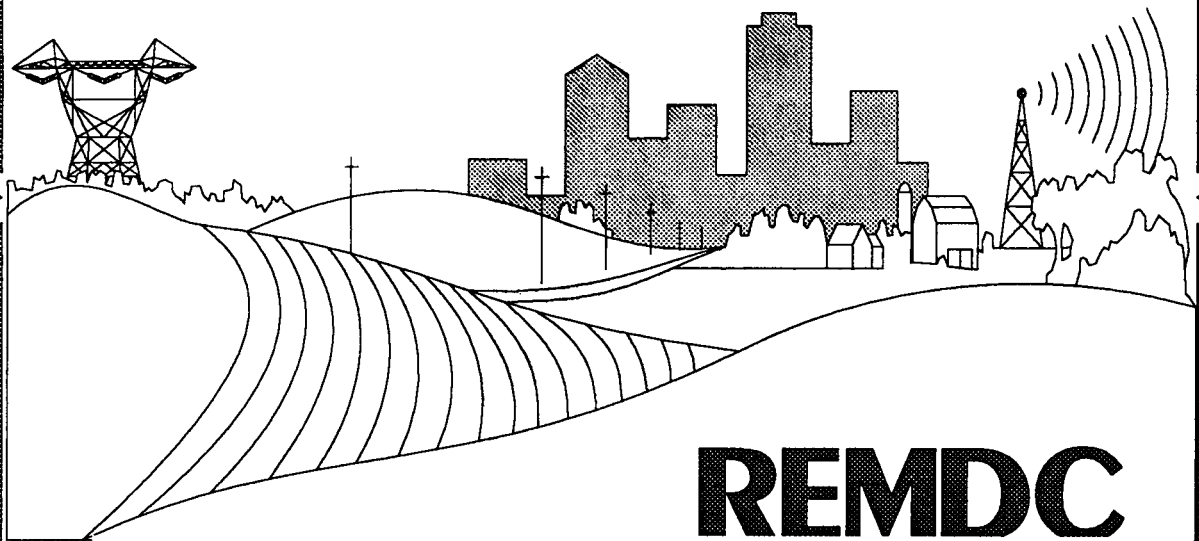


INDUSTRY

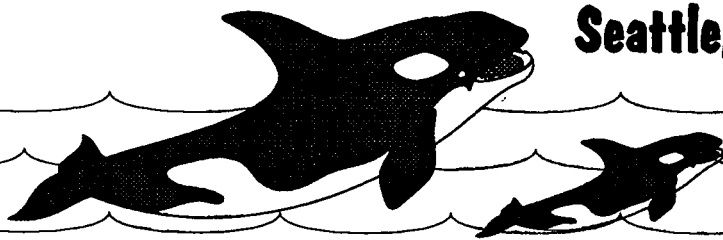
in

TRANSITION



REMDC

Annual Meeting
May 19-22, 1996
Seattle, Washington



**PROCEEDINGS OF THE
39TH ANNUAL CONFERENCE
OF THE
RURAL ELECTRIC MANAGEMENT
DEVELOPMENT COUNCIL**

**EDGEWATER INN
Seattle, Washington
May 19-22, 1996**

SCOPE

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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, RUS 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.

STATEMENT OF VIEWPOINTS (CONTINUED)

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 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 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.

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 which are 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 RUS, 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 of 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.

MEMBERSHIP REQUIREMENTS (CONTINUED)

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.

MEMBERSHIP REQUIREMENTS (CONTINUED)

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.

Director of Management Services--NRECA

Borrower's Operations Office--CFC

Director/Electric Borrower's Office Management Division - RUS

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, 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 activities of the Development Council and preside at all business meetings. To issue notice to all regular meetings of the membership or special meetings of the Cabinet. To represent the Development Council in relation to other organizations. Terms of office to be (1) year.
- VICE CHAIRMAN** To assume all duties of the Chairman in the absence of or inability of that officer. Term of office to be one (1) year.
- SECOND VICE CHAIRMAN** To assume all duties of the Chairman in the absence of or inability of that officer. Term of office to be (1) year.
- 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.
- CABINET** To assist officers of Development Council. Meetings may be called by the Chairman, Vice-Chairman or Second Vice-chairman. The Cabinet is composed of the Chairman, Vice-Chairman, Second Vice-Chairman, Treasurer, Secretary and committee chairmen
- SECRETARY** To be appointed annually by the Chairman. To keep a record of all proceedings, prepare, publish, and distribute annual conference summary. (Serves as a member of the Cabinet.)

COMMITTEES

All committees to be composed of a Chairman and at least (3) members. The Chairman to be nominated by the Nominating Committee. All committee chairman 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
MAY 24, 1995

1995/1996 OFFICERS AND COMMITTEE RECOMMENDATIONS

CHAIRMAN	MIKE GUSTAFSON
VICE-CHAIRMAN	BILL JAMES
SECOND VICE-CHAIRMAN	DAN KESSLER
TREASURER	ALLEN RITCHIE
SECRETARY	ROSE ENSMINGER

PROGRAM COMMITTEE

DAN BRYAN - CHAIRMAN
ELAINE GARRY
MARCUS PRIDGEON
CONNIE SHIREMAN
BILL BIRKENESS

NOMINATING COMMITTEE

DOUG JOHNSON - CHAIRMAN
GENE JOSLIN
EARL WEEKS
BILL SMITH

MEMBERSHIP COMMITTEE

LAYTON WHEELER - CHAIRMAN
STEVE FAUSNAUGH
CRAIG DEBOWER
JOHN HOKE

MANAGEMENT RESEARCH COMMITTEE

PAUL BIENVENUE - CHAIRMAN
DOROTHY POSTEL
DOUG BECHTEL
DON VAN DEEST
SCOTT HANDY

CONFERENCE REGISTRATION

COUNCIL MEMBERSHIP

RURAL ELECTRIC DEVELOPMENT COUNCIL
 SEATTLE, WASHINGTON
 MAY 19-22, 1996
 MEMBER REGISTRATION

Dan Murray	Adams Electric	Gettysburg, PA
Stan Dean	Amicalola EMC	Jasper, GA
Jim Jura	Associated Electric	Springfield, MO
Steve Aadland	Basin Electric	Bismarck, ND
Doug Johnson	Blue Ridge EMC	Lenoir, NC
Charles Beck	Blue Ridge EMC	Lenoir, NC
Bob Bauman	Butler County REC	Waverly, IA
David Pruitt	Cap Rock Electric	Midland, TX
John Parker	Cap Rock Electric	Midland, TX
Mike Gustafson	Cass County Electric	Kindred, ND
Scott Handy	Cass County Electric	Kindred, ND
Rose Ensminger	Cass County Electric	Kindred, ND
George Weaver	Central Georgia EMC	Jackson, GA
Jean Stansill	Central Georgia EMC	Jackson, GA
D. J. Van Deest	Central Wisconsin Electric	Iola, WI
Sheldon Petersen	CFC	Herndon, VA
E. Paul Bienvenue	Delaware Electric	Greenwood, DE
Layton Wheeler	Delaware Electric	Greenwood, DE
Fay Shockley	Delaware Electric	Greenwood, DE
John Stokes	Enron Capital and Trade	Houston, TX
Dan Bryan	Farmers Electric	Chillicothe, MO
H. B. Smith	Flint EMC	Reynolds, GA
Earl Weeks	Four County EPA	Columbus, MS
Marlynn Cox	Four County EPA	Columbis, MS
Marcus Stoll	Four County EPA	Columbus, MS

RURAL ELECTRIC DEVELOPMENT COUNCIL
 SEATTLE, WASHINGTON
 MAY 19-22, 1996
 MEMBER REGISTRATION

Mark Stallons	Fruit Belt Electric	Cassapolis, MI
Paul Hunt	Hunt Technologies	Pequot Lakes, MN
Lynn Hunt	Hunt Technologies	Pequot Lakes, MN
Dennis Beard	Joe Wheeler EMC	Trinity, AL
Connie Shireman	Jo-Carroll Electric	Elizabeth, IL
Gene Joslin	Johnson County EC	Cleburne, TX
Barry McWilliams	Johnson County EC	Cleburne, TX
Dorothy Postel	Maquoketa Valley REC	Anamosa, IA
Greg Miller	Minnesota Valley Electric	Jordan, MN
Greg Boudreaux	NRECA	Arlington, VA
Mat Hastings	NRECA	Arlington, VA
John Hoke	Niabara Valley EMC	O'Neil, NE
Lyle Brigle	North Western Electric	Bryan, OH
Aaron Jones	NW Public Power Assn.	Seattle, WA
Bill James	Northeastern REMC	Columbia City, IN
Sheila White	Northeastern REMC	Columbia City, IN
Bill Birkeness	N. W. Electric Power	Cameron, MO
Doug Bechtel	Orcas Power and Light	Eastsound, WA
Allen B. Ritchie	Shenandoah Valley EC	Mt. Crawford, VA
Jim Kiley	Sioux Valley-Southwest	Colman, SD
Elaine Garry	Sioux Valley-Southwest	Colman, SD
Bob Toombs	Tri County REC	Mansfield, PA
Craig DeBower	United Electric	DuBois, PA
Dan Kessler	Wells Electric	Wells, NV
Mike Hagen	Wright County REC	Clarion, IA

RURAL ELECTRIC DEVELOPMENT COUNCIL
SEATTLE, WASHINGTON
MAY 19-22, 1996
MEMBER REGISTRATION

Noble Stallons	Utilities District of Western Indiana	Bloomfield, IN
Don Howell	Vinson & Elkins	Houston, TX
Bruce Bosworth	Iowa Lakes (Retired)	Estherville, IA

Industry In Transition

**1996 REMDC
Annual Meeting
May 19-22**



Seattle, Washington

INDUSTRY IN TRANSITION

SUNDAY, MAY 19

5:00 - 7:00 p.m.

REGISTRATION
WELCOME COCKTAIL PARTY
Hosted by Northwest Public Power
Association & Federated Rural Electric
Insurance Corp.

MONDAY, MAY 20

7:30 a.m.

CONTINENTAL BREAKFAST
Olympic Room

8:00 a.m.

REGISTRATION

8:30 - 8:40 a.m.

THE FIRST STEP
Mike Gustafson, Chairman

8:40 a.m. - 9:10 a.m.

THE NORTHWEST MOVEMENT
Aaron Jones and Norm Jacox, NWPPA

9:10 - 10:00 a.m.

THE ENVIRONMENT OF CHANGE
Glenn English, Executive Director
and General Manager, NRECA

10:00 - 10:15 a.m.

BREAK

10:15 - 11:15 a.m.

ENERGY ON THE MOVE
John Stokes, Enron Capital and
Trade Resources

11:15 - 11:55 a.m.

TRANSITION AS I SEE IT
Don Howell,
Vinson and Elkins

12:00 - 1:30 p.m.

GROUP LUNCHEON

1:45 - 3:15 p.m.

**ROAD MAP TO GROWTH - THE
UNCONVENTIONAL WAY**

Thomas J. Flaherty, National Partner
for Utilities Consulting

3:15 - 3:30 p.m.

BREAK

3:30 - 5:00 p.m.

STEPS IN TRANSITION

Joe Slater, Jr., Principal, Utility
Management Practice, NRECA
Moderator

MONEY TO MOVE THE INDUSTRY

Dave Hedberg, CFC

**TRANSITION AND TECHNOLOGY,
THE PERSONALITY OF CHANGE**

Steve Aadland, Basin Electric

TUESDAY, MAY 21

7:30 a.m.

CONTINENTAL BREAKFAST

Olympic Room

8:30 - 9:30 a.m.

**NRECA'S ROLE IN THE MOVING
INDUSTRIES -- A COMPETENCIES
UPDATE**

Greg Boudreaux, NRECA

9:30 - 9:45 a.m.

BREAK

9:45 - 10:45 a.m.

**TRANSITION THROUGH MERGER,
THREE VIEWS**

Jim Kiley, Sioux Valley Electric Co-op
Mike Gustafson, Cass County Electric
Bruce Bosworth, Iowa

10:45 - 11:30 a.m.

BUSINESS MEETING

Mike Gustafson, Chairman

11:30 a.m.

**OUR OWN TRANSITION IN THE
PACIFIC NORTHWEST**

WEDNESDAY, MAY 22

7:30 a.m.

CONTINENTAL BREAKFAST
Olympic Room

8:30 - 11:30 a.m.

**OUR INDUSTRY -- OUR TRANSITION--
OUR STORY**

At the request of our members the program committee has set aside this morning's session as an "open forum" for us to share our stories with our fellow REMDC members.

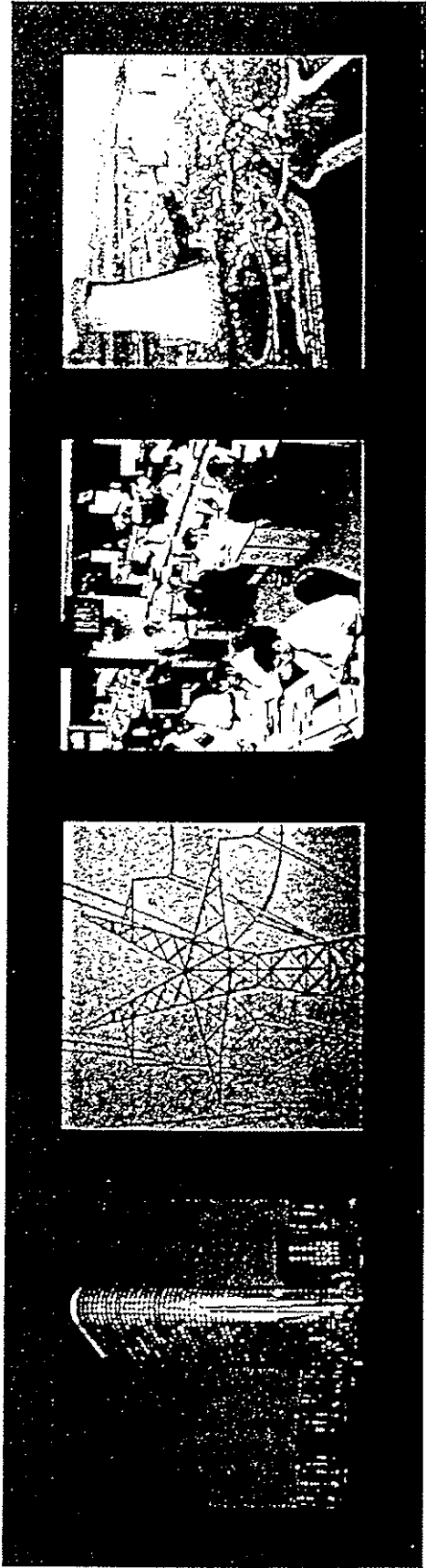
KEY ACCOUNTS MANAGEMENT - Bill James
THE GEORGIA STORY - Harold Smith
THE AUCTIONING OF CAPITAL CREDITS - John Parker
TURTLE METER READING - Hunt Technologies
LABOR AND NEGOTIATIONS - Noble Stallons
DISSOLVING THE STATEWIDE - Don VanDeest
SCHOLARSHIPS FOR LINEWORKERS - Elaine Garry
and many others.

11:30 a.m.

WRAP UP AND ADJOURNMENT
Mike Gustafson, Chairman

“ENERGY ON THE MOVE”

John Stokes



Energy on the Move

RM
MANAGEMENT DEVELOPMENT COUNCIL

ENRON CAPITAL & TRADE
RESOURCES
WORLDWIDE ENERGY SOLUTIONS
41 1986 JS-6050764-00

ENRON CORP

\$13.2 billion assets
\$ 9.2 billion in revenues

Enron Oil & Gas Company - 61%

- One of the Largest Independent Oil and Gas Companies in U.S.
 - 2.5 Tcfe Reserves
- Increasing International Exploration Activity:
 - Trinidad
 - India
 - Qatar
 - Mozambique
 - Venezuela

Enron Operations Corp.

- Operate Enron's Assets Worldwide:
 - One of the Largest Natural Gas Transmission Systems in the World
 - 3,800 MW of Power Facilities Operated
- Engineering and Construction Services

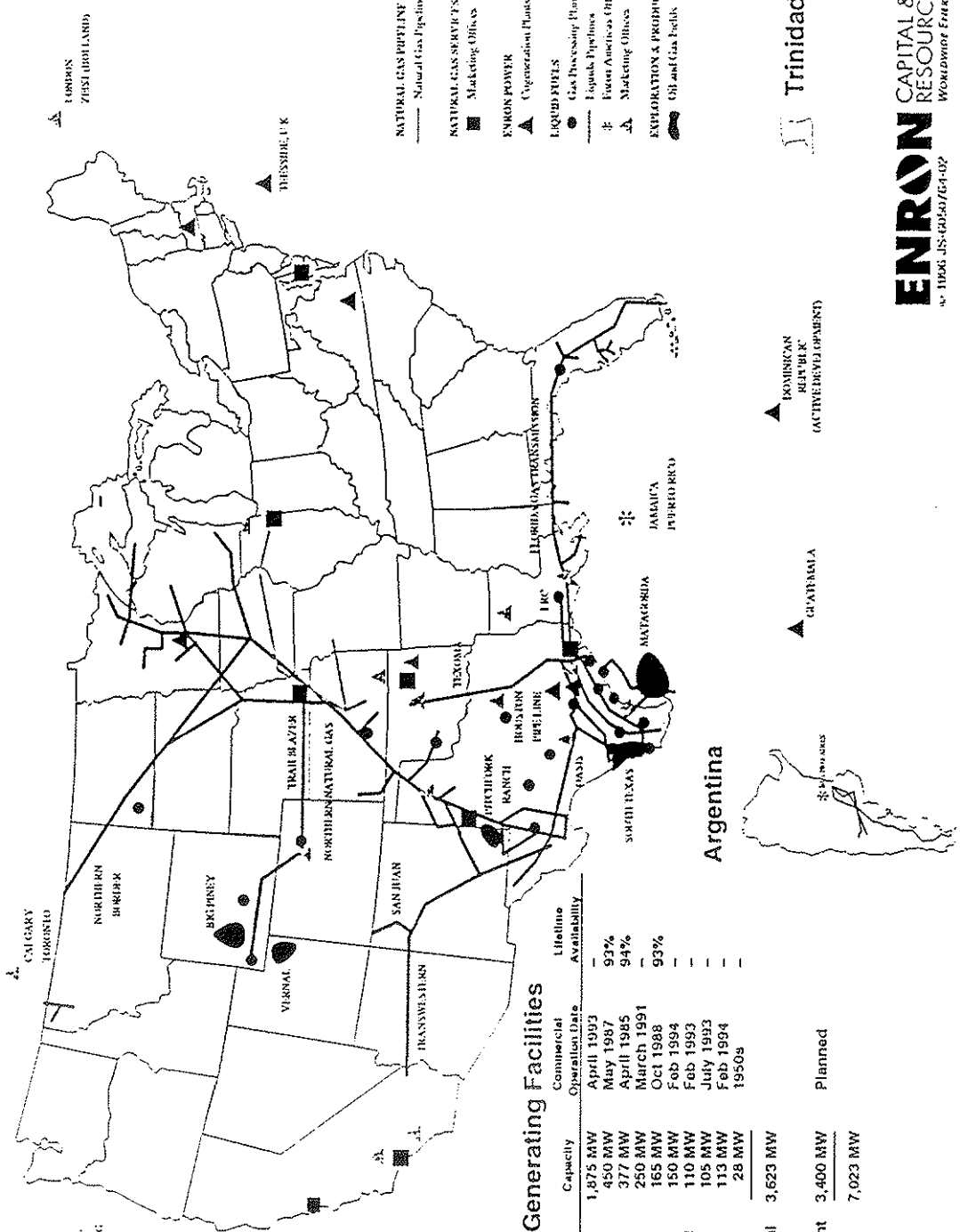
Enron Capital & Trade Resources

- The Largest Buyer and Seller of Natural Gas in N. Am.
 - Physical 7.2 Bcf/d, 1995 of natural gas
 - Financial 32.9 Bcf/d, 1995
- Own/Operate Significant Intrastate Pipelines
 - HPL (4,300 miles)
 - LRC (540 miles)
- Manage World's Largest Portfolio of Natural Gas Risk Management Contracts
- Largest Non Regulated Merchant of Power in the U.S.
 - Own and Operate 1,226 MW Domestic
 - 1995 Sales Volumes of More than 7,500,000 MW Hours
- Significant Supplier of Energy Financial Services
 - Arranged \$2.3+ Billion In Funding Since 1991

Enron Development Corp.

- Leading Developer of Integrated Energy Projects in Emerging Markets

ENRON CORP



Enron Power Generating Facilities

Project	Capacity	Commercial Operation Date	Lifetime Availability
Texas City	1,875 MW	April 1993	93%
Clear Lake	450 MW	May 1987	94%
Richmond	377 MW	April 1985	94%
Bayonne	250 MW	March 1991	93%
Milford	165 MW	Oct 1988	93%
Puerto Quelzal	150 MW	Feb 1994	-
Batangas	110 MW	Feb 1993	-
Subic Power	105 MW	July 1993	-
Subic Bay	113 MW	Feb 1994	-
	28 MW	1950s	-
Operating Total	3,623 MW		
Under Active Development	3,400 MW		Planned
Total	7,023 MW		

- NATURAL GAS PIPELINE
Natural Gas Pipelines
- NATURAL GAS SERVICES
Marketing Offices
- ENRON POWER
Generation Plants
- LIQUID FUELS
Gas Processing Plants
Export Pipelines
Export American Offices
Marketing Offices
- EXPLORATION & PRODUCTION
Oil and Gas Fields

ENRON CAPITAL & TRADE RESOURCES
WORLDWIDE ENERGY SOLUTIONS
NY 11006 J5-C6507/G-02

Physical Asset Positions Transportation & Storage Positions Physical Liquidity Electric Interchange Capability

NATURAL GAS PIPELINE
— Natural Gas Pipelines

NATURAL GAS SERVICES
■ Marketing Offices

ENRON POWER
▲ Cogeneration Plants

LIQUID FUELS
● Gas Processing Plants
○ Liquefied Pipelines
⚡ Marketing Offices

EXPLORATION & PRODUCTION
⚡ Oil and Gas Fields

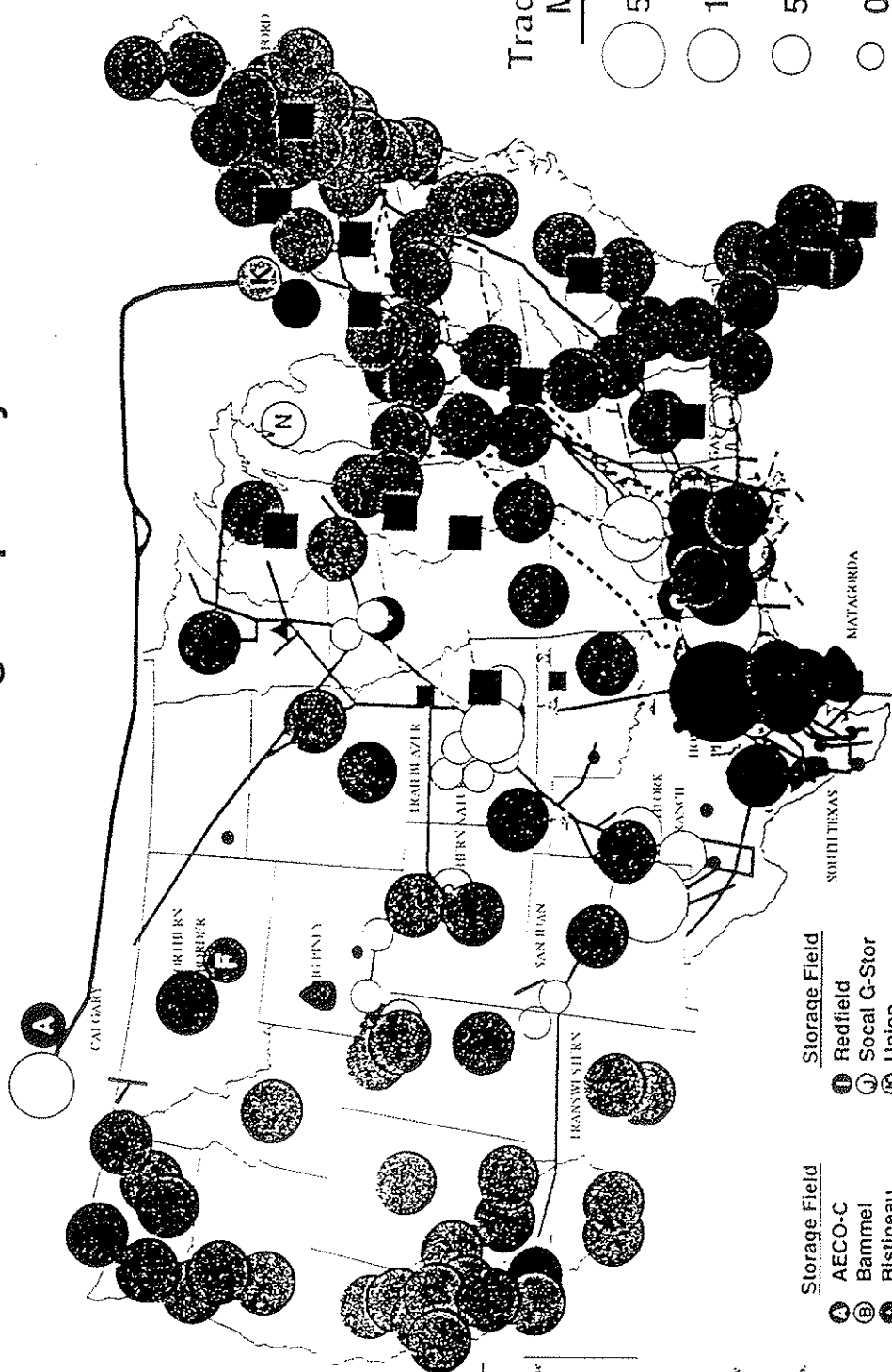
NATURAL GAS PIPELINES

ENRON AFFILIATED

- Northern Nain of Gas Pipeline
- Southern Border Pipeline
- Florida Gas Transmission
- Transwestern Pipeline
- Trailblazer
- Tennessee Gas Pipeline
- Columbia Gas Transmission
- Texas Eastern Transmission
- Transcontinental Gas Pipeline
- Southern Natural Gas Co.
- LRC
- Texas Gas Transmission Corp.

LIQUID FUELS

- Liquids Pipelines



- Storage Field**
- Ⓐ AECO-C
 - Ⓑ Bammel
 - Ⓒ Bistineau
 - Ⓓ Clay Basin
 - Ⓔ Hattiesburg
 - Ⓕ Montana Power
 - Ⓖ Napoleonville
 - Ⓗ North Lansing
- Storage Field**
- Ⓕ Redfield
 - Ⓖ Social G-Stor
 - Ⓗ Union
 - Ⓖ Washington
 - Ⓖ Yaggy
 - Ⓖ Mich Con
 - Ⓖ NI Gas
 - Ⓖ Rush Creek

Trading Hubs MMcfd

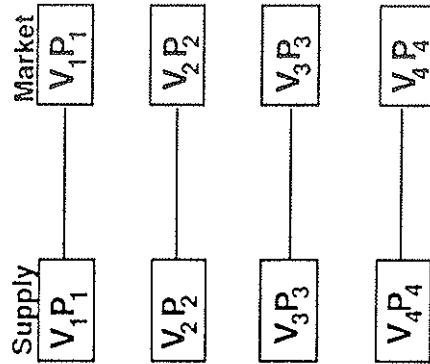
- 500 - 1000+
- 100 - 500
- 50 - 100
- 0 - 50

- Interchange Agreements
- Power Transmission Agreements

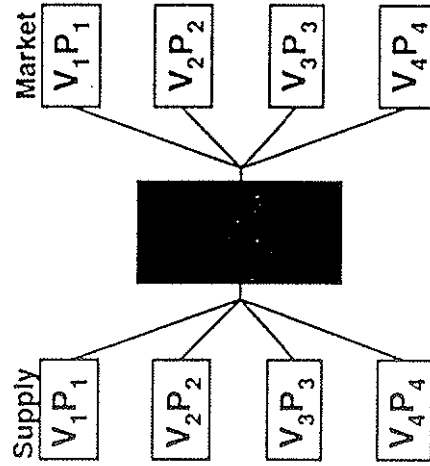
ENRON CAPITAL & TRADE
RESOURCES
WORLDWIDE ENERGY SOLUTIONS
© 1996 JS-6050764-03

Brokering

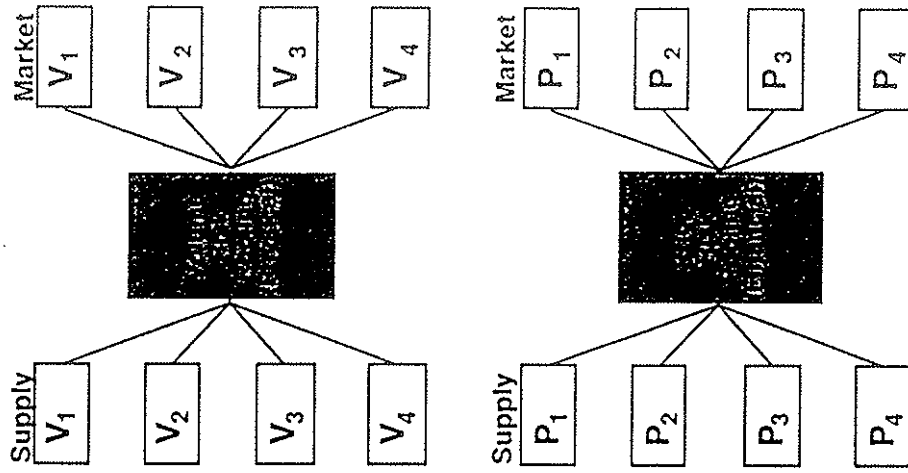
Back-to-back



Marketing



Risk Management



Enron Capital & Trade Resources

Enron's Risk Management "Books"

Liquidity Books

Natural Gas (at Index)
Natural Gas Basis
Exchange For Physical (EFP) at Index
Exchange For Physical (EFP) Basis
Crude Oil Basis
Residual Fuel Oil Basis

Price Books

U.S. Natural Gas
Canadian Natural Gas
Exchange For Physical (EFP)
Natural Gas Basis
Crude Oil
Residual Fuel Oil
Natural Gas Liquids (NGL)
Refined Products
Electric Power
Emission Allowances

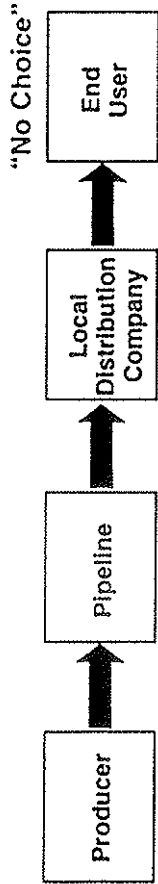
Financial Books

Interest Rates
Foreign Currency

Natural Gas Distribution Channel

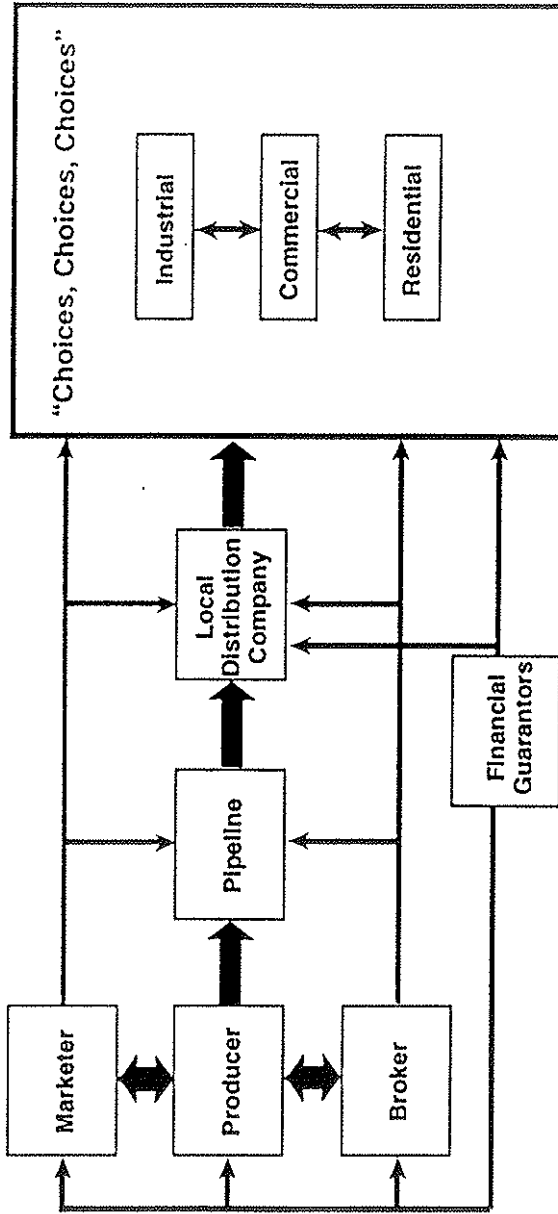
Pre-Deregulation

- Virtually no upstream to market contact
- One service, one price
- Heavily regulated, tariff driven
- Fragmented industry, traditional players, rigid system



Post-Deregulation

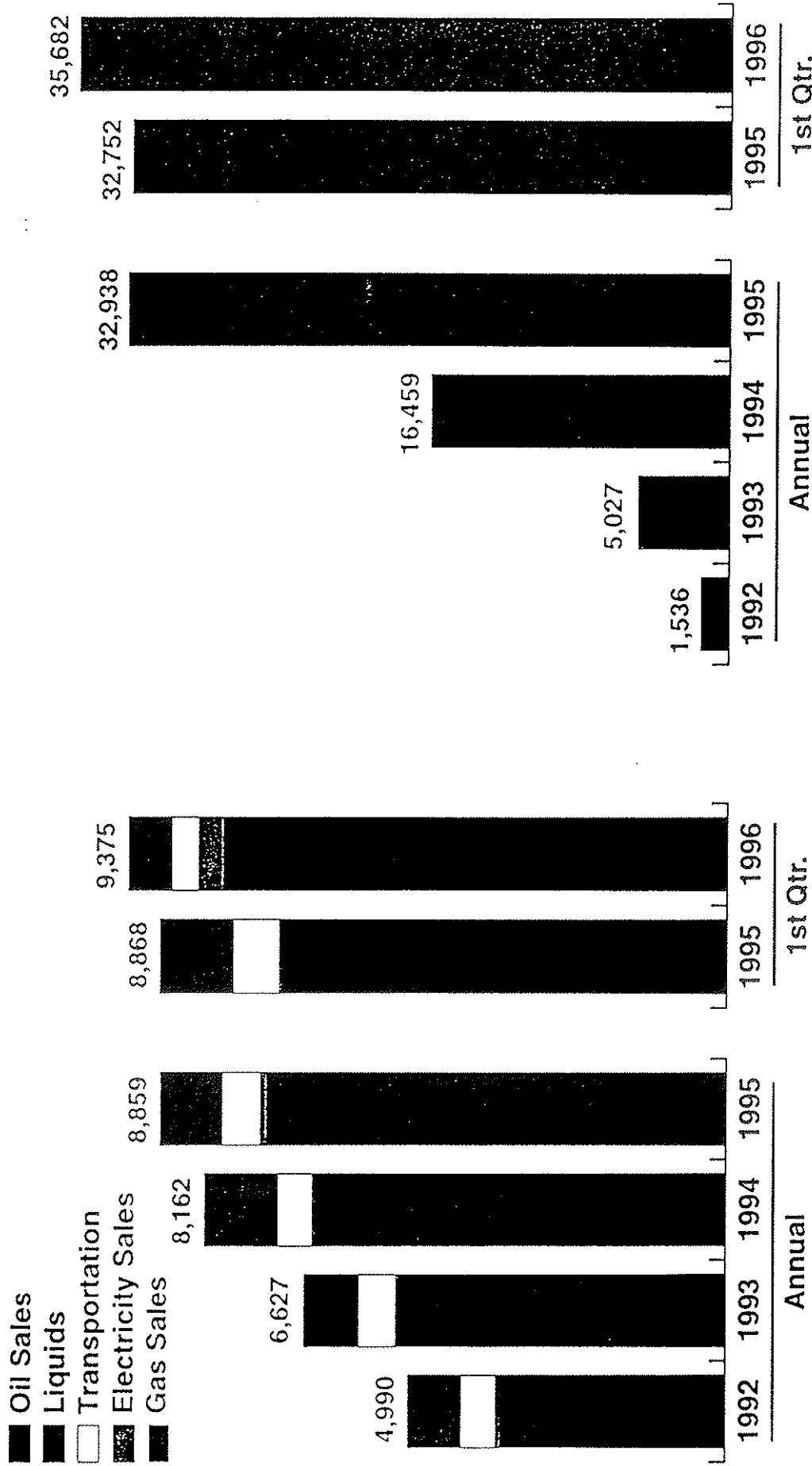
- Supplier to market focus
- Multi services and pricing
- Deregulated supply, "contractibility"
- Industry alignment, new players (aggregators), flexible system



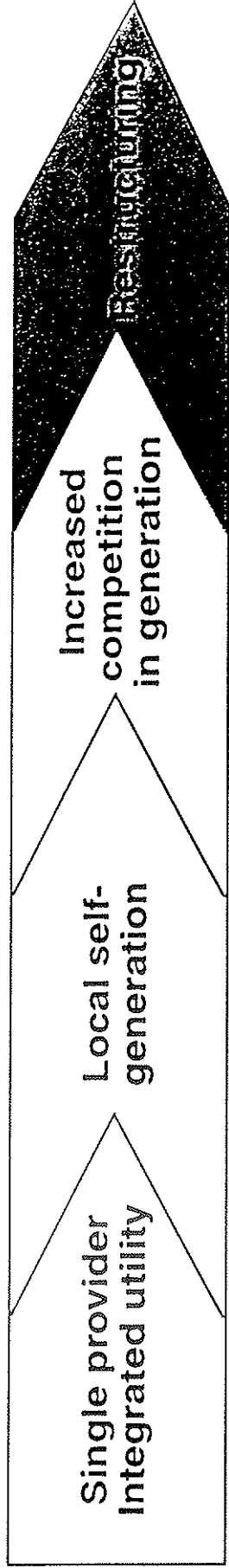
Physical Volumes and Financial Settlements

Physical Volumes

Financial Settlements

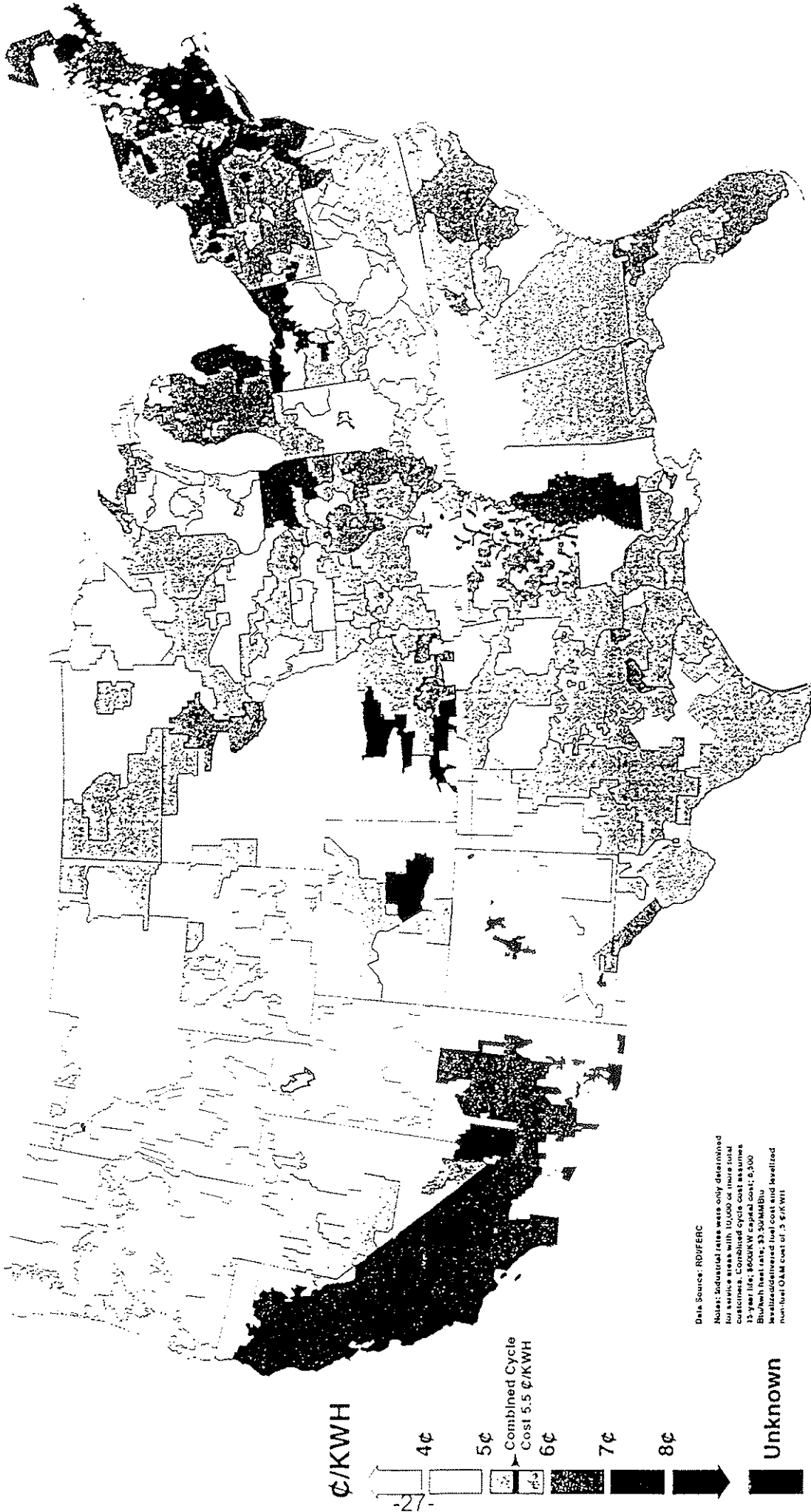


Where is the Industry Now? Electric Industry Evolution



Time:	- Until late 70s	- Late 1970s to mid 1980s	- Mid 1980s to early 1990s	- Early 1990s forward
Characteristics:	- Generation scale economies - Decreasing rates - Rapid demand growth	- Fuel price shocks - Environmental movement - Increasing rates	- Growing cogeneration/IPP industry - Utility reluctance to build - High embedded nuclear costs	- Vertical "disintegration" and PUHCA reform initiated by Energy Policy Act - Relentless cost reduction
Regulatory environment:	- Cooperation	- PURPA - Disallowances - Tax incentives	- Bidding systems - DSM incentives - PUHCA reform - Increased wholesale access	- Competitive generation - Incentive regulation in T&D - Competitive customer service

Average U.S. Industrial Rates



Electric Distribution Channel

Pre-Deregulation

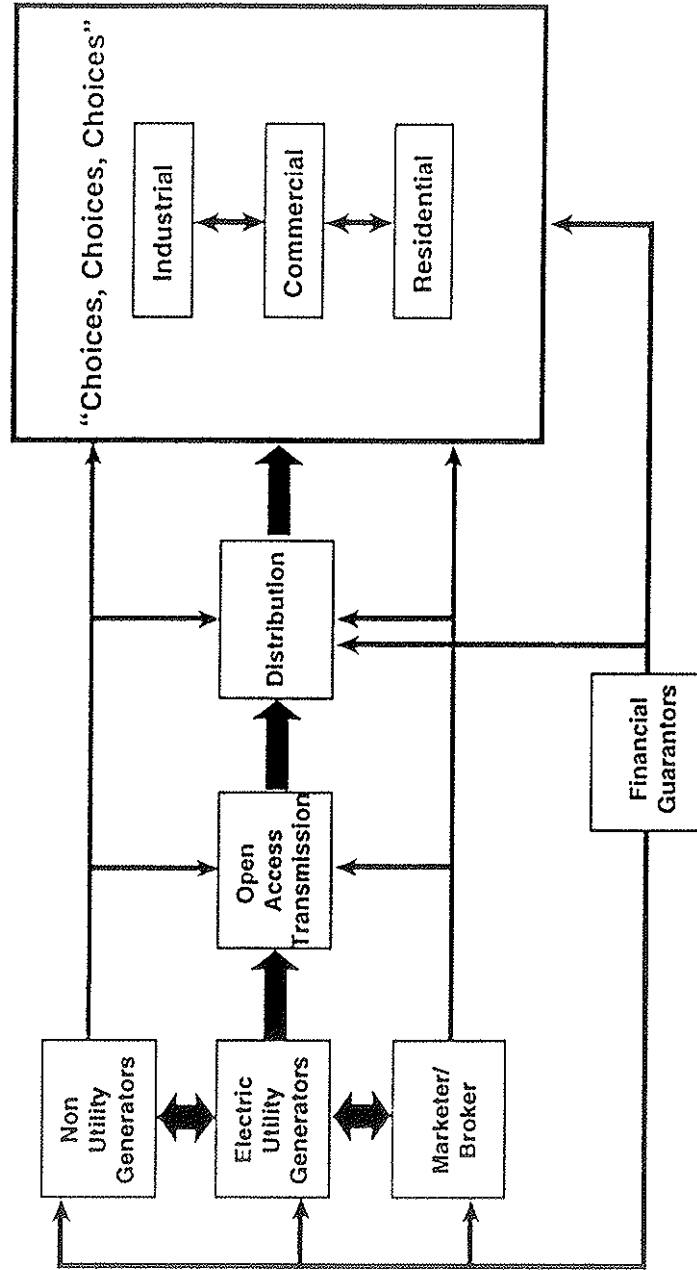
- One service, one price
- Monolithic system
- Fuel risk borne by customer

"No Choice"



Post-Deregulation?

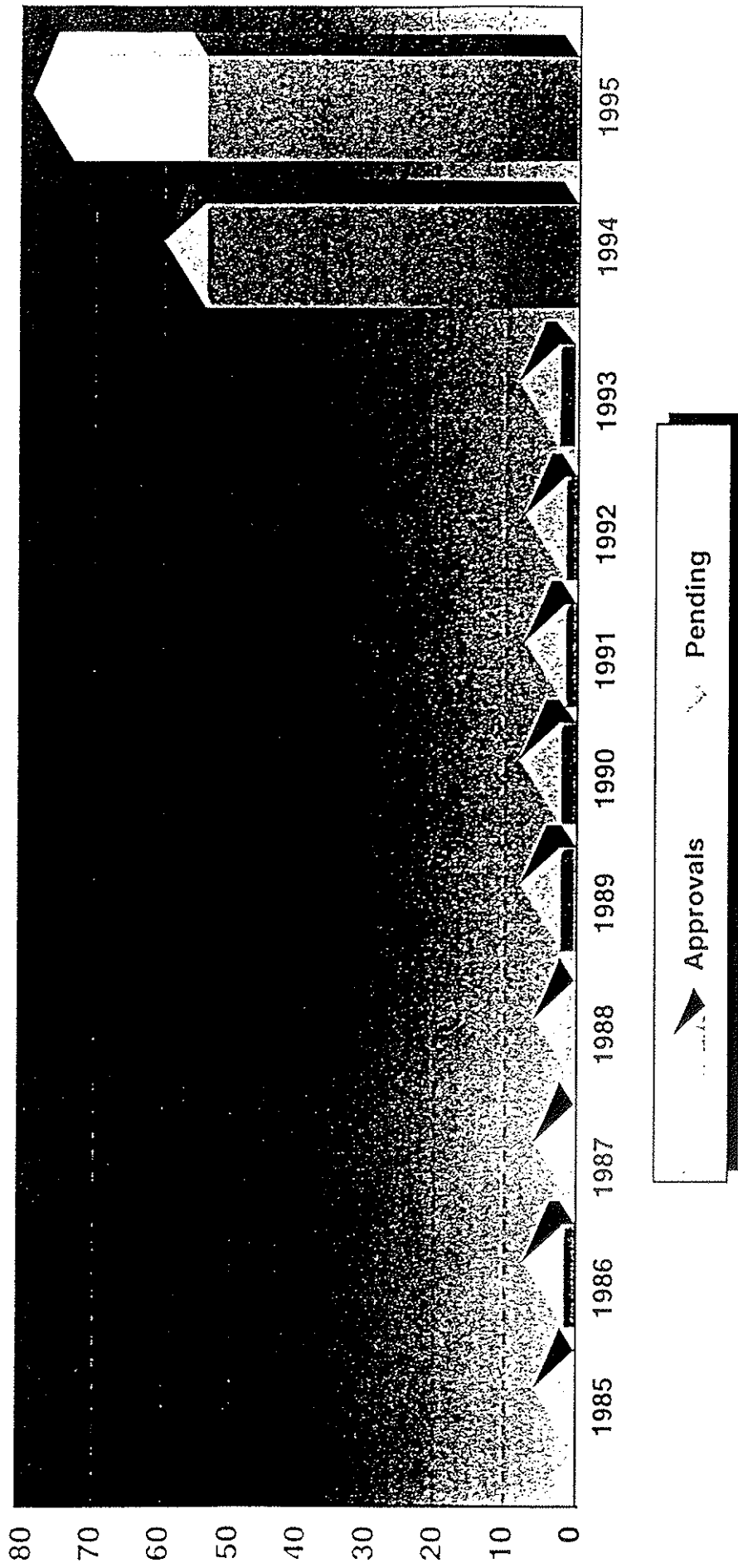
- Multiple services
- Open system
- Active fuel risk management for customer
- Bilateral contracts



Basis for Power Industry Restructuring

- Historical cost based, command and control regulation of the Electric Service Industry failed to provide flexible, efficient and low cost electric power services
- Market forces and competition will be substituted for exclusive franchised, cost based pricing and regulated service structures moving the Electric Power Services Industry towards a more efficient and flexible structure
- That comparable open access transmission and competition electricity markets will develop is no longer in question
- Instead, the issues for most utilities now center on *how to participate and maintain a competitive position in the new market place*

Number of FERC Power Marketing Certificates



Source: EEI EPAct Regulatory Briefing Service

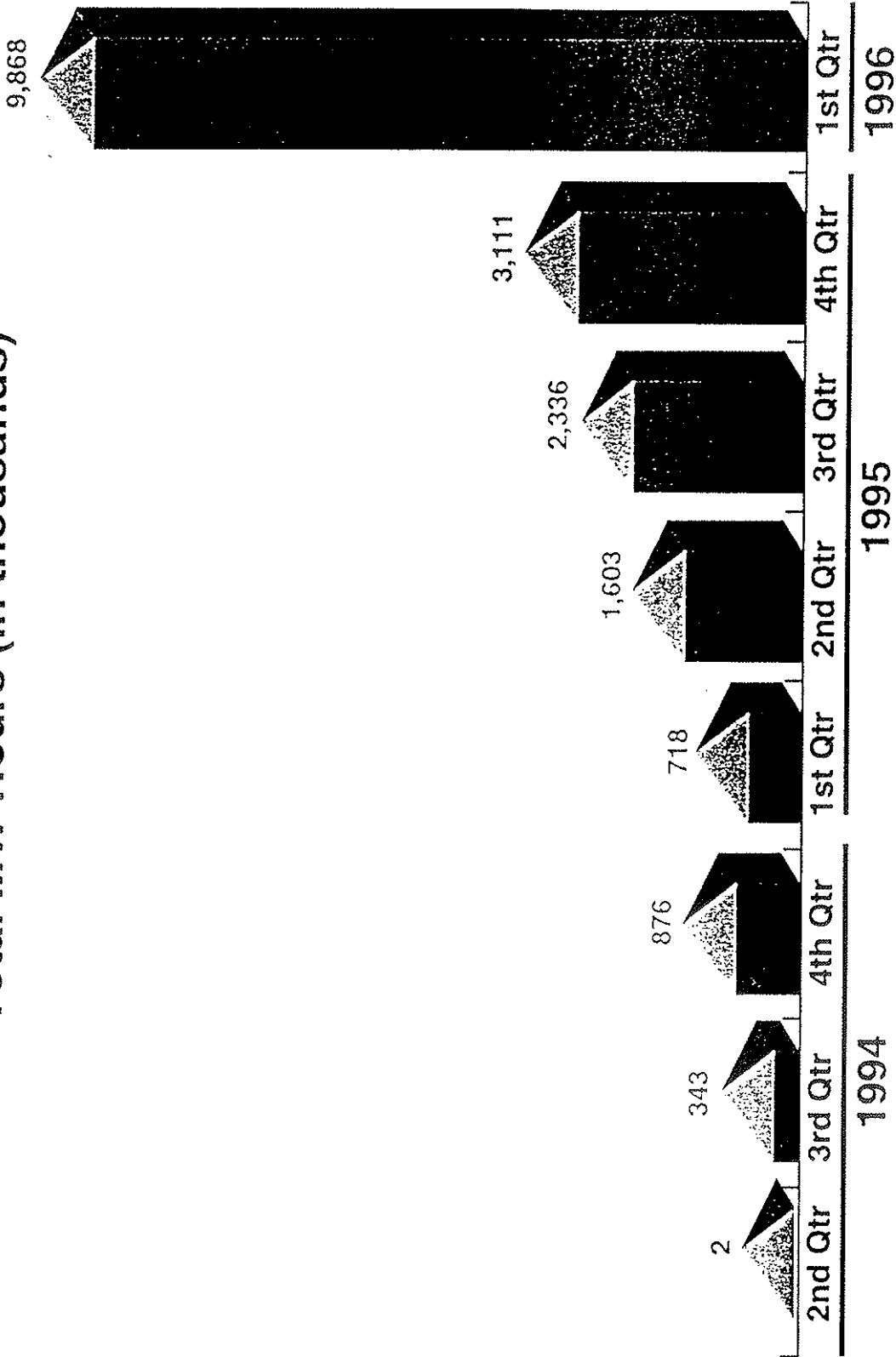
Enron's Electricity Trading Floor



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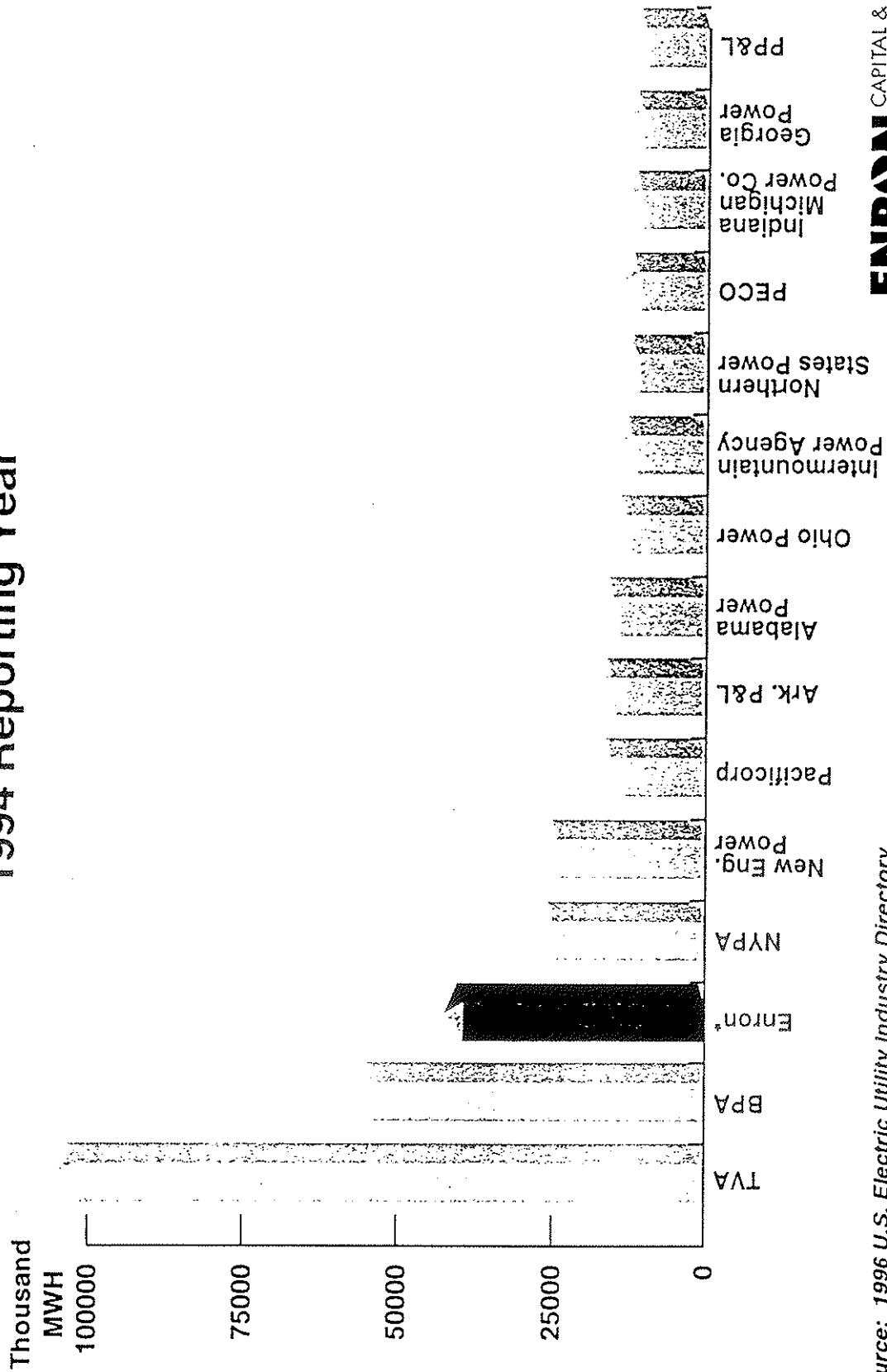
ECT – Power Marketing Sales Volumes

Total MW Hours (in thousands)



Wholesale Power Sales by Utilities

1994 Reporting Year



Source: 1996 U.S. Electric Utility Industry Directory
 * January 1996 Volumes Annualized

ENRON CAPITAL & TRADE
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Products & Services Offered by Wholesale Power Marketers

- Energy Trading (24 hour-a-day nationwide scheduling)
 - hourly
 - daily

- All/Partial Requirements Packages
 - firm, fixed price energy (100% firm or some interruptibility)
 - load following & shaping
 - load growth options

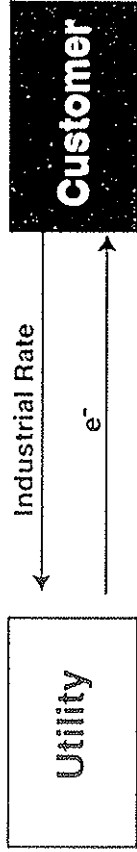
- Energy Exchanges
 - locational
 - seasonal
 - light load/heavy load

- Cross Commodity Swaps
 - power prices tied to commodities (aluminum, copper, gas, etc.)

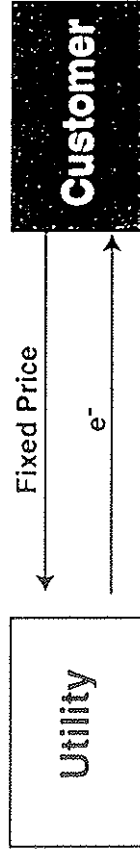
- Resource Optimization
 - marketing surplus generation & transmission (real time or longer term)

- Other structures based on customer needs and circumstances

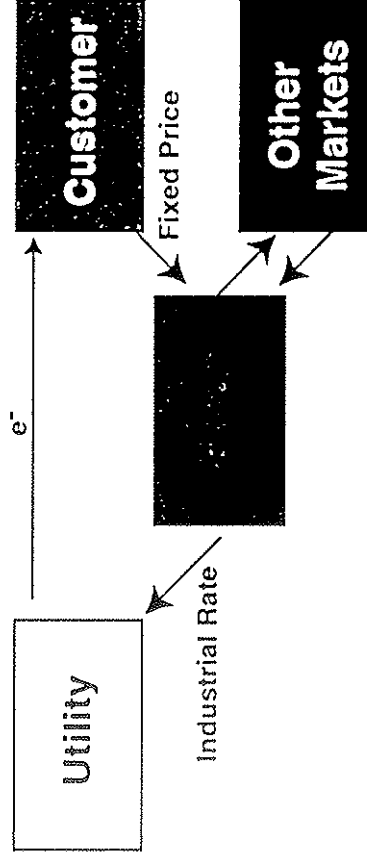
Utility Selling at Fixed Price



Characteristics: Cost Based Rates, Obligation to Serve
 Issues: Cost Level, Price Volatility, Credit Risk

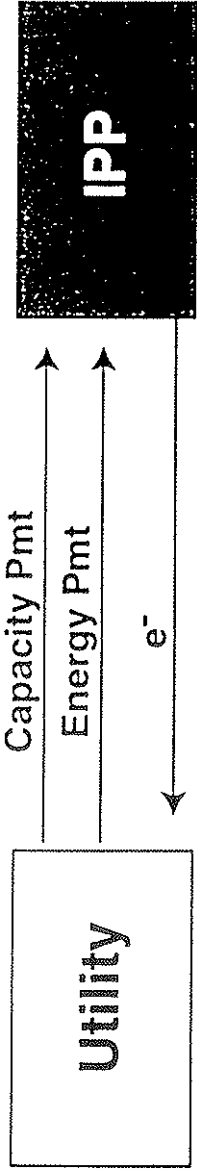


Characteristics: Fixed Price, Obligation to Serve
 Issues: Cost Level, Cost Volatility, Credit, Regulatory Exposure

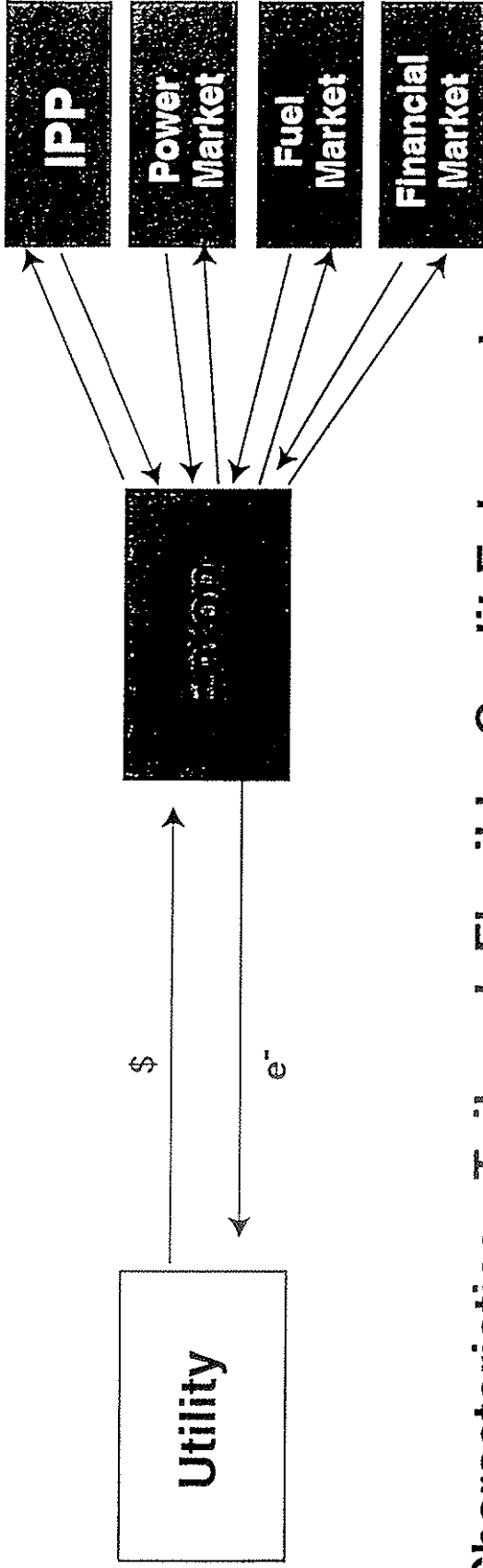


Characteristics: Cost Based Rate, Fixed Price, Obligation to Serve
 Issues: Cost of Swap

Utility Purchasing From IPP

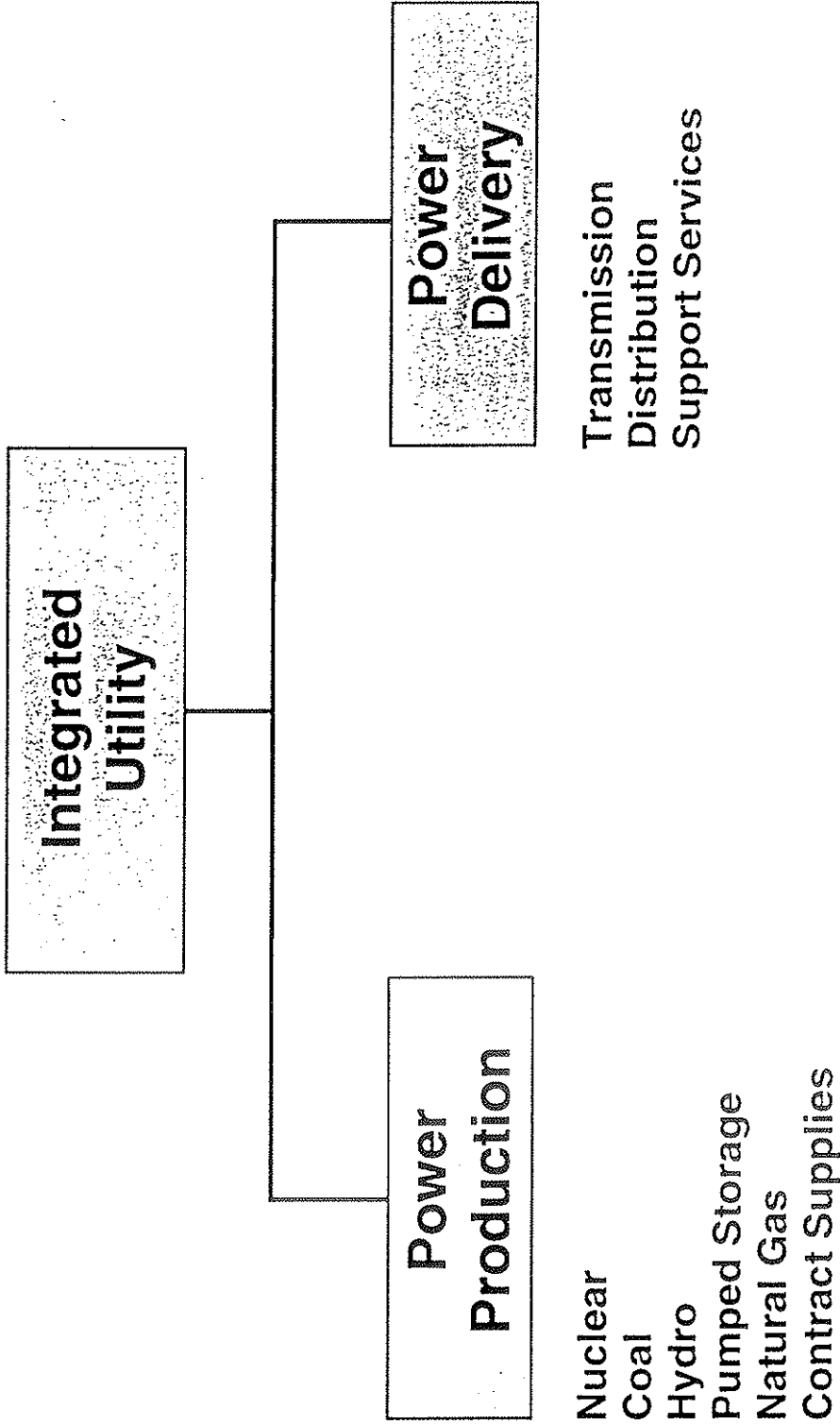


Characteristics: Long-Term, Rigid, Interdependent, Finance Driven
Issues: Reliability, Flexibility, Credit Risk, Price Risk

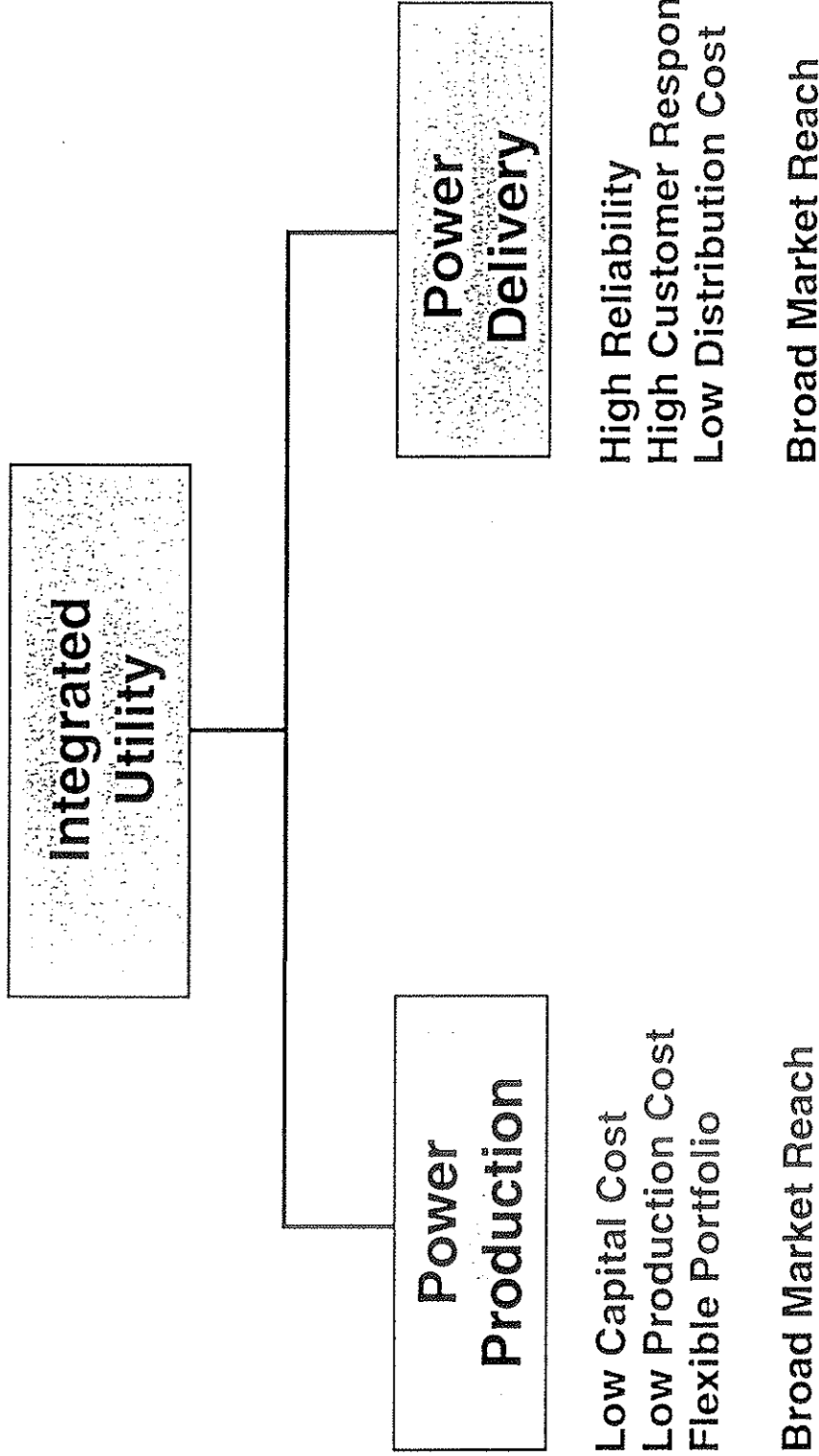


Characteristics: Tailored, Flexible, Credit Enhanced
Issues: Capacity, Reserve Margin

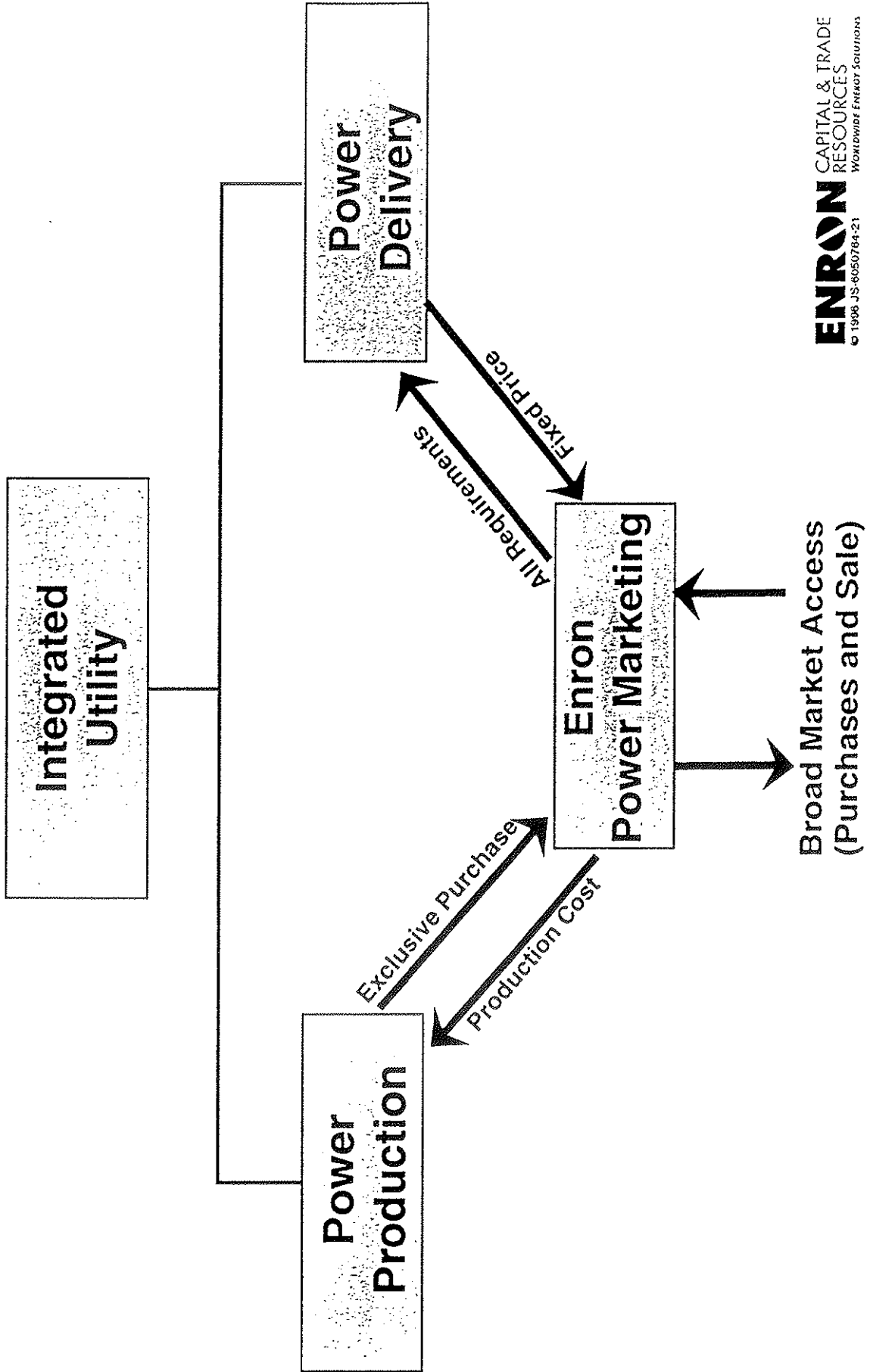
Integrated Utility Structure



Critical Success Factors



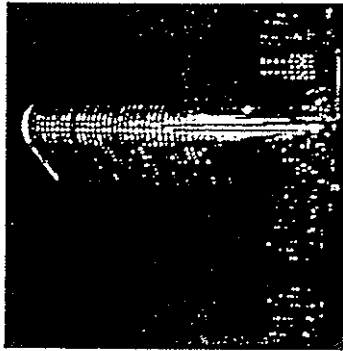
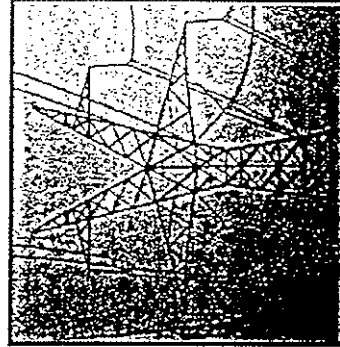
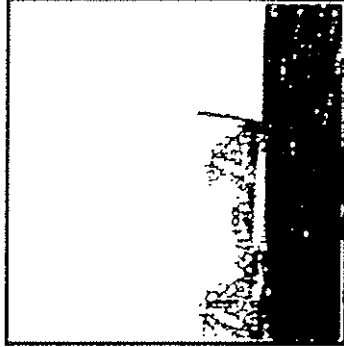
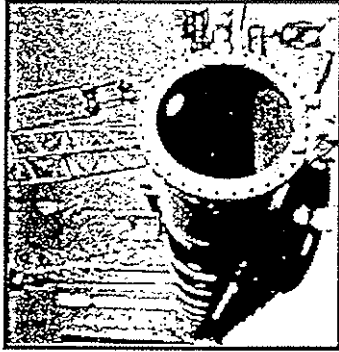
Synthetic Merger



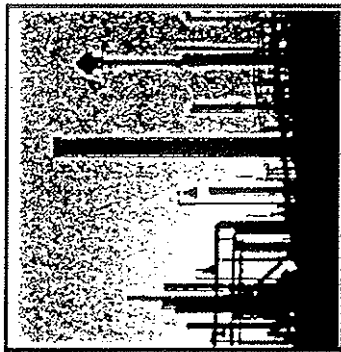
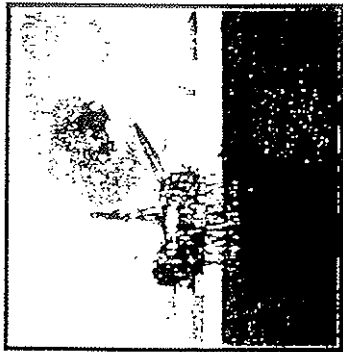
Time: The Most Important Factor in the Emerging Marketplace

- Your customers are already acting
- Your competitors are already acting
- Consolidation will make your competitors stronger
- Your lenders are watching
- Major changes take a long time

Now is the time to seize the Opportunity



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“TRANSITION, AS I SEE IT”

Don Howell

COMPETITION IS ALREADY HERE.

IT'S LIKE A NEW VIRUS -- IT MAY

APPEAR LATER IN SOME AREAS

THAN IN OTHERS, BUT IT *WILL*

SWEEP AMERICA.

THERE IS STILL MUCH TO DEBATE ABOUT HOW COMPETITION WILL BE IMPLEMENTED, BUT THE WORLD IS MOVING RAPIDLY TO A COMPETITIVE ELECTRIC SYSTEM EVEN AS THE DEBATE DRONES ON.

FURTHER, RETAIL WHEELING IS NOT A SEPARATE PHENOMENON FROM WHOLESALE COMPETITION. THE INFRASTRUCTURE FOR ONE IS THE SAME AS THE OTHER.

WE ARE ALREADY COMMITTED TO RETAIL WHEELING IN THE TELEPHONE INDUSTRY, AND IT IS CERTAIN WE WILL SEE RETAIL WHEELING IN THE ELECTRIC INDUSTRY.

**THE VISION OF A FREE ELECTRIC
MARKET HAS WON. IT IS ALL OVER
BUT THE SHOUTING.**

COMPETITION HAS MANY, MANY CONSEQUENCES, BUT I WANT TO FOCUS TODAY ON TWO ISSUES FOR RURAL ELECTRIC COOPS ARISING OUT OF:

- 1. THE END OF RATE BASE/RATE OF RETURN REGULATION; AND**
- 2. THE EMERGENCE OF A MARKET FOR WHOLESALE ELECTRIC POWER SUPPLIED BY CONTRACTS WITH POWER MARKETTERS (AND OTHERS).**

**LET US START WITH ONE RESULT
OF THE END OF RATE BASE/
RATE OF RETURN REGULATION.**

**RATE BASE/RATE OF RETURN
REGULATION HAS HISTORICALLY
MEANT THAT:**

- **ALL COSTS ARE RECOVERED.**

OPERATING COSTS

- IF THE UTILITY SPENDS MORE ON OPERATING COSTS, THE "MORE" WILL BE RECOVERED.
- IF THE UTILITY SPENDS LESS ON OPERATING COSTS, THE RATEPAYERS GET THE BENEFITS AND THE UTILITY BEARS ANY RISKS.
- ∴ MORE OPERATING COSTS ARE BETTER.

UTILITY PLANT

IF THE UTILITY SPENDS MORE ON UTILITY PLANT, A RATE OF RETURN WILL BE PAID ON NEW UTILITY PLANT.

IF THE UTILITY USES OPERATING PROFITS (AFTER DIVIDENDS) TO PAY FOR MORE UTILITY PLANT, IT WILL EARN MORE MONEY. BUT IF IT PAYS OFF DEBT, ITS RATES WILL BE REDUCED (BECAUSE ITS INTEREST COSTS HAVE DECLINED) AND IT WILL EARN LESS MONEY.

∴ MORE UTILITY PLANT IS BETTER.

**THE DEATH RATTLE OF RATE
BASE/RATE OF RETURN
REGULATION CAN NOW BE
HEARD ACROSS AMERICA.**

WHY IS THIS SO?

- **IOUs NEED MONEY TO WRITE DOWN "STRANDED INVESTMENTS" (USUALLY NUCLEAR PLANTS).**
- **PERFORMANCE-BASED RATE-MAKING ALLOWS THE REGULATORS TO AVOID TAKING DIRECT RESPONSIBILITY FOR THESE WRITE-OFFS.**

- **IOUs NEED INCENTIVES TO REDUCE RATES. THIS MEANS YOU WILL NEVER FIND OUT WHAT A UTILITY CAN DO UNTIL THE SHAREHOLDERS (AND THE CEOs) ARE REWARDED FOR COST REDUCTIONS. MERE REGULATORY EXHORTATIONS ABOUT THE VIRTUES OF CHEAPER RATES FOR CONSUMERS MOTIVATES NO ONE.**

**COMPETITION FORCES LOWER PRICES.
PERFORMANCE-BASED RATES ARE THE
WAY STATE REGULATORS CAN
SLOWLY INTRODUCE COMPETITION --
I.E., ALLOW THE MORE EFFICIENT
UTILITIES TO MAKE MORE MONEY.**

**WHAT DOES THE SHIFT TO
PERFORMANCE-BASED RATES MEAN
FOR RURAL ELECTRIC
COOPERATIVES?**

**THE DEATH OF RATE BASE/RATE
OF RETURN RATES MEANS RURAL
SERVICE AREAS ARE VERY
UNATTRACTIVE TO IOUS.**

PERFORMANCE-BASED RATE-MAKING

PLUS

POSTAGE STAMP RATES BY IOUS

EQUALS

**RURAL SERVICE AREA SUBSIDIES
WHICH CANNOT BE RECOVERED.**

THE RURAL COSTS ARE HIGHER; THE GROSS REVENUES PER KWH ARE SUBSTANTIALLY THE SAME; THE NET REVENUES PER KWH ARE INEVITABLY LOWER; AND HIGHER RURAL RATES BY IOUs ARE POLITICALLY UNACCEPTABLE TO IOUs AND THEIR REGULATORS.

∴ IOUs WILL SELL RURAL SERVICE TERRITORY TO COOPS.

THERE IS A REASON WHY MAJOR AIRLINES SUCH AS UNITED, DELTA, AMERICAN, U.S. AIR, ETC., DO NOT SERVE RURAL AREAS AND THERE IS A REASON WHY SPECIALIZED AIRLINES SUCH AS UNITED EXPRESS, ATLANTIC SOUTHEAST, AMERICAN EAGLE, U.S. AIR EXPRESS, AND CONTINENTAL EXPRESS DO SERVE RURAL AREAS.

THE SAME THING WILL INEVITABLY HAPPEN IN OUR NEW ELECTRIC ENVIRONMENT.

IN 1930 ONLY 10% OF AMERICAN FARMS WERE SERVED BY ELECTRICITY. BY 2010 (IF NOT BEFORE) IOUs WILL CONCLUDE THAT THEIR ORIGINAL 1930s STRATEGY WAS CORRECT.

IOUs, HAVING FOUGHT FOR TERRITORY WITH RURAL ELECTRIC COOPERATIVES FOR YEARS, WILL SOON BE READY TO RETREAT TO PROFITABLE SERVICE AREAS AND LEAVE RURAL AMERICA TO RURAL AMERICANS.

**WHAT SHOULD RURAL
ELECTRIC COOPERATIONS DO?**

GET READY TO BUY -- NOW.

**TALK TO YOUR BANKERS NOW -- FIND OUT
HOW THEY WILL MEASURE AN
ACCEPTABLE PRICE.**

**IDENTIFY THE LIKELY AREAS OF
PURCHASE.**

**HIRE A CONSULTANT NOW TO DO AN
INDEPENDENT STUDY.**

HIRE A LAWYER -- NOW.

**CONTACT THE RUS NOW ON LIEN
ACCOMMODATION IF YOU ARE AN RUS
BORROWER.**

**IF YOU DO NOT WANT TO ACQUIRE THE
TARGET TERRITORY, CALL DAVID PRUITT
OR SOME OTHER RURAL CO-OP WHICH
DOES.**

WHAT ARE THE ESSENTIAL ELEMENTS OF RURAL TERRITORY PURCHASE?

- 1. ONLY THE DISTRIBUTION SYSTEM AND RADIAL TRANSMISSION WILL LIKELY BE FOR SALE.**
- 2. YOU PROBABLY MUST BE ABLE TO CONTINUE TO PURCHASE WHOLESALE POWER FROM THE SELLER.**
- 3. YOU SHOULD BE PREPARED TO OFFER TO RETAIN ALL EMPLOYEES FOR A PERIOD OF TIME (SUCH AS 18 MONTHS).**

4. YOU SHOULD BE PREPARED TO LEAVE A WIDE SWATH AROUND ANY LARGISH CITY. THE IOU WILL WANT THE CITY AND ALL OF ITS SUBURBS -- RESIDENTIAL AND INDUSTRIAL.

5. YOU SHOULD ASSUME THAT YOUR RATES MUST BE THE SAME AS (OR LOWER THAN) THE IOUs RATES.

6. YOU SHOULD BACK INTO THE PURCHASE PRICE.

7. TERRITORY PURCHASE IS BEST WHEN IT IS LARGE ENOUGH TO HAVE A FAVORABLE EFFECT ON THE IOUS EARNINGS.

CAN COOPS ACQUIRE SEMI-URBAN AREAS?

YES, IF THE COOPS CAN PAY AN ACQUISITION PRICE SUBSTANTIALLY IN EXCESS OF BOOK VALUE (I.E. ORIGINAL COST MINUS ACCUMULATED DEPRECIATION OR NET UTILITY PLANT).

IOU - REGULATORY ACCOUNTING:

UTILITY PLANT	1,000
ACQUISITION ADJUSTMENT	500
NET UTILITY PLANT	1,500

THERE IS NO RATE OF RETURN PERMITTED ON THE ACQUISITION ADJUSTMENT.

CO-OP ACCOUNTING:

FORGET ABOUT NET UTILITY PLANT.

LOOK AT TIER AND DSC.

CONCLUSION:

**A CO-OP MAY BE ABLE TO PAY MORE THAN
BOOK VALUE OF ASSETS BECAUSE IT IS A
REVENUE BASED, UNREGULATED UTILITY.**

THE NEW WORLD OF CONTRACTS

THE NATIONAL ENERGY POLICY ACT, FERC,
AND THE POWER MARKETERS HAVE
ALREADY CREATED AN ACTIVE
WHOLESALE POWER MARKET.

POWER MARKETERS CAN GENERALLY SELL
ELECTRIC POWER AT A BETTER PRICE
THAN THE DOMINANT IOUs.

POWER MARKETERS CAN ALSO GENERALLY SELL ELECTRIC POWER AT A BETTER PRICE THAN THE PRICE FROM NEW CONSTRUCTION.

THE COST OF ELECTRIC POWER FROM NEW GAS-FIRED GENERATING PLANTS IS STILL FALLING.

RURAL ELECTRIC COOPERATIVES ARE THE FIRST AND MOST OBVIOUS) BENEFICIARIES OF THE WHOLESAL POWER MARKET.

THERE ARE, HOWEVER, NEW PROBLEMS:

**POWER MARKETERS OFTEN DO NOT HAVE
ELECTRIC "STUFF" LIKE REAL CONTRACTS WITH
REAL ELECTRIC GENERATORS.**

**POWER MARKETERS OFTEN SELL SYNTHETIC
ELECTRIC POWER.**

SYNTHETIC ELECTRIC POWER MEANS THE PRICE IS A FINANCIAL PRODUCT BASED ON TODAY'S ELECTRIC COSTS WITH OPTIONS, FUTURES, SWAPS AND OTHER FINANCIAL INSTRUMENTS USED FOR PRICE RISK MANAGEMENT.

THE POWER MARKETER SHOULD BE RELATIVELY INDIFFERENT AS TO WHETHER THE FUTURE COST OF POWER RISES OR FALLS. THE FINANCIAL HEDGES SHOULD PROTECT IT EITHER WAY.

THE COST OF FINANCIAL HEDGES RISES, HOWEVER, WITH TIME, SO THE PRICE CURVE OF SYNTHETIC ELECTRIC POWER IS ALWAYS RISING.

THAT PRICE CURVE CAN, HOWEVER, BE RESHAPED TO FIT THE PREFERENCES OF THE CUSTOMER BY FINANCIAL MANIPULATION.

**THE PRICE OF ELECTRIC POWER IS,
HOWEVER, LIKE A COMMODITY:**

IT IS UNPREDICTABLE

**CONSEQUENTLY, I ENCOURAGE CAUTION
ABOUT THESE NEW CONTRACTS.**

FIRST, CAUTION REQUIRES CAREFUL SCRUTINY OF THE ABILITY OF THE POWER MARKETER TO PERFORM. I SENSE WE ARE BEGINNING TO SEE SOME "PIGEON DROPS" BY POWER MARKETERS WHO BELIEVE THE PRICE OF ELECTRIC POWER IS GOING TO FALL. IF THE PRICE OF ELECTRIC POWER FALLS, THE POWER MARKETER WINS. IF THE PRICE OF ELECTRIC POWER RISES, THE POWER MARKETER MAY NOT BE ABLE TO PERFORM.

SECOND, I SENSE THAT THERE IS A WILLINGNESS ON THE PART OF SOME RURAL ELECTRIC COOPERATIVES TO CONTRACT WITH A POWER MARKETER AS IF IT WERE A NEW G&T - I.E. FOR VIRTUALLY "ALL REQUIREMENTS."

CAUTION OFTEN REQUIRES CONTRACTS FOR AT LEAST TWO BLOCKS OF POWER WITH DIFFERENT EXPIRATION DATES.

THE ALTERNATIVE IS THE RISK OF A MAJOR NEW CONTRACT AT THE TIME OF A POSSIBLE SPIKE IN MARKET PRICES.

FURTHER, THE PRICE OF ELECTRIC POWER MAY CONTINUE TO FALL. IF IT DOES, A CONTRACT CAN BE A "STRANDED COST" JUST AS MUCH AS A NUCLEAR PLANT CAN BE A "STRANDED COST."

PAY ATTENTION TO THE PURE LAW CLAUSES IN CONTRACTS:

THE "OUTS" OF THE POWER MARKETER FOR PERFORMANCE OR PRICE; THE RISKS WHICH ARE ASSUMED BY THE POWER MARKETER; THE GUARANTEES BY THE PARENT OF THE MARKETER; AND THE REMEDIES OF THE COOP IN THE EVENT OF A DEFAULT.

CONCLUSION

IN A TIME OF RADICAL CHANGE, THE PRIZE GOES TO THOSE WHO CAN UNDERSTAND THE OPPORTUNITIES AND RISKS (AS WELL AS TO THE LUCKY).

THE OPPORTUNITIES FOR NEW SERVICE AREAS AND THE OPPORTUNITIES AND RISKS IN NEW POWER PURCHASE CONTRACTS ARE EARLY ISSUES IN OUR TIMES OF CHANGE.

**“ROAD MAP TO GROWTH,
THE UNCONVENTIONAL WAY”**

Thomas J. Flaherty

**Rural Electric Management
Development Council**

**Annual
Meeting**

**May
1996**

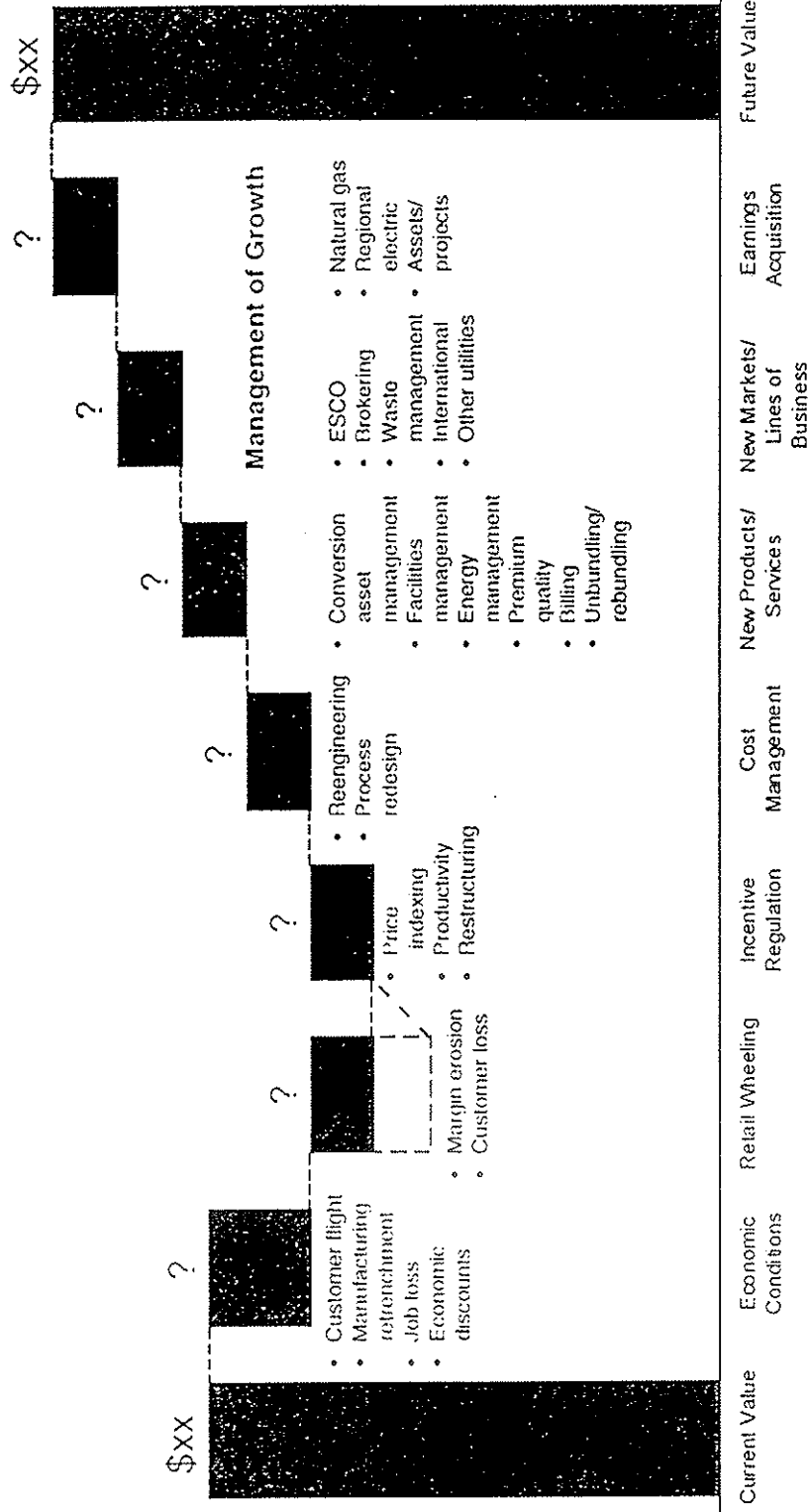
**The Road
to Growth**

Outline

- ◊ The Growth Challenge
- ◊ Integration or Disaggregation?
- ◊ Traditional and Nontraditional Paths
- ◊ Competing Against the New Players
- ◊ Growth 2000

The Growth Challenge

Value Creation



Growth Strategy Views

Characteristics

- Skill for sale
- Existing competitors
- Unrealized needs
- Contract vs. commodity priced
- Volume-driven

Service-Based



Services

Assets

Asset-Based

- Money for rent
- Capital-intensive
- Large single investments
- Substantial aggregate investment
- Slow capital recovery

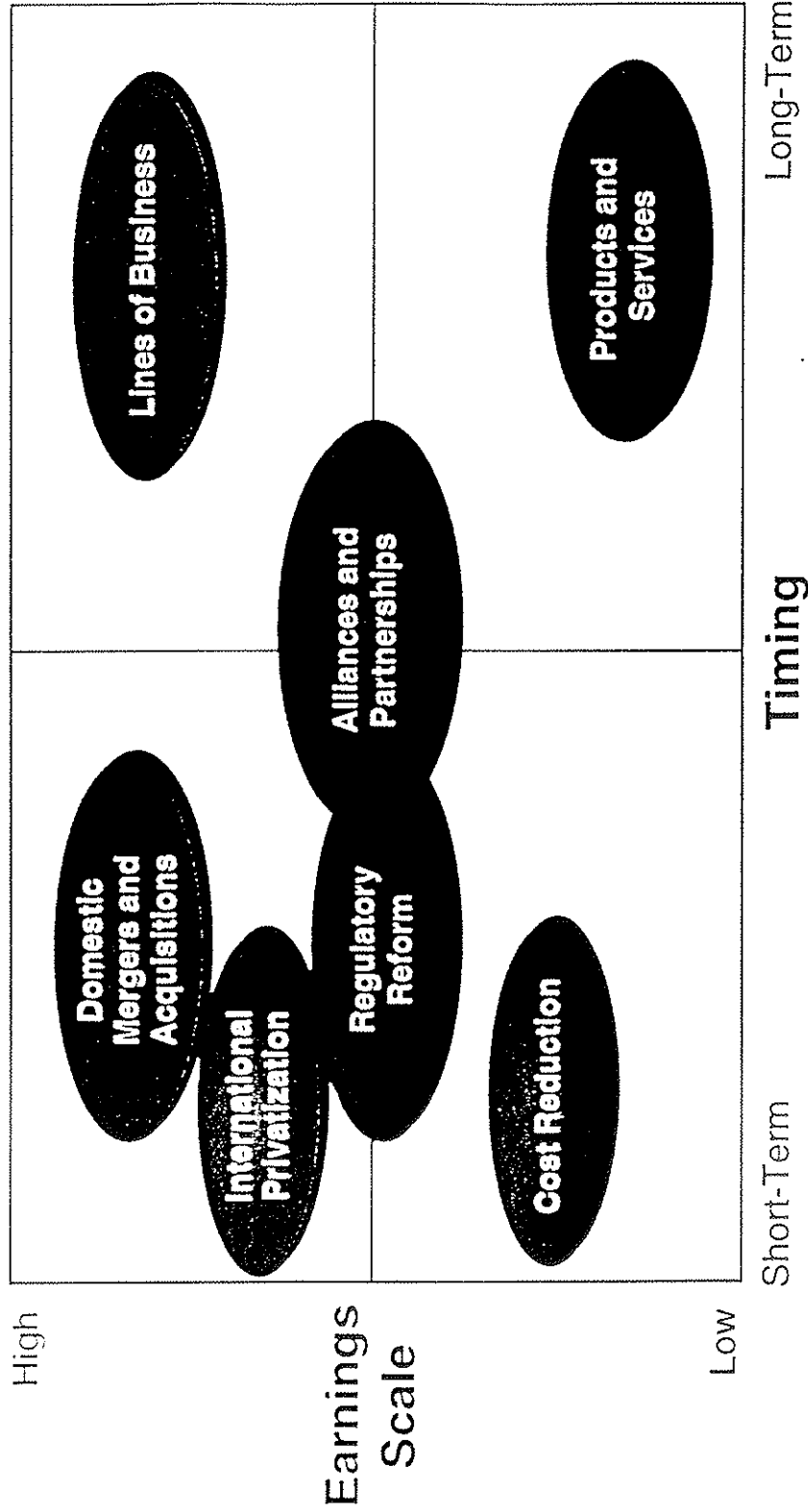
Strategy

Real Earnings Generation

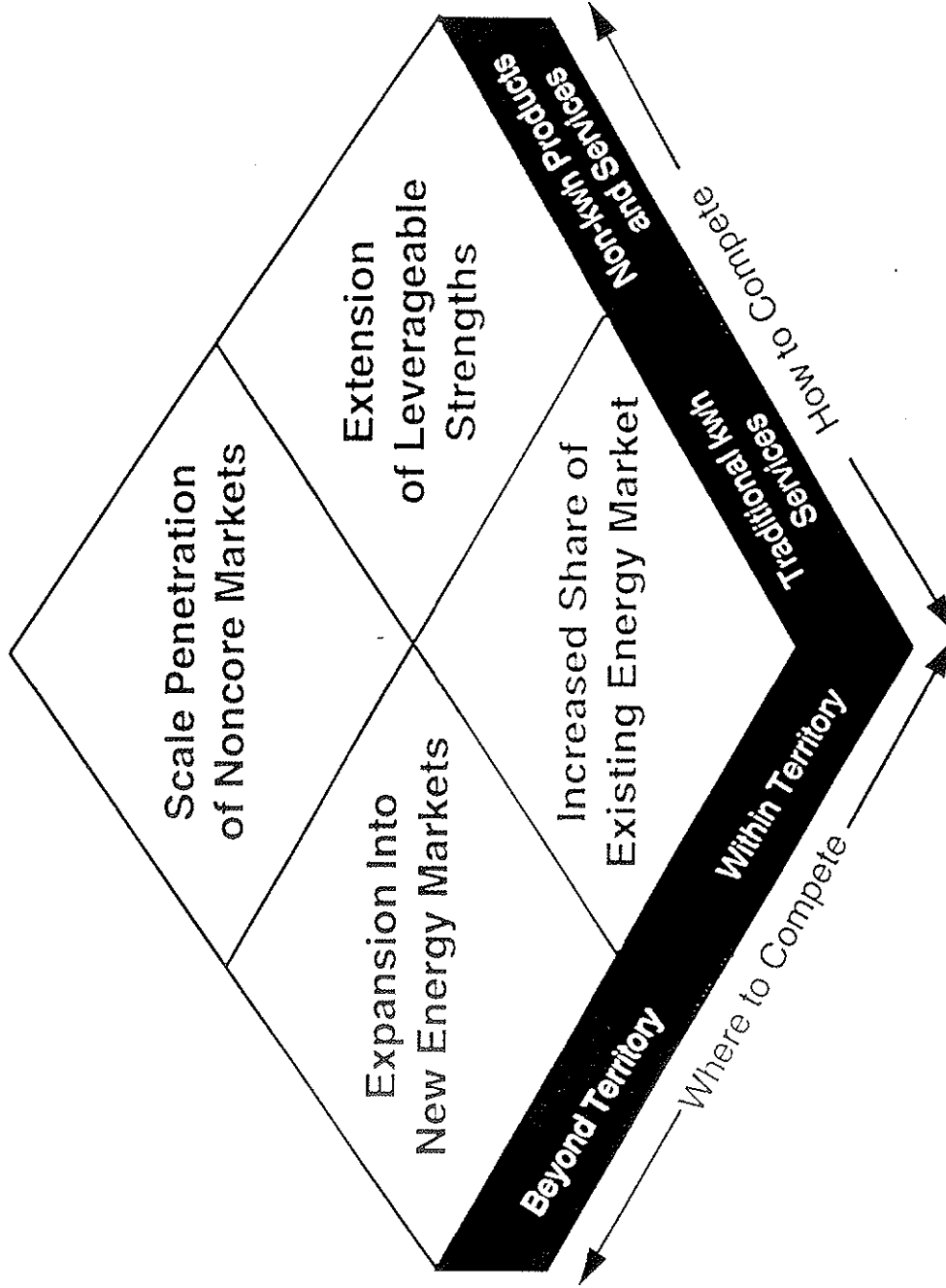
Risk Index



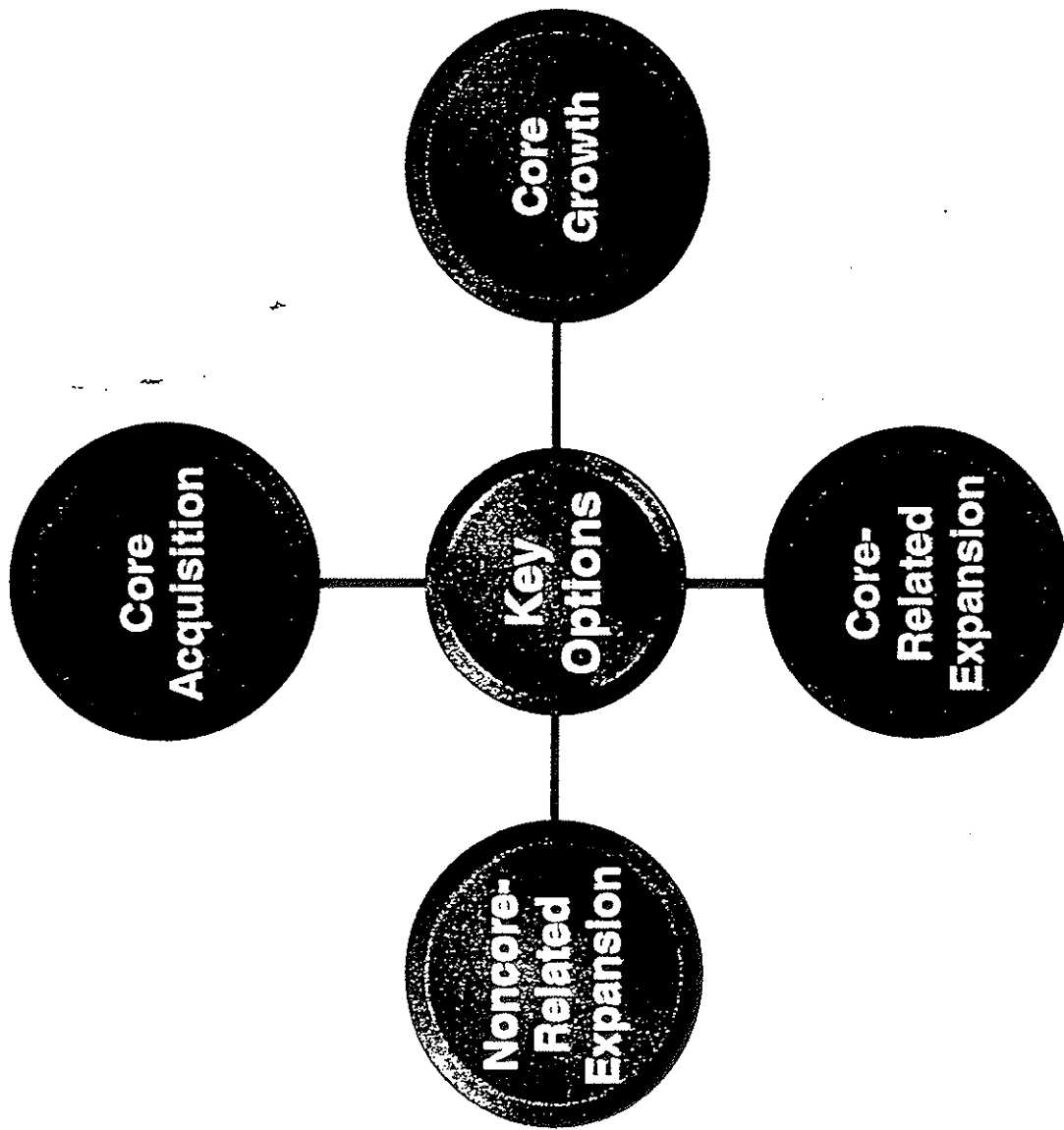
Value Creation Trade-Offs



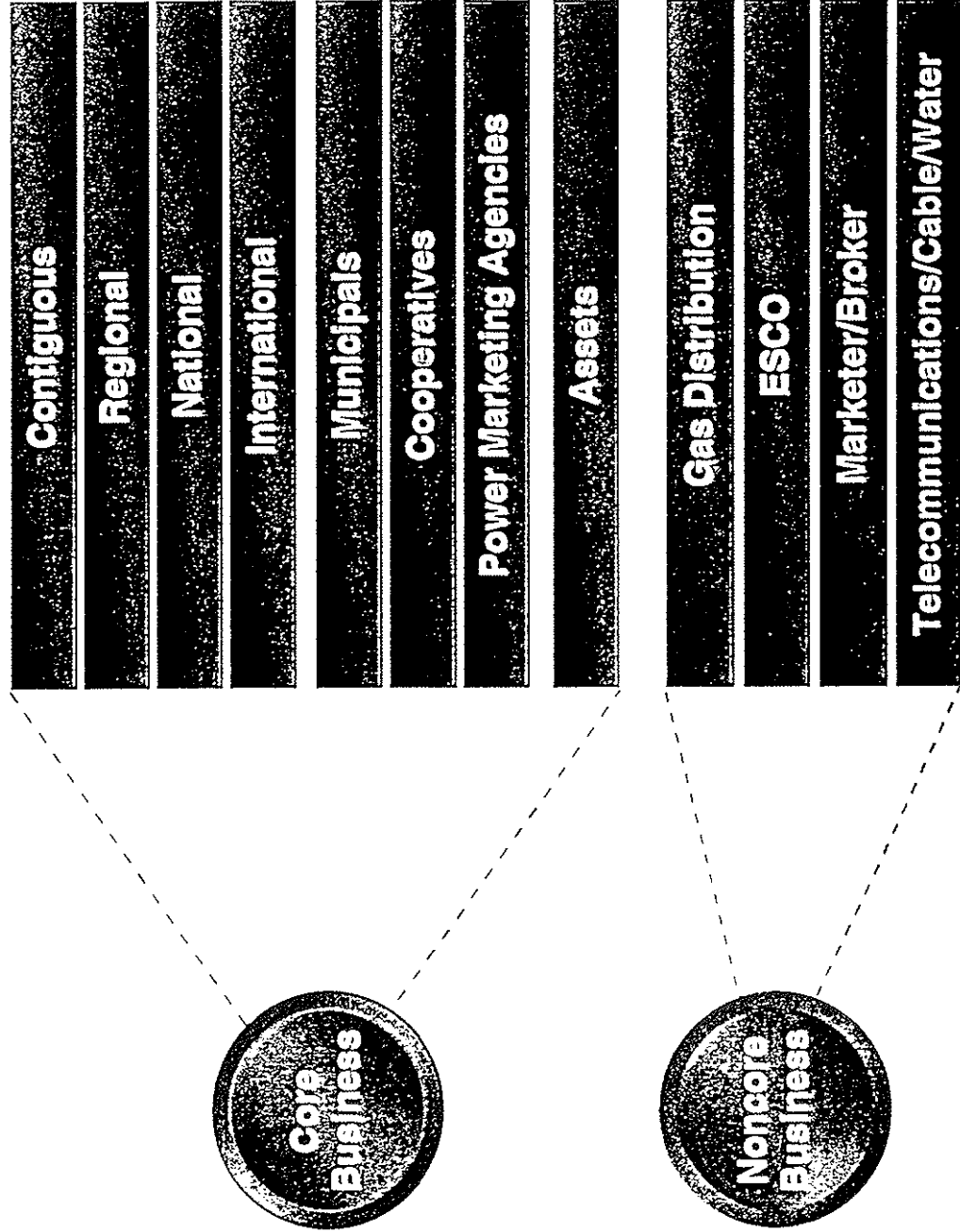
Alternative Growth Paths



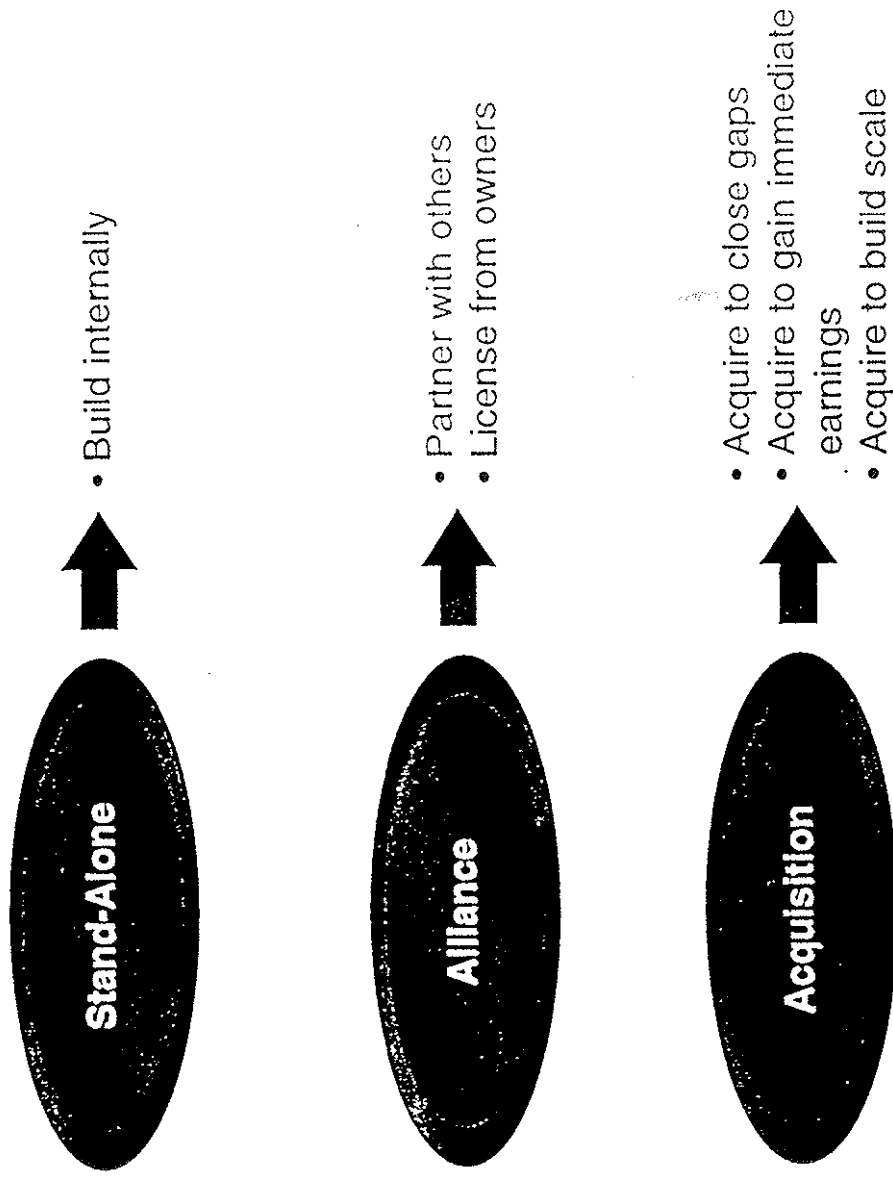
Options on the "Gameboard"



Converting Opportunity Into Value



Alternative Approaches to Growth



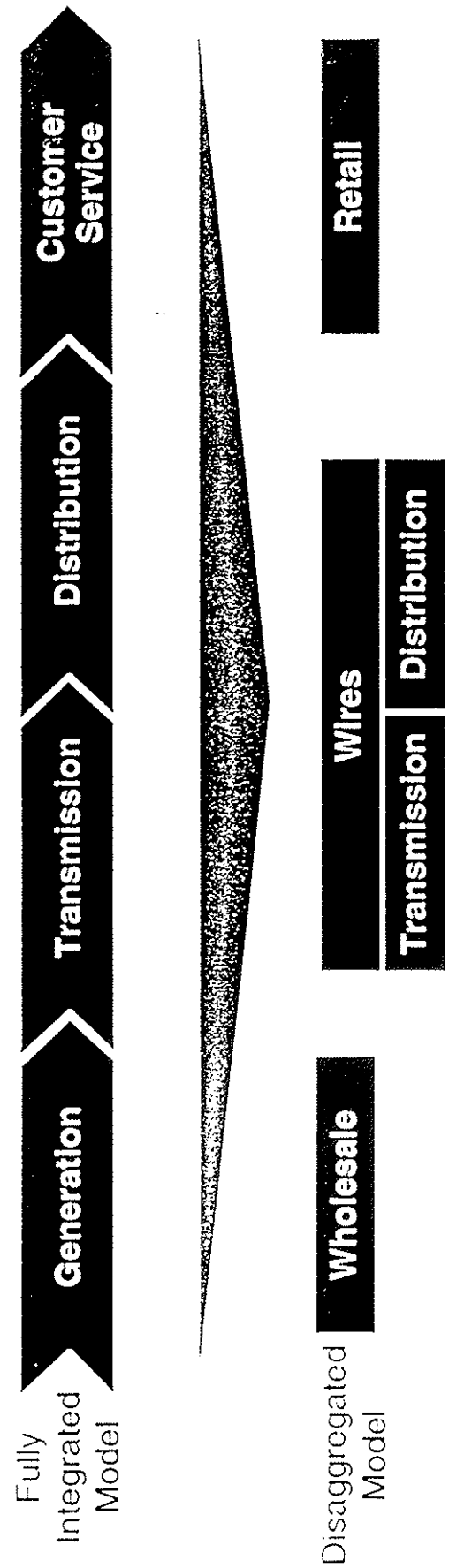
Integration or Disaggregation?

Future Market Model



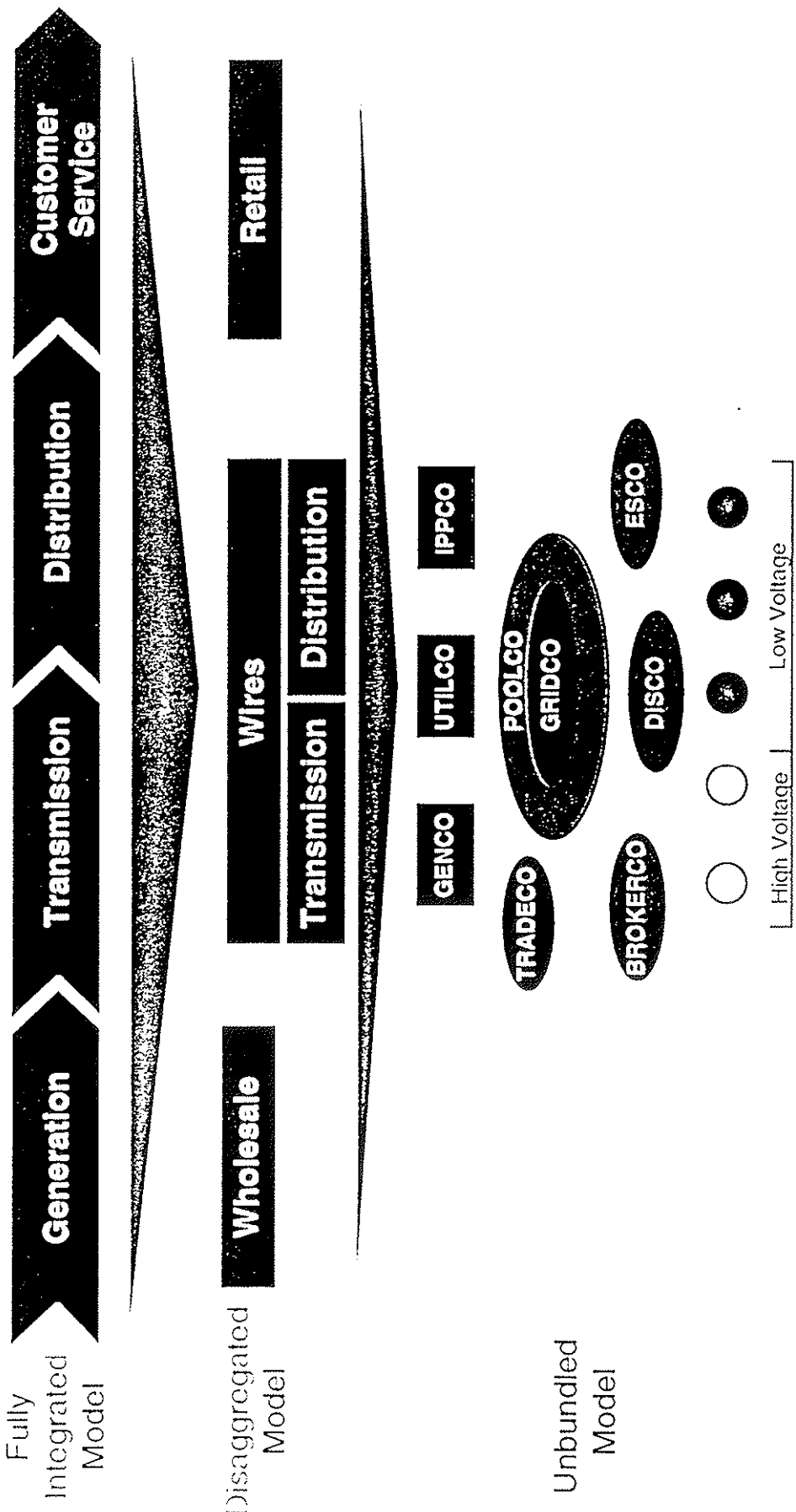
Integration or Disaggregation?

Future Market Model (Continued)



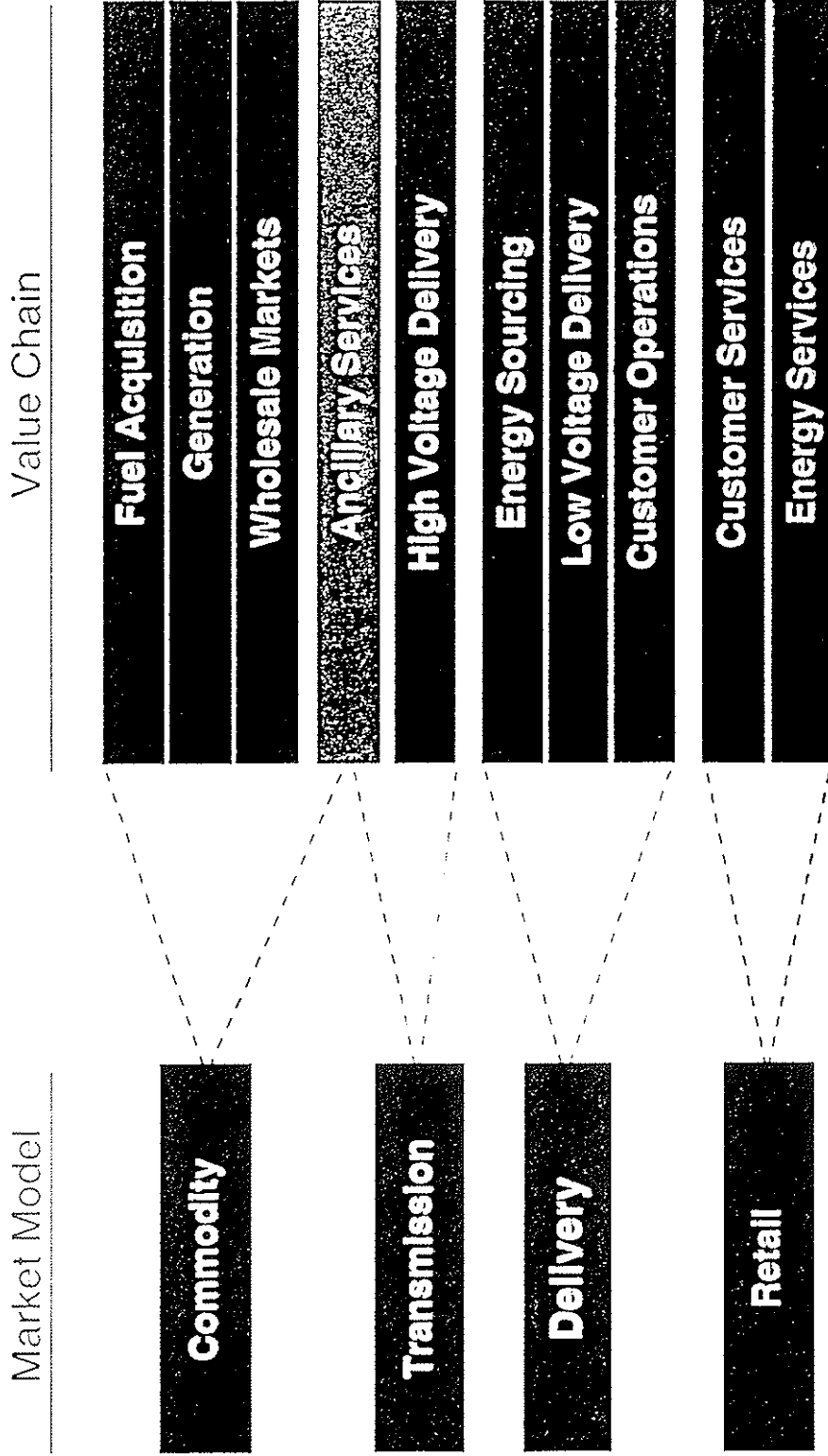
Integration or Disaggregation?

Future Market Model (Continued)



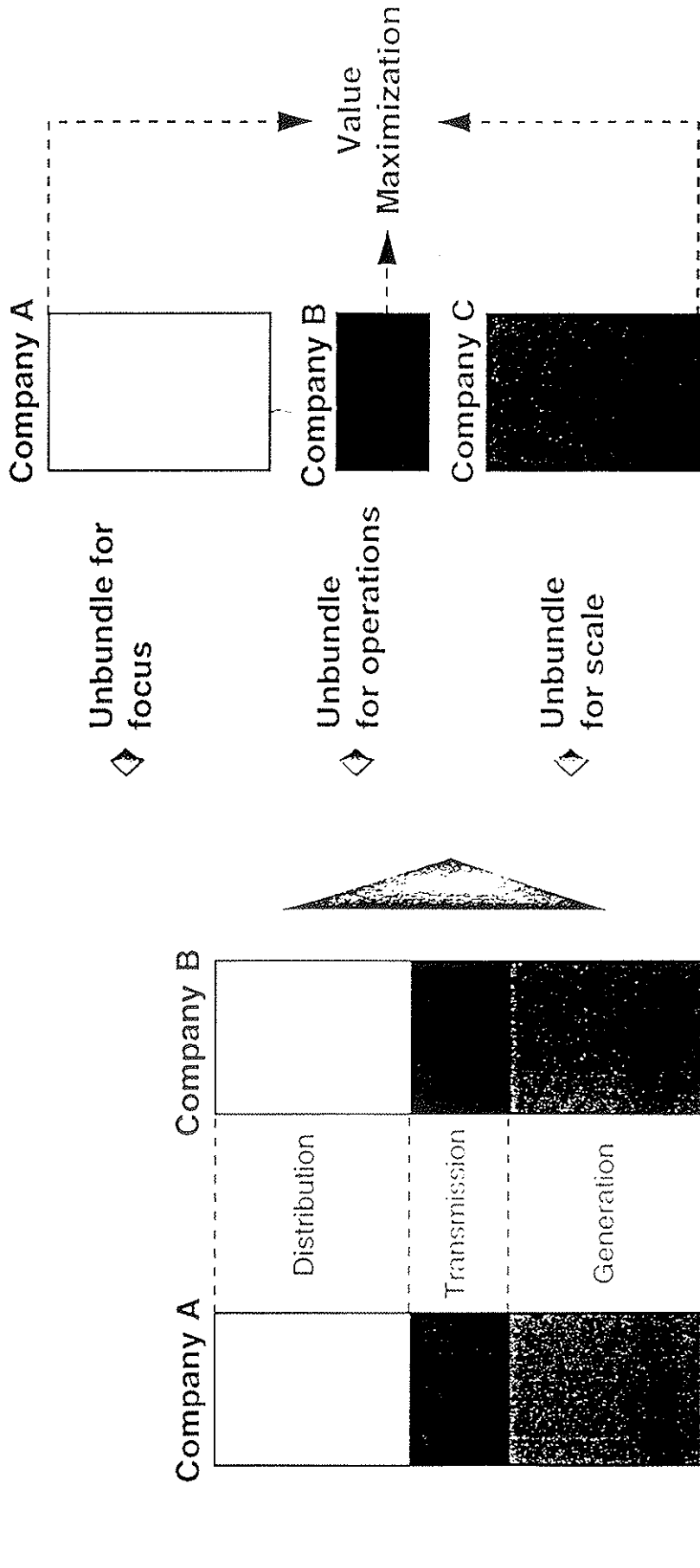
Integration or Disaggregation?

Value Chain Participation



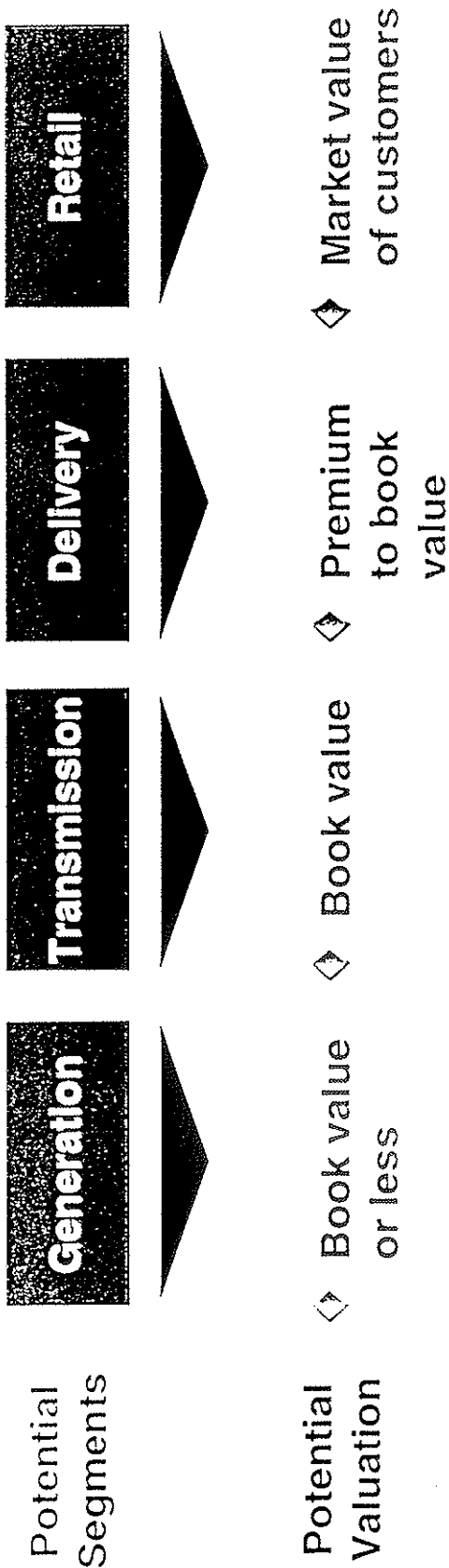
Integration or Disaggregation?

Integrating to Unbundle Later

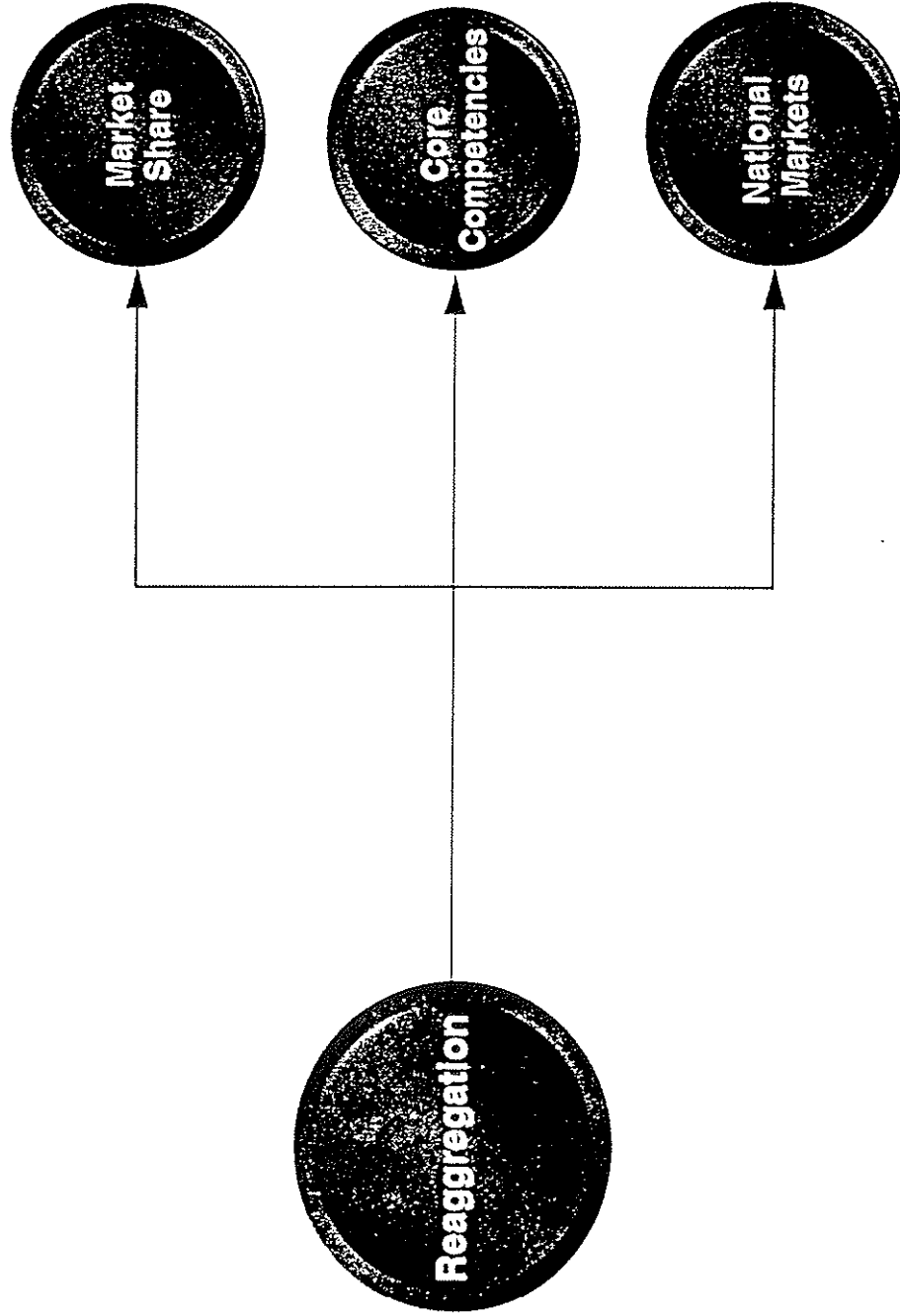


Integration or Disaggregation?

Assessing Disaggregation Potential



Key Determinants of Reaggregation

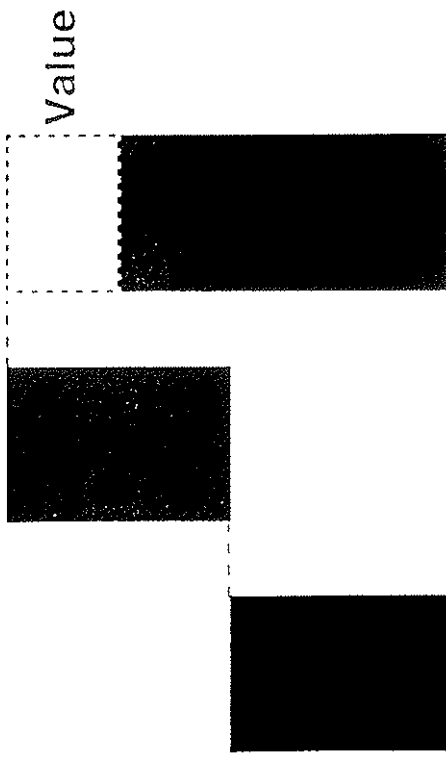


Integration or Disaggregation?

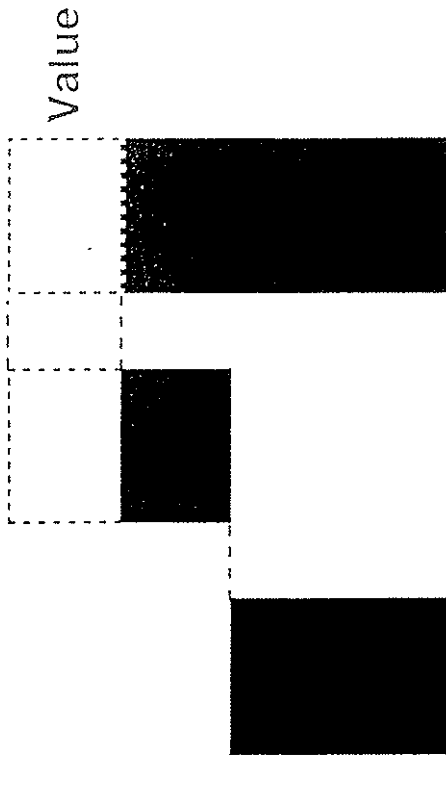
Merger Vs. Disaggregation Success Factors

Merger

Disaggregation



Making $1 + 1 = 1 \frac{1}{2}$
Through Cost Reduction

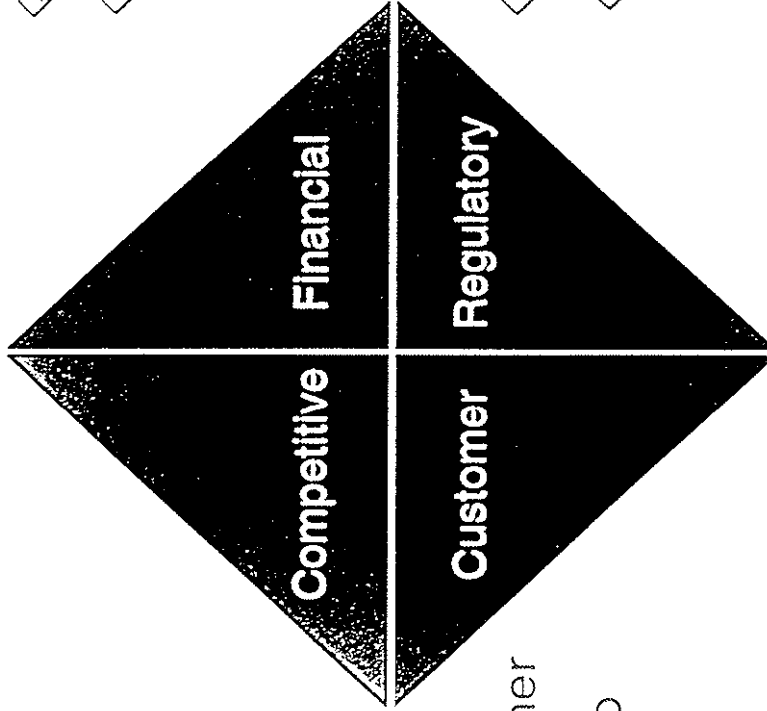


Making $1 + 1 = 3$
Through Revenue Enhancement

Integration or Disaggregation?

Key Considerations

- <> Management capability
- <> Market savvy
- <> Separation from customer
- <> Product/service portfolio



- ◇ Ability to refinance
- ◇ Risk tolerance
- ◇ Contract duration
- ◇ "Wires" charges

The Key Transaction Determinants Are Changing

Previous Transaction Rationales

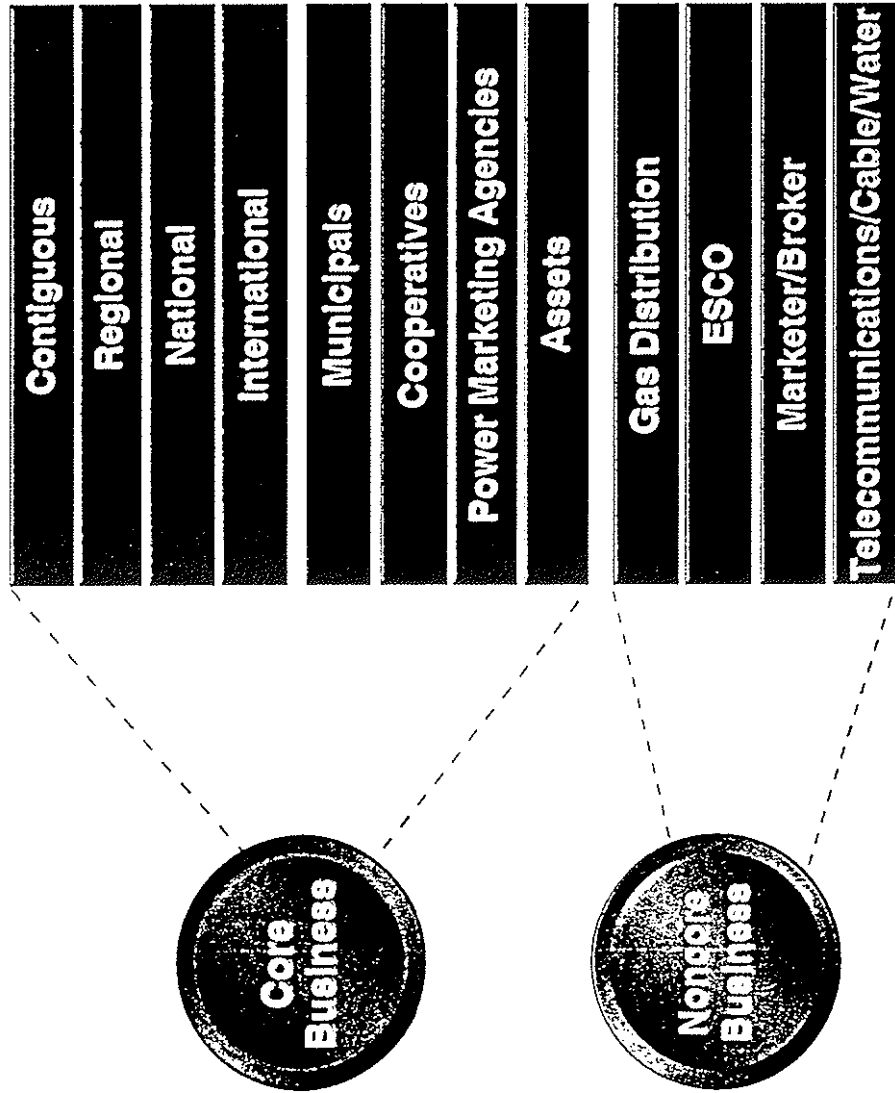
- <> Undervalued property - Distress sale
- <> Strategic asset availability
- <> Natural fit
- <> Defensive posturing
- <> Transmission interconnections

- <> Critical mass for competition
- <> Competitive price position
- <> Customer ownership
- <> Growth platform
- <> Regulatory positioning

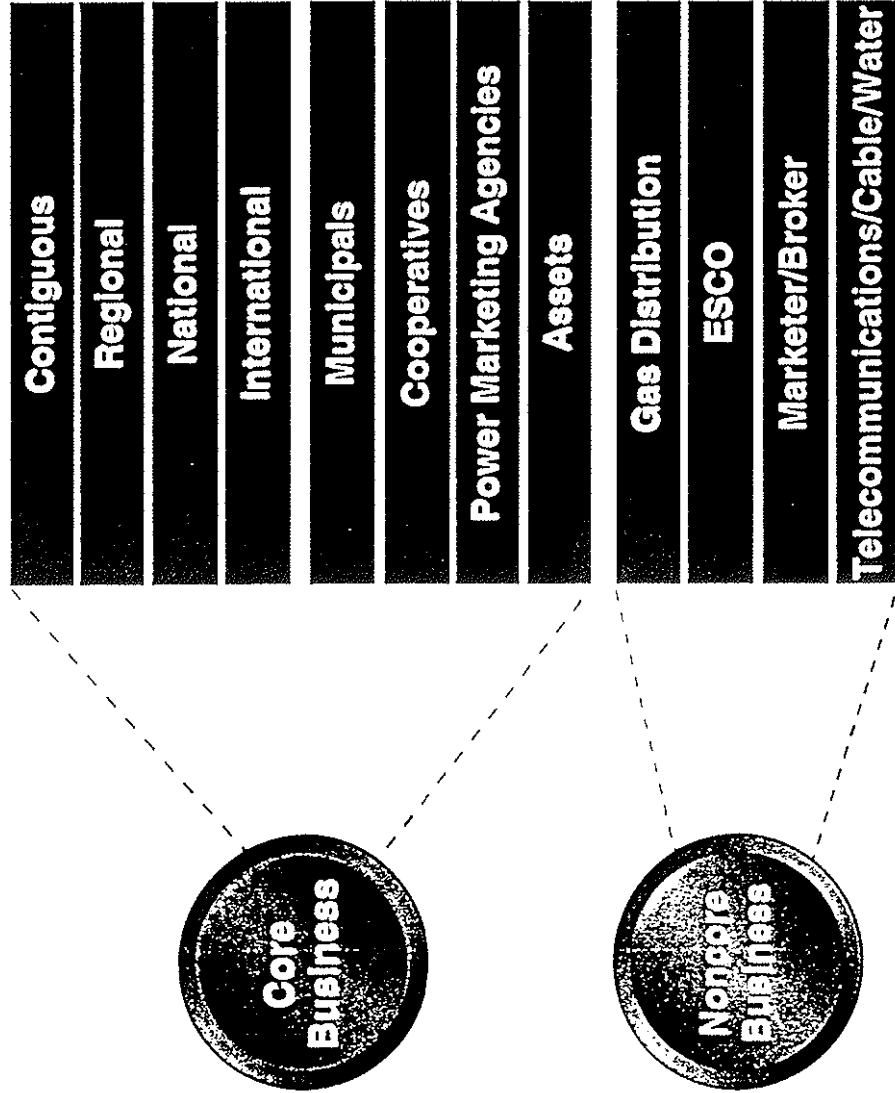


Emerging Transaction Rationales

Selected Growth Opportunities



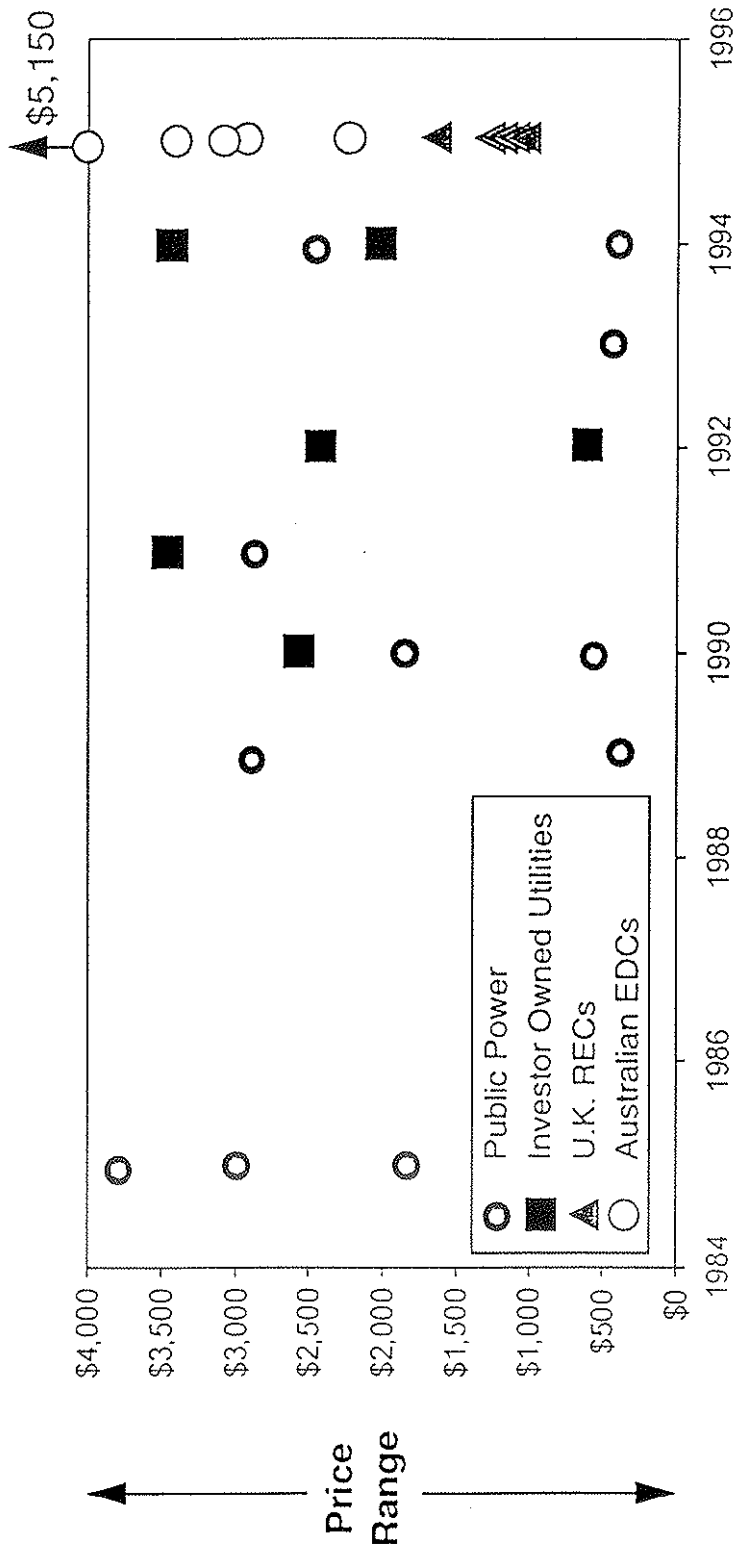
Selected Growth Opportunities



- Disaggregation strategy
- Increasing market and customer access
- Focus on owning customers
- Extending products/services
- Acquiring assets
- Obtaining and enhancing skills

- Consolidation strategy
- Total energy services and solutions approach
- Focus on local market share
- Integrating products/services
- Solidifying competitive position
- Transfer of skills

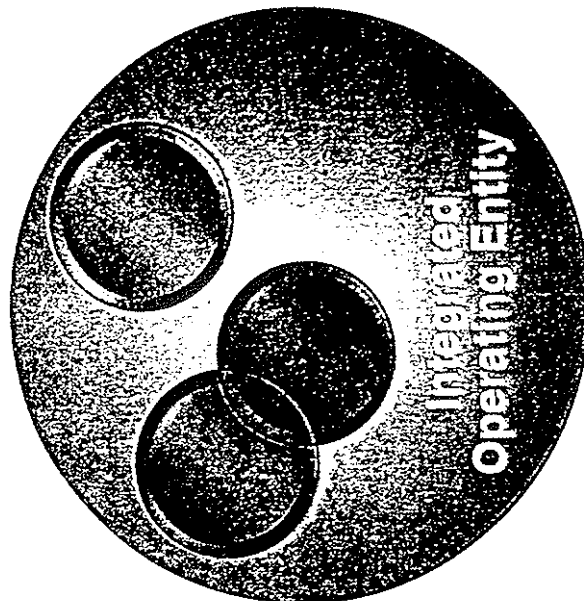
Price Per Customer Valuation



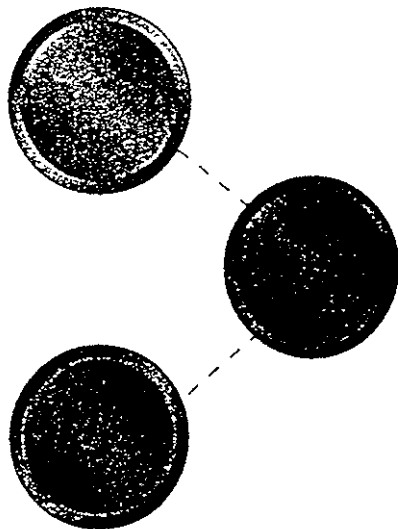
Source: Deloitte & Touche analysis

Islands or Clusters?

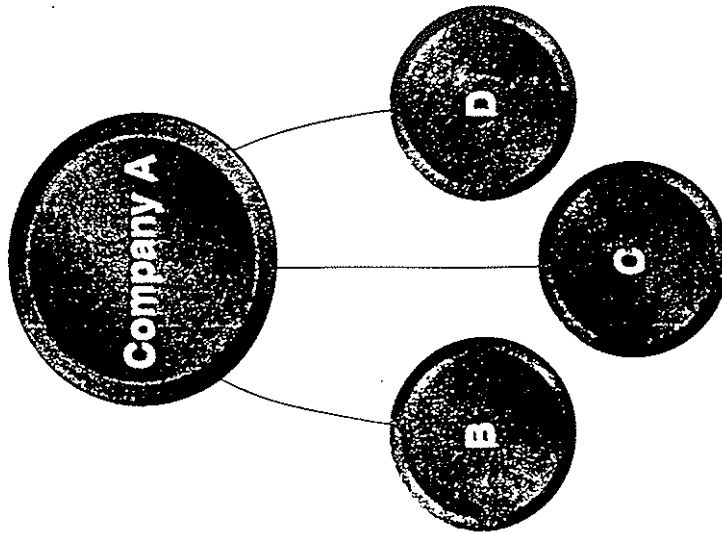
Cluster Strategy -
Contiguous/Regional



Island Strategy
Regional/National



Disaggregated Expansion Approach

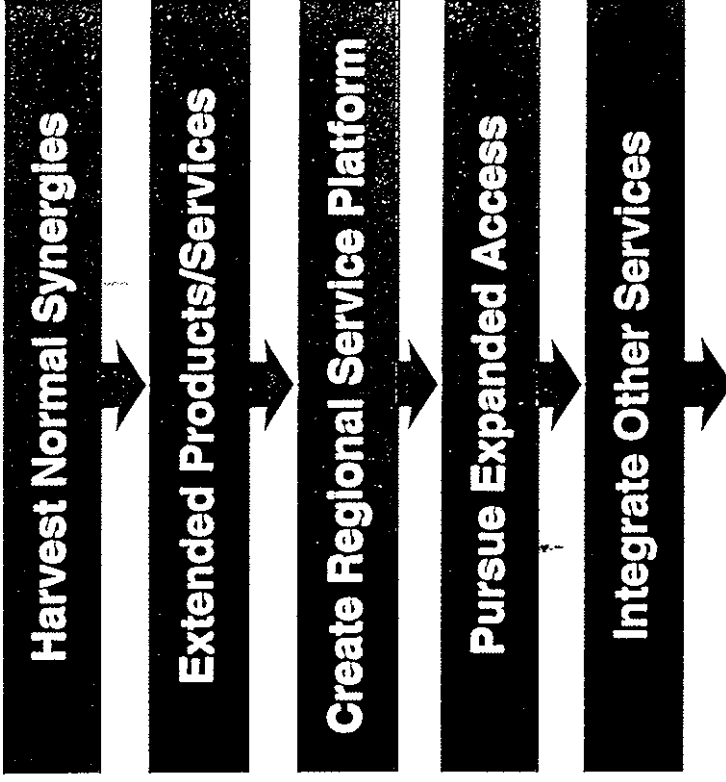


Target Rationale

- Low cost
- Metropolitan load center
- Compact service territory
- Manageable scale
- Financial performer



Strategic Deployment

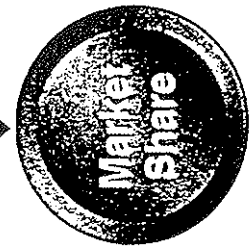


LDC Relationship Approach

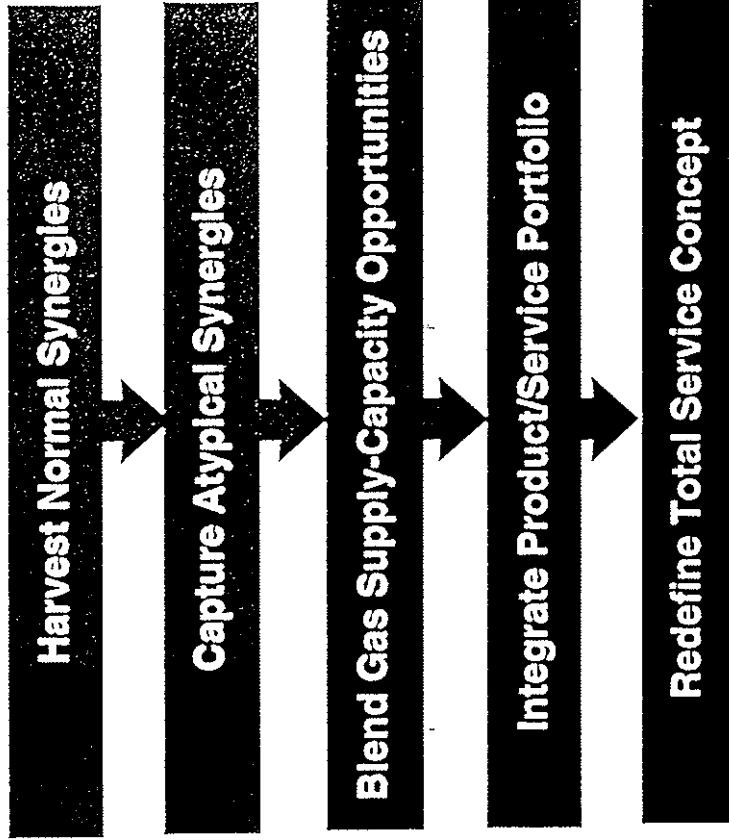


Target Rationale

- Common customers
- Expansion of portfolio breadth
- Resolution of customer need conflicts
- Large scale integration opportunity

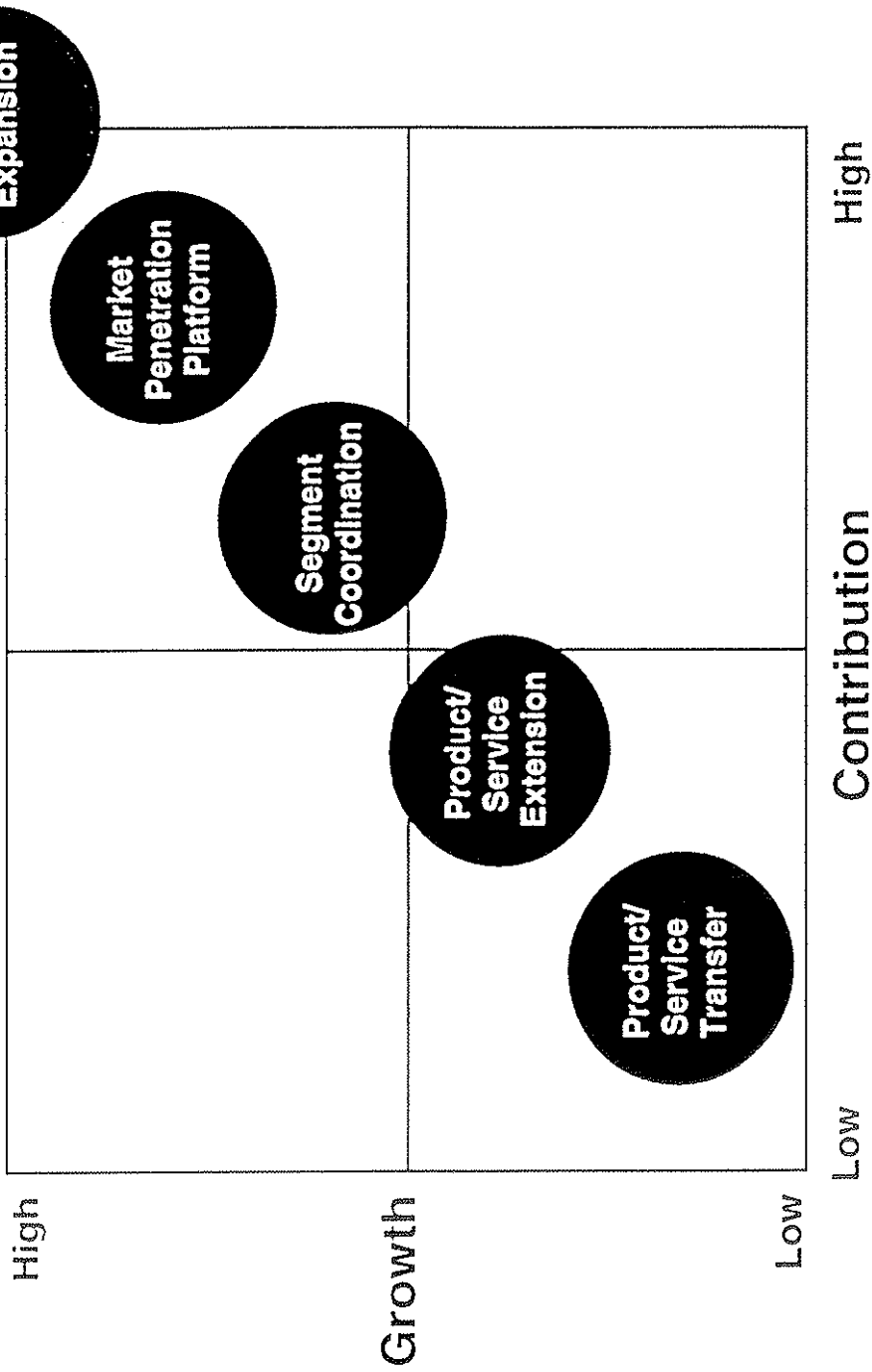


Strategic Deployment

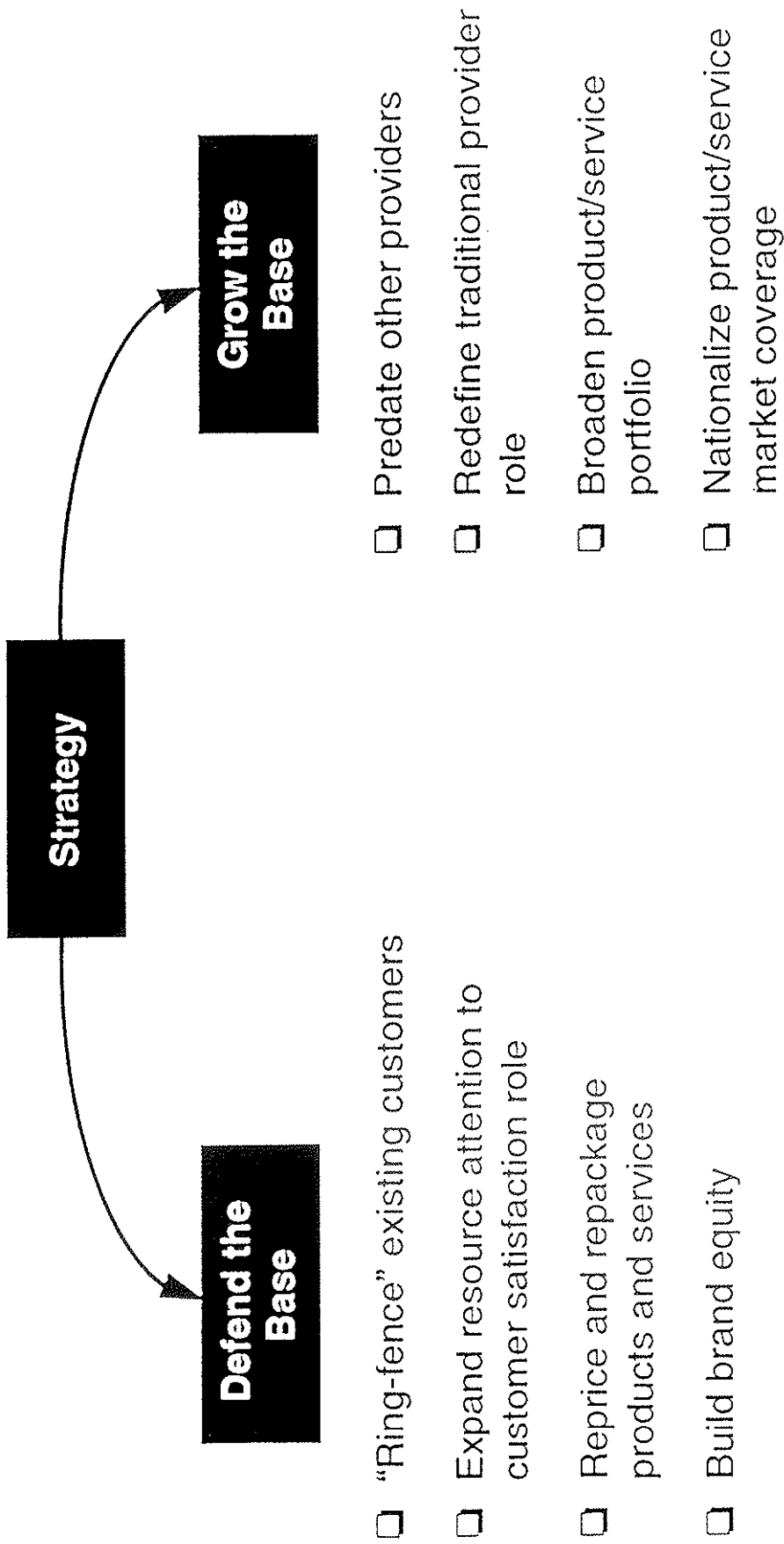


Traditional and Nontraditional Paths

Opportunity Comparison

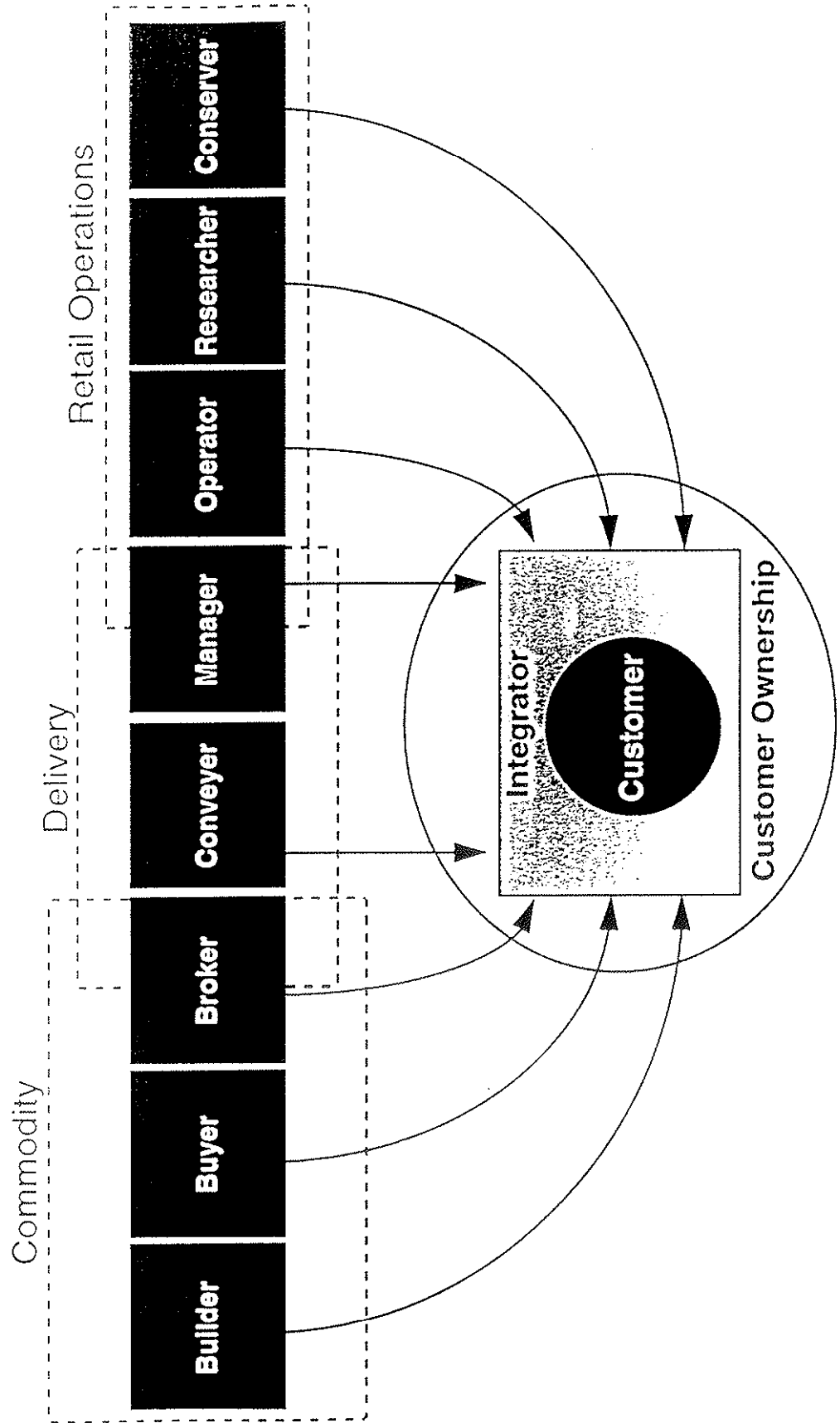


Parallel Strategies to Pursue



Competing Against the New Players

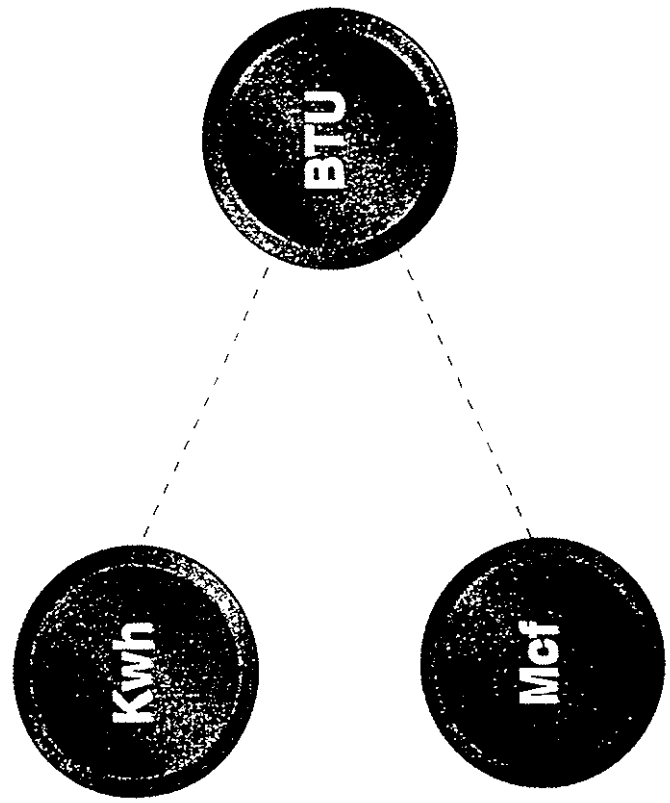
Expanded Roles



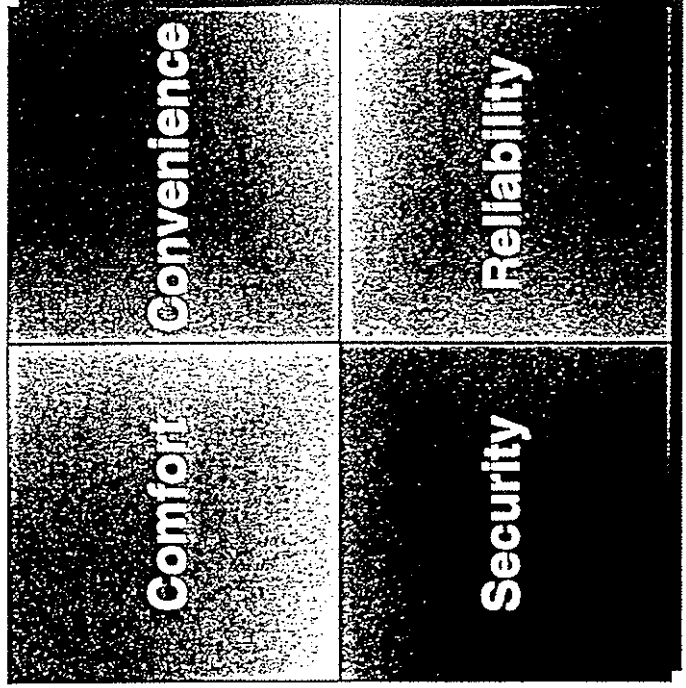
Competing Against the New Players

Evolution Away From the Commodity

Historical Model Emerging Model



Future Model



Energy
as a
Commodity

Energy
Management

Energy
Solutions

Customers Desire One-Stop Shopping

The Telecom Model

Current Situation

Interexchange Services

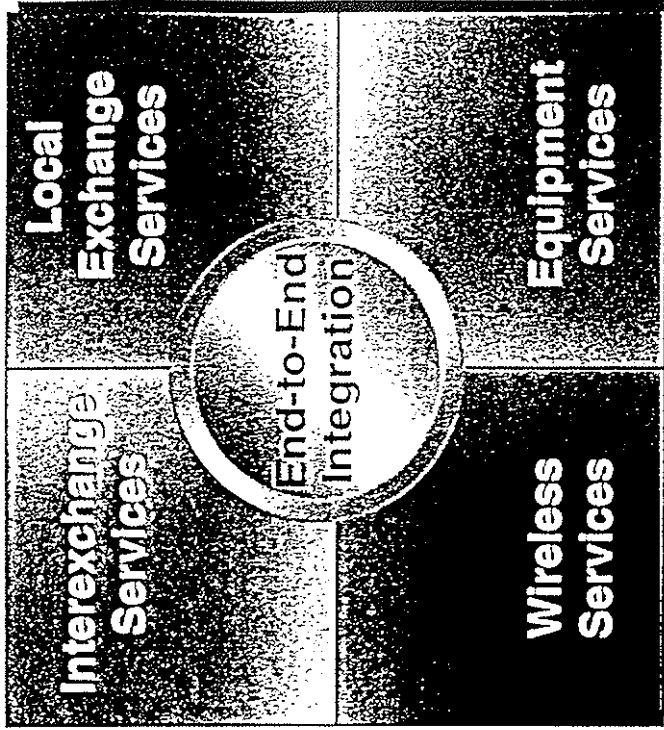
Local Exchange Services

Wireless Services

Equipment Services



Future Model



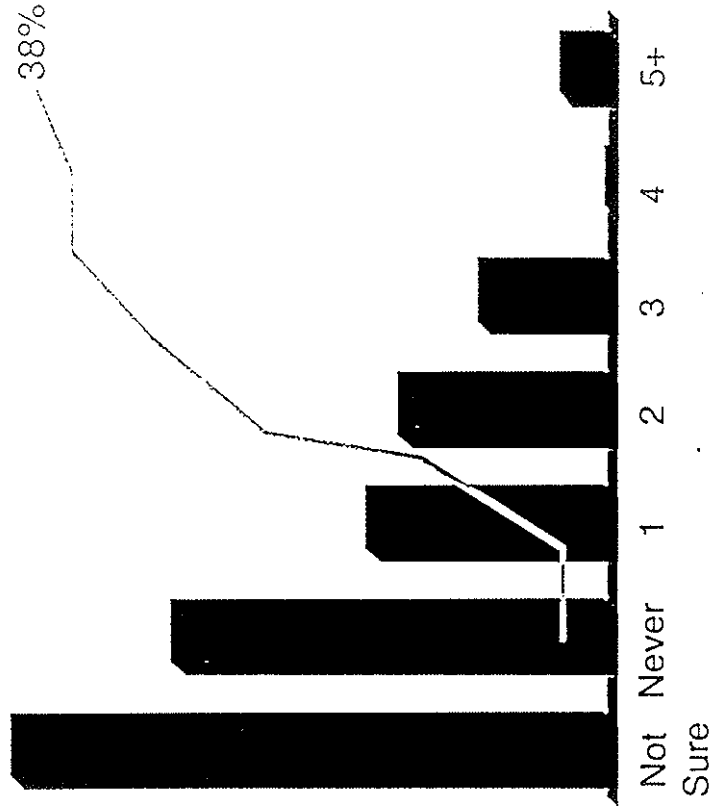
Competing Against the New Players

Long Distance Carrier

Long Distance Company



Number of Times Switched



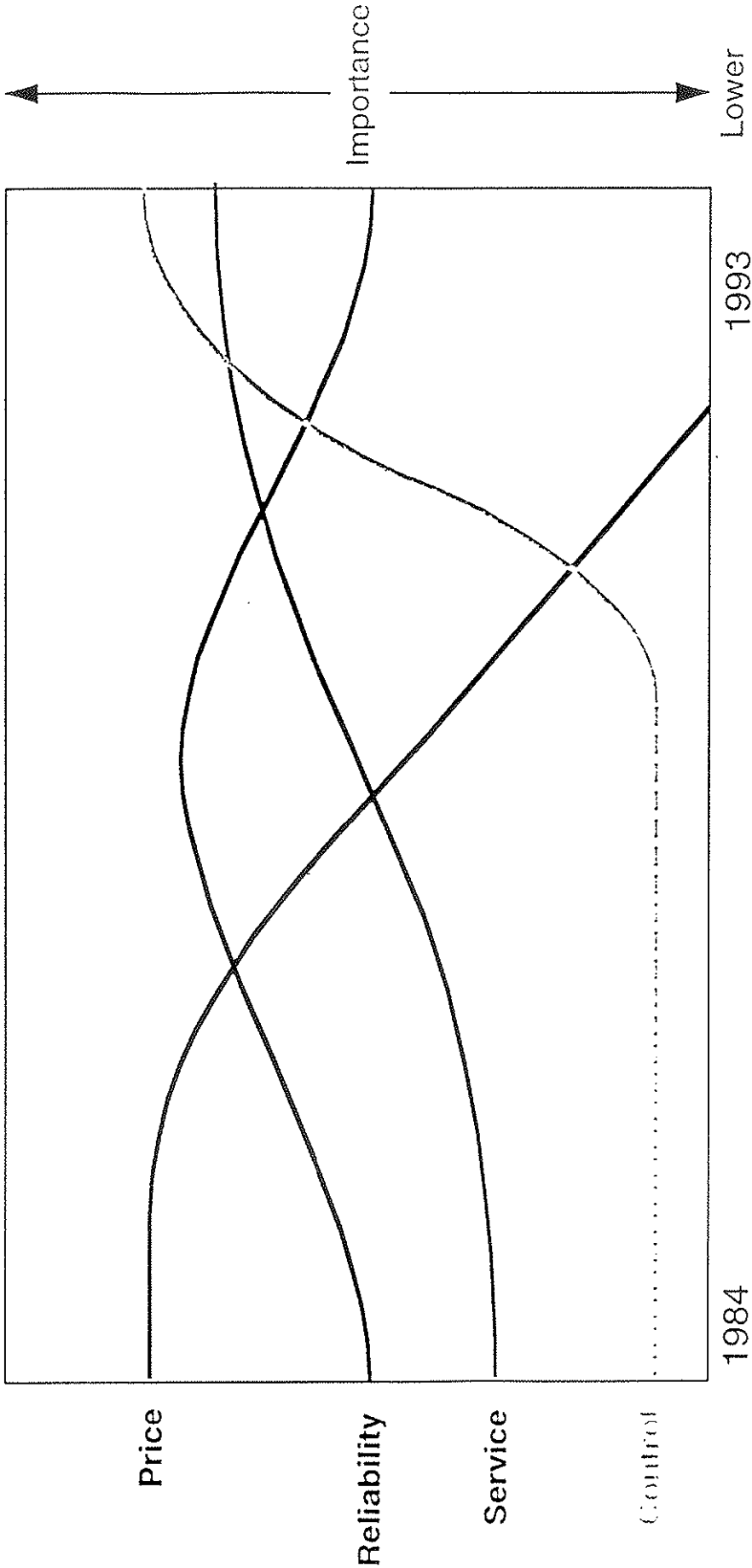
Source: Reichman-Karsten-Sword, Inc.

Deloitte & Touche Consulting Group

Competing Against the New Players

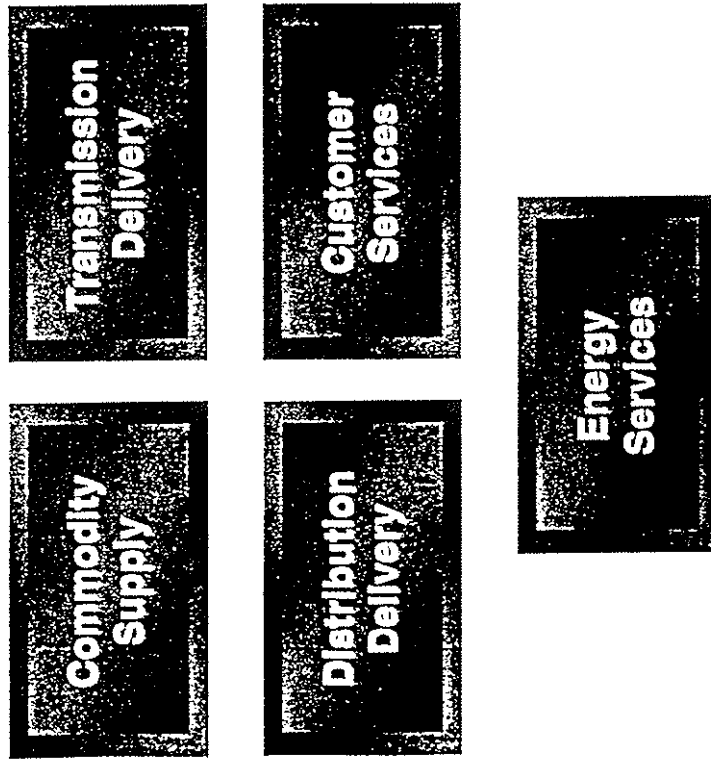
Factors Beyond Price Will Emerge

Buying Attributes – Telecommunications

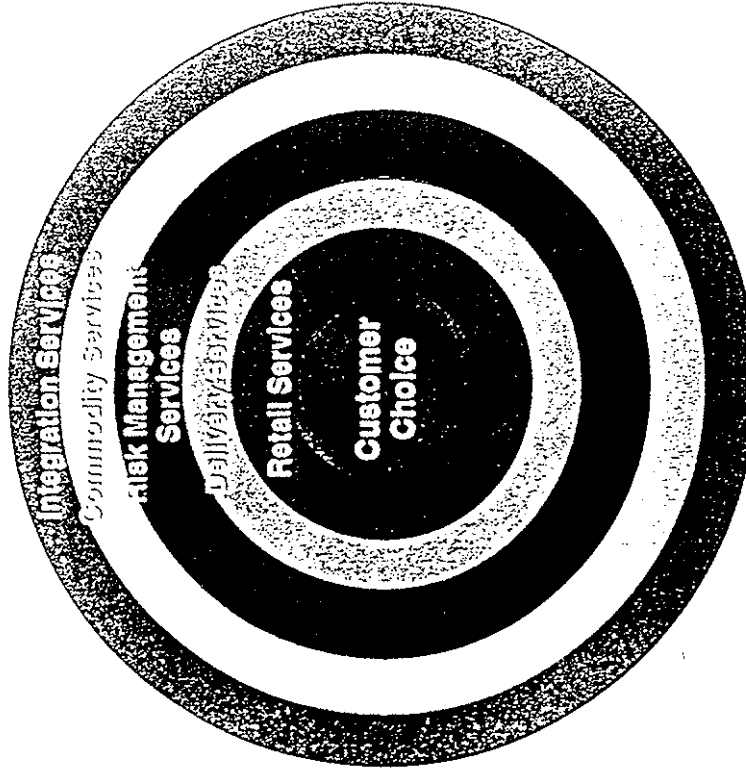


One-Stop Shopping in the Energy Industry

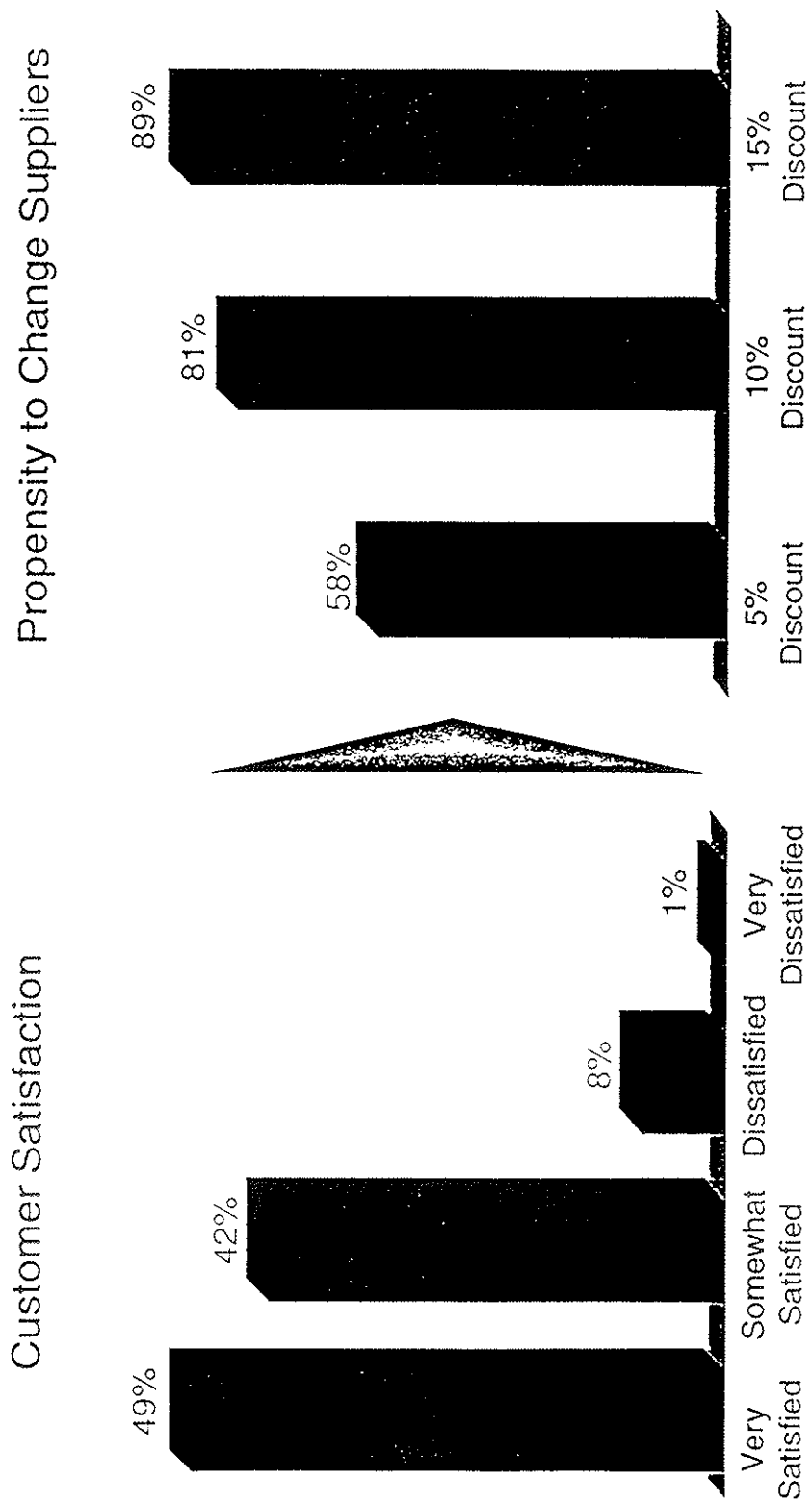
Current Model



Future Model



Customer Loyalty Illustration

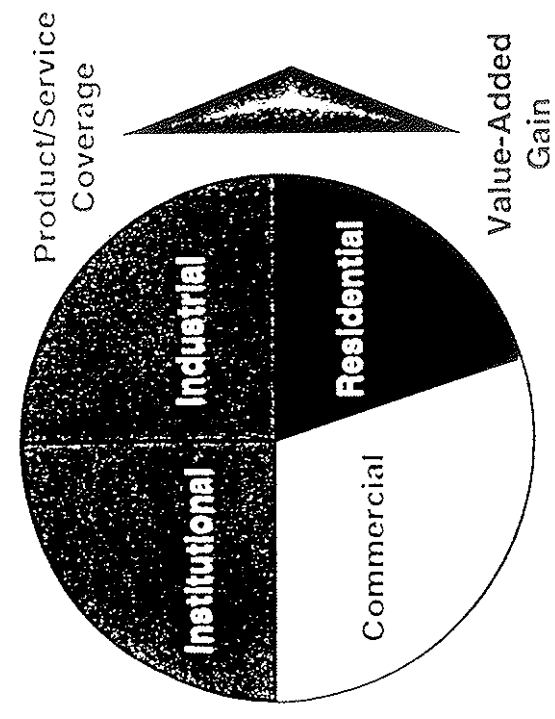


Source: Reichman-Karsten-Sword, Inc.

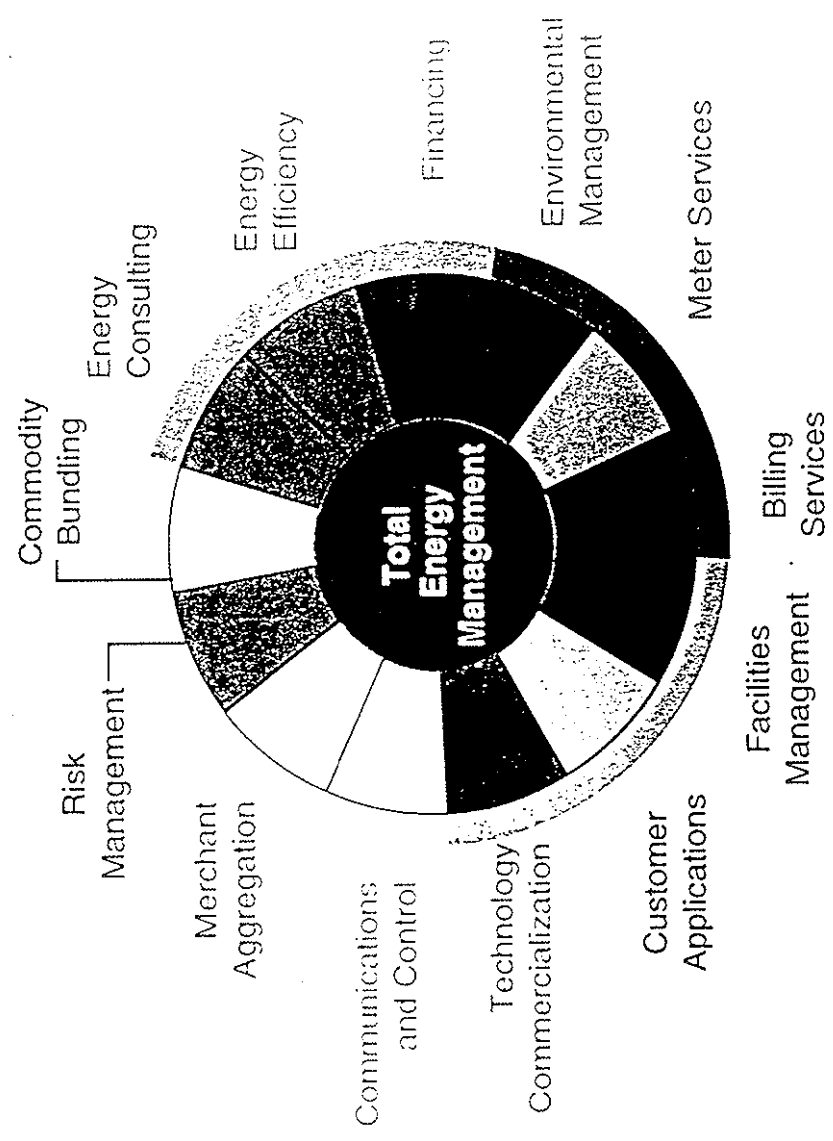
Deloitte & Touche Consulting Group

Changing Face of Energy Services

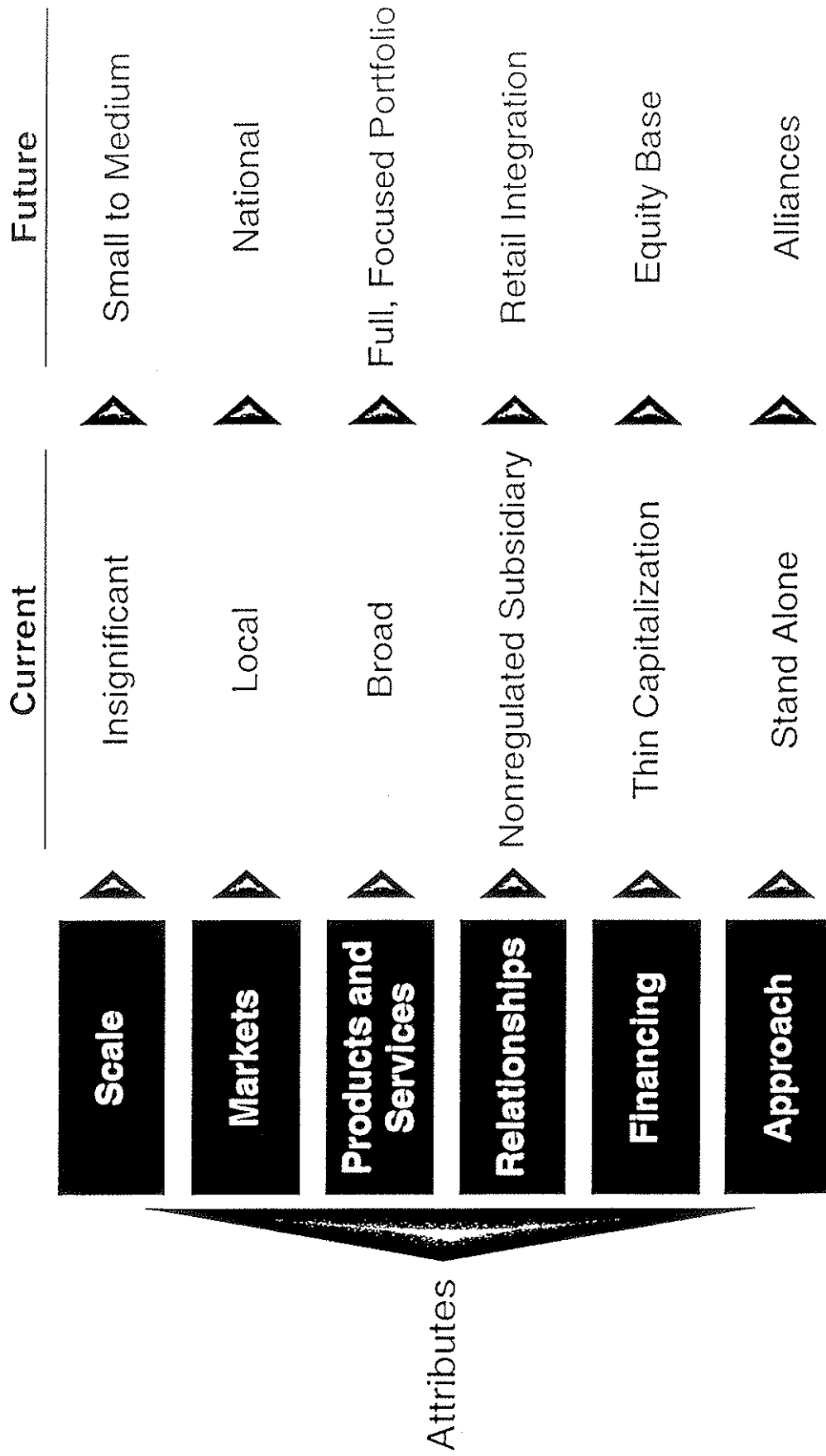
In the Beginning . . . Customer-Sector-Oriented



In the Future . . . Market-Oriented



Characteristics of Current ESCOs

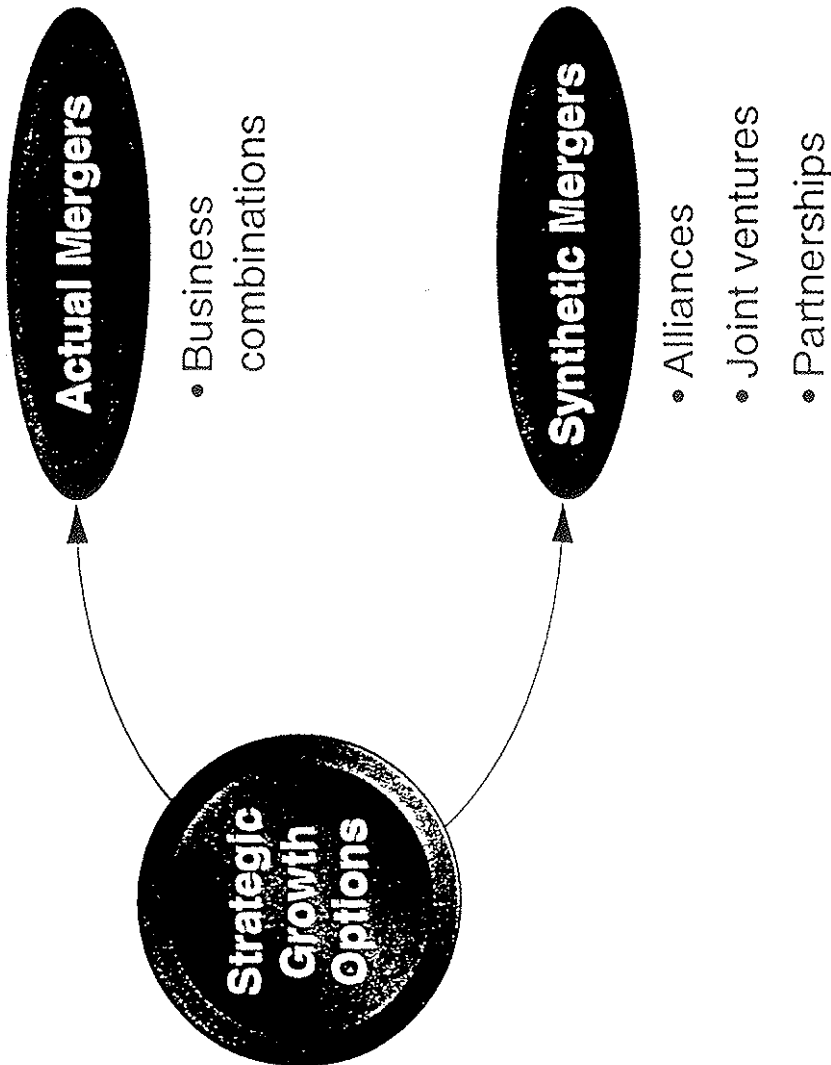


Synthetic Mergers

Characteristics

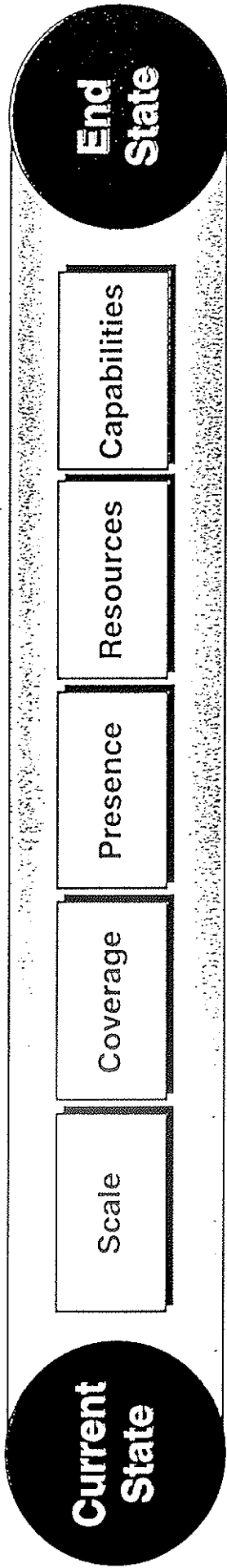
- Longer completion timeframe
- Complex
- Expensive
- Little partnering flexibility

- Short timeframe
- Less complex
- Less costly
- More partnering flexibility



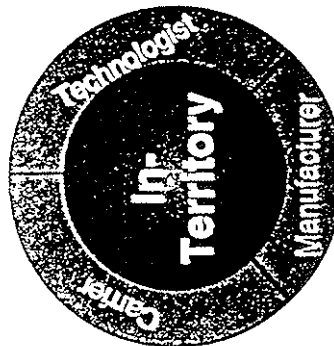
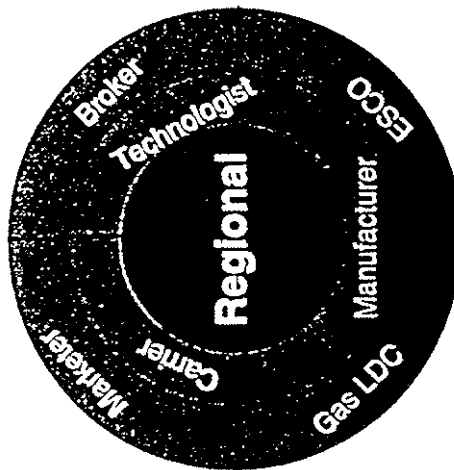
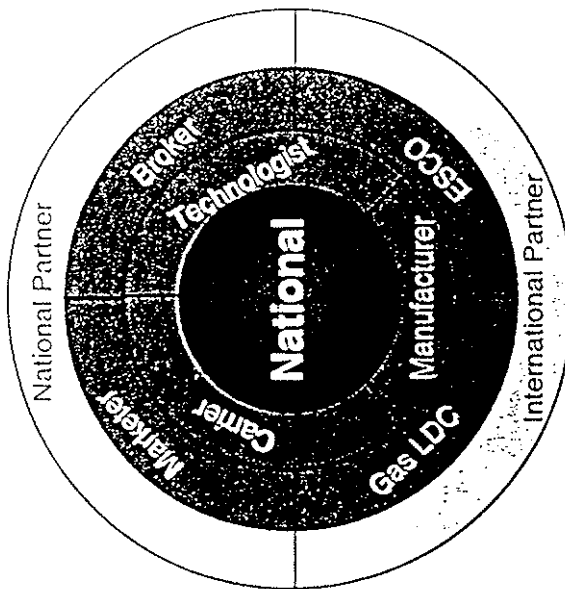
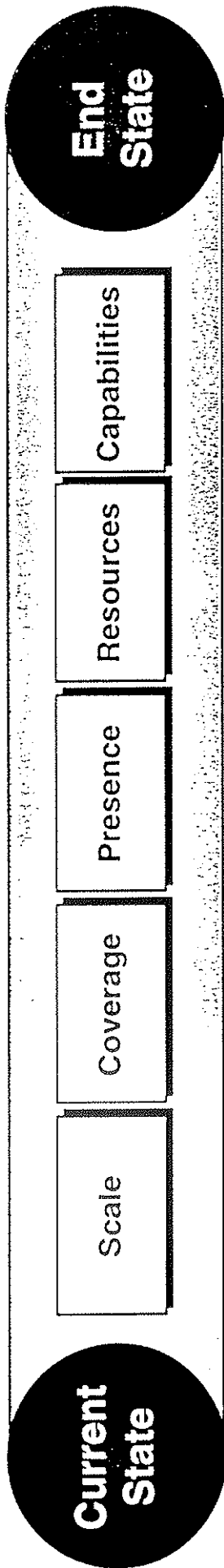
Alliance and Partner Utilization

Alliance/Partner Benefits



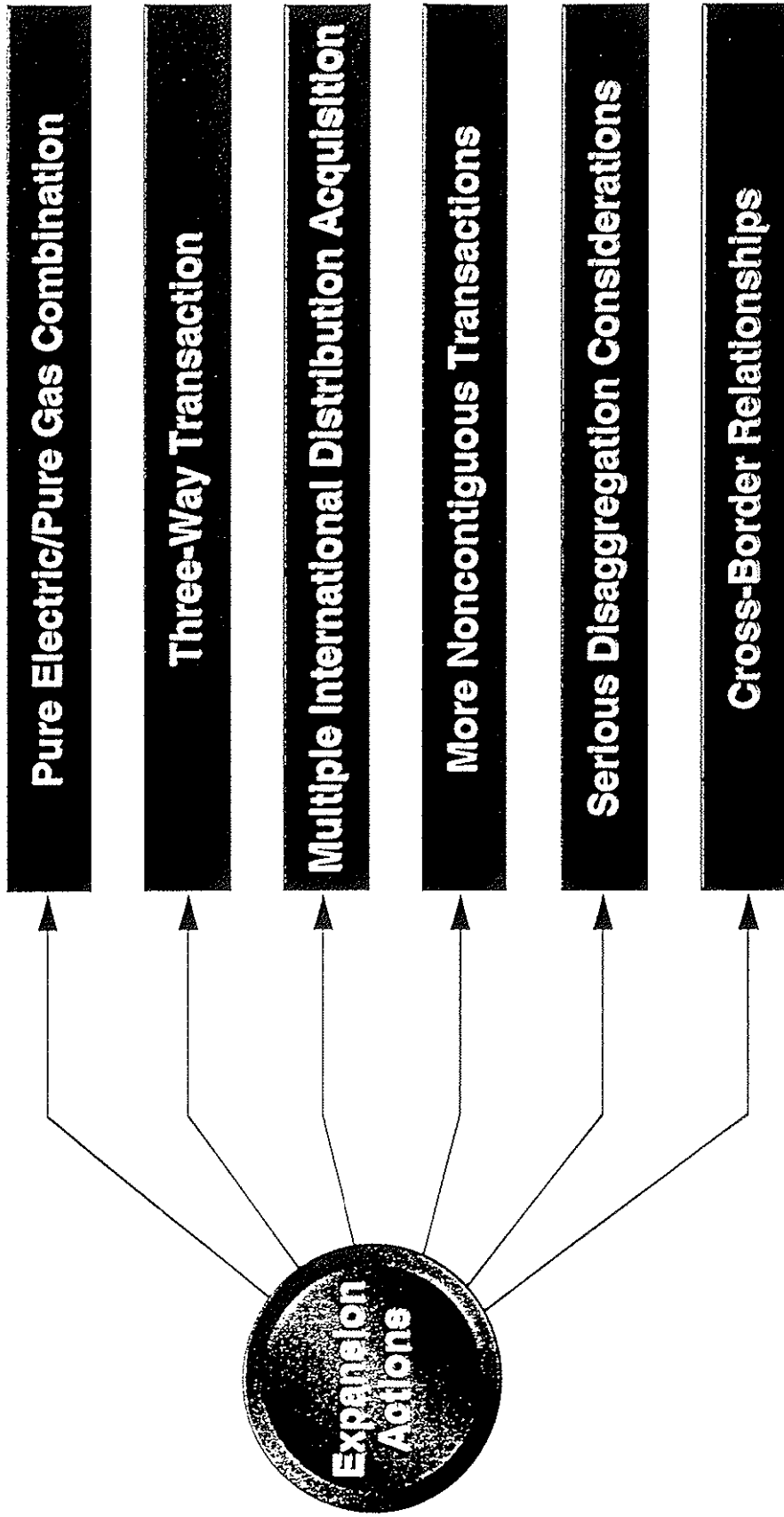
Alliance and Partner Utilization

Alliance/Partner Benefits

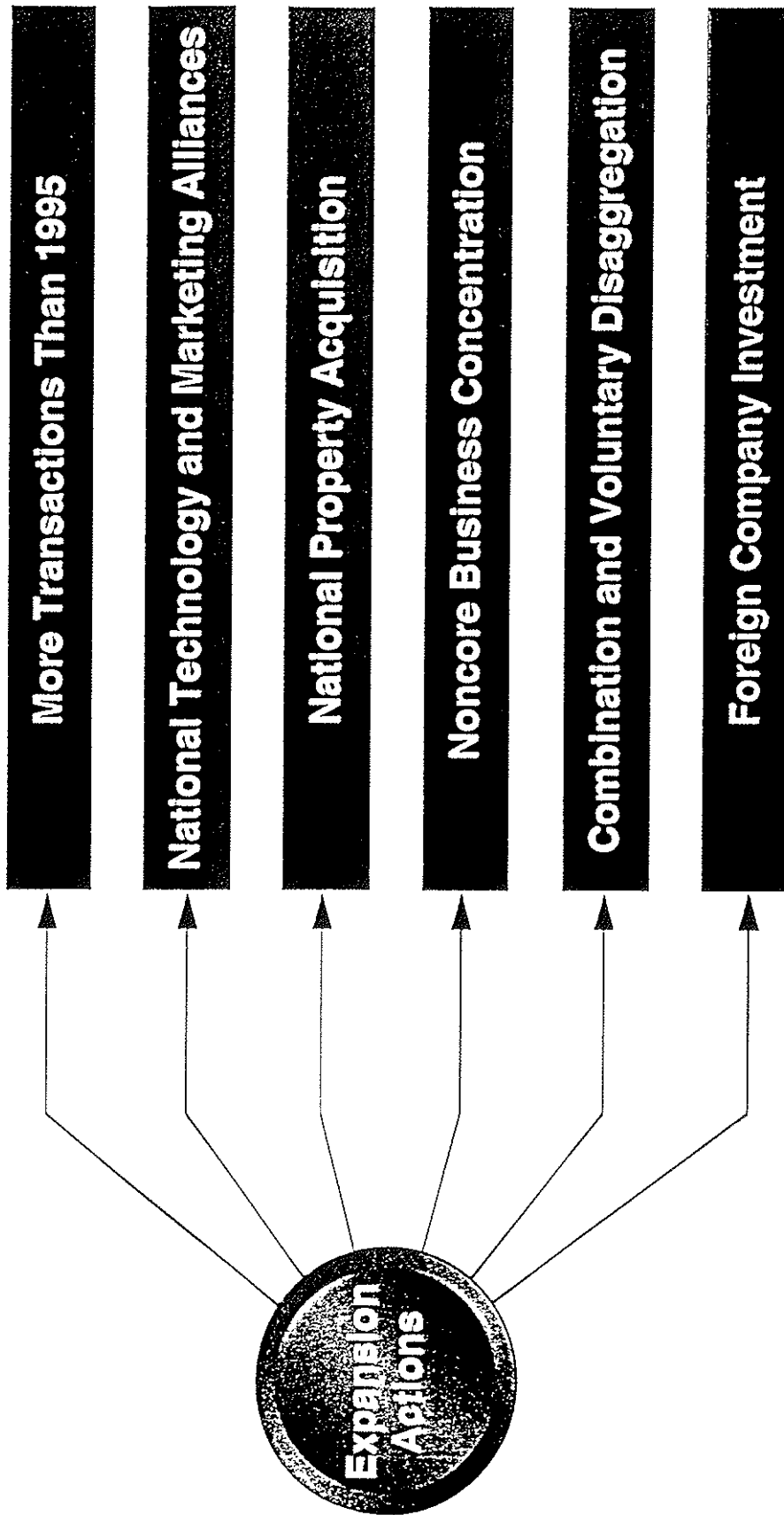


Alliance/
Partner
Role

Key Events of 1995



Events of 1996?



“MONEY TO MOVE THE INDUSTRY”

Dave Hedberg

Money To Move The Industry

At CFC we view our primary mission is not to lend money, but to help make our members successful. Obviously a key part of that role is to make sufficient funding available at competitive rates.

To analyze what role money will play in the success we will have in the next few years we really need to briefly do a SWOT analysis of our program. With emphasis on strengths and opportunities because you are all very well aware of the weaknesses and threats.

Strengths

We have consistently suffered from an inferiority complex in the past by dwelling on our weaknesses and tending to overlook our strengths, which is enormous.

1. Size - biggest strength and biggest weakness - depends on how we exploit it.
 - ▶ If competition can be defined as more customer choice then a company owned and controlled by its consumers has to have some real advantages
 - ▶ Sample member survey shows consumers that are served by cooperatives give much higher excellence ratings than IOUs
 - ▶ If we really are in tune with our current consumers and potential customers we will have a big advantage
2. Low Cost - again both strength and weakness
 - ▶ High average distribution costs 2.5¢ US 1.2¢ IOUs 1.0¢ Munis
 - ▶ Key point is low incremental costs
 - i.e. IOU incremental cost of capital 13% including income taxes, cooperatives are about 8%

What does this mean? If an IOU and co-op want to buy a company that margins of \$1M per year

Cooperative can pay	\$2.5 M
IOU can pay	\$7.7 M

3. Collective Strength - why are very large IOUs merging?
 - ▶ Political strength - statewides, NRECA and NWPPA
 - ▶ Financial strength - AA, flexible financing vs IOUs
 - ▶ Why U.S. West & GTE sold properties

Weaknesses

1. Size - to small in some cases
2. Cost - related to size, in some case power costs
3. Ourselves - strength in innovation is very important as evidenced by this group but we all know all cooperatives will not be equipped because of size, lack of planning and in some cases being incapable of change and adapt.

Opportunities

1. Acquisitions and new business partnerships and retail wheeling
 - ▶ Taking advantage of the specific opportunities available in your area
 - * use good local relations with small towns and low incremental to our advantages
 - ▶ IOU cutbacks, customer dissatisfaction
 - ▶ IOU/Co-op partnership

2. Diversification - not for everyone but need to look
 - ▶ Telecommunications, billing, metering, fiber optics
 - ▶ Propane and natural gas
 - ▶ DBS, internet
 - ▶ Home security

3. Stay in touch with our existing and potential customers
 - ▶ Use partnership with customers large and small
 - ▶ How can we help our customers be successful?

Threats

1. Biggest threat - not large IOUS, but our own inability to change and adapt

Summary

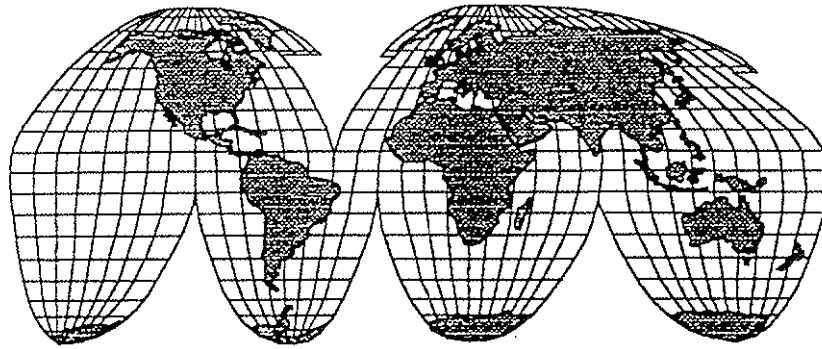
Money will in fact not be the primary moving agent in our industry. CFC will be there for you with competitively priced money and are of a size now we can provide almost any amount the program is reasonably expected to need.

What CFC offers to each of you is the ability to take advantage of opportunities that your size on a stand alone basis would not allow.

The bottom line is simple. We have the strengths necessary to successfully compete in this new industry. If we are proactive and fully exploit our strengths we will be very successful in this new world!

**“TRANSITION AND TECHNOLOGY,
THE PERSONALITY OF CHANGE”**

Steve Aadland



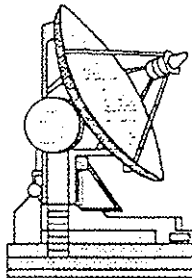
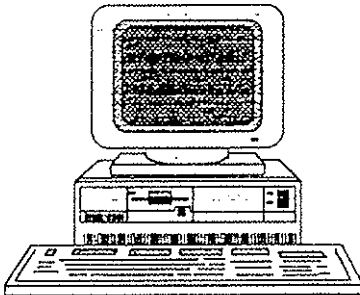
Transition and Technology,
The Personality of Change

by Steve Aadland

Basin Electric Power Cooperative



CHANGE!



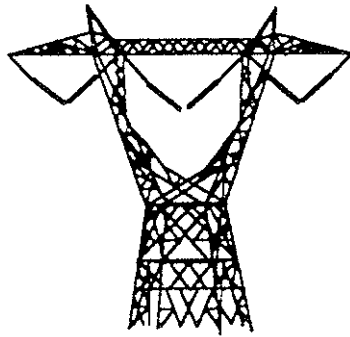
Global Trends and Revolutions

- ✦ The Fall of World Communism (Central Planning is out).
 - Reunification of Germany (Berlin wall is gone.)
 - The Communist Block has disintegrated.
 - “Glasnost” and “perestroika” fit with the information age.
- ✦ Trade barriers are being removed.
 - NAFTA
 - Uruguay round of GATT
 - ECM/ EU
- ✦ New competition in international & domestic markets.
 - The “Pacific Rim” nations.
 - Eastern Europe.
 - South America.
- ✦ Privatization has become an international trend.

National Trends and Revolutions

- ✦ Trust in government to solve problems is declining--the Federal Government is flat broke.
- ✦ “Deregulation” of many industries is occurring. Marketplace solutions are being considered and applied.
- ✦ Privatization is being considered as an alternative to many “government” responsibilities.
- ✦ Old monopolies are disappearing as people demand choices.
- ✦ Trade unions are declining in influence as global labor force emerges, competing for all jobs.
- ✦ Competition is increasing for all businesses as the world shrinks.

Electric Utility Industry Trends and Revolutions



Three Factors Driving Change



✦ Changing People (Customers)



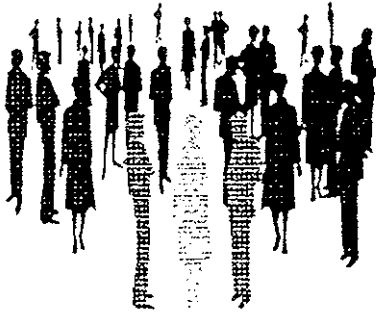
✦ Changing Regulations



✦ Changing Technology

Changing People

Our customers fit into three groups:



✦ Traditionalists (50 & older)

✦ Baby Boomers (35 to 50)

✦ Generation X (20 to 35)

The Traditionalists

They can remember the Great Depression, Rural Electrification & World War II.

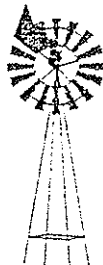


They Experienced:

✦ Steadily Declining Electric Rates



✦ Constantly Improving Electric Service



✦ The REA "Rescue" of Rural America

Note: They love us. They have the "REA Religion". They are very satisfied with our service. BUT, they're dying!

The Baby Boomers

They can remember the introduction of TV , Vietnam & the Energy Crisis.

They Experienced:



- ✦ Sharply Increasing Electric Rates (1970 - 1985)



- ✦ Perception of Declining Quality of Electric Service



- ✦ Electric Service Since they Can Remember

Note: They don't especially like us. They don't care about the REA Program. They judge us based on how we serve them. They don't care about which utility serves their electric needs.

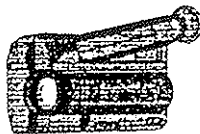
Generation X

They can remember the introduction of the PC & the fall of World Communism.

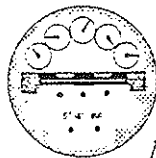
They Experienced:



- ✦ Stable Rates Since They Started Paying



- ✦ The Information Age--Microprocessors



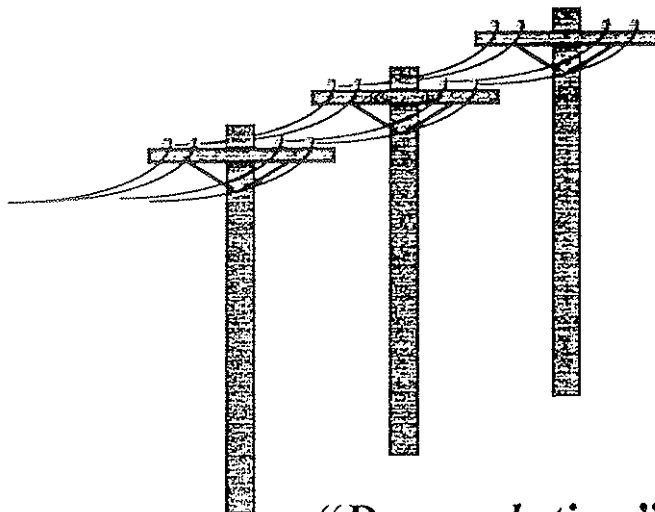
- ✦ Power Quality/Reliability, Acceptable.

Note: This is the 5th generation of electric users. Electric service to them is a "no-brainer". They don't even think about us.

Conclusions About People

- ✦ Only rural-raised *traditionalists* can be generally counted upon for co-op loyalty.
- ✦ Both the *boomers* and *Xers* are normal utility customers who buy based upon convenience, price, value and captivity.
- ✦ Most people would switch power suppliers if they saw personal benefits in doing so and they were given that option.

Changing Regulations



“Deregulation”

Major US Industries hit by Deregulation

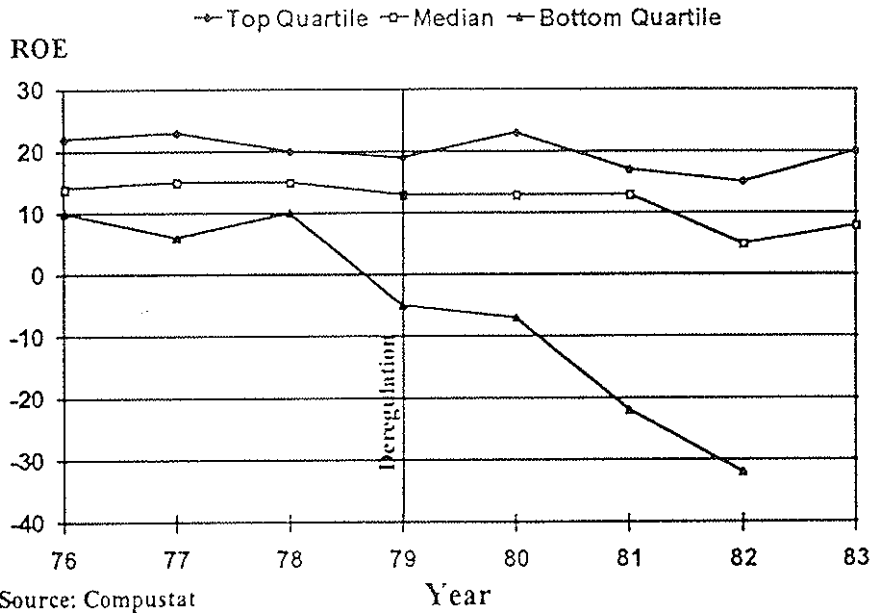
- ✦ Interstate Trucking
- ✦ Railroad
- ✦ Airline
- ✦ Natural Gas
- ✦ Oil
- ✦ Retail Banking
- ✦ Telephone
- ✦ Electric Utility

Federal Law Regulatory Milestones USA Electric Utility Industry

<u>Law</u>	<u>Effect</u>
✦ PUHCA of 1935 (Public Utilities Holding Company Act)	Confirmed concept of natural monopolies for electric utilities-- with assigned territories.
✦ PURPA of 1978 (Public Utilities Regulatory Policy Act)	Encouraged non-utilities to enter the business of generating electricity.
✦ EPCRA of 1992 (Energy Policy Act)	Assures wholesale competition by giving access to transmission lines by others. (Allows States to start retail wheeling)

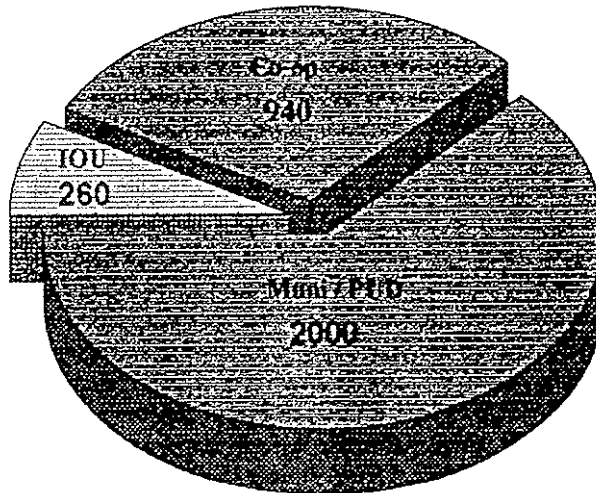
. . . *And now FERC Rule 888 & 889*

Interstate Trucking Profitability



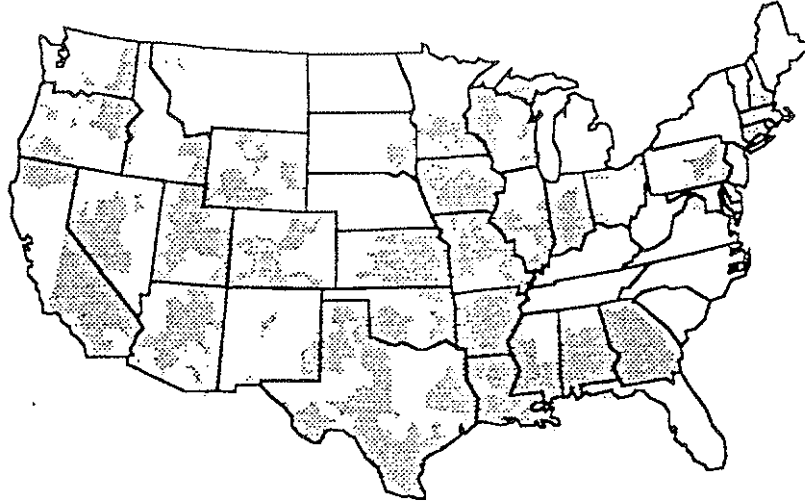
USA Electric Utilities

The number of electric utilities has changed very little over the last 40 years.

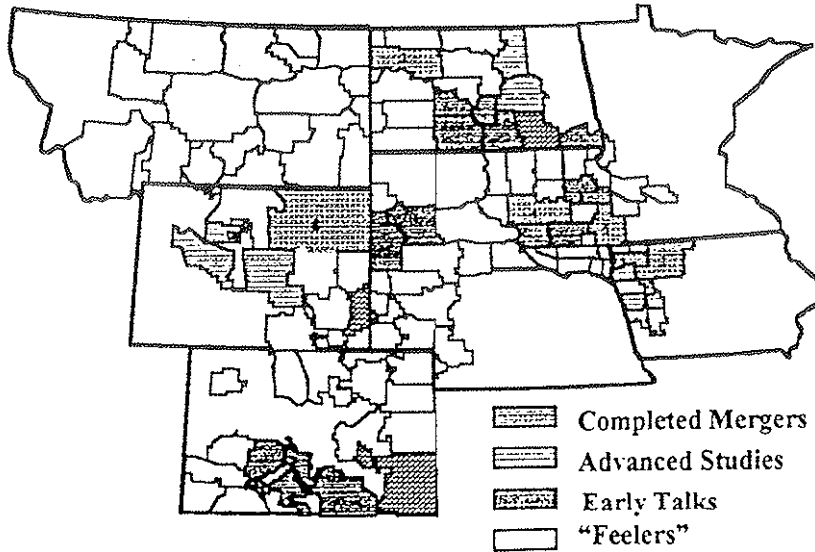


Merger and Acquisition Activity

among US investor-owned electric utilities



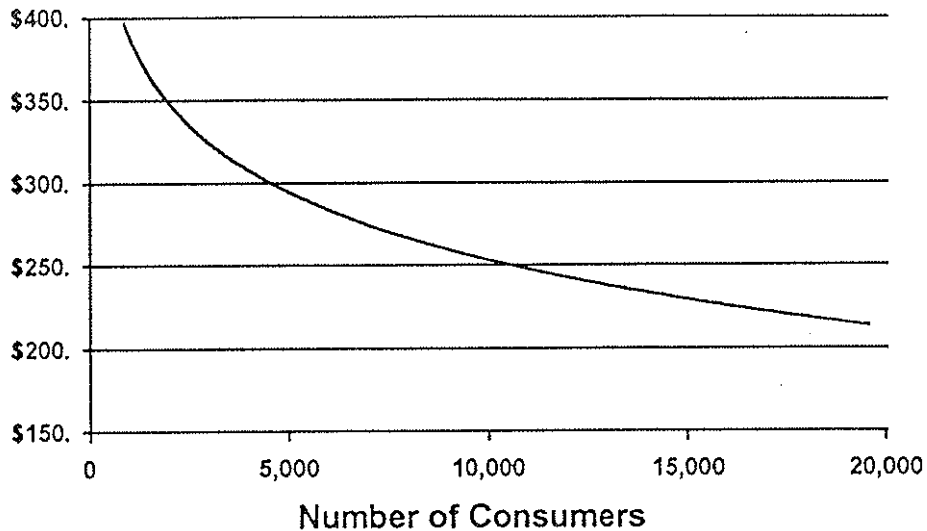
Co-op Merger Activity in the Region



Controllable Operating Costs Per Cons.

U.S.A. Electric Co-ops, 1-3 Cons. Per Mile

Dist. Oper. & Main., Cust. Accts, Ser., & Info., A&G, Sales Exp. / Consumers



Standard and Poor's Survey of State Regulators

- ◆ 8% support protecting the electric utility monopoly.
- ◆ 26% feel that utilities should not recover stranded costs.
- ◆ 33% believe that eliminating service territory protection should be a major goal.
- ◆ 54% expect utilities to implement unbundling.
- ◆ 92% believe that market-price regulation will replace cost-of-service regulation.

Source: Feb. 15 Issue, *Public Utilities Fortnightly*

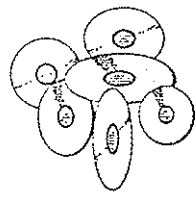
Over 20 States are Experimenting with Retail Wheeling

*(Ten foreign countries already have implemented it
or are moving toward it.)*

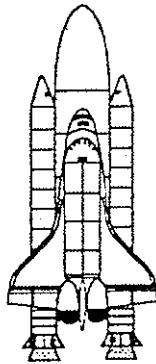
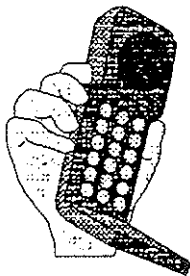
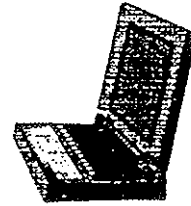
Most industry watchers believe it is a clear trend
in the USA.

Conclusions About Deregulation

- ✦ Since 1978, the electric utility business has been moving toward deregulation. Other similar “natural monopolies” have already gone through it.
- ✦ Large commercial & industrial users are organized and they are working to make it happen. Many regulators also believe in its potential benefits.
- ✦ The large investor-owned electric utilities believe it is happening and are positioning their companies for competition.

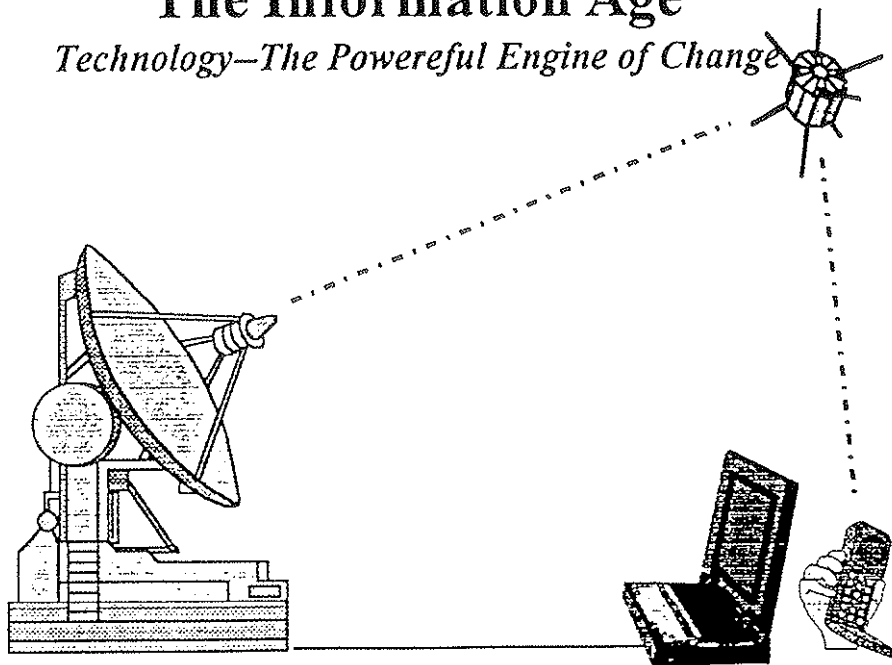


Changing Technology



The Information Age

Technology—The Powerful Engine of Change



The Information Age

The success of the US economy in the last century was based upon the fact that American business was organized around an abundant supply of cheap energy.

The success the of US economy in the next century will be based upon how well American business can organize around information.

Peter Drucker

Dispersed Generation Technologies

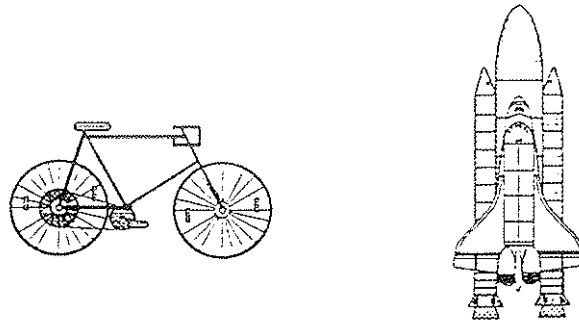
- ✦ New Gas Turbine Generators are coming on line very quickly. Capacity costs and energy costs are relatively low and the time required for installation is short.
- ✦ Fuel Cells are here! They will change the way electric power is produced and distributed.
- ✦ Dispersed generation adds a new demension of options beyond the reach of protective legislation / regulation.

SWEEPING IMPROVEMENTS UNDERWAY

Uncomfortable Transitions -- BUT -- Worth The Effort

- Computer literacy for all--beyond word processing.
- AutoCAD mapping with precise plant component locations.
- Global Positioning Systems (GPS) on all co-op vehicles.
- On-board computers with modems and cellular phones.
- Computerized Work Orders, Job Orders, Maintenance Reports.
- Bar Code Inventory Systems - Computerized Parts Network.
- Remote meter reading, customer-selected billing periods.
- SCADA, computerized monitoring systems.
- E-Mail, voice messages.
- EBBS - On-ramps to the "Information Super Highway".
- Centralized after-hours dispatch and deployment.
- "The Paperless Office" - Networked PCs with electronic forms.
- Interactive learning systems with "Virtual Reality".

The Technological Gap Between the "Haves" and the "Have nots" is Growing



*Some Co-ops are being left in the dust--and
they don't even know it!*

Conclusions About Technology

- ✦ We can't stop it or even slow it down.
- ✦ Information is power. Those that have it are in the game--those that don't are on the sidelines.
- ✦ Instant access to information is available to all. New technology has leveled the playing field world wide.
- ✦ The distance factor is being reduced or eliminated by technology.

Summary of Key Trends

- ✦ Instant access to information has changed people and countries throughout the world.
- ✦ Customers have changed dramatically for every type of business. People now demand options and choices.
- ✦ Restricted territories and "Natural" monopolies are disappearing.
- ✦ Deregulation and privatization are happening globally.

Trends

- ✦ Territorial protection is on trial. In the electric utility business it may disappear.
- ✦ Competition for territory is being replaced by competition for individual customers.
- ✦ US Government subsidies are disappearing.
- ✦ Big electric users have more marketplace leverage (options) than small users.
- ✦ Aggregation will be used to achieve “bigness”.

Trends

- ✦ Most electric utilities have subsidized small users' rates by charging the large users more than true cost of service.
- ✦ Large users are now aware of this--many are committed to do something about it.
- ✦ Rate-making based on a blend of *politics and costs* is giving way to true *cost-based pricing*. This will soon give way to *price-based costing*.

Trends

- ✦ Efficiency optimization will be essential for survival.
- ✦ Investor-owned utilities are scrambling to improve their cost competitiveness. The decline of “rate of return” as a business concept is driving brutal cuts.
- ✦ “Power Marketers” are emerging as real competitors.

Trends

- ✦ Winners will be extremely efficient.
- ✦ Winners will offer top quality service and competitive prices with great flexibility for the customer.
- ✦ Winners will demonstrate the ability to make good decisions quickly.

What Shall We Do?

- ✦ Restructure for efficiency ASAP.
- ✦ Streamline the way we are governed.
- ✦ Eliminate inefficient redundancy.
- ✦ Develop ways and means to quickly access, process and act upon vital information.
- ✦ Encourage innovation and risk-taking.
- ✦ Assimilate effective new technologies.
- ✦ Embrace rather than resist change.
- ✦ Reduce our dependency upon the government.

The Future Belongs to the Efficient!

We can be more efficient.

**“NRECA’S ROLE IN THE MOVING INDUSTRIES,
A COMPETENCIES UPDATE”**

Greg Boudreaux

The Third “C” NRECA’s Competency Initiatives

A Report to the Rural Electric
Management Development Counsel

May 21, 1996

Presented by:
Greg Boudreaux, Manager
Board and Management Development
National Rural Electric Cooperative Association

Agenda

- The transition to a strategic view
 - from an engineering and financing perspective to customer~driven
 - from an administrative view of management to an entrepreneurial view
 - from a legalistic view of the board to a strategic view

- Competency analysis 1:
The REMDC survey results

- Competency analysis 2:
The Education 2000 results

Key Competencies for Co-op Managers
SECTION IV: IMPORTANCE COMPARISON
Primary = AVEMGR695
Comparison= AVRNGM695

	Compare	Primary
UNDERSTANDING UTILITY TRENDS		
1. Reads utility publications (e.g. Public Utilities Fortnightly).	[5.8]	[5.6]
2. Regularly attends industry-related presentations and programs.	[6.2]	[5.5]
3. Regularly discusses emerging utility issues with peers.	[6.1]	[6.1]
4. Regularly discusses emerging utility issues with staff.	[6.2]	[6.3]
5. Regularly discusses emerging utility issues with directors.	[6.5]	[6.4]
6. Acts as interpreter of utility issues to staff and directors in terms of direct impacts on the rural electric program and the rural electric system.	[6.2]	[6.2]
7. Actively works with the board chairman to structure the board agenda to allow for full and detailed discussion about strategic issues.	[5.9]	[5.1]
SYSTEMS THINKING		
1. Discusses organizational changes with staff and Board in terms of potential positive and negative impacts on different departments or work units.	[5.8]	[5.8]
2. Assists department directors to understand organizational changes from the point of view of other departments.	[5.4]	[5.8]
STRATEGIC VISION/STRATEGIC PLANNING		
1. Regularly reserves time to think about long term issues.	[6.2]	[5.9]
2. Formulates alternative scenarios about the future with the staff.	[5.9]	[5.6]
3. Identifies "most likely" future scenarios with the board.	[6.0]	[5.9]
4. Identifies "most desirable" future scenarios with the board.	[6.1]	[5.8]
5. Assists staff in identifying measurable goals.	[5.9]	[5.8]
6. Articulates action steps to achieve goals.	[5.9]	[5.5]
7. Holds staff accountable for goal achievement.	[6.4]	[6.2]
COMMUNITY LEADERSHIP		
1. Actively participates in community groups on a regular, planned basis.	[6.2]	[6.0]
2. Is nominated or selected to leadership positions in community groups.	[6.0]	[5.6]
3. Serves as a leader in community groups.	[5.9]	[5.5]
4. Frequently discusses the "corporate image" (or "community image") of the organization with the	Compare [5.8] Compare	Primary [5.6] Primary

Key Competencies for Co-op Managers
SECTION IV: IMPORTANCE COMPARISON
Primary = AVEMGR695
Comparison= AVRNGM695
(Continued)

	Compare	Primary
board.		
5. Requires community involvement activities by senior staff.	[5.8]	[5.5]
6. Reviews the corporate (or community) image of the organization with the board and identifies strategies for enhancing that image.	[5.9]	[5.6]
 MEDIA RELATIONS		
1. Has regular, frequent contacts with members of the print and television news media.	[5.4]	[5.2]
2. Publicly emphasizes to staff and the board the importance of maintaining proactive media contacts.	[5.4]	[5.1]
3. Has received training in media interviews.	[5.7]	[5.1]
4. Regularly practices presentations appropriate for media interviews, including potentially "hostile" interviews.	[5.5]	[4.9]
 COMMUNICATION WITH DIVERSE GROUPS		
1. Speaks frequently before public groups.	[5.6]	[5.4]
2. Identifies the concerns and perspectives of different racial, religious or other groups.	[5.2]	[4.3]
 HUMAN RESOURCE MANAGEMENT		
1. Articulates and acts on a "philosophy" about performance expectations for all employees.	[5.8]	[5.8]
2. Openly discusses and implements strategies to enable employees to deal with change.	[5.9]	[5.7]
3. Publicly demonstrates and regularly emphasizes the importance of non-discrimination in all employee relationships.	[5.7]	[5.6]
 TEAMWORK AND COLLABORATION		
1. Encourages the expression of divergent and conflicting viewpoints in group settings.	[6.0]	[5.8]
2. Creates a problem solving group process in which different "stakeholders" are comfortable in defining their different needs.	[6.0]	[5.3]
3. Openly identifies collaborative solutions to difficult problems; solutions that satisfy all stakeholders.	[6.1]	[5.3]

501 Key Competencies for Managers
SECTION IV: PERFORMANCE COMPARISON
Primary = AVGMGR695
Comparison= AVGNMG695

	Compare	Primar
UNDERSTANDING UTILITY TRENDS		
1. Reads utility publications (e.g. Public Utilities Fortnightly).	[5.2]	[4.6]
2. Regularly attends industry-related presentations and programs.	[5.9]	[4.9]
7. Actively works with the board chairman to structure the board agenda to allow for full and detailed discussion about strategic issues.	[5.4]	[4.5]
SYSTEMS THINKING		
1. Discusses organizational changes with staff and Board in terms of potential positive and negative impacts on different departments or work units.	[5.1]	[4.9]
STRATEGIC VISION/STRATEGIC PLANNING		
1. Regularly reserves time to think about long term issues.	[5.4]	[4.6]
4. Identifies "most desirable" future scenarios with the board.	[5.5]	[4.8]
5. Assists staff in identifying measurable goals.	[5.2]	[4.5]
COMMUNITY LEADERSHIP		
1. Actively participates in community groups on a regular, planned basis.	[4.9]	[5.3]
2. Is nominated or selected to leadership positions in community groups.	[4.8]	[5.2]
5. Requires community involvement activities by senior staff.	[5.1]	[4.8]
MEDIA RELATIONS		
1. Has regular, frequent contacts with members of the print and television news media.	[3.6]	[4.0]
2. Publicly emphasizes to staff and the board the importance of maintaining proactive media contacts.	[3.9]	[4.4]
3. Has received training in media interviews.	[3.8]	[4.1]
COMMUNICATION WITH DIVERSE GROUPS		
2. Identifies the concerns and perspectives of different racial, religious or other groups.	[4.2]	[3.7]
HUMAN RESOURCE MANAGEMENT		
3. Publicly demonstates and regularly emphasizes the importance of non-discrimination in all employee relationships.	[4.8]	[5.0]
	Compare	Primary

501 Key Competencies for Managers
SECTION IV: PERFORMANCE COMPARISON
Primary = AVGMGR695
Comparison= AVGNMG695
(Continued)

	Compare	Primary
TEAMWORK AND COLLABORATION		
1. Encourages the expression of divergent and conflicting viewpoints in group settings.	[4.9]	[5.2]
2. Creates a problem solving group process in which different "stakeholders" are comfortable in defining their different needs.	[5.1]	[4.8]

Importance of Selected Behaviors REMDC CEO's

Understand Utility Trends

- Regularly discusses emerging utility issues with peers (6.1)
-with staff (6.3)
-with directors (6.4)
- Interprets utility issues to staff and directors in terms of impacts on the system (6.2)

Strategic Planning

- Holds staff accountable for goal achievement (6.2)

Community Leadership

- Actively participates in community groups on a planned basis (6.0)

Least Important Behaviors

REMDC CEO's

Understand Utility Trends

- Actively works with the chairman to structure the agenda to allow for discussion about strategic issues (5.1; staff: 5.9)

Media Relations

- Has regular contacts with print/TV media (5.2)
- Has received training in media interviews (5.1)
- Practices presentations for media interviews (4.9)

Communication with Diverse Groups

- Identifies the concerns of different racial or other groups (4.3; staff: 5.2)

Teamwork & Collaboration

- Creates a problem solving group process in which stakeholders can define their needs (5.3; staff: 6.0)
- Identifies collaborative solutions to different problems (5.3; staff: 6.1)

Performance

CEO's Behavior Done Well

Understand Utility Trends

- Regularly attends industry presentations (5.9)
- Regularly discusses emerging issues with directors (5.9)
-with peers (5.6)
-with staff (5.5)

Strategic Vision

- Identifies “most desirable” future scenarios with the board (5.5)

Performance

CEO's Behaviors Done Poorly

(Self-Rating)

Media Relations

- Has regular contacts with media (3.6)
- Practices presentations (3.5)
- Has received training in media interviews (3.9)

Communication with Diverse Groups

- Speaks frequently before public groups (4.4)
- Identifies the concerns of different racial or other groups (4.2)

Conclusions From the REMDC Survey

- Talking about industry issues, holding staff accountable, and having personal visibility in the community are recognized as highly important
- Media relations and human resource diversity are seen as relatively unimportant

Key Gap Areas

- Reading utility publications
- Discusses organizational changes in terms of potential positive and negative impacts
- Assists senior staff to understand organizational changes from point of view of other departments
- Review the corporate image with the board and identifies strategies to enhance frequent contact with media
- Training in media interviews
- Practices presentations

Competence & Competitiveness

Competere:

Latin root of...

- Competent ~ to be sufficient
and
- Competition ~ rivalry

Websters New Universal
Unabridged Dictionary
2nd Edition

Competency

An underlying characteristic, trait, value or belief that leads to superior performance in a defined job context.

Education 2000 Committee

- *William James*
President/General Manager
Northeastern REMC
P.O. Box 171
Columbia City, IN 46725-0171
- *Tom Jones*
Executive Vice President
Grand Canyon State
Elec. Co-op
1445 East Thomas Road
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General Manager
Wabash Valley Power Assn.
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- *Walter Szelich*
General Manager
Fayetteville Electric System
P.O. Box 120
Fayetteville, TN 37334-0084
- *Roy Palk*
President/CEO
East Kentucky Power Co-op
P.O. Box 707
Winchester, KY 40392-0707
- *Dennis Yocom*
General Manager
Florida Electric Co-op Assn.
P.O. Box 590
Tallahassee, FL 32302-3697

Education 2000 Methodology

- 1** Sample population is chosen: Directors and managers who show excellence in the new paradigm.
- 2** Behavioral Event/Critical Incident interviews are recorded.
- 3** Samples are coded against the behaviors of the McBer model (coding done by independent coders.)
- 4** Coding is “translated” through capturing the unique rural electric behaviors in their own terms.

"Paradigm Shift"

Management Competencies

(Revised-January 2, 1996)

Rural Electric Distribution Co-op Managers Competencies Analysis

18 Interviews – Ed Powers 10/95

- **Entrepreneurial Orientation:**
"This is my business and I'm going to make it work"
 - Focus the business on competitiveness and customer orientation
 - Seek to build a "this is my business" attitude in staff

- **Diagnostic Application:**
"I know how to make sense of the changing utility industry in terms of running my business"
 - Build upon past knowledge base
 - Discern requirements of changing industry trends

- **Inventiveness:**
"I seek new ways to get things done"
 - Regard change as an opportunity, not a threat
 - Use technical skills to create system efficiency and effectiveness
 - Redefine processes to meet emerging challenges

"Paradigm Shift" Management Competencies

■ Capacity To Be Influential:

"I want employees, the board, consumers and my neighboring communities to understand the value my business brings"

- Defend turf and business against all comers
- Interpret to their communities the vital contribution their co-op makes
- Share their vision in ways that empower staff and board

■ Cost/Price Orientation:

"I have some control over cost, and I constantly look for ways to do things cheaper and better"

- Build cost containment strategies
- Impact price/rates factors to sustain the business

■ Systems Application:

"I seek to deploy all resources (inside and outside the organization) to achieve strategic business goals"

- Create a strategic view of the inter-relatedness of internal system elements and external resources
- Link the co-op with other businesses to enhance value potential

"Paradigm Shift" Management Competencies

■ Future Directed:

"I define today's tasks in terms of what may come tomorrow"

- Define tasks in the light of emerging industry trends
- Use strategic planning to undergird co-op potential

■ Developmental Focus:

"I want my employees and directors (and myself) to be very good, and I will do what I have to do to make that happen"

- Enable staff and directors to build required skills
- Continue learning as a way to redefine oneself and one's business
- Aware of personal strengths and weaknesses

21st Century Competencies For Rural Electric Directors

16 Interviews
3/18/96

■ Organizational Well~Being:

"I want the co-op to be the competitive choice, no matter what"

- Pursue every angle to contain costs and rates
- Drive organizational capacities to be competitive
- Use strategic planning as a critical tool

■ Decisiveness:

"I seek to help the board make good decisions"

- Seek to act with others for long term goal achievement
- Pursue closure on critical issues
- Work to build board decisional capacities

■ Initiative:

"I put myself on the line to get it done"

- Take personal risks as necessary to get things done
- Get ahead of the curve in response to organizational demands

Director Competencies

(2)

■ Collaboration:

"I pursue win~win outcomes"

- Operate out of a win~win model
- Build alliances and networks on a sustaining basis to achieve organizational objectives
- Foster teamwork in spite of difference in perspectives and stakes

■ Perseverance:

"I'll get this done, no matter what the obstacles"

- Pursue implementation of critical ideas and values to conclusion
- Sign up for the long haul

■ Leadership:

"I believe in this, and want to make a difference"

- Seek to be an effective role model for the co-op ideal
- Develop and pursue a strategic vision of the future
- Respond to change in creative and positive ways

Director Competencies

(3)

■ Self Management and Growth:

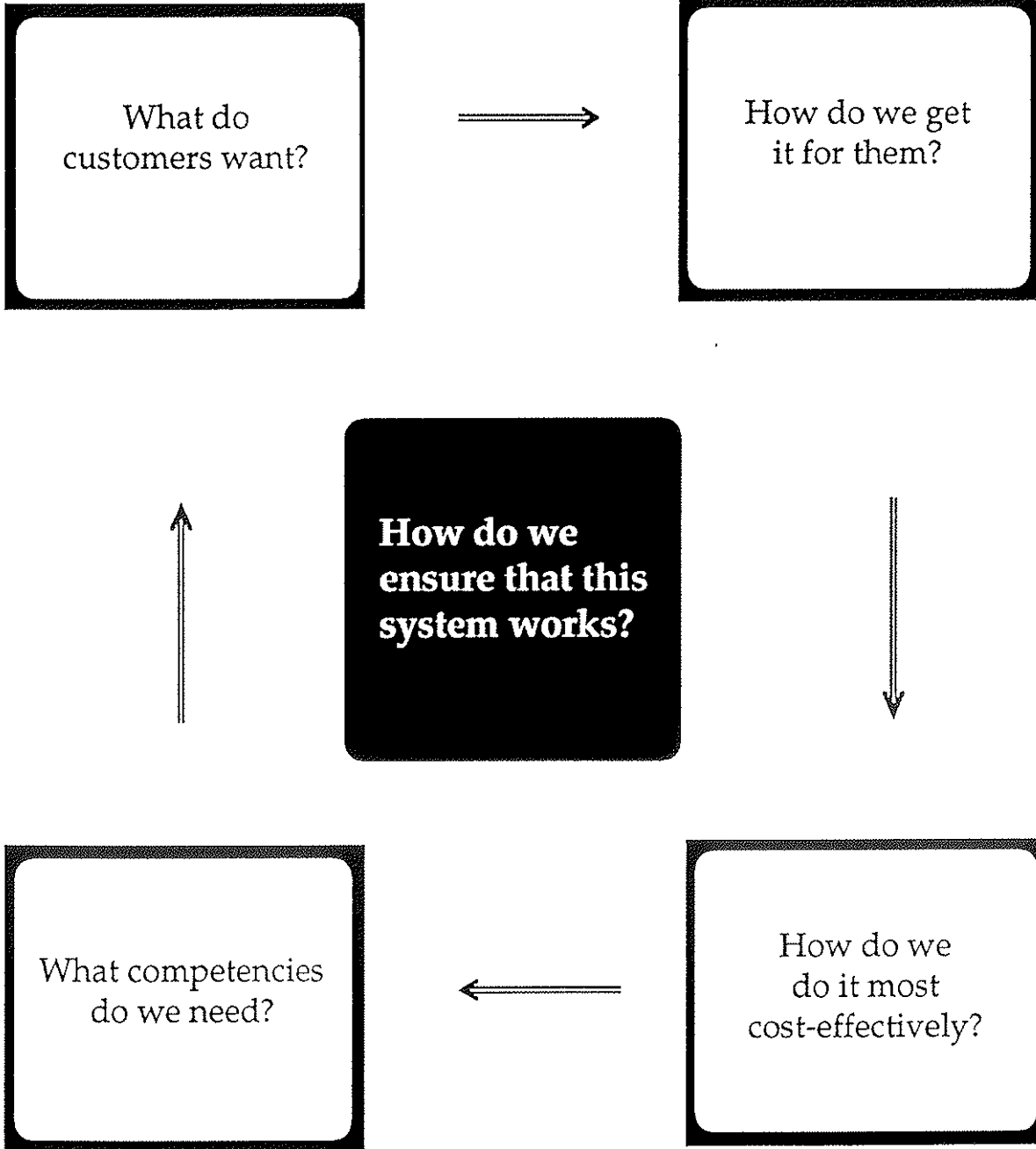
"I work to get the learning I need"

- Know strengths and limitations and act accordingly
- Seek knowledge from various sources to enhance personal capacity
- Continue to learn and grow as a personal necessity

Key Issues and Initiatives

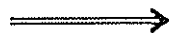
- Redesign of the NRECA curriculum
- “New Director Orientation” issue of *Management Quarterly*
- Enhancement of executive recruitment/manager search
- RE Update presentations
- Development of management competency laboratory
- Coordination with all conferences as appropriate
- Participation in NRECA internal competency initiative and 360 degree feedback

Critical Questions



Key Functional Areas

Marketing &
Member Services



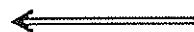
Engineering &
Operations



Chief Executive

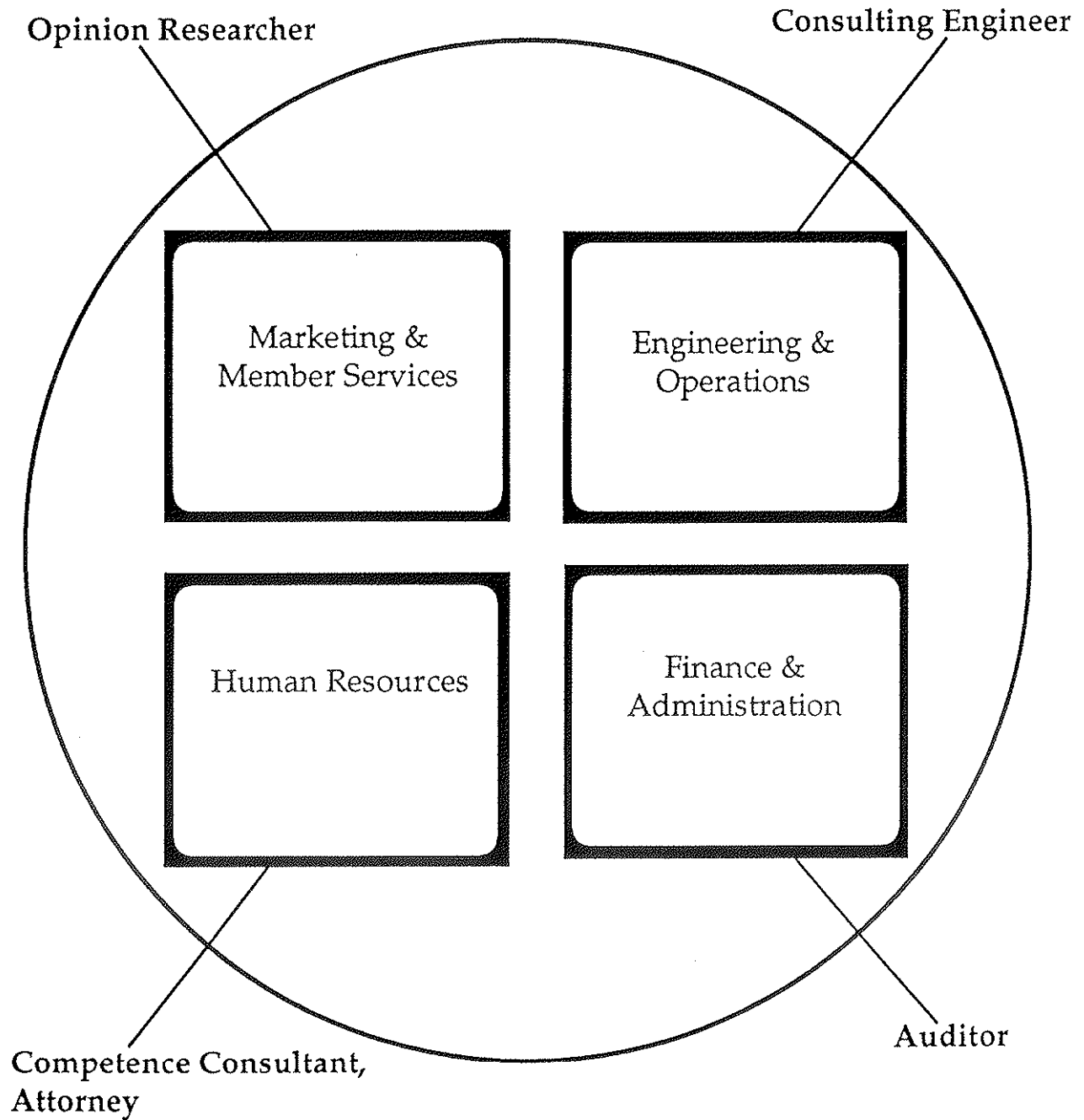


Human
Resources



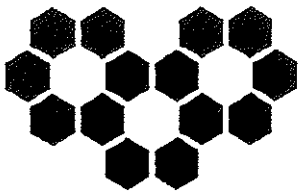
Finance &
Administration

Key External Resources



**“DIVERSIFICATION WITHIN AMERICA’S
RURAL ELECTRIC SYSTEMS”**

Brenda Ulman

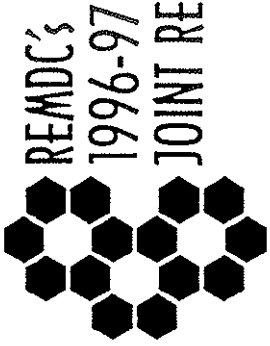


**DIVERSIFICATION
WITHIN AMERICA'S
RURAL ELECTRIC SYSTEMS**

**Building a profile database
and a communication link to
access the data**

**•Funded by REMDC/CFC/NRECA•
NRTC**

**PROJECT DEVELOPED AND SUBMITTED BY
ULMAN & ASSOCIATES, INC., BOWIE, MD**

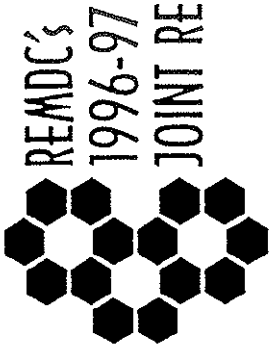


JOINT RESEARCH PROJECT

REMDC's MISSION

To share successes and failures in an attempt to improve the effectiveness of management at America's rural electric systems.

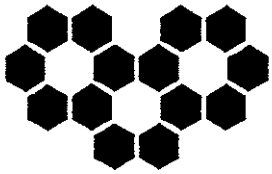
REMDC's
NRTC's
The REMDC / CFC / ~~NRCA~~'s Joint Project
reflects this mission.



JOINT RESEARCH PROJECT

KEY QUESTION

What can REMDC do to help insure the success of diversification projects undertaken by rural electric systems across the country?



REMDC's
1996-97

JOINT RESEARCH PROJECT

GOAL OF REMDC JOINT RESEARCH PROJECT

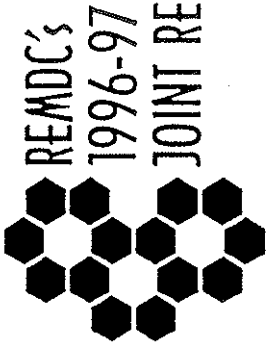
Develop a reference tool for rural electric system managers to use when considering diversification projects for their systems.

Based on the experience of rural electric managers across the country, this tool would assist managers in examining the factors which contributed to the success of diversification projects and the pitfalls to avoid in undertaking diversification projects.

METHOD OF GATHERING INFORMATION

Survey all rural electric system managers to identify current and future diversification projects using the following survey method options:

- Written
- Disc
- On-line



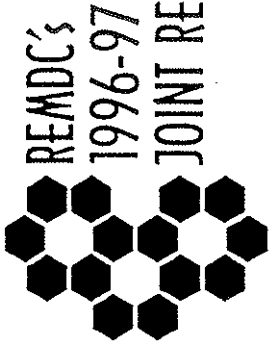
JOINT RESEARCH PROJECT

CURRENT DIVERSIFICATION PROJECTS

- Type of diversification project(s) the system has been involved in during the past five years
- System's objectives in undertaking the project(s)
- How results were measured against objectives
- How positive results were achieved
- Define lessons learned from any negative results

FUTURE DIVERSIFICATION PROJECTS

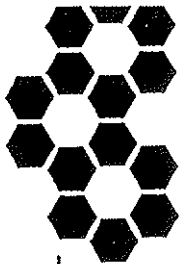
- Type of diversification project(s) the system will pursue within the next five years
- Reason(s) the system is looking to diversify
- Barriers preventing the system from getting started on diversification project
- Questions to be answered prior to project start
- Feasibility study needed prior to project start
- System's interest in partnering with other businesses as a means of entering project
- Advantages/Disadvantages of joint project



JOINT RESEARCH PROJECT

NRTC
REMDC/CFC/NRECA
SENSITIVITIES & CONCERNS

- Laser-sharp focus
- Useful resource tool
- Desire not to be viewed as “telling” managers to diversify
- Clear intent/PR (not seen as selling something)
- Formulating **realistic** expectations. (Limited resources are presently available at NRECA or CFC to handle a diversification project for a cooperative)
- Development of a “How to Avoid Disasters” guide



RE System Diversification Survey

A Joint Research Project Funded by REMDC/CFC/NRECA ^{NRTC}

SYSTEM NAME _____ RUS # _____
 MANAGER'S NAME _____ TITLE _____
 ADDRESS _____ CITY _____ STATE _____ ZIP _____
 TELEPHONE () _____ NUMBER OF CONSUMERS _____
 MILES OF LINE SERVED _____ % OF INCREASE IN GROWTH _____

CURRENT BUSINESS

1. WHAT BUSINESS HAS YOUR SYSTEM ENTERED WITHIN THE PAST FIVE YEARS? (Check all that apply)

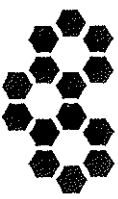
- | | |
|---|---|
| <input type="checkbox"/> a. Water | <input type="checkbox"/> l. Home Surge Protection Devices |
| <input type="checkbox"/> b. Wastewater | <input type="checkbox"/> u. Security Systems |
| <input type="checkbox"/> c. Satellite TV | <input type="checkbox"/> v. Emergency Response Systems |
| <input type="checkbox"/> d. Cable TV | <input type="checkbox"/> w. Appliance Sales & Service |
| <input type="checkbox"/> e. Natural Gas | <input type="checkbox"/> x. Repair/Replacement Services of Customer-Owned Equipment |
| <input type="checkbox"/> f. Propane Gas | <input type="checkbox"/> y. Equipment Leasing |
| <input type="checkbox"/> g. Stand-By Generation | <input type="checkbox"/> z. Garbage Pickup |
| <input type="checkbox"/> h. Operations/Maintenance Contracting | <input type="checkbox"/> aa. PCB Disposal |
| <input type="checkbox"/> i. Uninterruptible Power Supplies | <input type="checkbox"/> bb. Fluorescent Light Fixture Disposal |
| <input type="checkbox"/> j. Automatic Power Outage Notification | <input type="checkbox"/> cc. Discount Coupon Books-Regional |
| <input type="checkbox"/> k. Telecommunication Service (i.e., Internet Services & Connections) | <input type="checkbox"/> dd. Travel Agency/Group Travel Options |
| <input type="checkbox"/> l. Telephone Service | <input type="checkbox"/> ee. Member Discount Cards |
| <input type="checkbox"/> m. Cellular Phone/Electronic Communications | <input type="checkbox"/> ff. Financing Programs |
| <input type="checkbox"/> n. Mobile Radio | <input type="checkbox"/> gg. Billing |
| <input type="checkbox"/> o. Renewable Energy Products | <input type="checkbox"/> hh. Credit Union |
| <input type="checkbox"/> p. Cooperatively-Owned Industrial Park | <input type="checkbox"/> ii. Shared Savings Contracts |
| <input type="checkbox"/> q. Cooperatively-Owned Business Incubator | <input type="checkbox"/> jj. Major Medical Health Insurance |
| <input type="checkbox"/> r. Electric Wiring & Related Services | <input type="checkbox"/> kk. Other (specify) _____ |
| <input type="checkbox"/> s. HVAC Sales & Service Program | |

Choose up to three businesses you checked above and write the corresponding letter in the space provided below. Then, answer the following questions for each business.

← Place corresponding letter here

2. WHAT WERE YOUR SYSTEM'S OBJECTIVES IN STARTING THIS BUSINESS? (Check all that apply)

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	To improve the strategic position of the cooperative
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	To make a quality contribution to the community
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	To defray the expenses of the cooperative
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	To make a profit/rate of return
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Other (specify) _____



--	--	--

← Place corresponding letters here

3. HOW WERE THE RESULTS MEASURED AGAINST THE OBJECTIVES?

			Achievement of strategic positioning goals
			Achievement of financial goals
			Membership acceptance of the service/product
			Other (specify) _____

4. WERE THE SYSTEM'S OBJECTIVES MET?

			Yes
			No

5. FOR EACH BUSINESS YOU ANSWERED YES TO IN QUESTION #4, WHAT FACTORS CONTRIBUTED TO THE POSITIVE RESULTS?

			Expertise obtained
			Customer acceptance
			Strong board support
			Strong financial position
			Member-focused marketing campaign
			Other (specify) _____

6. FOR EACH BUSINESS YOU ANSWERED NO TO IN QUESTION #4, WHAT FACTORS CONTRIBUTED TO THE NEGATIVE RESULTS?

			Lack of expertise
			Inadequate market research
			Lack of demand
			Negative member perception
			Local politics
			Business not adequately marketed
			Partnership with another company/organization
			Other (specify) _____

7. WHAT FUNDING SOURCES DID YOU USE FOR THE BUSINESS?

			RUS: Zero Interest, Deferments, Grants
			Water/Wastewater Loans, Grants
			CFC
			CoBank
			Cooperative (15% Use of funds)
			G&T Loans
			Private Loans
			Other (specify) _____

8. WHAT FORM OF OWNERSHIP WAS USED FOR THIS BUSINESS?

			Subsidiary of the cooperative
			For profit corporation
			Partnership
			Other (specify) _____

9. SUPPOSE YOU ARE A MANAGER OF A COOPERATIVE IN ONE STATE AND YOU HEARD ABOUT A SUCCESSFUL PROPANE GAS BUSINESS (OR SOME OTHER BUSINESS) BEING RUN BY A COOPERATIVE IN ANOTHER STATE. YOU ARE INTERESTED IN EXPANDING AND WANT TO KNOW MORE ABOUT THEIR SUCCESS. WRITE THE THREE KEY QUESTIONS YOU WOULD ASK THE MANAGER ABOUT STARTING THIS NEW BUSINESS WITHIN YOUR COOPERATIVE. (Please print)

Key Question #1

Key Question #2

Key Question #3

FUTURE BUSINESS

10. WHAT BUSINESS DOES YOUR SYSTEM PLAN ON ENTERING IN THE NEXT FIVE YEARS? (Check all that apply)

- | | |
|--|--|
| <ul style="list-style-type: none"> ___ a. Water ___ b. Wastewater ___ c. Satellite TV ___ d. Cable TV ___ e. Natural Gas ___ f. Propane Gas ___ g. Stand-By Generation ___ h. Operations/Maintenance Contracting ___ i. Uninterruptible Power Supplies ___ j. Automatic Power Outage Notification ___ k. Telecommunication Service (i.e., Internet Services & Connections) ___ l. Telephone Service ___ m. Cellular Phone/Electronic Communications ___ n. Mobile Radio ___ o. Renewable Energy Products ___ p. Cooperative-Owned Industrial Park ___ q. Cooperative-Owned Business Incubator ___ r. Electric Wiring & Related Services ___ s. HVAC Sales & Service Program | <ul style="list-style-type: none"> ___ t. Home Surge Protection Devices ___ u. Security Systems ___ v. Emergency Response Systems ___ w. Appliance Sales & Service ___ x. Repair/Replacement Services of Customer-Owned Equipment ___ y. Equipment Leasing ___ z. Garbage Pickup ___ aa. PCB Disposal ___ bb. Fluorescent Light Fixture Disposal ___ cc. Discount Coupon Books-Regional ___ dd. Travel Agency/Group Travel Options ___ ee. Member Discount Cards ___ ff. Financing Programs ___ gg. Billing ___ hh. Credit Union ___ ii. Shared Savings Contracts ___ jj. Major Medical Health Insurance ___ kk. Other (specify) _____ |
|--|--|

Choose up to three businesses you checked above and write the corresponding letter in the space provided below. Then, answer the following questions for each business.

--	--	--

← Place corresponding letter here

11. WHY IS YOUR SYSTEM INTERESTED IN ENTERING THIS BUSINESS?

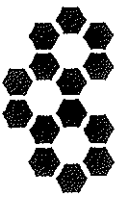
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	To improve the strategic position of the cooperative
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	To make a quality contribution to the community
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	To defray the expenses of the cooperative
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	To make a profit/rate of return
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Other (specify) _____

12. WHAT BARRIERS ARE PREVENTING YOUR SYSTEM FROM GETTING STARTED?

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Lack of expertise
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Lack of available time
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Board considers diversification too risky
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Manager considers diversification too risky
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Member perception of diversified services
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Inadequate information on "getting started"
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Poor financial condition prevents access to needed capital
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Other (specify) _____

13. WHAT ASSISTANCE OR INFORMATION COULD BE PROVIDED TO HELP YOUR SYSTEM OVERCOME THESE BARRIERS?

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Reference information on other rural electric cooperative business successes or failures
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Answers to questions about evaluating a diversified service (like the ones in Question #8)
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Funding information: match project/appropriate funding sources
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Funding assistance: grant & loan applications
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Networking with other managers on a specific diversification project
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Other (specify) _____



14. BASED UPON YOUR RESPONSE TO QUESTION #9, WOULD YOUR SYSTEM BE INTERESTED IN PARTNERING WITH OTHER BUSINESSES?

- Yes No

If YES, with which businesses would you consider partnering? (Check all that apply)

- Other cooperatives Non-Utility Business Local development corporation/community
 IOU's Municipals Other (specify):

15. HAS YOUR SYSTEM PARTNERED WITH A BUSINESS IN THE PAST?

- Yes No

If YES, what were the advantages or disadvantages of this joint venture? (Check all that apply)

- ADVANTAGES: To share the risk, To take advantage of their expertise, To raise the needed capital, Access to new markets, Other (specify)
DISADVANTAGES: Complicates the decision making process, Conflicting objectives, Different degrees of commitment, Other (specify)

16. WHAT FORM OF OWNERSHIP WAS USED FOR THIS BUSINESS?

- Wholly-owned subsidiary of the cooperative—for profit Partnership
 Non-profit affiliate Other (specify)

17. IF GIVEN A CHOICE, HOW WOULD YOU PREFER TO ACCESS THE DATABASE RESULTS OF THIS SURVEY?

- Internet - Please include your e-mail address here:
 Disc

If you chose Disc, please indicate which operating system you use:

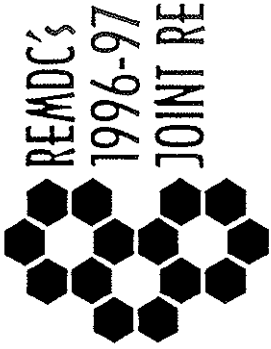
- DOS MAC Windows '95
 Windows 3.1 Windows NT Unix

Fold and seal
DO NOT STAPLE

REMDC Return Address
City, State, Zip

Postage Paid
Permit Number
City, State, Zip

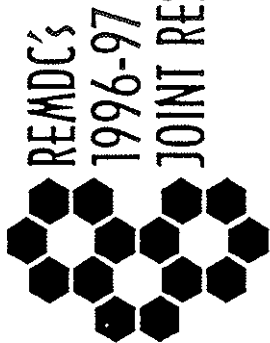
RE System Diversification Survey
c/o Ulman & Associates, Inc.
6601 Homestake Drive S.
Bowie, MD 20720



THE HOOVER'S COMPANY PROFILES

The Hoover's Company Profiles database was created and is managed by *The Reference Press, Inc.*, of Austin, Texas. *The Reference Press* is the leading provider of high-quality, reasonably-priced company information to the mass market. Hoover's handbooks were designed to provide accessible, lively, and interesting-to-read information about the companies that affect our daily lives.

The database includes profiles of approximately 1,100 of the largest, most influential, and fastest growing public and private companies in the U.S. and the world. It is growing at an average rate of 150 companies per quarter.



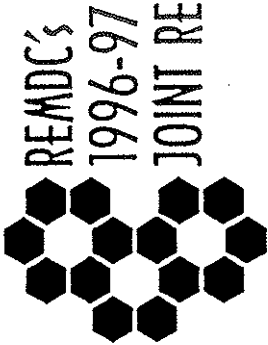
JOINT RESEARCH PROJECT

THE REFERENCE PRESS

Companies Selected: 10526

SELECT SEARCH CRITERIA:

Company Name []
Company Location []
Industry []
Ticker Symbol []
Profile, Capsule, or All Info [All]
Display Selected Companies
Display Results in Name/Address Format
Begin New Search



Cap Rock Electric Cooperative

Company: Cap Rock Electric Cooperative
Address: Hwy. 80 West
City/State/Zip: Stanton, TX 79782
Phone: 915-756-3381
Fax: 915-756-2866

CEO: David W. Pruitt
CFP: John Parker
HR: Jimmy Chandler

Fiscal Year End: December
Sales Year: 1994
Sales (\$ millions): 35
1-Yr. Sales Change: N/A

Employees: 106
Ownership: Privately Held
Industry: Utility—electric power

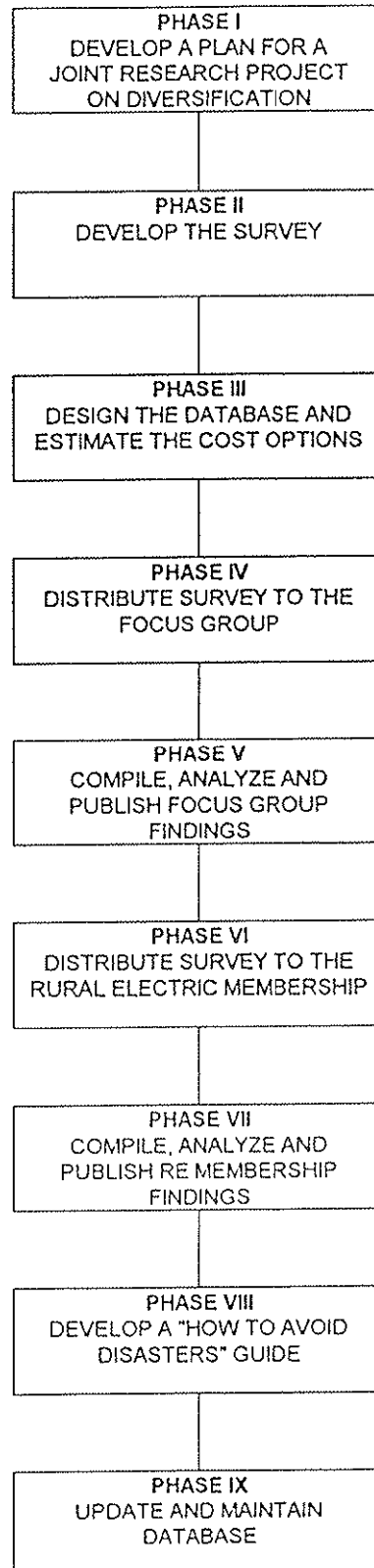
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DIVERSIFICATION WITHIN AMERICA'S RURAL ELECTRIC SYSTEMS

NRTC's

REMDC, NRUFC, AND ~~NRCA'S~~ 1996/97 JOINT RESEARCH PROJECT

PROJECT PHASES



PANEL DISCUSSION

**“TRANSITION THROUGH MERGER,
THREE VIEWS”**

Jim Kiley
Mike Gustafson
Bruce Bosworth

**“MANAGING THE MERGER
TRANSITION PROCESS”**

Jim Kiley

"MANAGING THE MERGER TRANSITION PROCESS"

JAMES M. KILEY, GENERAL MANAGER
SIOUX VALLEY-SOUTHWESTERN ELECTRIC COOPERATIVE
COLMAN, SOUTH DAKOTA 57017

During 1995, when we were deeply involved in the development of a merger study and the associated activities that led up to the favorable membership vote on the merger of our cooperative with Southwestern Minnesota Cooperative Electric, we found it extremely helpful to utilize a planned approach to the entire merger process.

Before the study began we identified the key areas that had to be dealt with during the process and assigned key personnel from each cooperative to each of these areas.
(Study Area Overhead)

One of the key contributors to the success of our merger was an excellent spirit of cooperation, selflessness and contribution on the part of the board of directors, the management staff and the employees of both organizations. I feel this is absolutely essential if you are to successfully conclude a merger of two organizations.

During the transition period which began on January 1, the effective date of the merger, this same spirit of cooperation, selflessness and contribution is even more essential. This can be even more effective if it starts with the Board of Directors and then management clearly demonstrates this attitude to everyone in the organization. An example of this attitude was a decision on the part of the officers of the former Sioux Valley Electric board of directors to resign their offices at the first board meeting in January and permit a re-election of officers to be selected from the full 19-member board of the merged cooperative. The interesting outcome of this process was that two directors from Sioux Valley and two directors from Southwestern were elected as officers. This example by the Board reverberated through the entire organization.

Most of the emphasis during the merger process is on savings and cost cutting. There should also be emphasis on growth and expansion. There should be a balanced emphasis between both cost savings and growth and expansion opportunities. Service, facilities, equipment and personnel, unaffordable by the individual system, can in many instances now be acquired and made available.

In our future competitive operating climate, we must find the ways to become more professional and more diverse in our products and services as well as becoming more cost effective. This is a challenge that must be met and promoted during the transition period. By following this type of approach, you will find more and more of your board members and employees will really buy into the merger and transition process.

Does this mean that everyone will be willing and able to meet the challenges and changes in responsibilities of the merged organization? Not necessarily. You must determine what the needs of the merged organization are and give your people the chance to become a part of the team. Believe it or not--some will say "no thanks."

In planning for the merger transition, pick your best people and assign them administrative responsibility for keeping on top of all aspects of each important area of transition. Here is an example of the transition planning areas and responsibilities at Sioux Valley-Southwestern. (Planning Area Overhead)

Since January 1, the effective date of our merger, these areas have progressed at varying rates. Some areas are nearly completed and others have only just begun. For example, in the area of Board Structure, this has been completely resolved except for the formal adoption of Bylaw amendments which will be acted on at our annual meeting on June 10. (Overheads of Board Transition)

At the other end of the spectrum is the area of Engineering and Operations. We are currently re-defining service areas, reassigning service crews and we are in the middle of a comprehensive re-evaluation of system design, materials and equipment re-specification and acquisition as well as revised construction practices. We see an opportunity for major savings in capital expenditures from this effort not only in 1996 but for many years in the future.

Communications is another important planning area. The four key groups to communicate with are the members, directors, employees and the public. Frequent, effective and clear communications need to be provided to all four audiences. You don't have to develop and create all of this communications effort. There are some excellent materials available on mergers and merger transitions that can be utilized over a period of time both during the merger study and the transition process. (Pritchett books)

Member information meetings, along with newsletters and other communication tools can reach your member-consumers. Directors need interim updates between board meetings on problems encountered and successes achieved. Frequent employee meetings, preferably in small groups with the opportunity for questions and answers, are truly effective. Communities are watching and waiting and the local press can be a real ally. Have a clear presence in your communities both in person and via the media.

Much has been said about culture--the problem of trying to merge two different cultures together. My advise to you in this regard is--don't worry about culture. Specify a few key principles, have a clear Mission Statement which challenges your people, and commits the organization and don't worry about methods and approaches. (Mission Statement and Keys to Success)

Take the best from either organization when it comes to methods provided that these methods are consistent with your basic principles and let the cultural differences and traditions take care of themselves. The challenge in a merger transition is the same as it is in managing any business--it all boils down to leadership. Evaluate the situation, identify the alternative courses of action, select the best alternative--and "Do It." To wait for a consensus or until everything is perfect is the short sure road to disaster. This is no place for the faint of heart--it takes leadership--not dart throwing, but planned, systematic definitive action.

The merger was interesting, the transition is challenging. The end result for the organization, its members, the board of directors and the employees is a better, most cost effective, more competitive organization. And, that's what makes it all worthwhile.

FILE: REMDC.PRS

**MERGER/CONSOLIDATION STUDY
SOUTHWESTERN MINNESOTA COOPERATIVE ELECTRIC
AND SIOUX VALLEY ELECTRIC**

STUDY AREAS

STUDY AREA	SIOUX VALLEY	SOUTHWESTERN
FINANCE	Greg Hollister	Kathy Nepp
ENGINEERING & OPERATIONS	John Miller	Carl Kreun
HUMAN RESOURCES & ORGANIZATIONAL STRUCTURE	Elaine Garry	Matt Yseth
LEGAL, PUBLIC AND GOVERNMENT CONCERNS	Al Glover Jim Kiley	Bob Maunu Matt Yseth
BOARD AND MANAGEMENT STRUCTURE	Harris Davis Jim Kiley	Mel Hamann Matt Yseth
POWER SUPPLY	Jim Kiley	Matt Yseth
MARKETING AND CUSTOMER SERVICES	Greg Hollister	Bill Urlick
MEMBER/PUBLIC RELATIONS AND COMMUNICATIONS	Marty McGrane	Bill Urlick

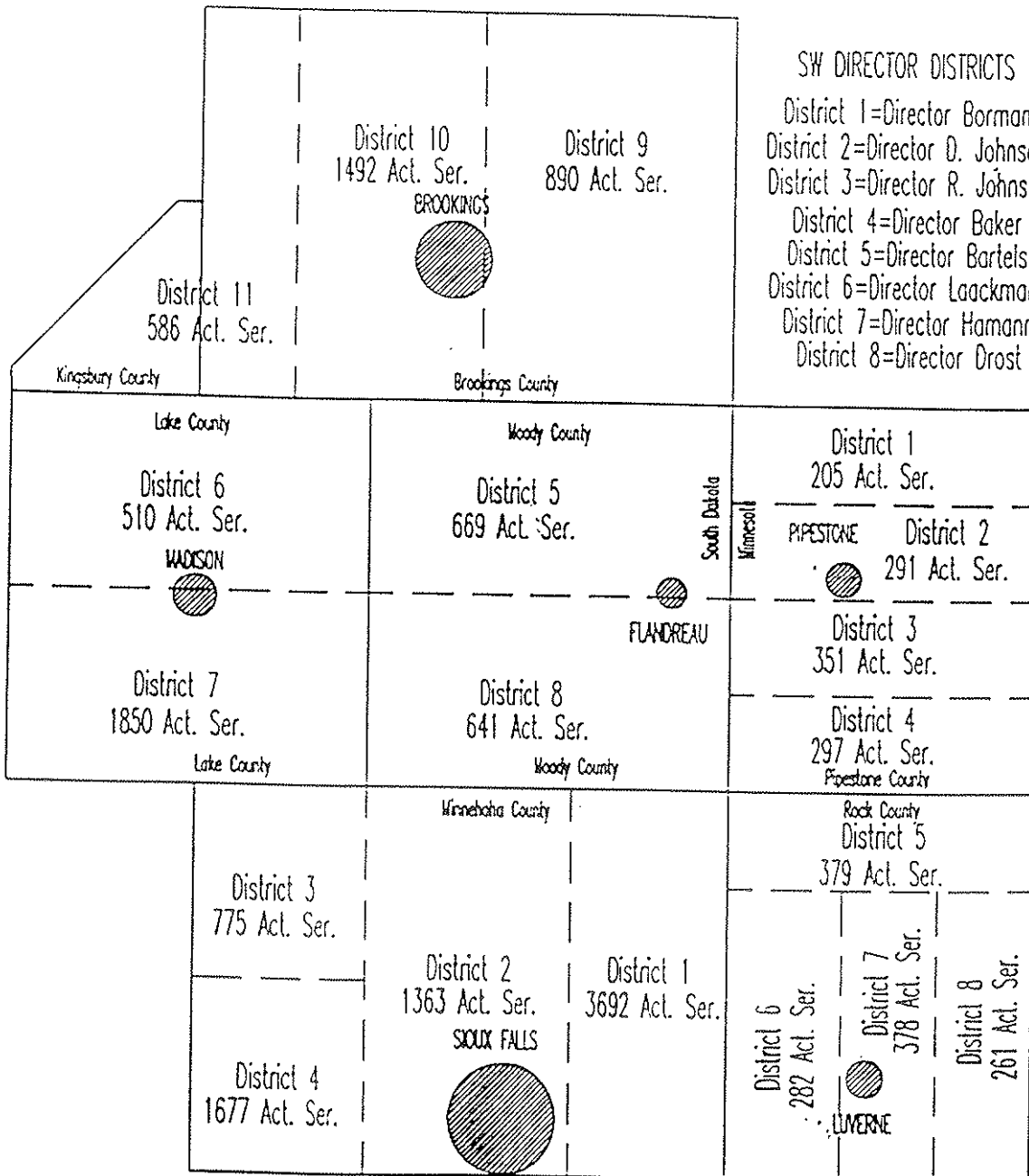
FILE: STUDAREA.95

Merger Transition Strategy
Sioux Valley-Southwestern Electric Cooperative

PLANNING AREAS

PLANNING AREA	RESPONSIBILITY
LEGAL, PUBLIC & GOVERNMENT CONCERNS	JIM KILEY
BOARD STRUCTURE	EDIE LARSEN
POWER SUPPLY	MATT YSETH
HUMAN RESOURCES & ORGANIZATIONAL STRUCTURE	ELAINE GARRY
ENGINEERING AND OPERATIONS	JOHN MILLER
FINANCE	GREG HOLLISTER
MARKETING & CUSTOMER SERVICES	CARL KREUN
MEMBER/PUBLIC RELATIONS & COMMUNICATIONS	MARTY MCGRANE
TELECOMMUNICATIONS	JOEL BRICK

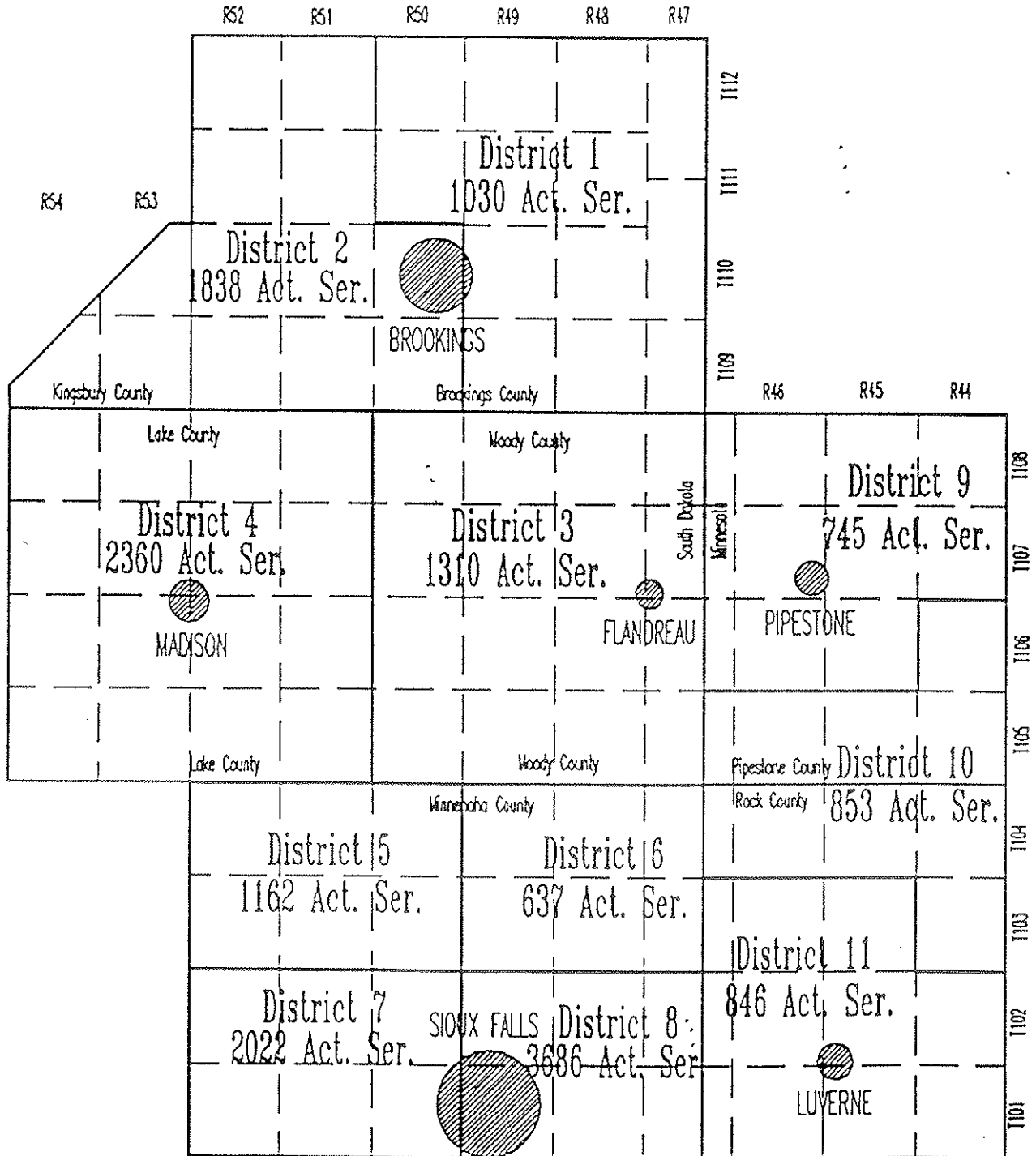
Sioux Valley Southwestern Electric Existing Director Districts



SW DIRECTOR DISTRICTS

- District 1=Director Borman
- District 2=Director D. Johnson
- District 3=Director R. Johnson
- District 4=Director Baker
- District 5=Director Bartels
- District 6=Director Laackmann
- District 7=Director Hamann
- District 8=Director Drost

Proposed Director Districts Sioux Valley Southwestern Electric



**SIOUX VALLEY-SOUTHWESTERN ELECTRIC COOPERATIVE, INC.
COLMAN, SOUTH DAKOTA 57017**

BOARD OF DIRECTORS

January, 1996

DIRECTOR	AGE	BIRTH DATE	SOCIAL SECURITY #	YEAR ELECTED	YEAR RE-ELECTED	DIRECTOR CERTIFICATE
Bernard Baker	63	3/18/32	469-42-4518	1983	1994	1990
Eunice Bartels	61	3/25/34	504-70-6270	1987	1993	1990
Charles Berg	50	10/7/45	504-56-1354	1988	1994	1992
Clarence Borman	73	3/13/22	469-42-4514	1970	1995	1990
Adrian Dalen	73	1/16/23	503-18-6493	1988	1994	1992
Harris Davis	69	6/28/26	504-40-2318	1975	1993	1991
Gary Drost	46	12/30/49	469-58-2074	1987	1995	1992
Walter Ellefson	66	2/21/29	504-24-2263	1974	1995	1978
Melvin Hamann	61	12/22/34	471-32-6693	1990	1994	1993
Dennis Johnson	65	4/14/30	516-34-5664	1986	1995	1987
Roger Johnson	61	7/21/34	475-34-8115	1991	1994	1996
Ernest Kroeger	65	8/18/30	503-42-2102	1985	1994	1993

THE MISSION OF

SIOUX VALLEY-SOUTHWESTERN
ELECTRIC

IS TO BE THE

PREFERRED ELECTRICAL

POWER SUPPLIER

IN OUR SERVICE AREA.

THE KEY TO SUCCESS

- * HIGHEST QUALITY AND CONTINUITY OF SERVICE
- * TIMELY, PROFESSIONAL, SENSITIVE RESPONSE
- * COMPETITIVELY PRICED RATES

Mike Gustafson



Cass County Electric Cooperative

P. O. Box 8
Kindred, North Dakota 58051 / (701) 428-3292

FAX (701) 428-3044

REMDC ANNUAL MEETING
Seattle, Washington
May 19 - 22, 1996

A MERGER VOTE SABOTAGED INTERNALLY

As the chairman of the REMDC for the 1996 annual meeting, I volunteered to report on a most recent merger vote involving Cass County Electric Cooperative in North Dakota and Red River Valley Cooperative Power Association in northwestern Minnesota. A special meeting held on March 16, 1996 by CCEC members overwhelmingly approved the merger venture by 92 percent while the vote fell short of the two-thirds majority needed by the Red River membership at a regularly scheduled annual meeting the same day. One of the Red River directors who emotionally opposed the merger used every imaginable tool possible to create fear among the headquarters community business people, and especially people within 25 to 30 miles of the City of Halstad. This opposition was fueled by an editor/owner of a local tabloid "shopper" with mis-information and innuendos about poor management. The primary focus of the opposition was centered on equity, when in fact the major benefits of the merger clearly favored RRVCPA. This is a classic case where a system failed to keep its plant in good shape for many years, thus causing the equity to increase into the 80 percent range and then fall to the mid 30's when things started falling apart. A new manager was hired 10 years ago who substantially increased the performance of the overall plant, with present equity being approximately 49 percent. With CCEC's equity being about 27 percent, the opposition thought they were giving their system away to a North Dakota cooperative.

Controversy and conflict caused a tenured local director to be defeated in a re-election effort and the position was filled by one of the opposition members. Many of the members who did not vote on the proposed merger, and those who helped achieve a 56 percent "yes" vote, asked the board to give serious consideration to a re-vote. A third party consultant was hired to evaluate the study process, and in the end, the validity of the original study was acknowledged. Thus, a special "re-vote" meeting was called for September 21, 1996, where again the membership had the option to vote by mail ballot or cast their vote at the meeting. Unfortunately, the meeting was attended by less than 50 voting members and collectively, the votes from all sources tallied fewer than those cast in March. Even though an attempt was made to overcome the misinformation provided by the opposition group, there appeared to be a lack of interest in what the merger effort was really all about. There are no plans at the present time to revisit this issue, although we can report that shared services continue at the present time in the area of dispatching after hours and weekend calls. We have also approved a lease contract for RRVCPA to use a small portion of our Fargo Service Center to accommodate better service to nearly two-thirds of the membership in the southern end of their project.

If anyone is interested in more specific details of the merger effort, information can be provided by Cass County Electric Cooperative management or senior staff. Call (701) 277-4400 or contact us on the Internet: www.kwh.comm.

Mike Gustafson
General Manager

Bruce Bosworth

by: J. Bruce Bosworth
Former General Manager of
Iowa Lakes Electric Cooperative
Estherville, IA 51334

RURAL ELECTRIC MANAGEMENT DEVELOPMENT COUNCIL

1996 CONFERENCE
Seattle, Washington
May 20-23, 1996

I. Opening Statement

Reorganization within our segment of the utility industry is no longer the question. The question today is, "How big must we become to keep our customer base convinced we are doing what is necessary to remain competitive without jeopardizing our ability to render reliable service?" To put this objective into prospective, my first job in 1956 was with a South Dakota REC serving three counties, namely Tri-County Electric Assn., Inc. The system I just recently retired from is today evaluating a study of consolidation that would have a service area serving 15 counties--eight counties in Iowa, five in South Dakota and two in Minnesota, a Tri-State cooperative. Its customer base would be 27,723 customers and approximately 10,126 miles of line.

The reorganization of Iowa Lakes that began in 1985 involved both the consolidation of three systems and a merger of a fourth system in 1989. The merger in 1989 broke through that paradigm that a distribution system could only be part of one G&T. As a result of that merger, it became a member of a second G&T. If a consolidation of Iowa Lakes Electric Cooperative (ILEC) and Sioux Valley-Southwestern Electric Cooperative becomes a reality, it will have membership in four G&Ts and customers in three states.

II. Objective

Today's objective is to stay competitive without sacrificing our ability to provide a reliable service. The result will be we remain "the utility of choice."

III. Major Issues

Reorganization means there will be short-term sacrifices in order to achieve this objective. With the limited time, I will focus on what I feel are the most important sensitive areas: Board Relations, Employees and the Headquarters.

A. Board Relations -- Diffuse the threat of board members losing their job. Our strategy was to allow as long as five years before the board would be reduced to the level selected in the

Plan of Consolidation. Having a larger board of directors during the transition has a significant value as ambassadors to the membership explaining the rationale supporting the changes that affects different parts of the membership.

Key Ratios -- Establish a base from which you can measure the progress within the key performance areas. For them to be good ambassadors, you must keep the board apprised of the systems' performance as they go through the transition to a new organization.

Membership Evaluation -- It is also important for management to keep the members informed of the progress and benefits of reorganization. There is a very good prospect that there will be another day when you need to go to the membership for their approval of another merger or consolidation as systems struggle with remaining efficient and competitive.

B. Employees -- Assure the employees they will not lose their jobs and to rely on attrition to reduce the work force. However, employees must know their employment will be subject to moving to where management needs the personnel. To ease the emotional impact budget for moving expense for those accepting the move.

In cases where the personnel choose not to move, it is only fair to provide a generous severance allowance as part of a separation agreement.

Organizational Structure -- Adopt and explain the new organizational structure early on. All personnel should be permitted to apply for the various positions. The selection process should assure objectivity in selecting the most qualified to fill out the organizational structure. Inform the employees that management may need to recruit from outside the organization if there is any reservation of the qualification of the internal applicants. With Iowa Lakes, where there was more than one holding a single position, we made our selection and then froze the salaries for those not selected and used them in a position where they were the most productive. Over time, as attrition worked, we found a place for most employees. Some chose to move on to another job.

Integration -- During the transition the biggest challenge was integrating the personnel into a new work ethic and culture. Social events, which included picnics, golf, fishing derbies, etc., helped to mold the work force together. We found it wise to invest in a competent consultant to assist us in this process. I would recommend to those considering reorganization to budget for this kind of outside assistance. Make it known upfront to the personnel that you will be employing that kind of expertise to assist you during the transition. Even if one feels they can make these judgments and adjustments on their own, an outside consultant lends objectivity to the process.

Evaluation -- Evaluate the progress the staff is making at three and six months intervals. If you recognize these people are failing to meet the challenge by motivating their respective work forces and maintaining harmony, then it is critical you make the necessary changes in a timely fashion.

Union Contract -- If there is a union contract within one of the systems and not the others, reorganization provides an opportunity to reconsider the need for third party representation. An objective evaluation of the different benefit packages may provide for an internal vote making decertification a by-product.

This may also be an opportunity to pick and choose from the different packages in order to improve employee productivity and compensation.

Bonus Plan -- To further enhance the level of productivity, you may wish to consider a bonus plan. In ILEC's case, they developed a set of team goals that if the work force, as a team, achieved nine of the 10 goals they would become beneficiaries of an annual bonus plan. See Exhibit "A."

Employee Advisory Committee -- ILEC established an Employee Advisory Committee which had elected representation with limited terms from each segment of the work force. The Committee reviewed the personnel policies and benefit package annually. Any recommended changes were considered by management and board. This Committee kept management and the labor side of the business in touch and negated the need for third party representation.

C. Headquarters and the Social Impact --

Neutralize -- Perhaps the most volatile issue is the headquarters location. If there is any way to neutralize this issue, it is wise strategy. One possible way would be to defer the decision of the location of the headquarters until the vote is taken and you know who the players are in the reorganization plan. This would be possible where there are three or more organizations considering that proposition of consolidation. Under this scenario, after the decision to reorganize is made, offer each of the communities with a headquarters, an opportunity to convince the board why their community should be the site of the headquarters for the new organization. This defers the decision until after the vote and neutralizes the issue somewhat. By giving the community leadership, the opportunity to sell their community puts a positive spin on the issue.

Board Discretion -- If possible, structure the plan of consolidation to give the board further discretion in choosing the headquarters site by inviting other communities to bid for the headquarters as well. Furthermore, there may be a long-term economic value to relocate the headquarters at some future date. If the plan of consolidation and the articles are worded properly to allow the future board of directors the authority to make that

decision vs. a vote of the membership, it would avoid some future battle with the membership in making that decision.

IV. Strategy

A. Opposition Within Ranks -- It is fair to assume that you will have opposition from within your own REC ranks. In some cases, it is perceived to be a threat to their domain and in some cases it is pure jealousy--"Everybody loves success, but they hate successful people." Being able to neutralize this negative influence is important. What is critical here is to recognize there will be this kind of opposition and plan your strategy accordingly.

B. Customer-Owners Opposition -- No matter how right, how beneficial, how cost effective the reorganization will be, expect resistance within the membership. Provide as much information as possible and involve the local papers and radio stations as soon as possible. If the opposition chooses to use letters to the editors where they can get by with false, misleading and malicious statements, it is important to ask and expect the newspapers to give you the opportunity to rebut this kind of negative opposition in the same issue. The opposition's tactic will be to put you on the defensive. If your rebuttal follows their letter to the editor in the same issue, it minimizes "the jump to a conclusion" attitude.

C. Time the campaign when the customer base is at its peak of activity. When the opposition has free time they can dream up most anything to reflect their self-interest which will put your campaign on the defense. This happened to ILEC when we attempted to centralize the headquarters 10 years after the initial vote to reorganize. Even though it was cost effective and would have resulted in a significant reduction in costs, we failed. We allowed too much time, well over a year, to bring the issue to a vote of the membership allowing special interest groups the time to organize and present false and misleading information. They managed to put the cooperative on the defensive resulting in a failed attempt.

Momentum is a major ally and once you get the proposition underway and on the move, keep it moving through the obstacle course in a timely, but rapid pace.

D. It is important to involve the local papers and radio stations as soon as possible in the campaign. Invite them to a press conference and make sure they attend. Giving them the full story upfront helps in gaining the opportunity to rebut the opposition's campaign to defeat the issue.

E. Voting Requirements -- In Iowa, the voting requirements stipulate that 50% of the membership must vote on such an issue and two-thirds must agree to the board's recommended plan. With that requirement, it does not take a lot of opposition,

particularly if they manage to put you on the defensive with false and misleading pieces of information to defeat such a proposal.

F. Payback -- Even if a proposal to reorganize fails, there is still a significant payback. Having presented to the membership a proposal to reduce costs and improve the efficiency of the organization and an opportunity for them to either approve or reject, puts the burden on the membership. Should it fail, it is much easier to justify the next rate increase to pass on the rising costs. Furthermore, it provides for a stronger defense against a potential buyout by an IOU.

V. Results

A. Work Force -- Reducing the work force is what leads to 75% of the savings. Whatever the study, suggest the reduction of the work force to be its most important point to focus on during the campaign.

Even more important than the total reduction in the work force is the reduction in the administrative staff. The statement which seemed to register most as we went through the informational meetings was the number of Indians will remain about the same, we just won't need as many chiefs to run a larger organization. Our customer base seems to appreciate and relate to the workers as those outside setting poles, cutting trees, and keeping the lights on. Those in management on the inside are among the chiefs and are perceived as the people who just get the big money. To many, reorganization is their opportunity to dump some of those big shots. There are those who like to believe this is their chance to make a difference.

Work Force - Exhibit "B"

B. Projection vs. Actual - Exhibit "C"

C. Capital Requirements - Exhibit "D"

D. Var. Operations Cost/Consumer - Exhibit "E"

E. Debt/Consumer - Exhibit "F"

VI. Summary

In summary the objective is to remain competitive without jeopardizing our ability to provide reliable service. The result, we remain "the utility of choice."

Identify the three major areas that needs to be addressed very carefully:

1. The board of directors
2. The employees, and

3. The headquarters.

Develop a plan and in each case it is going to take different strategies.

Measure results as compared to your projections and relay them to the board and to the membership.

Even if you lose in an effort to reorganize by merging or consolidating with area systems, you are still a winner as you struggle with the oncoming fight to defend yourself against a takeover by an IOU or a passing on the next rate increase. You gave them a choice and they made that choice.

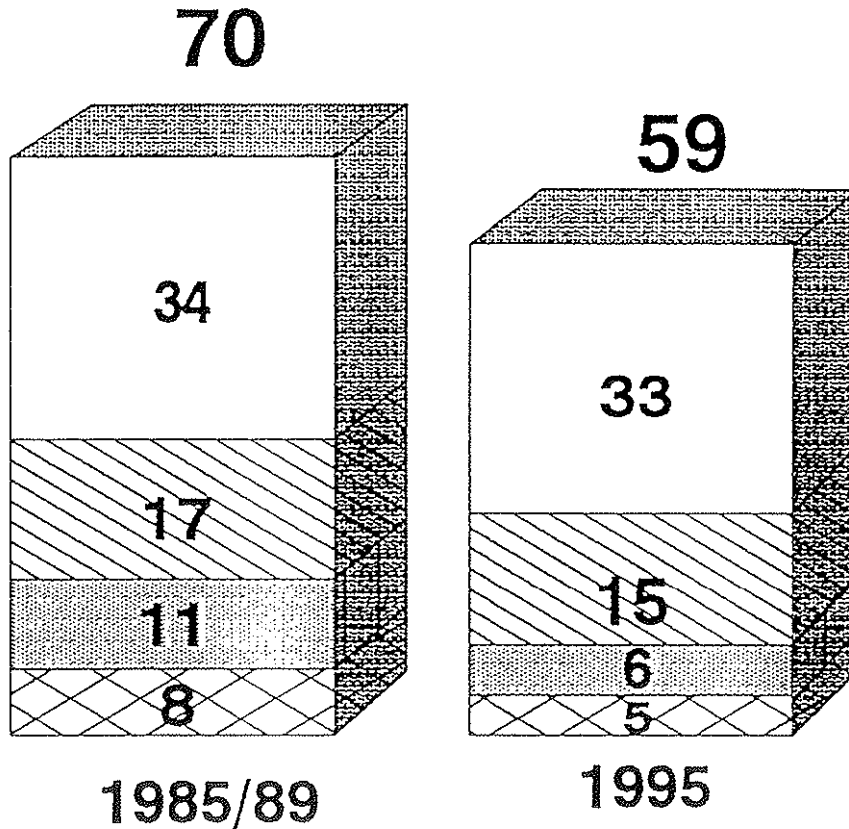
Good Luck!

ILEC TEAM GOALS

- Obtain and sustain 200 customer-owners per employee
- Hold cost per consumer to 90 % of Iowa's 1st quartile
- Hold system outage hours to less than 1.5 hours per consumer per year (excluding major storms)
- Maintain system line loss of less than 5.75 %
- Hold overtime hours to less than 3 % of total regular + overtime hours per year
- Increase monthly Res kwh/consumer to equal Iowa's 3rd quartile and sustain it
- Establish and maintain a spirit of cooperation among employees without the complications of third party representation
- Establish and maintain constructive and respectful dialogue between employees and management at all levels of the organization
- Establish and sustain trust among all levels of management
- Establish and retain a means of sharing the recognition and the rewards of excellence among the employees

People Power

(# of Empl. at ILEC & Original REC's)



 **Member Service**  **Clerical**
 **Management/Staff**  **Operations**
(These numbers exclude Rural TV & DIRECTV)

ILEC

10 YEAR RESULTS 1986-95

1. Proforma Projection **\$ 29,390,130**

Actual Costs **\$ 25,072,257**

Variable Cost Savings **\$ 4,317,873**

Interest Cost Savings **\$ 2,171,038**

Power Cost Savings **\$ 2,419,213**

Total Savings **\$ 8,908,124**

Projected Savings **\$ 5,848,356**

Additional Savings **\$ 3,059,768**

YEAR	TOTAL UTILITY PLANT	PLANT \$ INCREASE
1975	\$12,583,713	
1985	\$26,001,327	\$13,417,614
1995	\$42,835,202	\$16,833,875

YEAR	TOTAL LONG-TERM DEBT	DEBT \$ INCREASE
1975	\$4,453,977	
1985	\$12,428,886	\$7,974,909
1995	\$15,144,359	\$2,715,473

“KEY ACCOUNTS MANAGEMENT”

Bill James

The Cooperative & Today's Members

- 3 Broad Groups:
 - Suburban
 - Rural, most concerned about rates
 - Traditionals

- Words that may not compute:
 - Non-profit
 - Membership
 - Ownership
 - Government

Concepts That Work

- Neighbor to neighbor service
- A local business that is part of your community and that you have the opportunity to influence
- We use high technology to deliver state of the art service at the lowest possible cost.
- We are concerned about energy efficiency, which lowers your costs
- We enhance the community by performing even the smallest community services (sponsor clubs or scholarships; string Christmas lights; volunteer at the firehouse).

Community Involvement

- Do small things, but don't spend too much money doing them.
- You can focus on safety, energy efficiency, crime-watch.
- Be careful about ambitious new non-electric services: "Keep doing what you're doing as best you can"

Cooperative History

- Details are not relevant, but our 60-year history can give credibility: “We’ve been here for you, and we’ll be here in the future”
- The core image ~ linemen

“THE GEORGIA STORY”

Harold Smith

THE GEORGIA STORY

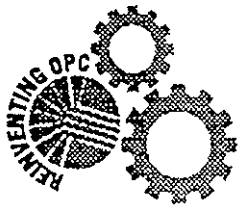
Oglethorpe Power is attempting to stay on the "leading edge" of the electric utility industry.

With deregulation, retail wheeling, open access to transmission, and many other changing factors, it is very difficult to determine the best course of action. I think most would agree that "business as usual" is not going to work in the future. Certainly OPC felt strongly that it needed to have a lot more flexibility and to have additional expertise in the governance.

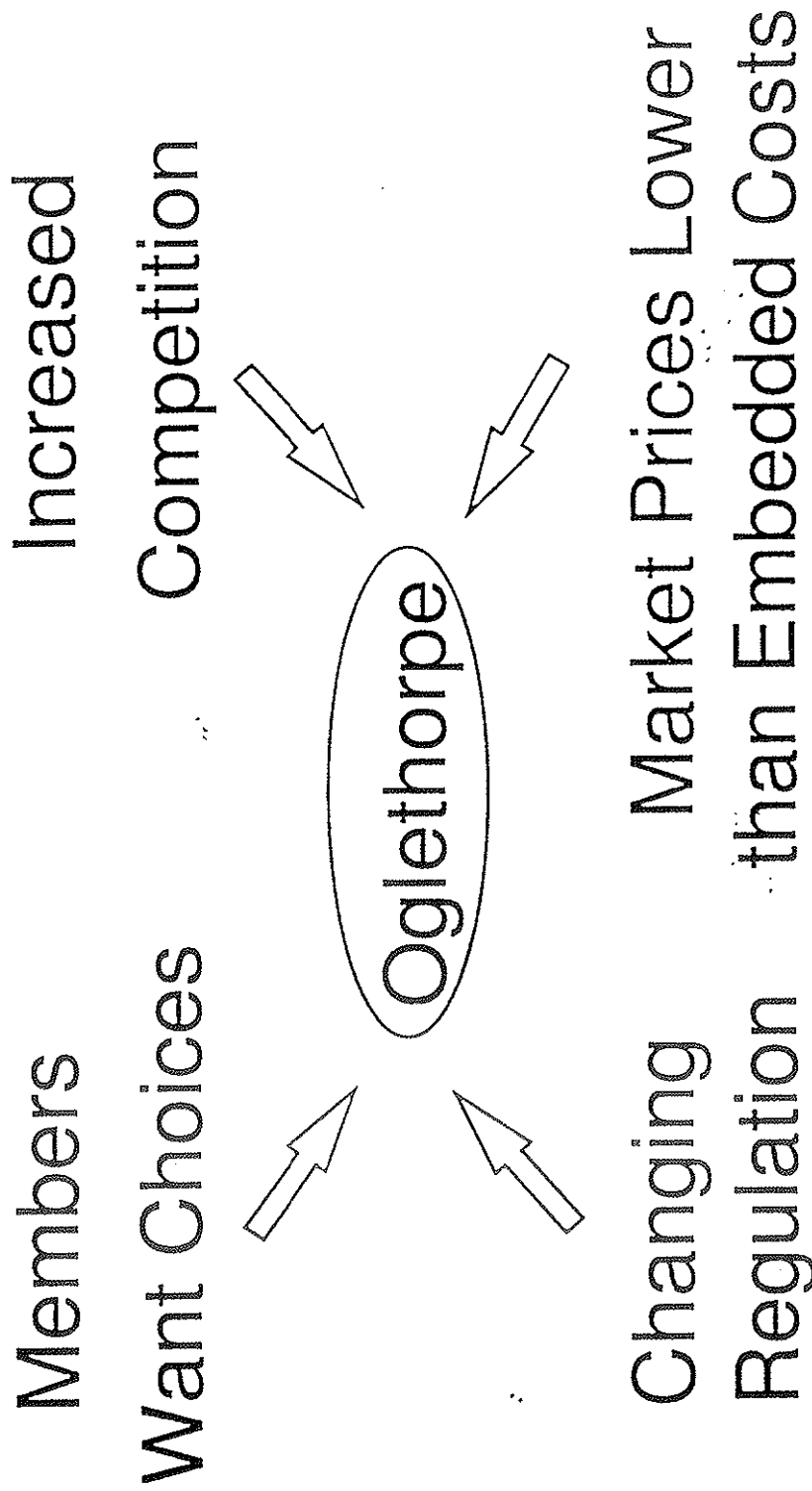
Therefore, alternatives were considered on how to accomplish these goals. It was determined that the unbundling of services and streamlining the boards would be a giant step in the right direction.

RUS has supported the restructuring proposal and has commented that they feel it is a good approach and a vision of the future that will move all cooperatives in Georgia into the 21st century on a strong and competitive basis.

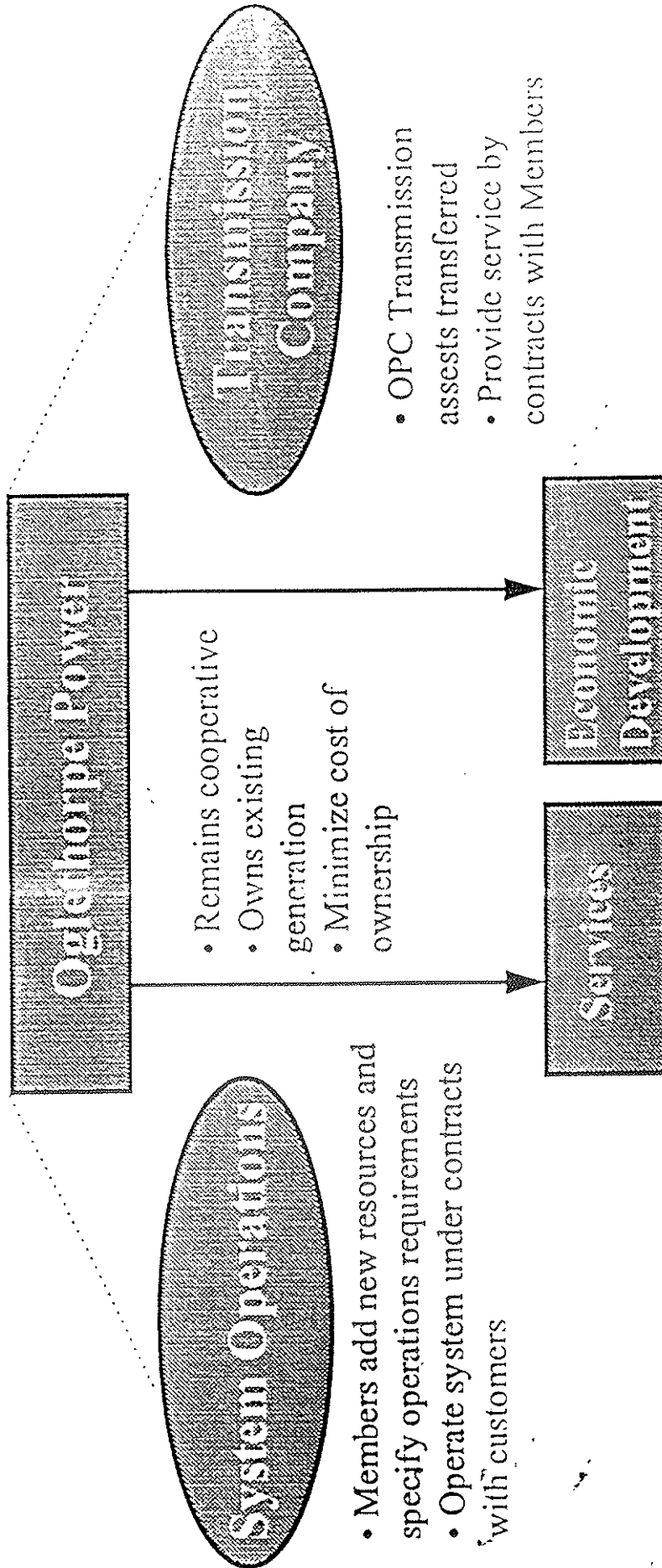
The following charts will show how the process was accomplished and the end result of the effort.



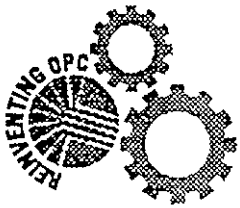
Why Restructure Now?



Oglethorpe Power Corporate Unbundling



3/20/96

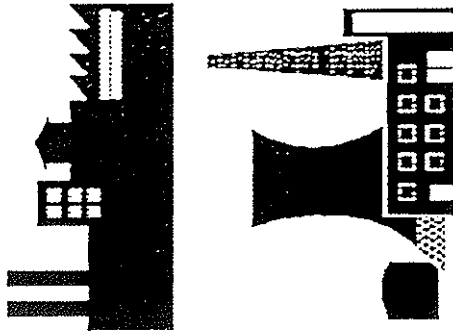


OPC and GTC Directors

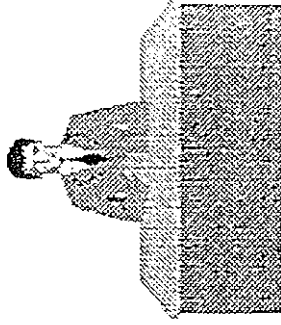
11 Directors:



+



+

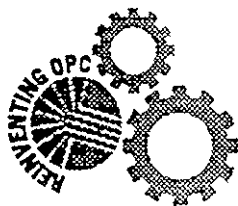


CEO

4 outside Directors

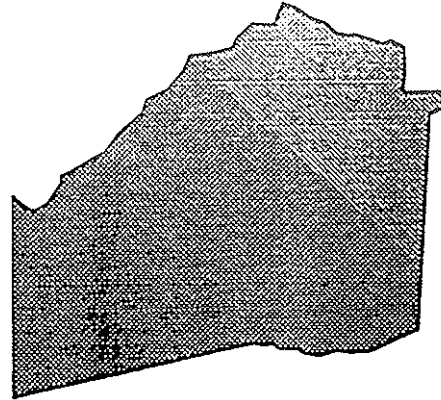
6 Member Directors

- One from each five regions
- One at large

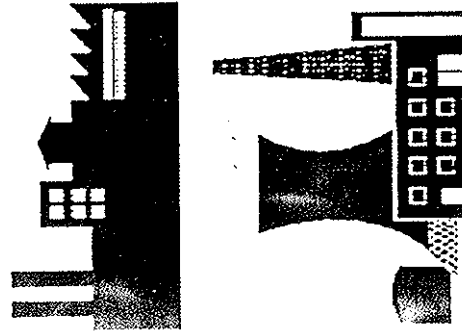


GSOC Directors

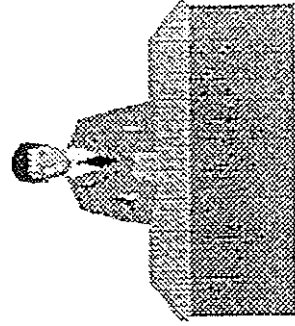
11 Directors:



+



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CEO

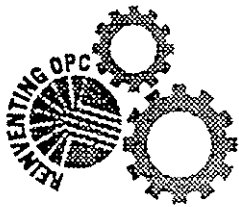
3 Member Directors

- Statewide

7 Outside Directors

*Additional non-voting Directors

- CEO of OPC
- CEO of GTC

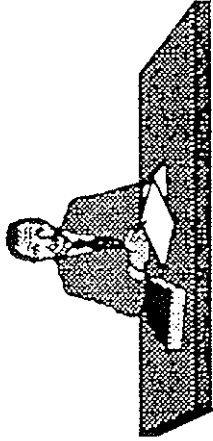
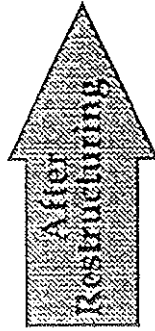


OPC Current Directors



Current OPC Directors

- 3 year term
- Terms end on effective date



Member Representative

- Unlimited term
- Must resign if elected to OPC, GTC, or GSOC Board (on effective date)
- Serves as:

Cooperative's Representative at Annual Meeting

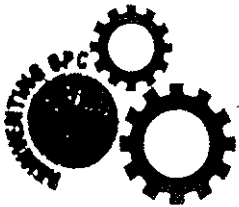
- One required meeting
- Other meetings, as scheduled

Nominating Committee for OPC & GTC

- Meets once a yr.

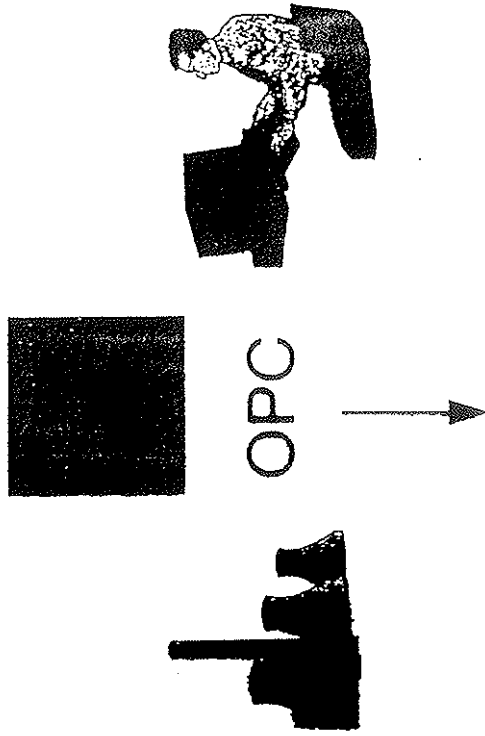
Advisory Board for OPC, GTC & GSOC

- Meets 3 times a year
- Has no fiduciary responsibility



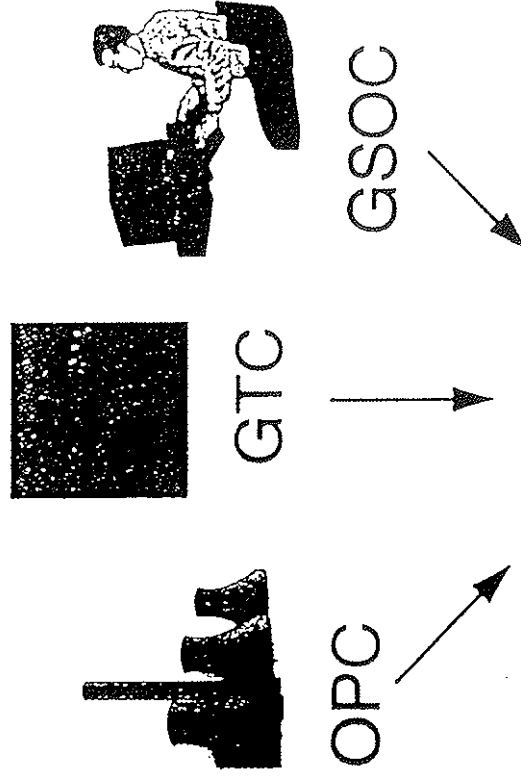
Member Agreement

Currently:



All services from
one company

After Restructuring:

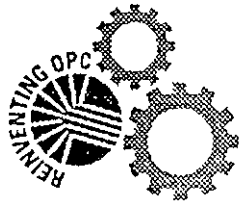


Services from three
companies



OPC - Wholesale Power Contract

- Contains take-or-pay provisions
- Existing capacity
 - Fixes allocation of capacity and energy
- Future capacity
 - Planning/resource management options
 - Members can acquire own resources
- Capacity and Energy can be re-sold



OPC - Wholesale Power Contract

- Allows for option to participate in joint economic dispatch (the Pool) or to separately schedule and “pseudo dispatch”
- The Pool is operated by GSOC
- Rate Schedule A recovers only generation costs
- Defined Walk Away allows two options for withdrawal

GTC - Member Transmission Service Agreement



- Provides for sale of network and point-to-point transmission and operation services
- Allows for EMC construction and ownership of distribution substations
- Network Service
 - After initial 10-year term, growth capacity may be served by others if stranded costs are paid
 - After 2025, service may be terminated with 2-years' notice



GSOC - Operation Services Agreement with Members

- Provides for ancillary services necessary to transmit power and other operational services

Example - Scheduling and Dispatching

- Scheduling Members for pseudo dispatch
- Non-scheduling Members that conduct bilateral transactions

“THE AUCTIONING OF CAPITAL CREDITS”

John Parker

John D. Parker

Presentation to REMDC
May 22, 1996
Seattle, Washington

Discounted Capital Credits

BACKGROUND

Who am I. Qualifications - David Pruitt's CFO

Discounting capital credits - why? when? how? Other considerations (tax, vested rights - BORING), Cap Rock programs.

Discounting - nothing but FIFO and time value of money.

Usually used in relationship to estates - accounting entries 217
Natural persons; defunct businesses - assign to successor in interest.

PREMISES:

1. Capital credits can be used as a customer/member relations tool.
2. Capital credits policies (discounting) can be used to increase book value of ownership (and eventually free up more money for retirements?)
3. Huge hassle factor - lots of checks, small amounts, thousands and thousands of accounts to keep track of, people saying they should get paid RIGHT NOW!

CAP ROCK PROGRAMS

Discounted retirement to members leaving the system - their option to take discounted payments or not - 4 or 6 have not out of about 800; average pay-out is 35%.

Dutch auction - 12,000 offers, 3,000 responses, 925 payments, \$600,000 limit, average pay out of less than 50% of face value. Almost 1,000 did not understand. We took the highest discount (lowest bid) first - 10 cents on the dollar and kept going up until we had accumulated \$600,000 in offers; highest offer paid was 67 cents on the dollar.

Offset against bad debts - some owed us more than their capital credit balance, some less. Ends up as a credit to reserve to bad debts - the balance in that account ends up being too high and must be adjusted by reducing bad debt expense.

Future plans - send a discounted check to inactive members with balances less than \$200 and a "take it or send it back" letter. Another Dutch auction.

“TURTLE METER READING”

Paul and Lynn Hunt

Turtle™

Automatic Meter Reading System :

Looking Ahead

Rural Electric Manager Development Council
Seattle, WA May 1996 Presentation

by
Lynn and Paul Hunt
Hunt Technologies, Inc.
HC 2 Box 17 H
Pequot Lakes, MN 56472
218.562.4877
Fax 218.562.4878
800.828.40551

THE TURTLE™ AUTOMATIC METER READING SYSTEM

Turtles™ are the newest Automatic Meter Reading (AMR) system to hit the market. The Turtles are a slow speed power line carrier system that outputs more information than most other AMR systems currently available. The simplicity of the installation and the low cost makes this system the hottest news of the AMR industry.

Designed to answer the needs of the rural electric market with research funding from the National Rural Electric Cooperative Association, going through noise, capacitor banks, and transformers, the Turtle sends its information anywhere the power goes. Retrofitting into many different single phase and working with many three phase meters, the Turtle is very cost conscious. This year the Turtle set new distance records, going 90 miles up distribution *and* transmission lines at McKenzie Electric Cooperative in North Dakota and 120 miles up a distribution line at Socorro Electric Cooperative in New Mexico.

The Turtle is living up to the fabled race of the Turtle and the Hare. The signal has been clocked at the unheard of speed of .0005 baud. With thousands of Turtles on the power line at the same time, each presenting the utility with an average of eight fields of data per meter per day, this ton of knowledge is catching engineers unprepared. This wealth of information is stored in the Turtle archive files, where the last 500 readings for each meter are available to solve customer problems and engineering challenges in ways that weren't possible before.

With only 1.5 years of actual marketing behind it the Turtle is already leading the quantity of new trials of any AMR system available. Starting in January 1995 with only two beta trials of 1750 Turtles, the Turtle now has 92 installations for a total of 50,000+ Turtles (as of June 1996). These installations are across the United States from Alaska to Florida. With many more installations scheduled for 1997.

The Turtle is capable of making many happy electric utility customers. The customers no longer have to worry about reading their own meters in the snow or cold, or a meter reader tromping through their yards, or even about calling in an outage because the Turtle does it for them. The Turtle in turn allows the electric utility to provide better customer service and lower their costs.

Truly the Turtle Automatic Meter Reading System is the most valuable distribution automation product for 1996. (The Turtle won the 1996 DA-DSM most valuable metering product of the year award in January of 1996.)

As more and more utilities start using the Turtle System, the Turtle has begun to distinguish itself as an information system, not just an AMR system.

Looking Ahead

part of
Hunt Technologies'
Mission Statement

...To Increase Awareness!

Slide 1

INFORMATION
IS
POWER!

Slide 2

Not Just A.M.R.

By the end of 1996

50,000 Data Points

600 Megabytes of Ram

65,000 Megabytes of HardDisk

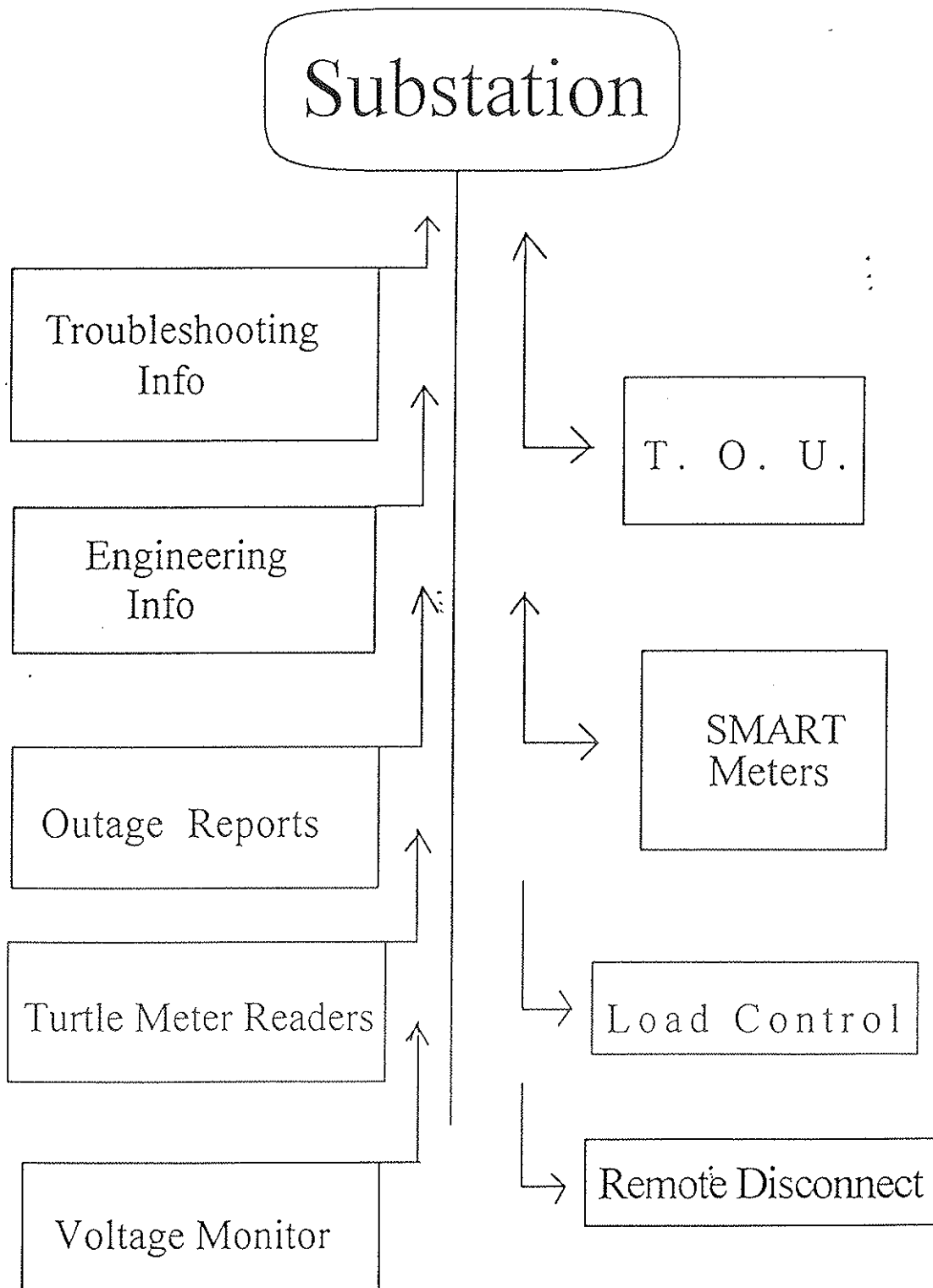
50,000 Million Instructions / sec.

All this computing power
can be focused on
Creating Awareness

Slide 3

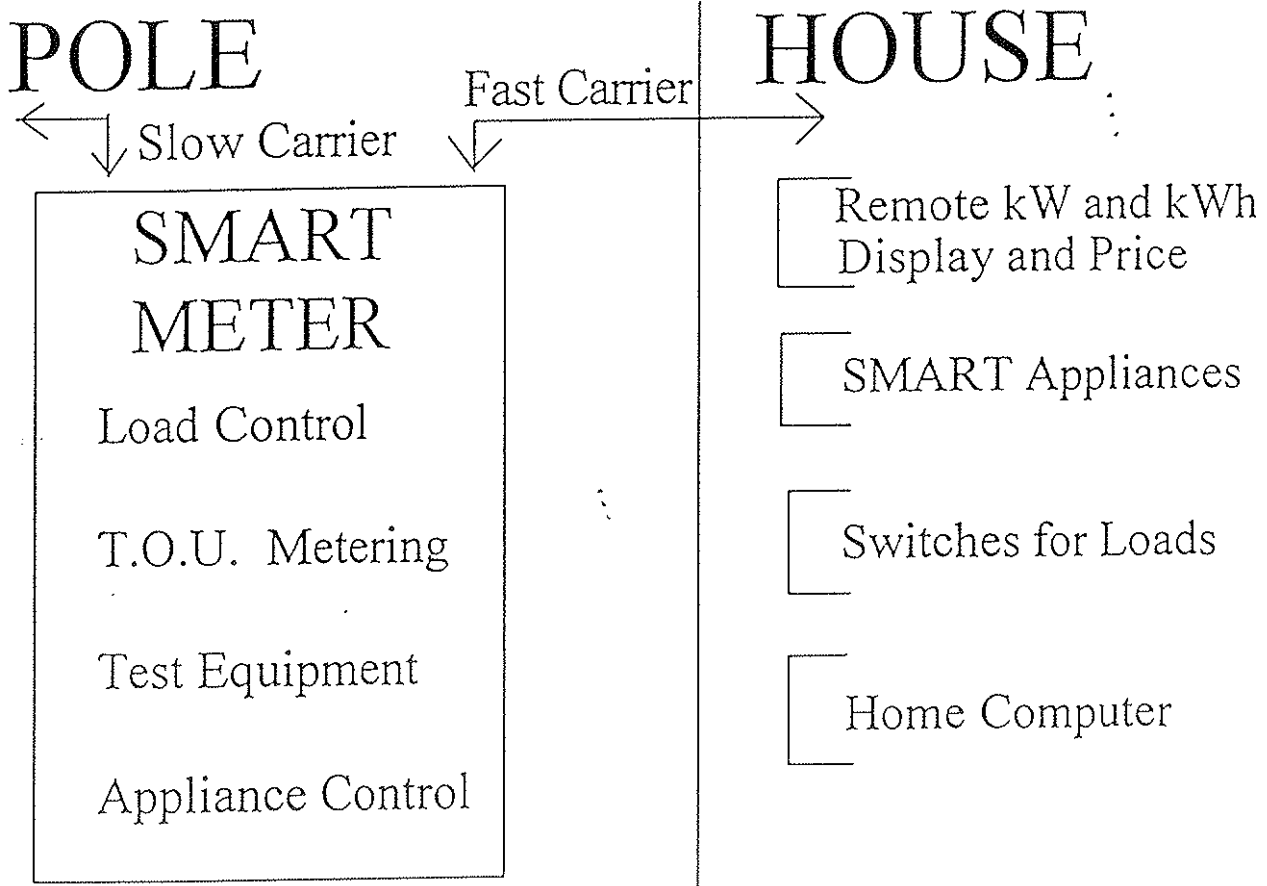
Current and Future Information Paths

Slide 4



Proposed New Meter Design

Slide 5



Purpose of Presentation

When Hunt Technologies, Inc. was asked to do a presentation of the Turtle System at the REMDC in May 1996. We were looking to both educate those that were in attendance and to get response in how to continue our product designs.

The time was very limited and we are not sure we did a good job of either of these objectives. We need feedback for us to design products that are really needed by the REC's. To that purpose this paper is designed to talk very little about the Turtle System as it is now and to bring about some dialog from the REC's on the new product ideas. The last and final slide (Slide 5) is a proposed new meter. The possibilities and potential to meet the needs of the REC's is tremendous.

Please look over the slides and give us some feedback if you have any ideas to share. Thank you again for the opportunity to share with you our ideas.

Sincerely,

Lynn and Paul Hunt

“LABOR AND NEGOTIATIONS”

Noble Stallons

LABOR NEGOTIATIONS

The topic of this presentation refers to the International Brotherhood of Electrical Workers labor union and its relationship in the organization and negotiations of Utilities District of Western Indiana clerical staff.

From 1969 to 1992 four attempts were made to successfully achieve certification of this group. In 1992 the required 30% was achieved and the petition was filed. The election revealed an overwhelming majority desired representation. Little did the Utilities District of Western Indiana management team know regarding the intimidation and coercing applied by the outside operations linemen group until several clerical workers talked to management regarding their unhappiness over the prospects of a union shop.

The outside group organized in 1969 and were upset because the clerical employees received better working conditions and benefits without paying dues. Therefore, the IBEW strategy initially demanded a merger of both the outside and clerical units as the conditions of employment were similar. Upon appeal the employer successfully defeated this strategy by demonstrating the differences in skills and the learning curve required to achieve the skills. This forced the IBEW to negotiate a separate agreement for the clerical employees, which was exactly what we wanted since management did not want a union work force in the office in the first place.

The very first negotiating session developed in a predictable way. The IBEW representative presented a complete contract very similar to the outside unit contract and said, "This is what the clerical employees have now and this is what they want." I believe they expected us to accept it. However, office competencies are changing rapidly; and if we would eventually be required to administer through a contract, it should reflect the demands of a new world--customer choice. We, therefore, rejected their initial offer and suggested a format which would address each article and each section, one at a time. This is a very laborious process, but one that has the potential to wear down negotiating efforts while bargaining in good faith. After three years and sixty sessions, that is exactly what happened.

The employees who opposed the union worked very diligently to uncover the myths of unionism and slowly converted enough support to win a decertification election. However, during the sixty negotiation sessions, management successfully modified most of the IBEW's sacred traditions: agency fee vs. union dues, management rights clause, grievance procedure, hours of work, paid day in lieu of vacation, holidays, etc., and a wage and salary matrix that utilized competency and the learning curve applicable to the desired level of skill. These areas of concentration resulted in several unfair labor charges which successfully barred a decertification election even though, after two years a majority no longer wanted representation. This knowledge allowed management to continue to

bargain in good faith focusing on the last three sacred traditions. An agreement was finally reached in December of 1994; however, this agreement was never signed by management due to the union's refusal to honor a verbal agreement to develop working conditions and benefits in a side letter for after hours employees who were specifically named in the National Labor Relations Board certification. As a result, the IBEW filed another unfair labor charge. Due to the nature of the charge, over one year lapsed before the investigation was complete; and a hearing date was waiting to be scheduled. In the mean time, the NLRB agent suggested both parties should return to the bargaining table due to his conclusion that the side letter of agreement represented a misunderstanding on the part of both sides. After six sessions, another agreement was reached which included the after hours employees; however, the IBEW refused to sign it, obviously feeling confident that a decision would cause the December 1994 contract to be effective. The length of the process had worn down the remaining employees desiring representation and they knew a majority vote was questionable, should the unfair labor charges barring an election be resolved.

In addition, even if management lost at the hearing and the December 1994 contract became effective, the termination date of 2/28/96, was a very short time away. Therefore, the IBEW called for and held an informal representation straw vote and lost--a unanimous "NO." This result was very intriguing to management. All voted "NO" after a struggle for three years and sixty sessions.

In retrospect, the healing began with that vote, and we are all back as before, working together as a team, to be the very best we can be.

“SCHOLARSHIPS FOR LINEWORKERS”

Elaine Garry

SCHOLARSHIP PROGRAM FOR VOCATIONAL TECHNICAL SCHOOLS

"Jim Perry Celebrity Golf Classic"

Jim Perry is a famous Minnesota Twins baseball pitcher. He was responsible for establishing this charitable fund raiser in an effort to continue the effort to educate the state's workers. Jim bought and owned a long distance phone company in Sioux Falls. He found a need for trained technicians and this was his way of ensuring that qualified employees were available.

South Dakota has four vocational technical schools ---- Western Dakota in Rapid City, Mitchell Vocational Technical in Mitchell, Lake Area in Watertown, and Southeast Area in Sioux Falls ---- with over 9000 students. The Mitchell school provides line worker training.

This celebrity golf classic was held for the first time in 1995. The group raised \$50,000. SDREA, our statewide association was a one of three major sponsors. Twenty-five celebrities participated --- retirees from baseball, football, basketball and entertainment.

The 1996 event has been expanded. Thirty celebrities are participating; all 25 from 1995 are returning and five more are being added. In addition to the golf classic, a putting contest, driving contest and pheasant hunt are being held. This year, the goal has been raised to \$125,000. The governor of South Dakota is sending out a letter in support of the event. Numerous business throughout the state have become involved just for the advertising recognition.

Scholarships are generally given in the amount of \$1250 or less. The schools decide who receives the scholarships, but the sponsor can designate which study area is given the scholarship dollars. Our statewide organization has chosen the areas of telecommunications, electronics, power line, computers, accounting and secretarial.

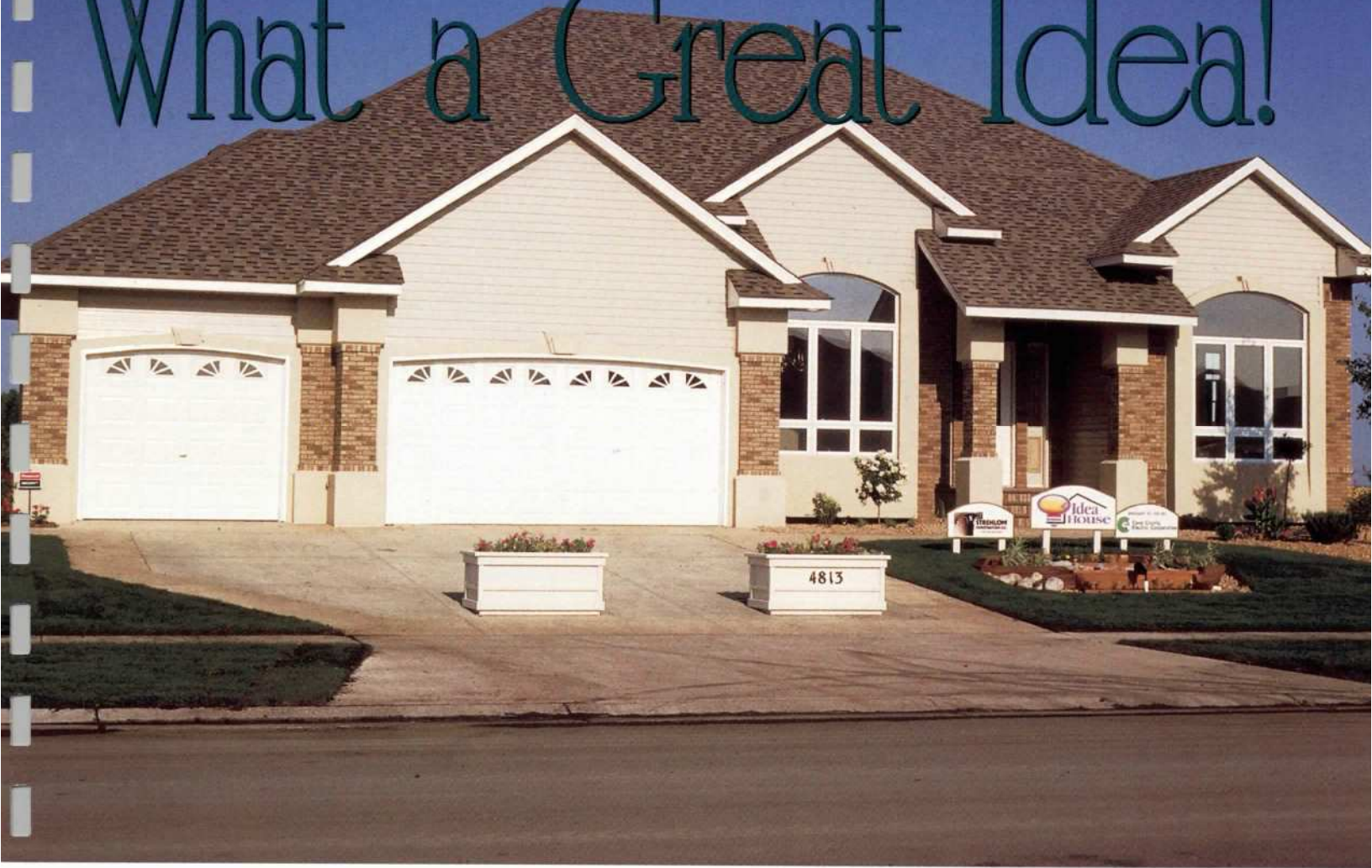
Line Superintendent's Scholarship Program

The line superintendents in the State of South Dakota sponsored a raffle of an original and several prints from a famous South Dakota artist. The moneys raised were put into an account to help sponsor four \$1000 scholarships. These are given to students that are attending the power line training program at Mitchell Vocational Technical School. The line superintendents contribute to this fund each year as needed to maintain this level of scholarships.

Information provided by: Elaine Garry
Sioux Valley-Southwestern Electric Cooperative
Colman, South Dakota

Filename: remdc scholarship

What a Great Idea!



The Idea House, as its name suggests, was a place for ideas.

Sponsored by Cass County Electric Cooperative (CCEC), in conjunction with Minnkota Power Cooperative and Strehlow Construction Company of Fargo, ND, the Idea House offered a much-needed service to the Fargo, ND area – an area which, fortunately, is enjoying a tremendous amount of growth.

The Idea House project began as a concept on paper when CCEC marketing manager Tom Thorson met with Craig Strehlow of Strehlow Construction Company to discuss what could be done about the misperceptions in the south Fargo area about the costs of natural gas vs. electricity for heating.

The plan was to build a home which would showcase electricity for heating, and would also show various aspects of home design. And, after

several months of planning and presenting ideas to various governing bodies, the dream became a reality.

The goals for the project, from CCEC's point of view were three: To promote electric heat; to provide a value-added service which would, in turn increase cooperative communication efforts; and improve the cooperative's image and visibility in the urban subdivisions which were growing into the cooperative service area.

The project was a bigger success than anyone imagined. The house opened to the public on August 20, 1994 and closed in mid-May 1995 before being sold in July. During that time, around 28,000 people from almost every state and several foreign countries visited the house, taking with them ideas and impressions, the result of which will impact decisions and dealings with the cooperative for many years to come.

Quick facts



- ◆ Designed and built by Strehlow Construction Co. of Fargo, ND in cooperation with Cass County Electric Cooperative and Minnkota Power Cooperative.
- ◆ 5,600 square feet – 2,800 on each of two levels.
- ◆ The Idea House is all electric, utilizing electric forced air and heat pumps for heating. Electric FlexWatt heating system keeps all tiled floors comfortable to the touch year around.
- ◆ Basement and garage floors feature BriskHeat ETS-Plus electric heating cable.
- ◆ Air cleaning system and air exchangers efficiently transfer fresh, outside air into the house.
- ◆ Energy cost projections for the Idea House were \$153 per month for heating, water heating and general service – almost \$10 less than natural gas. The projections were posted on the thermostats in the house so visitors could see the projections broken down into lighting, heating and general service.



- ◆ Replacement value of the home is around \$500,000.
- ◆ Lighting features included direct, indirect, task, recessed and cove styles.
- ◆ A talking security system reminds residents to arm the various areas of the system. The front door could be opened by dialing a certain code from any phone with the interactive system, which allowed visitors to be monitored on any television set in the home.
- ◆ Electric fireplaces are environmentally friendly – no venting, clearance, flue or chimney requirements.

The house that CCEC built



*by Mike Gustafson,
CCEC General Manager*

So, why was Cass County Electric involved with building a house? And what is the cost and liability associated with a project of this nature?

The question “Why?” dates back to the beginning of this member owned utility system. For many years certain employees of the cooperative have been asked by our customers to be involved in recommending state-of-the-art building practices for homes and farm facilities for maximum energy use efficiency.

This request is something Cass Electric has taken very seriously through the years. We are still very much involved with this member service to our customers. We have made it a practice to involve university research expertise and the concept of proven and/or seriously explored features of the various manufacturers of building materials and equipment.

We are proud of the track record we have with numerous testimonies from members expressing their appreciation. It should be no surprise that in each of these projects we have emphasized the value of using electric energy for the many chores we are associated with on a day-to-day basis.

The very nature of the “product” we sell makes this good common sense for the past, and even more importantly, for the future. The house was full of good ideas — some people liked and others that maybe weren’t practical for everyone. But everyone has different tastes and the purpose of the project was to present ideas that homebuilders or remodelers may not think about.

We had access to the house for almost a year, and almost everyone who wanted to got a chance to tour the home. We were able to showcase not only our electrical applications, but other steps taken in the process of building or remodeling, providing an ever greater service to not strictly our members, but anyone who was interested.

So, how much did it cost? There was a three-way partnership between Cass Electric, Minnkota Power Cooperative and Strehlow Construction. Although the project was valued well over \$200,000, that is the sum of money that started the project. CCEC guaranteed an interest-free loan from our wholesale power supplier to leverage the ultimate value of the house.

A project of this nature took on additional value, just because of the competitive nature of discounted or wholesale prices of various features.

In the end, the house was sold, and all financial commitments were met. Our cooperative even made a few dollars on the deal, but that was not our primary purpose. That was to feature a modern state-of-the-art house with a North Dakota home grown energy resource and a “membership” owned concept as one of the very special highlights.



A dream

It began as an idea itself. But the 5,600 square foot Idea House in south Fargo quickly developed into much more than just an idea.

The house, designed and built by Strehlow Construction Co., offered many options for people wanting to build or remodel homes – options from design to construction to furnishing.

But it also offered information regarding the most efficient ways to heat and cool a home, no small task in the Upper Midwest.

The best energy value for the Idea House was electricity, and that fact itself was a strong driving force behind turning the idea into reality.

Tom Thorson, Cass County Electric's manager of marketing, has been faced with many customers' perception that natural gas provides a much less expensive form of home heating, a perception that just isn't true in Cass County Electric's service area.

"The reasoning behind the Idea House project was to prove that this home would be the most comfortable that anyone here has ever lived in," he said. "The cost of heating and cooling it will be equal to or less than natural gas.

"We start off at a disadvantage because the customer just naturally perceives that electricity in Fargo is more expensive," he said.

"At Cass County Electric we have low-rate, guaranteed electric heating packages that really make electricity an inviting choice. When all the facts are known, electricity competes very well with gas."

Thorson said he'd used all the conventional marketing methods – newsletters, advertising, direct mail. But that effort had only gained CCEC about 50% of the heating market.

"We think that share should be 80 to 90 percent if we can overcome the perception that electricity is more expensive."

The original Idea House plan called for the home to be a lower-scale model which could offer something for everyone. But developers and real estate agents discouraged this, convincing CCEC and Minnkota, who provided financial assistance for the project, that people don't go to see lower-priced homes, even if



The gazebo-ceilinged breakfast nook provides a cozy atmosphere for family get-togethers.



The columns, elliptical arches and ceramic floor tile give the Idea House a stately air.

come true



Top center: The historic flavor of the formal sitting room greets guests entering the front door of the Idea House.

Left: Arched window designs carry over the architectural flair throughout the house.



The family gathering area just off the kitchen features an electric fireplace, surround sound stereo system and a home security monitored television capped off by an eyebrow window.

that's what they would build. Everyone is interested in seeing the biggest and the best.

"Special attention was paid to air quality," said Thorson. "Many homes that are extremely 'tight' have problems with high levels of humidity and poor air quality."

Two air exchangers helped keep air flowing in this tight house which has no fossil fuels burned for cooking, heating or water heating – not even in the fireplace. There were also no chimneys that might have permitted backdrafts.

In the heating season, the system installed in the Idea House recaptures 70 percent of the heat from the air being discharged, with that heat used to warm incoming air.

In addition to the energy features, visitors to the house got ideas on decorating, with several color schemes and furniture designs on display.

The elliptical arches, ceiling designs, huge windows and 8-foot doorways offered still other options to builders or remodelers.

The sound system played short messages from suppliers, and the garage area provided cost comparisons for heating in south Fargo as well as a display area for electro-technologies and other businesses in the house.

"We wanted to leave the strong impression that electricity is the best energy value," said Thorson. "Judging from the number of phone calls and contacts we've gotten regarding electric heat since the Idea House project, I'd say we accomplished that goal."



Ads like this one from "From House to Home," a Fargo area home magazine, announced the opening of the Idea House and used its "Home Show in a House" attraction as a big selling point.

A home

The Idea House was built in an effort to provide a value-added service to the home building industry, and, most importantly, to people in the area who are in the process of building or remodeling.

Although the Idea House was sponsored in part by electric cooperative entities and one of its purposes was to expose visitors to the feasibility of electric heat, this was not the sole purpose of the project.

Various aspects of home planning/design were emphasized in the house, many of which are often overlooked or misunderstood in the building process. By touring the Idea House, prospective home builders or buyers were given additional information on options and services available to them as they plan for their homes.

Different ceiling designs were one unique feature of the Idea House. In various places in the house, ceilings were vaulted; cathedral, gazebo and trayed ceilings were also displayed.

The breakfast nook featured the gazebo area. The ceilings here are 16' high with the windows up to 12' high. In another area of the house, an 8' door with huge arched windows leads into a 12' columned gallery area spanned by elliptical arches. A different type of arch then leads into the living room, which is marked by a huge arched window.

The stairway is open on all sides. Looking up as you go down the steps, you see a stepped tray ceiling which features recessed lighting and a ceiling fan. The steps lead to the basement, which has 9' high walls, making it seem less confining than most basements.

Lighting was another unique feature of the Idea House. Direct, indirect, task, recessed and cove are just some of the various types of lighting which were displayed.



The Idea house foyer with its 12-foot marble-look ceiling gives visitors a grandiose first impression.

show in a house

Other features of the house included designer furniture and custom cabinetry and countertops throughout the house, heated ceramic floors, a two-tone concrete driveway, a central vac system, leaded glass, and the newest in energy efficiency.

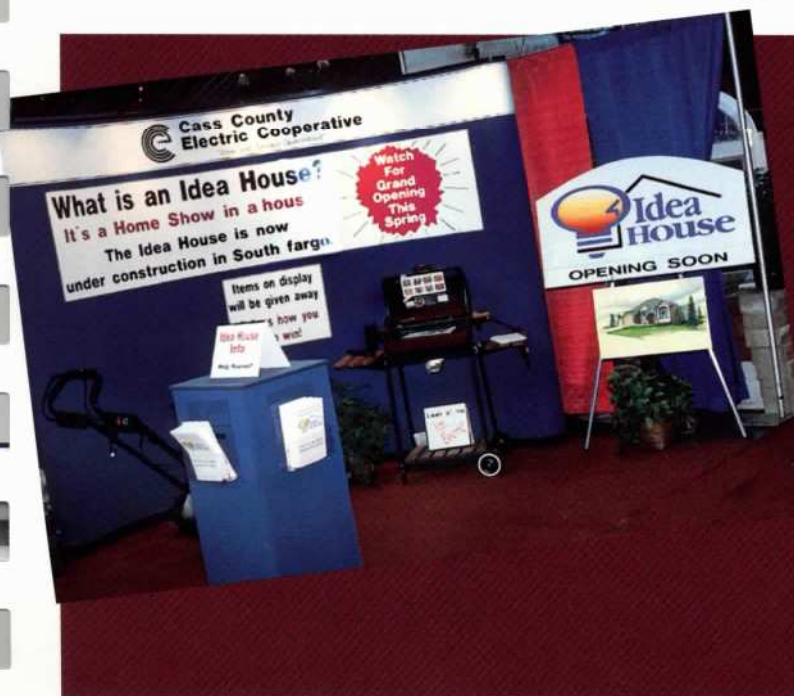
When visitors entered the house, they were handed a booklet with information about each feature in the house. They were also handed a questionnaire which, when completed, made them eligible for several prize drawings held throughout the duration of the project.

The questionnaires were especially beneficial to Cass County Electric and other vendors involved in the Idea House project. All information from the questionnaires was recorded on a database, and made available to anyone who played a part in the house.

Among information provided by the questionnaires was data regarding future building plans, specific products/services visitors came to see, and general comments about the project, which were overwhelmingly positive.



The gazebo eating area's 12 foot windows featured electric, remote-controlled wooden blinds.



The Idea House was the featured item at several trade shows and home shows during the 1994-1995 season.

Minnkota Power produced a video incorporating several key items and features of the Idea House, which was shown consistently during the Home Builders and Remodelers Show at the Fargodome in March.

An artist's rendering of the house was on display at that show in the spring of 1994, which was held before the house was completed.

Interest was heavy at the spring 1995 show, and comments were made from those who remembered the display from the previous year.

Image is everything

“I can’t think of any project or promotion we’ve ever done at CCEC that has had such a positive impact on our image and visibility.”

*Tom Thorson,
CCEC manager of marketing*



A press conference conducted in the Idea House driveway introduced the project to the public. All three local television stations were on hand for the conference and ribbon cutting ceremony.

Although image is a difficult concept to measure by a project such as the Idea House, the questionnaire results gained from the visitors to the house proved that it was difficult for CCEC not to have achieved higher recognition from the project.

Over 5,300 people visited the Idea House during its first seven tour days. The opening weekend was the busiest with 1,116 people touring it Saturday and 1,518 Sunday. The first seven days, which translates to 33 tour hours, the average visitors per hour was 175. The grand total, for the nine months of operation was around 28,000.

Judging from survey results and questionnaire answers, the media coverage definitely affected the visibility of the Idea House project. According to the questionnaire results, though, the greatest number of people heard about the house from friends or relatives proving, at least in this case, that word of mouth is a very effective form of advertising.

In a 1995 independent market research survey of 900 customers of both Northern States Power (a competing investor-owned utility) and Cass County Electric, 75% said they had either toured the home or were familiar with it.

Because one of the fastest-growing segments of CCEC’s customer base is the urban customer in south Fargo, the location of the home in an upscale subdivision automatically aided the cooperative’s visibility in this area.

What’s next?



Plans are currently in the works to create an entire cul-de-sac of Idea Homes in a subdivision somewhere in Fargo service area.

The homes on this cul-de-sac would be of totally different designs and electric heating systems, to give visitors a chance to see many different applications.

The project is gaining interest from an even wider variety of businesses than did the original project, including banking institutions.

For more information contact Tom Thorson, Cass County Electric Cooperative, 3220 18th St. S., Fargo, North Dakota, 58104, 701-428-3292.



Blue Ridge Mountain Electric Membership Corporation

P.O. BOX 9, 1360 MAIN STREET, YOUNG HARRIS, GEORGIA 30582 PHONE: (706) 379-3121

March 21, 1996

RECEIVED

MAR 26 '96

CCFC-Kindred

Mr. Mike Gustafson, General Manager
Cass County Electric Cooperative, Inc.
P. O. Box 8
Kindred, North Dakota 58051

Dear Mike,

I thought I would drop you a note expressing my continued support for the REMDC group activities. However, I have a conflict again this year.

I am very active with the Economic Development Association in Georgia. The Association will be having their annual meeting in our little Town of Young Harris that same week in May. It is an opportunity that I can't afford to miss.

Again, let me express my continued support for what the REMDC group does and stands for. I look forward to being a part of the meeting in 1997.

Sincerely,

Joe Satterfield
General Manager

cc: Mr. W. Douglas Bechtel
Orcas Power & Light Company



WILLIE WIRED HAND

DISTRIBUTOR OF T.V.A. POWER

OWNED BY THOSE WE SERVE

BUSINESS SESSION

MIKE GUSTAFSON

REMDC CHAIRMAN

REMDC BUSINESS MEETING

Edgewater Inn, Seattle, Washington
Tuesday, May 21, 1996

Agenda

- * Call to Order/ Mike Gustafson
- * Approval of Agenda
- * Review and Approval of Business Session Minutes of May 24, 1995
- * Review and Approval of Treasurer's Report
- * Review and Approval of Nominating Committee Report
- * Review of Membership Committee Report and Approval of New Membership and Recertification Applications
- * Report from the Issues Committee
- * Other Business
-- Annual Meeting 1997

Adjourn

MINUTES

1996 RURAL ELECTRIC MANAGEMENT DEVELOPMENT COUNCIL MEETING

Seattle, Washington
May 19-22, 1996

On Tuesday, May 21, 1996, at 11:35 a.m., Chairman Mike Gustafson convened the REMDC membership for the annual business session of the Council. The following proceedings took place (all action taken being upon the unanimous vote of the Council or without dissenting vote or abstention, unless otherwise stated).

APPROVAL OF AGENDA

The Chairman presented the agenda for approval. A motion was duly made, seconded and passed, to approve the agenda.

APPROVAL OF MINUTES OF THE MAY 24, 1995 BUSINESS SESSION

The minutes of the business session of May 24, 1995 were presented for approval. A motion was made by Noble Stallons to approve the minutes as mailed, seconded by Bob Bauman and passed.

REVIEW AND APPROVAL OF TREASURER'S REPORT

Allen Ritchie, Treasurer was recognized for a report. The report covered the period of May 18, 1995 to May 16, 1996 and indicated reserve funds of \$76,706.61. To date, fifty-one (51) members had paid current dues. Mr. Ritchie noted the necessity of a change on the bank signature card and the tax ID. A motion was made by Paul Bienvenue that the names of Mr. Ritchie, his CEO and Cecil Viverette be on the signature card and the tax ID, with only one of the three signatures required. The motion was seconded by Dan Kessler and passed. The motion also included approval of the Treasurer's report.

REVIEW AND APPROVAL OF NOMINATING COMMITTEE REPORT

Nominating Committee Chairman, Doug Johnson then presented the proposed slate of officers and committee assignments and asked that the following nominations be approved.

OFFICERS:

TERM EXPIRES:

Chairman	Bill James	1997
Vice-Chairman	Dan Kessler	1997
Second Vice-Chairman	Cecil Viverette, Jr.	1997
Treasurer	Allen Ritchie	1997
Secretary	Sheila White	1997

PROGRAM COMMITTEE

Chairperson	Elaine Garry	1997
	Marcus Pridgeon	1998
	Connie Shireman	1998
	Bill Berkenes	1998
	Roger Geckler	1999

NOMINATING COMMITTEE

Chairman	Earl Weeks	1998
	Gene Joslin	1997
	Bill Smith	1998
	Dorothy Postel	1999

MEMBERSHIP COMMITTEE

Chairman	Steve Fausnaugh	1997
	Craig DeBower	1998
	John Hoke	1998
	Lyle Brigle	1999

MANAGEMENT RESEARCH COMMITTEE

Chairman	Don VanDeest	1998
	Doug Bechtel	1997
	Scott Handy	1998
	Bob Toombs	1999
	Kevin Sump	1999

There being no further nominations, motion was made by Dave Pruitt, seconded by Stan Dean, and passed that the officers and committee candidates be approved as presented by Doug Johnson.

REVIEW OF MEMBERSHIP COMMITTEE REPORT AND APPROVAL OF NEW MEMBERSHIP AND RECERTIFICATION APPLICATIONS

Layton Wheeler, Chairman of the Membership Committee, was recognized for a report. Mr. Wheeler recognized the other members of his Membership Committee for 1996: Connie Shireman, Steve Fausnaugh and Cecil Viverette, Jr.

Mr. Wheeler asked the Council to accept membership from Fruit Belt Electric Cooperative in Michigan and Coast Electric Power Association in Mississippi.

Mr. Wheeler stated that the Council will have fifty-three (53) members, with the addition of the two new members.

Recertification was requested from nine (9) members. These are detailed in the attached report from the Membership Committee.

A motion was made by Earl Weeks, seconded by Bill James, and passed to recertify nine (9) members and to accept two (2) new members.

Chairman Mike Gustafson, on behalf of the Council, expressed appreciation to Layton Wheeler for his many years of service on the membership committee.

Bruce Bosworth expressed his thanks to the group and his appreciation for being included in this meeting.

ISSUES TASK FORCE:

Noble Stallons stated that the biggest issue is to stay involved, with NRECA, CFC, and together as a family of members striving to meet the challenges of the future. These sometimes appear to be overwhelming, but we have a fantastic organization, and should not let the competition scare us; we're capable of being competitive. The IOU's and municipals don't have this capability. We need to assist NRECA to find out what competition is all about. Mr. Stallons emphasized the need to contact the REMDC members who are not in attendance at this conference. Mr. Stallons then asked for recommendation to the committee for the coming year of issues that the members would like to see the task force involved with, and every effort will be made to meet these demands and needs.

Bill James stated that he supported what Mr. Stallons said, and pointed out that Greg Boudreaux's report demonstrated the influence and emphasis that can be put on things by the Education 2000 committee. REMDC has been very instrumental in getting the attention of NRECA. Mr. James emphasized communication, and asked the group to continue to communicate with the committee.

Chairman Mike Gustafson stated that the Issues Committee is a newly established committee, and will function for some time to come. Mr. Gustafson asked for input to this committee.

OTHER BUSINESS

Paul Bienvenue spoke on the research proposal and noted that Brenda Ulman furnished a breakdown of 7 of the 9 phases that were outlined. The two not included were a guide on how to avoid disaster, and the update and maintenance of the data base. The projected cost of the project is \$72,456. CFC has committed to participate at \$30,000, and it will be requested that NRECA participate at the same level, which would then leave \$12,500 for REMDC to fund. This was a recommendation by committee, and a motion to this effect was made by Harold Smith, second by Noble Stallons, and passed.

Chairman Mike Gustafson expressed thanks, on behalf of the entire group, to Dan Bryan and the program committee, and to Doug Bechtel and Kate Templeton for hosting the event.

Chairman Mike Gustafson announced that the 1997 conference will be held in Indianapolis, Indiana.

Chairman Mike Gustafson then informed the group that following the 1995 REMDC Conference, he wrote an editorial about the REMDC, recognizing it as one of the most significant organizations Cass County Electric belongs to. REMDC makes a difference. He echoed the need to reach out to those members who are not here this year.

Chairman Mike Gustafson, was recognized with a round of applause for his excellent leadership this year, after which he turned the meeting over to Bill James.

There being no further business to come before the Council, the meeting was adjourned.

Rose Ensminger, Secretary

THE RURAL ELECTRIC MANAGEMENT
DEVELOPMENT COUNCIL

TREASURER'S REPORT

MAY 24, 1996

THE RURAL ELECTRIC MANAGEMENT DEVELOPMENT COUNCIL

OPERATING STATEMENT

May 18, 1995 to May 16, 1996

INCOME:

1995 Dues (Schedule A) - 2	\$ 600.00
1996 Dues (Schedule B) - 46	13,800.00
Interest from Investments	<u>1,572.77</u>
TOTAL INCOME	\$15,972.77

EXPENSES:

1995 Meeting

Harper & Co. - Placque-Past Chairman	\$ 223.99
Don Howell - Retainer & Expenses	1,700.00
Harold Smith - Misc. - Golf	42.50
Utilities Dist. - W. Ind. - Room/Speaker	817.50
Cap Rock - Collier's Exp. - Speaker	1,144.06
Speaker Expenses	
Hauck	760.00
Berg	278.79
Baker	530.97
Plains G&I, Highers	1,414.29
Maquoketa Valley REC - Exp. '95 Mtg. - Hotel	<u>2,875.79</u>
Total 1995 Annual Meeting	\$ 9,787.89

Research Project

NRECA - '95 Research Project	\$ 6,500.00
B. Olman & Assoc. - 1995 Research/Presentation	<u>4,007.98</u>
Total Research Project	\$10,507.98

Council General

Northeastern REMC - Stationery	\$ 262.84
Bank fee - Stop Payment - Check Lost	20.00
Cap Rock - 1995 Proceedings	257.40
Farmers EC - 1996 Program Committee Mtg. Expense	357.97

Total	<u>\$ 898.21</u>
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TOTAL EXPENSES	\$21,194.08
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<u>NET INCOME: (Loss)</u>	\$(5,221.31) =====
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THE RURAL ELECTRIC MANAGEMENT DEVELOPMENT COUNCIL

SCHEDULE A

1995 Dues Paid After May 17, 1995

Agralite Cooperative	6/13/95	\$ 300.00
Southern Nebraska RPPD	6/13/95	300.00
Total		<u>\$ 600.00</u>

SCHEDULE B

1996 Dues Paid as of May 16, 1996

Adams EC	5/07/96	\$ 300.00
Agralite Co-op.	5/16/96	300.00
Amicalola EMC	5/07/96	300.00
Berkeley EC	5/07/96	300.00
Blue Ridge EMC	5/07/96	300.00
Blue Ridge Mountain EMC	5/07/96	300.00
Boone EC	5/07/96	300.00
Butler County REC	5/07/96	300.00
Cap Rock EC	5/07/96	300.00
Cass County EC	5/07/96	300.00
Central Area DP	5/07/96	300.00
Central Georgia EMC	5/07/96	300.00
Central Wisconsin EC	5/07/96	300.00
Cobb EMC	5/07/96	300.00
Community EC	5/07/96	300.00
Coosa Valley EC- Second Notice 5/08/96	--	0.00
Delaware EC	5/07/96	300.00
Farmers EC	5/07/96	300.00
Flint EMC	5/07/96	300.00
Four County EPA-MS	5/07/96	300.00
Georgia EMC	5/07/96	300.00
Guadalupe Valley EC - Second Notice 5/08/96	--	0.00
Hancock-Wood EC	5/07/96	300.00
Iowa Lakes EC	5/07/96	300.00
Jackson EMC - Second notice 5/08/96	--	0.00
Johnson County EC	5/07/96	300.00
Jo-Carroll EC	5/07/96	300.00
Linn County RECA	5/07/96	300.00
Maquoketa Valley REC	5/07/96	300.00
Mecklenburg EC	5/07/96	300.00
Minnesota Valley EC	5/16/96	300.00
Niobrara Valley EMC	5/16/96	300.00
Northeastern REMC	5/07/96	300.00
North Western EC	5/07/96	300.00
N.W. Electric Power Co-op.	5/07/96	300.00

Orcas Power & Light Co.	5/07/96	300.00
Palmetto EC- Called Mgr.-transition-next yr. (2)	--	0.00
Pioneer REC	5/07/96	300.00
Radiant EC - Second notice 5/08/96	--	0.00
Rappahannock EC	5/07/96	300.00
Shenandoah Valley EC	5/07/96	300.00
Sioux Valley Empire EA	5/07/96	300.00
South Central Indiana REMC	5/07/96	300.00
Southern Maryland EC	5/07/96	300.00
Stearns Cooperative EA	5/07/96	300.00
Sussex REC	5/07/96	300.00
Tri-County REC	5/07/96	300.00
Troup EMC	5/07/96	300.00
United Electric	5/07/96	300.00
Utilities District of Western IN REMC	5/07/96	300.00
Wells EMC	5/07/96	<u>300.00</u>
Total Members Paid - 46		\$13,800.00

THE RURAL ELECTRIC MANAGEMENT DEVELOPMENT COUNCIL

BALANCE SHEET

May 16, 1996

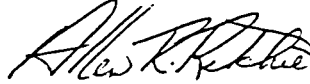
	5/16/96	5/17/95
<u>ASSETS</u>		
Current		
Cash in Checking Account	\$14,339.09	\$17,633.17
Investments - Savings Account	<u>62,367.52</u>	<u>64,294.75</u>
Total	\$76,706.61	\$81,927.92

MEMBERS' EQUITY

Retained Earnings	\$81,927.92	\$95,171.53
Net Gain (Loss)	<u>- 5,221.31</u>	<u>-13,243.61</u>
Total	\$76,706.61	\$81,927.92

* * * * *

Respectfully submitted,


 Allen R. Ritchie
 Treasurer

RURAL ELECTRIC MANAGEMENT DEVELOPMENT COUNCIL
1996 - 1997 MEMBERSHIP

	<u>Recertification Date</u>
A. Daniel Murray, General Manager Adams Electric Cooperative, Inc. 153 North Stratton Street Gettysburg, Pennsylvania 17325	1998
Ramon D. Millett, General Manager Agralite Cooperative P. O. Box 228 Benson, Minnesota 56215	1998
John S. Dean, Jr., General Manager/CEO Amicalola EMC P. O. Box 10 Jasper, Georgia 30143	2001
E. E. (Skip) Strickland, Jr., Manager Berkeley Electric Cooperative, Inc. P. O. Box 1234 Moncks Corner, South Carolina 29461	2001
Douglas W. Johnson, Executive Vice President Blue Ridge Electric Membership Corporation Caller Service 112 Lenoir North Carolina 28645	1998
Joe Satterfield, General Manager Blue Ridge Mountain EMC P. O. Box 9 Young Harris, Georgia 30582	1997
Robert M. Alderson, General Manager Boone Electric Cooperative P. O. Box 797 Columbia, Missouri 65205	1997

1996-97 Membership List (Continued)

Recertification
Date

Robert J. Bauman, General Manager
Butler County REC
P. O. Box 98
Allison, Iowa 50602

1998

David Pruitt, President/CEO
Cap Rock Electric Cooperative, Inc.
500 West Wall, Suite 400
Midland, Texas 79701-1601

1999

Michael D. Gustafson
Cass County Electric Cooperative, Inc.
P. O. Box 8
Kindred, North Dakota 58051

1998

Gary J. Hobson, General Manager
Central Area Data Processing Cooperative
P. O. Box 850
St. Peters, Missouri 63376

2000

George L. Weaver, President
Central Georgia EMC
P. O. Box 309
Jackson, Georgia 30233

1997

Donald J. VanDeest, General Manager
Central Wisconsin Electric Cooperative
P. O. Box 255
Iola, Wisconsin 54945

2000

Robert J. Occhi, General Manager
Coast Electric Power Association
P. O. Box 2430
Bay St. Louis, Mississippi 39521

2001

Dwight T. Brown, President/CEO
Cobb EMC
P. O. Box 369
Marietta, Georgia 30061

1999

1996-97 Membership List (Continued)

Recertification
Date

James M. Reynolds, General Manager
Community Electric Cooperative
P. O. Box 267
Windsor, Virginia 23487

1997

Joe B. Cade, General Manager
Coosa Valley Electric Cooperative, Inc.
P. O. Box 837
Talladega, Alabama 35160

2001

E. Paul Bienvenue, General Manager
Delaware Electric Cooperative, Inc.
P. O. Box 600
Greenwood, Delaware 19950

2000

Dan Bryan, General Manager
Farmers' Electric Cooperative, Inc.
P. O. Box 680
Chillicothe, Missouri 64601

1999

Harold B. Smith, CEO/General Manager
Flint EMC
P. O. Box 308
Reynolds, Georgia 31076

2000

Earl W. Weeks, General Manager
Four County Electric Power Association
P. O. Box 351
Columbus, Mississippi 39703

2001

Jon A. Bellgowan, General Manager
Fruit Belt Electric Cooperative
P. O. Box 127
Cassopolis, Michigan 49031

2001

Jerry Pate, Chief Operating Officer
Georgia EMC
P. O. Box 1707
Tucker, Georgia 30085

2000

1996-97 Membership List (Continued)

Recertification
Date

Marcus Pridgeon, General Manager
Guadalupe Valley Electric Cooperative, Inc.
P. O. Box 118
Gonzales, Texas 78629

1999

William Cetti, President & General Manager
Hancock-Wood Electric Cooperative, Inc.
P. O. Box 188
North Baltimore, Ohio 45872

1999

Terry Bruns, General Manager
Iowa Lakes Electric Cooperative
P. O. Box 77
Estherville, Iowa 51334

2000

Randall Pugh, President/CEO
Jackson EMC
P. O. Box 38
Jefferson, Georgia 30549

1999

Hollis E. (Gene) Joslin, General Manager
Johnson County Electric Cooperative Association
P. O. Box 16
Cleburne, Texas 76033

1998

Connie M. Shireman, General Manager
Jo-Carroll Electric Cooperative, Inc.
P. O. Box 390
Elizabeth, Illinois 61028

2001

Kim R. Colberg, General Manager
Linn County RECA
P. O. Box 69
Marion, Iowa 52302

1999

Dorothy A. Postel, General Manager
Maquoketa Valley REC
P. O. Box 370
Anamosa, Iowa 52205

1998

1996-97 Membership List (Continued)

Recertification
Date

M. John Bowman, Executive Vice President & General Manager Mecklenburg Electric Cooperative Caller 2451 Chase City, Virginia 23924	1997
Roger W. Geckler, General Manager Minnesota Valley Electric Cooperative P. O. Box 125 Jordan, Minnesota 55352	2001
Richard L. Arnold, General Manager N. W. Electric Power Co-op, Inc. (G & T) P. O. Box 565 Cameron, Missouri 64429	2000
John Hoke, General Manager Niobrara Valley EMC P. O. Box 60 O'Neill, Nebraska 68763	1998
Lyle D. Brigle, Manager North Western Electric Cooperative, Inc. P. O. Box 391 Bryan, Ohio 43506	2000
William W. James, Jr., President/General Manager Northeastern REMC P. O. Box 171 Columbia City, Indiana 46725	1998
W. Douglas Bechtel, General Manager Orcas Power & Light Company P. O. Box 187 Eastsound, Washington 98245	2001
Jimmy Baker, President & CEO Palmetto Electric Cooperative, Inc. P. O. Box 21239 Hilton Head, South Carolina 29925	2000

1996-97 Membership List (Continued)

Recertification
Date

Robert L. Roberts, General Manager
Pioneer REC, Inc.
P. O. Box 604
Piqua, Ohio 45356

1998

Manager
Radiant Electric Cooperative, Inc.
P. O. Box 390
Fredonia, Kansas 66736

1997

Cecil E. Viverette, Jr., President
Rappahannock Electric Cooperative
P. O. Box 7388
Fredericksburg, Virginia 22404

2001

C. Douglas Wine, Executive Vice President
Shenandoah Valley Electric Cooperative, Inc.
P. O. Box 236
Mt. Crawford, Virginia 22841

1999

James Kiley, General Manager
Sioux Valley Empire Electric Association, Inc.
P. O. Box 216
Colman, South Dakota 57017

1998

Kevin D. Sump, General Manager
South Central Indiana REMC
300 Morton Avenue
Martinsville, Indiana 46151

1998

I. Wayne Swann, President
Southern Maryland Electric Cooperative, Inc.
P. O. Box 1937
Hughesville, Maryland 20637

1999

Eugene P. Sullivan, General Manager
Stearns Co-op Electric Association
P. O. Box 40
900 East Kraft Drive
Melrose, Minnesota 56352

1999

1996-97 Membership List (Continued)

Recertification
Date

William E. Smith, General Manager
Sussex Rural Electric Cooperative
P. O. Box 346
22 East Main Street
Sussex, New Jersey 07461

1999

Robert O. Toombs, General Manager
Tri-County REC
22 North Main Street
Mansfield, Pennsylvania 16933

1997

Wayne Livingston, Executive Vice President
& General Manager
Troup Electric Membership Corporation
P. O. Box 160
LaGrange, Georgia 30241

2001

Craig W. DeBower, General Manager
United Electric Cooperative, Inc.
P. O. Box 688
DuBois, Pennsylvania 15801

1999

Noble Ray Stallons, General Manager
Utilities District of Western Indiana REMC
P. O. Box 427
Bloomfield, Indiana 47424

2000

Daniel L. Kessler, Jr., General Manager
Wells REC
P. O. Box 365
Wells, Nevada 89835

1997

RURAL ELECTRIC MANAGEMENT DEVELOPMENT COUNCIL

MEMBERSHIP COMMITTEE

1996 REPORT

COMMITTEE:

Layton Wheeler, Chairman
Delaware

Steve Fausnaugh
Hancock-Wood
Ohio

Connie Shireman
Jo-Carroll
Illinois

Cecil Viverette, Jr.
Rappahannock
Virginia

Recertification was received from nine (9) members:

Amicalola EMC
Jasper, Georgia

Minnesota Valley Electric Cooperative
Jordan, Minnesota

Berkeley Electric Cooperative
Moncks Corner, South Carolina

Orcas Power & Light Company
Eastsound, Washington

Coosa Valley Electric Cooperative
Talladega, Alabama

Rappahannock Electric Cooperative
Fredericksburg, Virginia

Four County Electric Power Association
Columbus, Mississippi

Troup EMC
LaGrange, Georgia

Jo-Carroll Electric Cooperative
Elizabeth, Illinois

ACTION TO BE TAKEN

1. The Membership Committee recommends 1996 recertification of the following members:

Amicalola EMC
Jasper, Georgia

Minnesota Valley Electric Cooperative
Jordan, Minnesota

Berkeley Electric Cooperative
Moncks Corner, South Carolina

Orcas Power & Light Company
Eastsound, Washington

Coosa Valley Electric Cooperative
Talladega, Alabama

Rappahannock Electric Cooperative
Fredericksburg, Virginia

Four County Electric Power Association
Columbus, Mississippi

Troup EMC
LaGrange, Georgia

Jo-Carroll Electric Cooperative
Elizabeth, Illinois

2. Mr. Chairman, the Committee recommends the acceptance of two new members:

Fruit Belt Electric Cooperative
Cassopolis, Michigan

Coast Electric Power Association
Bay St. Louis, Mississippi

Systems due for recertification in 1997:

Blue Ridge Mountain EMC
Young Harris, Georgia

Boone Electric Cooperative
Columbia, Missouri

Central Georgia EMC
Jackson, Georgia

Community Electric Cooperative
Windsor, Virginia

Mecklenburg Electric Cooperative
Chase City, Virginia

Radiant Electric Cooperative, Inc.
Fredonia, Kansas

Tri-County REC
Mansfield, Pennsylvania

Wells REC
Wells, Nevada

1996 REMDC MEETING
NON-MEMBER INVITATIONS

Marvin Athey, General Manager
Trico Electric Co-op, Inc.
P. O. Box 35970
Tucson, Arizona 85740-5970

Frederick L. Hubbard
Executive Vice President
Choptank Electric Cooperative, Inc.
P. O. Box 430
Denton, Maryland 21629-0430

Alton Higginbotham, General Manager
First Electric Co-op Corp.
P. O. Box 5018
Jacksonville, Arkansas 72076-1318

Richard D. Newland, General Manager
Anoka Electric Cooperative
2022 N. Ferry Street
Anoka, Minnesota 55303-6775

William W. Wood, General Manager
San Isabel Electric Association
P. O. Box 892
Pueblo, Colorado 81002-0892

Robert J. Occhi, General Manager
Coast Electric Power Assn.
P. O. Box 2430
Bay St. Louis, Mississippi 39521-2430

William C. Phillips, General Manager
Clay Electric Co-op, Inc.
P. O. Box 308
Keystone Heights, Florida 32656-0308

W. Thomas Shows, Manager
Pearl River Valley Electric
Power Association
P. O. Box 1217
Columbia, Mississippi 39429-1217

Gary M. Bullock, President/CEO
Carroll EMC
P. O. Box 629
Carrollton, Georgia 30117-0629

Jack Ware, General Manager
Singing River Electric Power Assn.
P. O. Box 767
Lucedale, Mississippi 39452-0767

Gerald W. Freehling, General Manager
Mitchell EMC
P. O. Box 409
Camilla, Georgia 31730-0409

James P. Ramseyer, Manager
Blachly-Lane County Co-op Electric
Association
90680 Highway 99
Eugene, Oregon 97402-9630

Charles F. Dalton, President/CEO
Blue Ridge Electric Cooperative, Inc.
P. O. Box 277
Pickens, South Carolina 29671-0277

Jimmy D. Springs, General Manager
DeWitt County Electric Co-op, Inc.
P. O. Box 231
Cuero, Texas 77954-0231

Derl J. Hinson, General Manager
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James O. Baker, President
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1996 - 1997 Membership (By State)

ALABAMA

Coosa Valley Electric Cooperative, Inc.

DELAWARE

Delaware Electric Cooperative, Inc.

GEORGIA

Amicalola EMC
Blue Ridge Mountain EMC
Central Georgia EMC
Cobb EMC
Flint EMC
Georgia EMC
Jackson EMC
Troup EMC

ILLINOIS

Jo-Carroll Electric Cooperative, Inc.

INDIANA

Northeastern REMC
South Central Indiana REMC
Utilities District of Western Indiana REMC

IOWA

Butler County REC
Iowa Lakes Electric Cooperative
Linn County RECA
Maquoketa Valley REC

KANSAS

Radiant Electric Cooperative

MARYLAND

Southern Maryland Electric
Cooperative, Inc.

MICHIGAN

Fruit Belt Electric Cooperative

MINNESOTA

Agralite Cooperative
Minnesota Valley Electric Cooperative
Stearns Electric Association

MISSISSIPPI

Coast Electric Power Association
Four County Electric Power Association

MISSOURI

Boone Electric Cooperative
Central Area Data Processing Cooperative
Farmers' Electric Cooperative, Inc.
N.W. Electric Power Co-op, Inc. (G&T)

NEBRASKA

Niobrara Valley EMC

NEVADA

Wells REC

NEW JERSEY

Sussex Rural Electric Cooperative

NORTH CAROLINA

Blue Ridge EMC

NORTH DAKOTA

Cass County Electric Cooperative, Inc.

OHIO

Hancock-Wood Electric Cooperative, Inc.
North Western Electric Co-op, Inc.
Pioneer REC, Inc.

PENNSYLVANIA

Adams Electric Cooperative, Inc.
Tri-County REC
United Electric Cooperative, Inc.

SOUTH CAROLINA

Berkeley Electric Cooperative
Palmetto Electric Co-op, Inc.

SOUTH DAKOTA

Sioux Valley Empire Electric Assoc., Inc.

TEXAS

Cap Rock Electric Cooperative, Inc.
Guadalupe Valley Electric Cooperative, Inc.
Johnson County Electric Cooperative Assoc.

VIRGINIA

Community Electric Cooperative
Mecklenburg Electric Cooperative
Shenandoah Valley Electric
Cooperative, Inc.
Rappahannock Electric Cooperative

WASHINGTON

Orcas Power & Light Company

WISCONSIN

Central Wisconsin Electric Co-op

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SCHEDULE OF REMDC MEETINGS DATES AND LOCATIONS

<u>Meeting</u>	<u>Date</u>	<u>Location</u>
1st	May 22-23, 1958 (8 people present - Clyde Ellis participated)	Hotel Pickwick, Kansas City, MO
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, KS
7th	May, 1962	Kansas City, KS
8th	May 15-17, 1963	Town House, Kansas City, KS
9th	May 6-8, 1964	Town House, Kansas City, KS
10th	May, 1965	Chicago, IL
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, CO
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, CO
18th	May 8-10, 1973	Holiday Inn, Fargo, ND
19th	May 7-9, 1974	Landmark Inn, Myrtle Beach, SC
20th	May 20-22, 1975	Ramada Inn, Sioux Falls, SD
21st	May 11-13, 1976	Velda Rose Hotel, Hot Springs, AR
22nd	May 10-12, 1977	Sheraton Airport Hotel, Denver, CO
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, MN
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
30th	May 20-23, 1985	Marriott Inn, Clarksville, IN
31st	May 19-22, 1986	Sheraton Inn, Myrtle Beach, SC
32nd	May 18-21, 1987	Sheraton West Port Inn, St. Louis, MO
33rd	May 16-19, 1988	Holiday Inn, Columbus, MS
34th	May 15-17, 1989	Holiday Inn, Fargo, ND
35th	May 21-23, 1990	Caesars Tahoe Resort, Lake Tahoe, NV
36th	May 19-22, 1991	LaMansion del Rio Hotel, San Antonio, TX
37th	May 18-20, 1992	The Hilton Resort, Hilton Head, SC
38th	May 17-19, 1993	The Fieldstone Inn, Hiawassee, GA
39th	June 12-15, 1994	Ft. Magruder Inn & Conf. Center, Williamsburg, VA
40th	May 21-24, 1995	Eagle Ridge Inn & Resort, Galena, IL
41st	May 19-22, 1996	Edgewater Inn, Seattle, WA

Note: Two meetings each were held in the years 1958 and 1959.

REMDC
May 21, 1996

1996-1997 OFFICERS AND COMMITTEE RECOMMENDATIONS

CHAIRMAN	BILL JAMES
VICE CHAIRMAN	DAN KESSLER
SECOND VICE CHAIRMAN	*CECIL VIVERETTE
TREASURER	ALLEN RITCHIE
SECRETARY	SHEILA WHITE

PROGRAM COMMITTEE

ELAINE GARRY, CHAIRPERSON
*ROGER GECKLER
MARCUS PRIDGEON
CONNIE SHIREMAN
BILL BERKENESS

NOMINATING COMMITTEE

EARL WEEKS, CHAIRMAN
DOROTHY POSTEL
GENE JOSLIN
BILL SMITH

MEMBERSHIP COMMITTEE

*STEVE FAUSNAUGH, CHAIRMAN
LYLE BRIGLE
CRAIG DEBOWER
JOHN HOKE

MANAGEMENT RESEARCH COMMITTEE

DON VAN DEEST, CHAIRMAN '98
BOB TOOMBS '99
*KEVIN SUMP '99
DOUG BECHTEL '97
SCOTT HANDY '98

* NOT PRESENT THIS YEAR (1996)