clear
Your G & T Co-op	0	1	2	3	4	5
Your Distrib. Co-op	0	1	2	3	4	5

2. (a) How much influence DOES each of the following have in determining G & T policy decisions?

	No opinion or Insufficient Information	very Little		Moderate		Great Deal
Dist. Managers	0	1	2	3	4	5
Dist. Boards	0	1	2	3	4	5
G & T Manager	0	1	2	3	4	5
G & T Board	0	1	2	3	4	5

(b) How much influence SHOULD each of the following have in determining G & T policy decisions?

	No opinion or Insufficient Information	Very Little		Moderate		Great Deal
Dist. Managers	0	1	2	3	4	5
Dist. Boards	0	1	2	3	4	5
G & T Manager	0	1	2	3	4	5
G & T Board	0	1	2	3	4	5

3. (a) How much influence DOES each of the following have in determining G & T operating decisions?

	No Opinion or Insufficient Information	Very Little		Moderate		Great Deal
Dist. Managers	0	1	2	3	4	5
Dist. Boards	0	1	2	3	4	5
G & T Manager	0	1	2	3	4	5
G & T Board	0	1	2	3	4	5

(b) How much influence SHOULD each of the following have in determining G & T operating decisions?

Dist. Managers	0	1	2	3	4	5
Dist. Boards	0	1	2	3	4	5
G & T Manager	0	1	2	3	4	5
G & T Manager	0	1	2	3	4	5

4. (a) How much influence DOES each of the following have in determining Distribution Cooperative policy decisions?

	No opinion or Insufficient Information	Very Little		Moderate		Great Deal
Dist. Managers	0	1	2	3	4	5
Dist Boards	0	1	2	3	4	5
G & T Manager	0	1	2	3	4	5
G & T Board	0	1	2	3	4	5

(b) How much influence SHOULD each of the following have in determining Distribution Cooperative policy decisions?

Dist. Managers	0	1	2	3	4	5
Dist Boards	0	1	2	3	4	5
G & T Manager	0	1	2	3	4	5
G & T Board	0	1	2	3	4	5

PART III. DECISION MAKING (continued)

5. (a) How much influence DOES each of the following have in determining Distribution Cooperative operating decisions?

	No opinion or Insufficient Information	Very Little		Moderate		Great Deal
Dist. Managers	0	1	2	3	4	5
Dist. Boards	0	1	2	3	4	5
G & T Manager	0	1	2	3	4	5
G & T Board	0	1	2	3	4	5

(b) How much influence SHOULD each of the following have in determining Distribution Cooperative operating decisions?

Dist. Managers	0	1	2	3	4	5
Dist. Boards	0	1	2	3	4	5
G & T Manager	0	1	2	3	4	5
G & T Board	0	1	2	3	4	5

6. To what extent does your G & T Director represent the best interests of the G & T Cooperative as a whole?

0	1	2	3	4	5

7. How much influence do the larger cooperatives have under the current representation system on the G & T Board?

No opinion or Insufficient Information	Too Little Influence		Right Amount of Influence		Too much Influence
0	1	2	3	4	5

8. Do you generally feel the following groups get enough information to make the decisions they are asked to make?

	No Opinion Insufficient Information	Too Little		About Right		Too Much
Dist. Managers	0	1	2	3	4	5
Dist. Boards	0	1	2	3	4	5
G & T Managers	0	1	2	3	4	5
G & T Board	0	1	2	3	4	5

PART III. DECISION MAKING (Continued)

9. (a) Is your G & T Board asked to make decisions they are not qualified to make?

No Opinion or Insufficient Information	Never	Rarely	Occasionally	Frequently	Always
0	1	2	3	4	5

10. (b) Is your Distribution Board asked to make decisions they are not qualified to make?

0	1	2	3	4	5

PART IV ACCOUNTABILITY

1. For evaluating your G & T's overall performance, the guidelines and information available to the G & T Board are:

No Opinion or Insufficient Information	Too Little		About Right		Too Much
0	1	2	3	4	5

2. For evaluating your Distribution Cooperative's overall performance, the guidelines and information available to the distribution Board are:

0	1	2	3	4	5

3. Currently the data the G & T Board receives regarding overall G & T performance can be related to approved plans and budgets:

No Opinion or Insufficient Information	Never	Rarely	Occasionally	Usually	Always
0	1	2	3	4	5

4 Currently the data the Distribution Board receives, regarding overall distribution performance, can be related to approved plans and budgets:

0	1	2	3	4	5

5. Currently the G & T Board receives overall performance information that is timely:

0	1	2	3	4	5

6. Currently the Distribution Board receives overall performance information that is timely:

0	1	2	3	4	5

PART IV. ACCOUNTABILITY (continued)

7. (a) Currently I am kept informed by Allegheny on decisions made by Allegheny:

0 1 2 3 4 5

(b) Currently I am kept informed by Allegheny on issues, problems, and concerns of Allegheny:

0 1 2 3 4 5

PART V. STRUCTURE:

1. Membership of the G & T Board SHOULD be

_____%Distribution General Managers, _____%Distribution Board Directors

2. Should member Cooperative Boards be permitted to choose either a Director or their Manager to serve on G & T Board? _____Yes _____ No

3. The number of present G & T Directors at your G & T is:

Too Little		About Right		Too Big
1	2	3	4	5

4. Training of the present G & T board, given their responsibility, is:

No Opinion or Insufficient Information	Too Little		About Right		Excessive
0	1	2	3	4	5

5. Training of the present Distribution board, given their responsibility,is:

0 1 2 3 4 5

6. Do the rates currently in use at your G & T:

No Opinion or Insufficient Information	Strongly Favor Small Coops	Favor Small Coops	Are Neutral Favor Neither	Favor Large Coops	Strongly Favor Large Coops
0	1	2	3	4	5

PART V. STRUCTURE (continued)

7. (a) Are internal politics (non-partisan) detrimental to the functioning of your G & T Board?

No Opinion or Insufficient Information	Never	Rarely	Occasionally	Frequently	Always
0	1	2	3	4	5

(b) Are internal politics (non-partisan) detrimental to the functioning of your Distribution Boards?

0	1	2	3	4	5

A TEST OF METHODOLOGY TO ASSESS THE RELATIONSHIP BETWEEN GENERATION AND TRANSMISSION AND DISTRIBUTION COOPERATIVE BOARDS

Dr. Eugene H. Hunt
Virginia Commonwealth University

and

Dr. Kurt Olmosk
West Virginia College of Graduate Studies

Management Development Council
Atlanta, Georgia
May 21, 1984

A TEST OF METHODOLOGY TO ASSESS THE RELATIONSHIP BETWEEN GENERATION AND TRANSMISSION AND DISTRIBUTION COOPERATIVE BOARDS

The data for this study was collected during February and March of 1984. The purpose of the study was two-fold. First, this study was designed to test a methodology for assessing the relationship between generation and transmission (G & T) boards and distribution cooperative boards. Second, the study was designed to collect information regarding the actual operation of one G & T cooperative. The cooperative that was selected for study was the Allegheny Generation and Transmission Cooperative in Harrisburg, Pennsylvania.

METHODOLOGY

The methodology used was to collect data using questionnaires. This methodology was chosen because of its ease of administering and because of the geographic dispersion of the respondents. The dimensions studied were initially suggested by the Management Development Council. The initial questionnaire was designed by Drs. Kurt Olmosk and Eugene H. Hunt. After the first draft of the questionnaire was completed, it was edited by Eugene H. Hunt and Virgil Herriott. The questionnaire was then sent to all Allegheny G & T board members and the boards of directors of the distribution cooperatives served by Allegheny.

Forty-seven usable responses were returned. This is a total response rate of thirty-one percent. Twenty-six of 112 distribution cooperative board members responded for a response rate of 23 percent. Eleven of 14 G & T board members responded for a response rate of 79%. Nine of 14 distribution cooperative general managers responded for a response rate of 64%. In the following discussion, data from the distribution cooperative board members may be somewhat under represented.

After the data from the questionnaires was keypunched, computer analysis was done using the Statistical Package for Social Sciences (SPSS). The analysis consisted of simple frequency counts for the responses from the total group to each question and comparisons of the responses to each question based on the position of the respondents and the number of years of experience with cooperatives of each respondent. Because of the small sample size, elaborate statistical analysis was not warranted.

BACKGROUND OF RESPONDENTS

The average age of the people who completed the questionnaire was 55 years old. Half of the respondents (50%) had a high school diploma as their highest level of education. Almost one-third (30%) of the respondents had a bachelors degree or better as their highest level of educational attainment. Almost half (46.5%) of the respondents had over 20 years of experience with the electric cooperative. Almost two-thirds (63.6%) of the G & T directors had held that position for under five years. Better than three-quarters (80%) of the distribution cooperative directors had held that position for over five years. All (100%) of the distribution cooperative general managers had held that position for over five years. It can be concluded from these data that the respondents have considerable experience with electric cooperatives; however, their experiences as G & T directors is considerably more limited.

RESULTS

Four major aspects of organizational life were explored in this study. These were:

1. Knowledge of, and clarity of, organizational objectives
2. Clarity of, and adherence to, a decision making structure.
3. The availability and usefulness of information regarding

decisions and problems at Allegheny.

4. The size and structure of G & T boards.

OBJECTIVES

The respondents indicated that knowledge of both the distribution cooperative and the G & T objectives was widely shared. Almost all (95.5%) of the respondents knew the distribution cooperative's objectives. Likewise almost all (90.3%) of the respondents knew the G & T cooperative objectives. In addition to knowing the objectives the respondents generally agreed with these objectives (99.9% of G & T and for the distribution cooperative). Generally the respondents believed that they had more influence at the distribution cooperative level in setting these objectives than they did at the G & T level (99% at distribution cooperative level and 51.5% at the G & T level believed that they had at least moderate influence in setting the objectives). Respondents also believed that the objectives at both levels were generally realistic (93.1% at the G & T level, 100% at the distribution cooperative level). The objectives set by the G & T also were believed to be compatible to those at the distribution cooperative level (94.4% generally agreed). In the minds of our respondents there seems to be some uncertainty as to whether there is a formal review process for the objectives of G & T. 56.9% indicated that they did not know whether there was a formal review process or left the answer blank. Only 40% of the respondents indicated that they believed that there was a formal review of G & T objectives. There is considerably less uncertainty regarding the formal review of the distribution cooperative objectives. 74.4% of the respondents indicated that there was a formal review of objectives at this level.

Overall it appears that the objectives of the distribution cooperative and the G & T cooperative are well defined and well understood and well

agreed to by the respondents. Although the objectives are well defined and well understood by the total population, the actual decision-making processes of the G & T and the control processes of the G & T are not as widely understood. In the discussion that follows you will note that the distribution boards, and to some extent the distribution general managers, often fail to express an opinion or indicate that they do not have enough information to answer questions regarding decision and accountability at the G & T. At this point we do not have data to determine whether this lack of opinion is a result of not getting information from the G & T or a result of the respondents not feeling a need to trace the decision making and accountability processes at the G & T.

DECISION MAKING

Respondents were asked whether they believed the decision-making responsibilities were clearly defined between the board and their general manager of both the G & T and their distribution cooperative. 38.6% failed to indicate any opinion on this question for the G & T. Only 17.6% indicated that they thought the responsibilities were poorly defined between the general manager and the board at the G & T level. No one failed to indicate an opinion on the responsibilities at the distribution cooperative level and only 2.3% indicated that they were poorly defined.

The respondents also were asked to indicate whether they believed the board was adhering to the defined responsibility once they had been clarified. At the G & T level 43.2% of the respondents again failed to express an opinion. Only 6.7% of the total population indicated that they believed that the board was not adhering to the defined responsibilities. At the distribution cooperative level only one respondent failed to indicate an opinion and only 6.8% of the total group indicated that the board was not adhering to the defined responsiblities.

The respondents were asked whether they believed that the general manager was adhering to the defined responsibilities once they had been clarified. At the G & T level 40.9% of the respondents failed to express an opinion, but only 6.8% of the total group indicated that the general manager was not adhering to the agreed guidelines. At the distribution cooperative level 2.3% did not indicate an opinion and only 2.3% indicated that the general manager was not adhering to the agreed guidelines.

The questionnaire also explored the amount of influence on both policy and operations that the G & T managers, the G & T boards, the distribution cooperative boards and the distribution cooperative general manager had. Approximately one-third (29.6%) of the respondents failed to indicate opinions with respect to the G & T's. Those who did respond indicated that currently the G & T manager sets most policy with some input from the G & T board and to a lesser extent from the distribution boards and distribution managers. Ideally, the G & T board influence should be strengthened somewhat, but no major shifts are being indicated by the respondents. Currently the G & T manager makes the operating decisions with some input from the G & T board. The distribution managers and the distribution boards have little influence on G & T operations. The respondents indicated that ideally the decision making should be more evenly shared between the G & T manager and his board. However, the G & T manager should still have the most influence on operations.

At the distribution cooperative level a parallel situation exists. The distribution manager sets most policy with some input from the distribution board and to a lesser extent from the G & T boards and managers. Ideally, the distribution boards should influence the policy decisions somewhat more heavily than they do currently, but no major changes are being proposed. The distribution manager makes the operating decisions with some input from the

distribution board. The G & T manager and board have little influence on distribution cooperative operations. Ideally, the decision making should be more evenly shared between the distribution manager and his board. However, the distribution manager should still have the most influence on operations at the distribution cooperative.

Respondents were asked whether the G & T director from their distribution cooperative represents the best interest of the G & T cooperative as a whole. Only seven percent of the total respondents indicated that they felt the G & T director did not represent the best interest of the G & T cooperative as a whole.

The questionnaire also explores whether the large cooperatives have too much influence under the current system of representation on the G & T board. A large majority (73.1%) believe large cooperatives have the right amount of influence on the G & T board under the current system.

Respondents were asked whether they felt that generally the following groups got enough information to make the decisions they are being asked to make. Almost everyone (85%) felt that the distribution managers were getting the proper amount of information. Likewise 80.9% of the respondents believed the distribution boards were getting the proper amount of information. A large minority (29.5%) indicated that they had no opinion with respect to the amount of information available to the G & T manager. Of those who did respond to the question, most indicated that the G & T manager was getting the proper amount of information for decision making. Likewise, one-quarter (25%) indicated that they had no opinion regarding the amount of information available to the G & T board for decision making. Of those that did respond most indicated that the G & T board was getting the proper amount of information.

Finally, with respect to decision making, the respondents were asked to indicate whether they believed that the G & T boards and the distribution boards were being asked to make decisions they were not qualified to make

Almost half (40.9%) indicated that they either did not know or had no opinion as to whether the G & T boards were being asked to make decisions that they were not qualified to make. Of the G & T boards members who responded, 54.6% indicated that they were either occassionally or frequently asked to make decisions for which they were not qualified. Of the distribution board members who responded to the question, 24% indicated that they were occassionally or frequently asked to make decisions for which they did not feel they qualified.

ACCOUNTABILITY

Respondents were asked to indicate whether they felt that the guidelines on information available for evaluating the overall G & T operation and the overall distribution cooperative operations were adequate. At the G & T level 50% of the respondents indicated that the available guidelines were sufficient. 22.5% indicated that there were not sufficient guidelines available for evaluating overall operations. 27.5% of the respondents indicated they had no opinion or did not know whether guidelines were available. When looking at the responses from only the G & T board members, however, 90.9% on the board felt that the guidelines for evaluating the overall operation of G & T were adequate. At the distribution cooperative level almost everyone (79.6%) indicated that the available guidelines were sufficient for evaluating overall distribution cooperative operations.

Respondents also were asked whether they were getting timely information that could be related to the approved plans and budgets at both the G & T and the distribution cooperative. Generally the respondents indicated that they were getting adequate information on a timely basis that could be related to the overall approved plans and budgets at both the G & T and the distribution cooperative level. However, approximately one-third of the distribution board members failed to respond to these questions with respect to the G & T.

STRUCTURE

Respondents were asked to indicate what they felt would be the proper portion of distribution general managers and distribution board directors on the G & T board. Responses indicated that the G & T board should be composed of no more than 50% distribution general managers and no less than 50% distribution board directors. A split of approximately 35% general managers and 65% distribution board members would seem to be appropriate. Those respondents who were general managers believe that the Board should be split 50% general managers and 50% board members. Those respondents who were non managers on both the distribution board and the G & T board believed that anywhere from 30% to 100% of the G & T board should be general managers. Those respondents who were only on the distribution board believed that the G & T board should have anywhere from zero general managers to fifty percent general managers on the G & T board.

Respondents did not indicate that they felt a strong need for training beyond what is being done for either the G & T board or the distribution cooperative board.

Respondents were asked whether the rates currently in use at their G & T favored the large cooperatives or the small cooperatives. The overwhelming opinion (75%) was that the rates were neutral and favored neither the small cooperatives nor the large cooperatives.

Respondents were also asked whether internal politics at the G & T board and at the distribution board were interfering of the functioning of these boards. Most respondents felt that the internal politics were not a major problem at either the G & T board or the distribution board level. Only 11.9% of the respondents indicated that internal politics were frequently a problem at the G & T board. Only 9.1% of the respondents indicated that internal politics were frequently a problem at the distribution board level.

SUMMARY

Overall the data indicate that the respondents are satisfied with the way the board and general manager are operating at Allegheny. This appears to be a healthy organization. If there are any weaknesses, it may be that distribution board members are not completely aware of how decisions regarding G & T policies and operations are being made at Allegheny. This may be a result of their not having any need to know.

With respect to the methodology used in this study, the questionnaire and the analysis procedure seems to be adequate for understanding the relationships and the operation of the G & T and distribution boards. In the future, however, more effort may be required in order to get a larger proportion of the distribution board members to respond.

1984 RURAL ELECTRIC MANAGEMENT DEVELOPMENT COUNCIL

ATLANTA, GEORGIA

MAY 24, 1984

ERC LOAN SURVEY

by

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ERC LOAN SURVEY

OUTLINE

A. INTRODUCTION TO ERC LOAN PROGRAM

B. USE OF THE ERC LOAN PROGRAM TO DATE

C. ERC LOAN SURVEY HIGHLIGHTS

D. IMPACT OF ERC LOANS

E. SUMMARY

A. INTRODUCTION TO ERC LOAN PROGRAM

1. **Purpose of ERC Loan Program:** The purpose of the Energy Resources Conservation (ERC) Loan Program is to make low interest loans (5% interest) to cooperative members for financing energy conservation measures. The intent is to pursue both energy conservation and the reduction of oil and gas usage.

   The source of funding the 5% loans to members is the deferment of principal payments on quarterly debt service payments of co-ops to REA on outstanding 2% loans.

   Eligible energy saving measures which can be financed with 5% ERC Loans are:

   (A) Caulking;

   (B) Weatherstripping;

   (C) Heat Pump Systems (including water source heat pumps) and water heaters, which reduce consumption of electricity;

   (D) Heat pumps, water heaters, and central heating or central air conditioning system replacements and modifications, which reduce oil or gas consumption; except in those cases where the primary fuel for generating electricity is oil or gas;

   (E) Ceiling insulation;

   (F) Wall insulation

   (G) Floor insulation;

   (H) Duct insulation;

   (I) Pipe insulation;

   (J) Water heater insulation;

   (K) Storm windows;

   (L) Thermal windows;

   (M) Storm or thermal doors;

   (N) Electric system coordinated consumer-owned devices that reduce the maximum kilowatt demand on the electric system;

   (O) Clock thermostats; and,

   (P) Attic ventilation fans.

2. **ERC Loan Program References:** REA Bulletin 20-23; December 8, 1980
REA Report Number 14862

B. USE OF ERC LOAN PROGRAM TO DATE

1. Region/State Summary of Eligible and Authorized Participants

See Exhibit B.1

2. Region/State Summary of ERC Loan Numbers and Amounts

See Exhibit B.2

3. Other ERC Loan Statistical Data

See Exhibit B.3

C. ERC LOAN SURVEY HIGHLIGHTS

During Fall 1983, an ERC Loan Survey was sent to 93 co-ops that were actively making ERC loans. Of those surveys, 73 co-ops or 78% of the group responded to the survey.

Some of the Survey Highlights are as follows:

1. ERC Loan Activity

(a) Regarding the continued use of ERC Loans

. . . 92% planned to continue.

(b) Regarding the possibility of exceeding the quarterly loan limit

. . . 49% would approve ERC loans for the next quarter

. . . 51% would institute a moratorium until the next quarter

Additionally,

. . . 14% would consider funding additional amounts required at 5% APR from general funds

. . . 11% would consider providing a supplemental co-op originated loan program at an interest rate different than the 5% ERC Loan rate.

. . . 5% would consider asking REA to allow them to defer 5% REA loan principal repayments in addition to the current allowance for the deferrment of 2% REA loan principal repayments.

(c) Regarding ERC Loan documentation

. . . 88% utilize a Credit Application

. . . 30% utilize a Credit Test

. . . 100% utilize a Promissory Note

. . . 74% utilize a Truth in Lending Disclosure Form

. . . 16% utilize a Waiver of Pre-Judgement Rights

. . . 34% utilize other forms of credit related documents such as: Energy Audit Checklists; Weatherization/Work Performance Con-tracts; Work Completion Certificates; and various security instruments including Mechanics Liens, Judgement Liens, Deeds of Trust, and Second Mortgages

. . . 58% provide a Loan Amortization Schedule to members

(d) Regarding primary security for ERC Loans

. . . 60% utilize an unsecured Promissory Note. Of the unsecured notes, 4% provide for a Waiver of Pre-Judgement Rights

. . . 40% utilize a secured Promissory Note with a Judgement or other Security Lien position

Additionally,

. . . 26% utilize a combination of unsecured and secured notes based on amount of loan

. . . 5% utilize a Deed of Trust or Second Mortgage Security Instrument

(e) Regarding defaults on ERC Loans

. . . 0.8% of the loans outstanding experienced defaults on scheduled payments. The co-ops were pursuing their recovery efforts for said loans. The total loan amounts involved totaled 1.2% of all approved loans.

. . . 55% of co-ops advised that they would attach member patronage capital to recover defaulted loan amounts

. . . 32% indicated that their Bylaws would cover this type of patronage capital attachment as payment for a non-electric bill

(f) Regarding ERC Loan billing to members

. . . 45% utilize the electric bill

. . . 29% utilize a loan coupon book

. . . 26% utilize a seperate invoice

(g) Regarding interest in a similar loan program for new housing

. . . 8% currently have a comparable loan program for financing energy related purposes in new homes

. . . 44% expressed an interest in establishing a loan program for energy related purposes in new homes

2. **ERC Loan Eligible Items**

(a) Regarding the most frequently financed item

. . . 44% responded Ceiling Insulation

. . . 16% responded Heat Pumps, Water Heaters, and Central Heating or Air Conditioning which reduces oil or gas consumption

. . . 11% responded Storm Windows

. . . 10% responded Consumer Devices to reduce maximum KW Demand

. . . 8% responded Heat Pump Systems and Water Heaters which reduce the consumption of electricity.

(b) Regarding the least frequently financed items

. . . 19% responded Clock Thermostats

. . . 12% responded Pipe Insulation

. . . 11% responded Consumer Devices to reduce maximum KW Demand

. . . 10% responded Attic Ventilation Fans

. . . 7% responded Heat Pump Systems and Water Heaters which reduce the consumption of electricity.

3. **ERC Loan Marketing Methods**

(a) Regarding marketing methods other than Energy Audits

. . . 89% utilize Statewide Co-op Publications

. . . 49% utilize Local Radio Broadcasting

. . . 45% utilize Local Newspapers

. . . 40% utilize Bill Stuffers

. . . 21% utilize Local Television Broadcasting

. . . 53% utilize other media such as: Contractor and Member and Public Meetings, Personal Contacts and Word of Mouth, Homebuilder Shows, Fairs, Billboards, etc.

(b) Regarding the most efective marketing medium

. . . 45% indicated "Word of Mouth" vis a vis personal contacts at meetings of contractors, members, and general public as a group or individually.

(c) Regarding Energy Audits

. . . 79% perform an Energy Audit for each item financed

. . . 4% charge on Energy Audit fee. Of those charging a fee, the range was from $5 to $15 with an average of $12.

. . . 29% utilize the "Manucomp" Energy Audit Program as their program. Approximately 15% use an "Inhouse" Energy Audit Program and the remainder use a variety of other programs.

(d) Regarding employee sales commissions

. . . 5% indicated they had considered employee sales commissions but none decided to implement a commission structure.

. . . 10% indicated they would consider implementing an employee sales commission structure if it was based on specific goals.

(e) Regarding incentives to promote ERC loans

. . . 64% rely solely on the ERC Loan value

. . . 26% have retail rate incentives

. . . 19% offer equipment rebates

. . . 8% use other incentives such as: free energy audits with accompanying recommendations, price breaks as a result of co-op/contractor relationship, and lump sum incentive payments, etc.

(f) Regarding merchandise sales to non-members

. . . 29% sell to non-members

4. **Purchasing and Warehousing Activities**

(a) Regarding merchandise inventory

. . . 53% rely on contractors to warehouse inventory

. . . 26% of co-ops carry merchandise inventory

. . . 16% of co-ops have a distributorship for merchandise

5. **Installation Activities**

(a) Regarding installation of merchandise

. . . 64% rely on contractors for installation

. . . 12% of co-ops use employees for installation

6. **Servicing Activities**

(a) Regarding servicing of merchandise

. . . 75% rely on contractors for servicing

. . . 19% of co-ops use employees for servicing

7. **Handling Considerations**

(a) Regarding handling of merchandise

. . . 16% charge a handling fee. Of those charging a fee, the variations ranged from: a flat fee basis of $10 to $25, a mark-up percentage of 3% to 15%, or other consideration to cover "overhead costs".

8. **Other General ERC Loan Related Information**

(a) Regarding energy use related personnel

. . . 2.27 employees worked full-time per average co-op

. . . 1.69 employees worked part-time per average co-op

(b) Regarding the quality of individual ERC loan programs

. . . 40% rated their program as "Very Good"

. . . 47% rated their program as "Good"

. . . 7% rated their program as "Fair"

. . . 4% rated their program as "Poor"

D. **IMPACT OF ERC LOANS**

1. **Member Perspective**

The proverbial "member at the end of the line" benefits from the ERC loan program as follows:

(a) enhanced decision making in terms of implementing energy conservation or exploring alternatives to heating, cooling, or hot water heating.

The Co-op provides its technical assistance through an Energy Audit for each ERC loan. As a result, the member can get more bang for the buck!

(b) reduced anxiety over how to pay for energy use improvements.

The member can save money on his total energy bill while paying for the improvements over a reasonable period of time. The interest rate at 5% APR is very attractive.

(c) reliance on co-op knowledge of competent contractors or their own employees to install and service any energy related facilities.

The member doe not have to pick-up the "Yellow Pages", obtain multiple bids for work, and spend time and money over the quality and cost of the job.

(d) taking pride in helping to reduce this country's reliance on imported oil and dwindling future natural gas supplies.

The member can use electric energy in an efficient manner with a better load factor. This will aid the member consumer in the short and long run.

2. **Distribution Cooperative Perspective**

The local distribution cooperative benefits from the ERC loan program as follows:

(a) enhanced member services through ERC loans in conjunction with Energy Audits.

The co-op can use its resources (technical energy use, contractor knowledge, financial, and administrative) for the benefit of the member.

(b) better responsiveness to high bill complaints.

The member can do something and the co-op will help you "save while you pay".

(c) improved competitive posture

Electric Co-ops are in a competitive energy market and need to present viable alternatives to heating, cooling, and hot water heating versus other energy sources. There is an aging housing stock in rural America which, sooner or later, needs to upgrade its energy facilities.

When the old oil burner becomes inefficient, the electric baseboard too expensive, and the wood stove environment is driving wives to not sleep at night, the member consumer is searching for options. The co-op should be their to render its option and use its resources to the benefit of the member.

(d) take advantage of the captive market

With the co-op's monthly billing relationship, the functions of communicating, marketing, and collecting are greatly facilitated versus the competition.

Member stability in most areas plus the existence of member patronage capital retained by the co-op can be combined with any other form of security to provide more than a resonable assurance of repayment to the co-op and thereby minimize the risk of making ERC loans.

(e) produce better consumer end use load factor

As a result of more efficient energy use, local co-ops should be able to enhance its overall distribution system design, planning and cost, produce better structured retail rates, and hold down the need for large additions of generating capacity.

(f) provide a natural partner for load management activities.

3. **G & T Cooperative Perspective**

The G & T Cooperative benefits from the ERC loan program as follows:

(a) better load factor constraints in which to better manage its current generation mix and carry out future generation plans.

This condition flows from the improved consumer end use of electricity in combination with the load management strategies of the local distribution cooperatives.

Unless rapid growth exists, this situation should result in smaller increments of new generating capacity and reduce the impact of "rate shock" when current large scale generating units go into commerical operation.

(b) better availibility in supply and more stability in cost of oil and natural gas for use of such fuels in peak generating capacity.

(c) better overall coordination between the end-use consumer and generation sources of electricity at all levels in the electric supply chain.

4. **National Perspective**

The United States benefits from the ERC loan program as follows:

(a) more self reliance on domestic energy sources and less vulnerability to fluctuation in the world wide supply of finite oil and natural gas reserves.

This is achieved through the more efficient use of electricity and the reduction of oil and natural gas at the comsumer level.

The impact of this federal program from REA and other federal agency programs has produced a profound impact in the oil and natural gas markets.

With the current Middle East conflict still raging, the need for continuation and/or expansion of the ERC loan program is still very evident.

(b) more stable economy and stronger national defense posture as a result of the nation's wiser user of energy.

E. SUMMARY

Given the opportunities created by the ERC loan program, cooperative management leaders at all levels should encourage a well planned approach in using this valuable management tool within the constraints of their local operating environment.

The biggest obstacle to overcome is the issue of providing sufficient time, skill, and manpower to coordinate the many different functional areas within the co-op to form an efficient marketing system for energy use purposes. This delivery system should serve the consumer at a cost that he otherwise individually could not achieve. Without such interdepartmental coordination, an ERC loan program will flounder and be frought with problems.

Each local cooperative needs to package a marketing delivery systems for the member which takes advantage of all of the resources available to the cooperative. By meeting the service needs of its members, local cooperatives will guarantee the retention and probable expansion of their competive energy market share and help reduce the future incremental cost of doing business.

3/F

ERC LOAN PROGRAM

TABLE OF POTENTIAL AND ACTUAL USERS

AS OF: APRIL 30, 1984

REGION	# POTENTIAL ERC PARTICIPANTS	# AUTHORIZED ERC PARTICIPANTS	% AUTHORIZED ERC PARTICIPANTS	# MAKING ERC LOANS	% MAKING ERC LOANS
NORTHEAST	156	14	9.0%	8	35.1%
SOUTHEAST	181	14	7.7%	13	7.2%
NORTHCENTRAL	221	65	29.4%	58	26.2%
SOUTHWEST	216	20	9.3%	17	7.9%
WESTERN	206	11	5.3%	11	5.3%
ALL REGIONS	980	124	12.7%	107	10.9%

SOURCE: REA REPORT NO. 14862

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ERC LOAN PROGRAM

TABLE OF POTENTIAL AND ACTUAL USERS

AS OF: APRIL 30, 1984

REGION/STATE	# POTENTIAL ERC PARTICIPANTS	# AUTHORIZED ERC PARTICIPANTS	% AUTHORIZED ERC PARTICIPANTS	# MAKING ERC LOANS	% MAKING ERC LOANS
NORTHEAST					
Connecticut	0	0	--	0	--
Delaware	1	0	--	0	--
Indiana	42	1	2.4%	0	--
Maine	4	0	--	0	--
Maryland	2	0	--	0	--
Massachusetts	0	0	--	0	--
Michigan	15	2	13.3%	0	--
New Hampshire	1	0	--	0	--
New Jersey	1	0	--	0	--
New York	4	0	--	0	--
North Carolina	28	4	14.3%	3	10.7%
Ohio	28	5	17.9%	4	14.3%
Pennsylvania	13	1	7.7%	1	7.7%
Rhode Island	0	0	--	0	--
Vermont	2	0	--	0	--
Virginia	14	1	7.1%	0	--
West Virginia	1	0	--	0	--
Subtotals	156	14	9.0%	8	5.1%
SOUTHEAST					
Alabama	24	4	16.7%	4	16.7%
Florida	16	4	25.0%	4	25.0%
Georgia	44	1	2.3%	1	2.3%
Kentucky	28	0	--	0	--
Mississippi	24	0	--	0	--
South Carolina	21	5	33.3%	4	19.0%
Tennessee	24	0	--	0	--
Subtotals	181	14	7.7%	13	7.2%
NORTHCENTRAL					
Illinois	29	1	3.4%	1	3.4%
Iowa	52	13	25.0%	8	15.4%
Minnesota	50	24	48.0%	23	46.0%
North Dakota	26	14	53.8%	14	53.8%
South Dakota	34	7	20.6%	7	20.6%
Wisconsin	30	6	20.0%	5	16.7%
Subtotals	221	65	29.4%	58	26.2%

REGION/STATE	# POTENTIAL ERC PARTICIPANTS	# AUTHORIZED ERC PARTICIPANTS	% AUTHORIZED ERC PARTICIPANTS	# MAKING ERC LOANS	% MAKING ERC LOANS
SOUTHWEST					
Arizona	11	1	9.1%	1	9.1%
Arkansas	20	1	5.0%	1	5.0%
Louisiana	15	3	20.0%	2	13.3%
Missouri	47	4	4.3%	2	4.3%
New Mexico	17	5	29.4%	5	29.4%
Oklahoma	28	3	10.7%	3	10.7%
Texas	78	3	3.8%	3	3.8%
Subtotals	216	20	9.3%	17	7.9%
WESTERN					
Alaska	14	0	--	0	--
California	5	1	20.0%	1	20.0%
Colorado	24	2	8.3%	2	8.3%
Hawaii	0	0	--	0	--
Idaho	9	1	11.1%	1	11.1%
Kansas	36	3	8.3%	3	8.3%
Montana	25	0	--	0	--
Nebraska	35	0	--	0	--
Nevada	8	1	12.5%	1	12.5%
Oregon	15	1	6.7%	1	6.7%
Utah	5	0	--	0	--
Washington	16	2	12.5%	2	12.5%
Wyoming	14	0	--	0	--
Subtotals	206	11	5.3%	11	5.3
ALL REGIONS	**980**	**124**	**12.7%**	**107**	**10.9%**

SOURCE: REA REPORT NO. 14862

EXHIBIT B.2

ERC LOAN PROGRAM

TABLE OF ERC LOANS ACTIVITY

AS OF: APRIL 30, 1984

ACTIVE REGION	# CO-OPS AUTHORIZED	# CO-OPS MAKING LOANS	# LOANS MADE	$ LOANS MADE	AVERAGE LOAN MADE
NORTHEAST	14	8	1,054	$ 841,208	$ 798
SOUTHEAST	14	13	1,879	$ 3,687,114	$ 1,962
NORTHCENTRAL	65	58	5,214	$ 7,815,625	$ 1,499
SOUTHWEST	20	17	1,343	$ 2,207,958	$ 1,644
WESTERN	11	11	529	$ 656,587	$ 1,241
ALL REGIONS	124	107	10,019	$15,208,492	$ 1,518

SOURCE: REA REPORT NO. 14862

ERC LOAN PROGRAM

TABLE OF ERC LOANS ACTIVITY

AS OF: APRIL 30, 1984

ACTIVE REGION/STATE	# CO-OPS AUTHORIZED	# CO-OPS MAKING LOANS	# LOANS MADE	$ LOANS MADE	AVERAGE LOAN MADE
NORTHEAST					
Indiana	1	0	0	$ 0	$ 0
Michigan	2	0	0	0	0
North Carolina	4	3	963	714,542	742
Ohio	5	4	37	84,770	2,291
Pennsylvania	1	1	54	41,896	776
Virginia	1	0	0	0	0
Subtotals	14	8	1,054	$ 841,208	$ 798
SOUTHEAST					
Alabama	4	4	283	$ 402,593	$ 1,423
Florida	4	4	1,015	2,267,958	2,234
Georgia	1	1	148	194,980	1,317
South Carolina	5	4	433	821,583	1,897
Subtotals	14	13	1,879	$ 3,687,114	$ 1,962
NORTHCENTRAL					
Illinois	1	1	7	$ 5,830	$ 833
Iowa	13	8	160	374,301	2,339
Minnesota	24	23	3,019	4,155,339	1,376
North Dakota	14	14	1,674	2,756,792	1,647
South Dakota	7	7	249	368,744	1,481
Wisconsin	6	5	105	154,619	1,473
Subtotals	65	58	5,214	$ 7,815,625	$ 1,499
SOUTHWEST					
Arizona	1	1	115	$ 194,232	$ 1,689
Arkansas	1	1	58	307,110	5,295
Louisiana	3	2	683	1,096,392	1,605
Missouri	4	2	100	96,415	964
New Mexico	5	5	244	262,712	1,077
Oklahoma	3	3	29	59,619	2,056
Texas	3	3	114	191,478	1,680
Subtotals	20	17	1,343	$ 2,207,958	$ 1,644

ACTIVE REGION/STATE	# CO-OPS AUTHORIZED	#CO-OPS MAKING LOANS	# LOANS MADE	$ LOANS MADE	AVERAGE LOAN MADE
WESTERN					
California	1	1	30	$ 56,767	$ 1,892
Colorado	2	2	47	100,524	2,139
Idaho	1	1	57	101,951	1,789
Kansas	3	3	150	133,273	888
Nevada	1	1	42	125,432	2,986
Oregon	1	1	60	105,920	1,765
Washington	2	2	143	32,721	229
Subtotals	11	11	529	$ 656,587	$ 1,241
ALL REGIONS	**124**	**107**	**10,019**	**$15,208,492**	**$ 1,518**

SOURCE: REA REPORT NO. 14862

0003/F

EXHIBIT B.3

ERC LOAN DATA

AS OF: APRIL 30, 1984

# STATES PARTICIPATING	# CO-OPS AUTHORIZED	# CO-OPS MAKING LOANS	# LOANS MADE	AVERAGE LOAN MADE
31	124	107	10,019	$ 1,518

POTENTIAL DEFERMENT* AMOUNT/QUARTERLY	AMOUNT ACTUALLY** DEFERRED
$ 3,748,350	$ 15,208,492

OTHER ERC LOAN DATA**

	RANGE		
ITEM	LOW	HIGH	AVERAGE
Number of Loans Per Co-op	1	857	65
Total Loan Amount Per Co-op	$ 1,600	$ 1,272,281	$ 142,135
Average Loan Amount Per Co-op	$ 495	$ 5,295	$ 1,644
Total Amount Per State	$ 5,830	$ 4,155,339	$ 563,277

*Based on Data for the 124 Co-ops in 31 States Authorized to Make ERC Loans

**Based on Data for the 107 Co-ops in 27 States Actually Making ERC Loans

SOURCE: REA REPORT NO. 14862

003/F

SOMETHING ABOUT SOME THINGS

Charles Weaver
Rural Electrification Administration

NOTES TAKEN FROM CHARLES WEAVER'S PRESENTATION

Rules of REA will be published in the Federal Register.

Guides or bulletins will be published by REA and will be somewhat simplified.

Burden of responsibility will be on the Cooperative to let REA know about any construction delays.

Greatest concern regarding the changes in REA loan budgeting and construction work program information on costs related to situations where construction actual costs were more than 110% of estimates. REA is proposing change here.

If cooperative switches from transmission to distribution construction before loan funds can be switched, must have REA approval.

Use of general funds relating to the 8% rule. REA received over 100 letters about this. These letters pointed out that 8% rule didn't make much sense. REA realized that it was looking only at current assets and not at current liabilities. However, under the current requirement, there was some manipulation by some cooperatives. Rules weren't clean and REA realized there is a problem. The requirement was OK back in 1969 when rule was made, but doesn't meet the need today.

IG didn't know much about co-ops. First study was with high density, high equity co-ops. Second time around they took a random sampling of cooperatives.

REA sent people to look at co-ops and job IG had done. Part of the things pointed out by IG was REA's fault for not making its rules clear.

The revised 8% rule will include a look at current liabilities as well as current assets.

REA field men will be looking at the cash flow planning of the co-ops, particularly the REA advances.

Q: What is the purpose of REA's review?
A: IG is now a program analysis group as well as waste and fraud. REA's concern is the program's good name and also looking at what we can do to protect the revolving fund.

REA loans are off sharply, probably will be less than $500 million this year.

KWH sales are up 2.3%. New consumers were up 2.2% last year, prompting conservatism.

REA was concerned to know whether people are neglecting system improvements. Study made by REA indicates not.

REA has never found a way to really project loan needs of borrowers.

2 Charles Weaver

Regarding the structure of REA - in some areas REA is over-lean. Person most knowledgeable on all types of loan methods is busiest, conferring with bankers, legal counsel, helping to find new and innovative ways to finance special needs. Example: Co-op received a $70 million loan while it gets its rates up to what they should be at the end of five years.

It is more fair to phase in rates against new construction to avoid shock.

Power requirement changes - REA field man will approve distribution projections.

Consider using an econometric model. REA is working with Central Data Processing on this.

REA will agree with a G & T on methods to be used on power requirements study.

REA will be involved with standards for development.

Must have an end user survey. (Central Data Processing is working with Alleghany and Associated G & T's.) Study must have distribution manager involvement.

A natural log model of 12 months moving sums for residential KWH sales was presented which had been developed by REA which indicated such modeling for KWH sales projections works. (See attachment.)

Weaver made reference to the diagram presented by Dr. Lippitt relating to growth stages of a business as defined by Jonas Salk in his "Survival of the Wisest" and raised these questions with the group. "As a program, are we really moving into stage B; are we being innovative?" "Is there a danger in a mature industry?" "Are we 'circling the wagons'?"

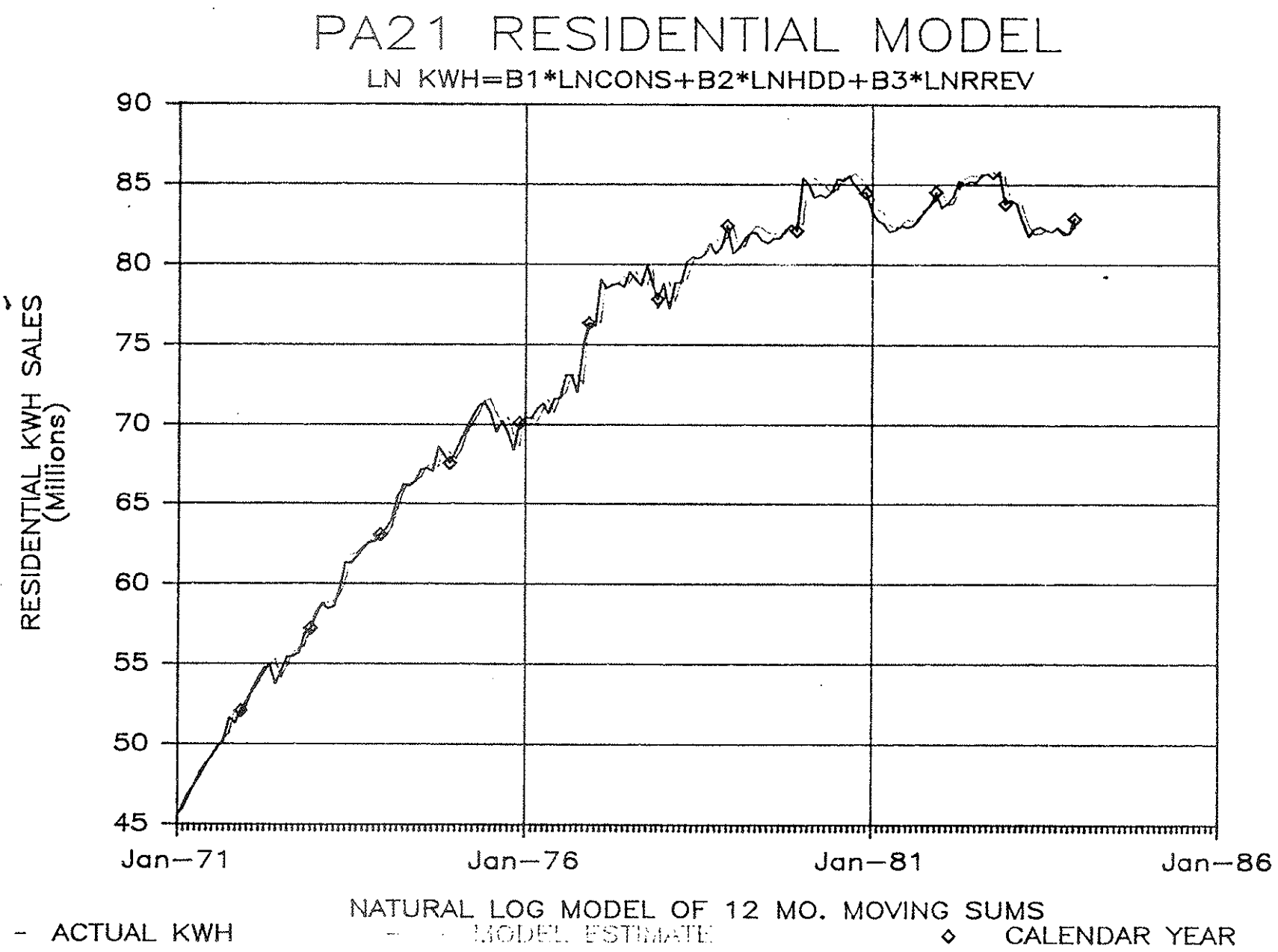
At the new managers conference held by REA this year - 70% of the new managers came from the areas of Finance/Administration/Internal Control and only 10% came from member relations area. Don't know why highest percentage which program has ever had of new managers from Finance/Administration/Internal Control, came from those areas.

Article in the Rural Electrification magazine about management beyond the 80's the question was asked by the reporter as to what made the difference between good managers and bad managers. Difference is vision. "How far ahead is the manager looking?"

The long run costs of sales must be looked at.

Marketing is quite different from selling.

As we become a more mature industry, are we losing momentum? Have we lost our vision?


PA21 RESIDENTIAL MODEL
LN KWH=B1*LNCONS+B2*LNHDD+B3*LNRREV
RESIDENTIAL KWH SALES (Millions)
90
85
80
75
70
65
60
55
50
45
Jan—71
Jan—76
Jan—81
Jan—86
NATURAL LOG MODEL OF 12 MO. MOVING SUMS
- ACTUAL KWH
MODEL ESTIMATE
◇ CALENDAR YEAR

MINUTES

1984 RURAL ELECTRIC MANAGEMENT DEVELOPMENT COUNCIL MEETING

The 1984 Rural Electric Management Development Council held its annual conference at the Waverly Hotel, Atlanta, Georgia May 21-24, 1984. Council Chairman Robert L. (Bob) Roberts opened the meeting at 1:40 P. M. and welcomed members and guests. Barbara Deverick gave the invocation. Paul Weatherby, Manager, Cobb County EMC, which served the Waverly Hotel and Galleria Plaza with electricity and who had invited the council to meet at this location, welcomed the group. Paul stated that the immediate area surrounding the hotel included two large office buildings with other facilities under construction. He said that Cobb County EMC was the choice of the customer since the area was open to either Georgia Power and Light Company or Cobb EMC. He stated that the present load was 9 MW with the monthly bill ranging from $100,000 to $110,000 and that when the present construction was completed the load would be 16 MW. He said Cobb EMC was chosen because it offered a load management rate to the consumer. The office buildings in the Galleria Complex have a load management program which reduces the peak by about 25% and the Waverly Hotel has its own separate load management program. Paul reported that this load was especially helpful to Cobb County EMC since their load factor last year had been 32% and the load factor for the complex was 75%.

Paul discussed the special events arranged for the council members and guests which included a visit to Stone Mountain and a tour of the new facilities of Oglethorpe Electric Membership Cooperative, the generation and transmission cooperative for the Georgia distribution cooperatives. He introduced Harold Smith, Manager of Flint EMC, who was responsible for arrangements for the golf program which would take place on Wednesday afternoon. Harold stated that equipment could be rented and that transportation would be provided to the course.

Chairman Roberts thanked Paul and Harold for the excellent arrangements which they had made for the meeting and made the following announcements:

> The Research Committee will meet on Tuesday evening at 6:00 P. M. Ronnie Hunt will head the Nominating Committee for this year replacing the late Roger Lentz and Allen Ritchie and Everette Bristol was asked to assist Ronnie because of the absence of other committee members.

Each person introduced themselves. (See registration list.)

Chairman Roberts introduced Jack Hicks, Chairman of the Program Committee, who introduced the members of his committee. He pointed out that Larry Moderow had retired as manager of Cass County Electric Co-op and that the new manager, Mike Gustafson, had assisted with the development of the program. Jack reviewed the program agenda for the next three days and it proceeded as outlined (see program schedule) with presentations by council members and others including Dr. Gordon Lippett, Bud Stacy, Bill Miller, and Charles Weaver.

On Thursday, May 24, Bob Roberts convened the membership for the annual business session of the Council. Wayne Johnson gave the invocation. Barbara Deverick was appointed secretary and the chairman expressed appreciation to her for the work she had done through the years in preparing proceedings of the council conferences.

Chairman Roberts then recognized Allen Ritchie, Treasurer, for his report. A copy of the treasurer's report was supplied to each council member (see copy attached to these minutes). Allen stated that Guadalupe Valley Electric Cooperative dues were received after the report had been prepared. A question was asked if all the expenses of the Research Committee had been turned in. Wayne Keller, Chairman of the Research Committee, stated that it appeared there would be some $1,300 additional expenses still to be reimbursed. Allen asked if there were questions about the report. There were none. Upon motion made by Jack Hicks, seconded and adopted by the group, the treasurer's report was approved.

Wayne Keller, Chairman of the Research Committee, was recognized to give the committee report. He stated that Virgil Herriott had given the main report the day before (see notes of Virgil's report and copy of report of Dr. Eugene Hunt and Dr. Kurt Olmosk in the program proceedings section of this report). Wayne stated that the committee had met on Tuesday evening and reviewed the work of Drs. Hunt and Olmosk and developed the following recommendation:

(1) That we continue to work with Dr. Hunt to write up the methodology used in making the survey and evaluation with Allegheny Generation and Transmission Cooperative and continue to have Virgil Herriott serve as coordinator and Dr. Hunt as consultant.

(2) That Virgil Herriott make a report to the Allegheny G&T Board as a part of the research program.

(3) That the committee continue to work with the G&T managers with a further presentation to be made by Virgil Herriott at their spring meeting.

(4) That we keep NRECA informed on this project and seek ideas on other research projects.

(5) That the committee plan to meet at the NRECA annual meeting in New Orleans for follow-up.

(6) That the research committee budget for this project be increased from $5,000 to $6,300. (Approximately one-half of the original budgeted amount has been used.)

(7) That the council chairman send a letter to Bill Matson thanking Bill for Allegheny's participation in this project.

Wayne Keller moved the adoption of these recommendations; the motion was seconded and adopted.

Chairman Roberts stated that Roger Geckler, who had been chairman of the membership committee, had moved to a new cooperative as manager and had resigned from the Council. Lloyd Geer had been appointed to take the chairmanship and Lloyd was asked to come forward and give the membership committee's report. Lloyd reported that he and Lyman Patee were the only two remaining members of the committee because Bill Miller had changed positions and resigned from the council. Lloyd stated that a letter was sent to each of the 1983 guests attending the 1983 conference inviting them to become members. He also reported that he had sent 21 new invitations to the meeting and had received six applications for membership. He stated that the applications submitted by these six cooperatives were on display for any one who cared to examine them.

Certificates were presented to:

Randolph Electric Membership Corporation, Bob McDuffie, General Manager
Verendrye Electric Co-op, Inc., Wally Beyer, General Manager
Guadalupe Valley Electric Co-op, Inc., Doyle Hines, General Manager
Cobb County Electric Membership Corporation, Paul E. Weatherby, General Manager
Hancock-Wood Electric Co-op, Inc., John A. Cheney, General Manager
Walton Electric Membership Corporation, Randall Pugh, General Manager

Lloyd reported that it was time for four cooperatives to be re-certified and that two of these cooperatives had met the re-certification requirements and certificates were presented to:

Shenandoah Valley Electric Cooperative, Inc., W. R. Fleming, General Manager
Linn County Rural Electric Cooperative, Jack Hicks, Manager

Lloyd stated that two cooperatives in Oklahoma, Cotton Electric Cooperative, where Bill Miller had been manager prior to his going to Seminole G&T, and Kay Electric Co-op, Clyde Hukills, Manager, had not responded to the notice about re-certification.

Motion was made by Jim Kiley and seconded and adopted to accept the new members and re-certified members as recommended to the membership committee.

It was agreed that contact would be made once more with the two cooperatives not responding to the re-certification request before voting on cancellation of their memberships.

Chairman Roberts called on Ronnie Hunt to give the report of the nominating committee. Ronnie expressed appreciation to Allen Ritchie and Ev Bristol for their assistance in preparing the slate of candidates. Ronnie reported the following nominations (nominees are underlined):

Officers

Chairman	- Barbara H. Deverick	Term Expires in 1987
Vice Chairman	- Harold Smith	Term Expires in 1987
Treasurer	- Allen Ritchie	Term Expires in 1986

Standing Committees

Program Committee

Chairman	- James Kiley	Term Expires in 1986
	Jon Elkins	Term Expires in 1985
	(completing unexpired term of Larry Moderow)	
	Craig DeBower	Term Expires in 1987
	Bill Ward	Term Expires in 1987

Nominating Committee

Chairman	- James Golden	Term Expires in 1986
	W. R. Fleming	Term Expires in 1987
	Mike Gustafson	Term Expires in 1987
	Dave Larson	Term Expires in 1985

Membership Committee

Chairman -	Lloyd Geer	Term Expires in 1985
	Robert Roberts	Term Expires in 1987
	Lyman Patee	Term Expires in 1986
	Phyllis Barber	Term Expires in 1986
	(completing unexpired term of Bill Miller)	

Management Research

Chairman -	Dick Arnold	Term Expires in 1985
	Charles Overman	Term Expires in 1986
	Wayne Keller	Term Expires in 1985
	Paul Weatherby	Term Expires in 1987
	Elmer Stocker	Term Expires in 1987
	Virgil Herriott, Ex Officio	

The chairman called for further nominations; there were none. A motion was made by John Parham that the nominations be closed and the nominees be elected to the positions as named by the chairman of the nominating committee. The motion was seconded and adopted.

Chairman Roberts then thanked all those who made the council meeting such a great success. He stated that 49 persons had registered and attended some part or all of the conference and that this was the largest registration for the conference to date.

Special thanks was extended to Charles Weaver of REA for his timely presentation and it was commented that the council members appreciate his views because he thinks like one of us.

Jack Hicks and the program committee were commended for the excellent program and thanked for their work in putting together such a fine program.

Harold Smith was recognized for the golf report and he stated that everyone had enjoyed themselves and that the big winners had been Fred Kane, Elmer Stocker, and Ronnie Hunt. Harold was extended thanks and appreciation for arranging for the golf tournament.

A motion was made that thanks and appreciation be extended to Paul Weatherby, Harold Smith, and Bud Stacy for the wonderful hospitality shown the group by the cooperative which these three men represent and also their personal involvement in the council program.

Chairman Roberts stated that the final order of business was to decide where the council would hold its 1985 conference. (See attached list of past meeting locations.) Wayne Johnson, General Manager, Clark REMC, invited the group to meet in Louisville, Kentucky for the 1985 conference during the last week of May (the same time as the 1984 meeting).

A motion was made by Barbara Deverick that the invitation be accepted; the motion was seconded and adopted by the group.

A motion was made that a resolution of appreciation be prepared by the council secretary and sent to Larry Moderow and Mark McNeil, who are retired; Jim Kelly, who recently had a stroke; and the family of Roger Lentz (deceased), expressing appreciation for the support these men have given to the council over the years. The motion was seconded and adopted.

A motion was made expressing the appreciation of the council members to Bob Roberts for his excellent leadership during the past three years as chairman. The motion was seconded and adopted.

Chairman Roberts thanked the group and asked if anyone had any comments to make before the adjournment of the meeting.

Charles Henry Shelton stated that he had never heard of the council until the new manager at his co-op, Derl Hinson, had spoken of it. He stated that this was his first meeting and he had received much from it.

John Cheney stated that this was his second meeting and that he had enjoyed it very much.

Sharon Kleehamer stated she had appreciated the opportunity of attending the meeting and had received much which would be of benefit to her in her work.

Garry Bye, Manager, Tri-County Electric Cooperative in North Dakota, stated that he had certainly enjoyed the meeting and the associations and would apply for membership.

Paul Bienvenue, General Manager, Delaware Electric Co-op, stated that this was his second year to attend and that he had really enjoyed the participation and his cooperative would be joining next year.

The chairman thanked the participants for their comments and stated that he had received written communications from several people including Daniel Murray of Central Electric Cooperative in Pennsylvania; Roger Geckler, who indicated he wanted to be invited next year; and the officers of the G&T managers association, who had been invited to attend; Jerry Flanders and Don Norris, who both had conflicts and wanted to be invited next year. Dick Arnold had a CFC board meeting and could not attend; and Mike McBride, Manager of Guernsey-Muskingum Electric Cooperative, who is on the NRECA Management Advisory Committee, expressed his regrets at not being able to attend.

The chairman reminded the cooperatives to pick up their membership certification information before the meeting concluded.

The chairman called for any old business; there was none. He asked if there was any new business; there was none.

The chairman declared the meeting adjourned.

Barbara Deverick

Barbara Deverick, Secretary

SCHEDULE OF REMDC MEETING DATES AND LOCATIONS:

Meeting	Date	Location
1st	May 22-23, 1958	Hotel Pickwick, Kansas City, MO
		(8 people present - Clyde Ellis participated)
2nd	October 13, 1958	Hotel Pickwick, Kansas City, MO
3rd	March 9-10, 1959	Hotel Pickwick, Kansas City, MO
4th	October 1-2, 1959	Hotel Pickwick, Kansas City, MO
5th	May 19-21, 1960	Hotel Pickwick, Kansas City, MO
6th	May 24-26, 1961	Town House, Kansas City, Kansas
7th	May, 1962	Kansas City, Kansas
8th	May 15-17, 1963	Town House, Kansas City, Kansas
9th	May 6-8, 1964	Town House, Kansas City, Kansas
10th	May, 1965	Chicago, Illinois
11th	May 9-11, 1966	St. Louis, MO
12th	May 9-11, 1967	Fountainbleau Lodge, New Orleans, LA
13th	May 7-9, 1968	Peabody Hotel, Memphis, TN
14th	May 6-8, 1969	Antler Plaza, Colorado Springs, Col.
15th	May 12-14, 1970	Bucanneer Lodge, Jekyll Island, GA
16th	May 12-15, 1971	Holiday Inn, Kimberling City, MO
17th	May 9-11, 1972	Radisson, Denver, Colorado
18th	May 8-10, 1973	Holiday Inn, Fargo, North Dakota
19th	May 7-9, 1974	Landmark Inn, Mrytle Beach, SC
20th	May 20-22, 1975	Ramada Inn, Sioux Falls, SD
21st	May 11-13, 1976	Velda Rose Hotel, Hot Springs, Arkansas
22nd	May 10-12, 1977	Sheraton Airport Hotel, Denver, Colorado
23rd	May 22-26, 1978	Crown City, Kansas City, MO
24th	May 21-25, 1979	Quality Inn, Hilton Head, SC
25th	May 19-22, 1980	Marriott (Bloomington), Minneapolis, Minn.
26th	May 18-22, 1981	Hilton, Myrtle Beach, SC
27th	May 24-27, 1982	Hyatt Regency, Nashville, TN
28th	May 23-26, 1983	Harley Hotel - Earth City, St. Louis, MO
29th	May 20-24, 1984	Waverly Hotel (Smyrna) Atlanta, GA

TREASURER'S REPORT

THE RURAL ELECTRIC MANAGEMENT DEVELOPMENT COUNCIL

OPERATING STATEMENT

May 20, 1983 to May 16, 1984

INCOME:

3 Additional "Proceedings"	$ 18.00
1983 Dues (Schedule A)	1,200.00
1984 Interim Dues (Schedule B)	1,200.00
1984 Dues (Schedule C)	6,000.00
Interest from Investments	1,072.33
Total Income	$9,490.33

EXPENSES:

Council	
1983 Meeting	
Coffee & Room - Harley Hotel, St. Louis	$ 786.00
A. Pisano, Speaker - Fees & Expenses	2,448.00
Blue Ridge EMC - 1983 REMDC Proceedings	490.21
Audio Visuals	72.00
Sub-Total	$3,796.21
Research Committee	
Blue Ridge EMC - Wayne Keller, Res. Comm. Exp.	$ 374.38
Dr. Eugene Hunt - Res. Comm. Exp.	887.13
Sub-Total	$1,261.51
Total Expenses	$5,057.72

NET INCOME: $4,432.61

RURAL ELECTRIC MANAGEMENT DEVELOPMENT COUNCIL

OFFICERS AND COMMITTEES FOR 1985

Officers

Chairman	Barbara Deverick	Term Expires in 1987
Vice Chairman	Harold Smith	Term Expires in 1987
Treasurer	Allen Ritchie	Term Expires in 1986
Secretary		Appointed annually by Chairman

Standing Committees

Program Committee

Chairman	James Kiley	Term Expires in 1986
	Jon Elkins	Term Expires in 1985
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	Charles Overman	Term Expires in 1986
	Wayne Keller	Term Expires in 1985
	Paul Weatherby	Term Expires in 1987
	Elmer Stocker	Term Expires in 1987
	Virgil Herriott, Ex Officio	

A. All committee members and officers elected for three year term except as noted.

B. Chairman of each standing committee named by the Nominating Committee and serve three years when elected, unless completing an unexpired term as a replacement.