

VISION & REALITY

Rural Electric Management Development Council

June 12 - 15, 1994

Ft. Magruder Inn and Conference Center, Williamsburg, Virginia

**PROCEEDINGS OF THE
37TH ANNUAL CONFERENCE
OF THE
RURAL ELECTRIC MANAGEMENT
DEVELOPMENT COUNCIL**

**FT. MAGRUDER INN & CONFERENCE CENTER
Williamsburg, Virginia
June 12-15, 1994**

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COUNCIL PREAMBLE

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

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

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

STATEMENT OF VIEWPOINTS

1. We believe that the objectives of the Rural Electric Program can best be achieved through dynamic management and leadership that is based on sound cooperative philosophy coupled with modern management principles and techniques.
2. We believe that cooperative philosophy and management principles and techniques must be under constant study and review and that research and development of new concepts and approaches must be undertaken if rural electric systems are to effectively fulfill the responsibilities inherent in the objectives of the Rural Electric Program.
3. We believe that there exists within the rural electric cooperatives, and their associated organizations, the knowledge, experience and point of view necessary to identify these needs and to determine required changes.
4. We believe that there exists among rural electric cooperatives, and their associated organizations, those who are willing to innovate, study and improve present cooperative and management principles and practices and to translate the results of such studies into meaningful programs.

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 rural electric system management by undertaking management research in areas of current concern and interest.
3. To develop new cooperative management concepts, approaches and techniques that will enable the management of rural electric systems to identify necessary resources and to provide the leadership required for meeting the needs of the people in an every 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 REA, and current members of the Council will be encouraged to nominate rural electric systems or other associations that are believed to meet all of the criteria for membership.

The Membership Committee shall review all applications for membership and shall recommend those applicants who meet the established criteria. Approval 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. ^{1.25} Evidence of having demonstrated their application of up-to-date cooperative philosophy and management principles and techniques. This evidence shall include the following.
 - a. ^{1.75} 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. 1.25
 - 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. 1.75
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
Borrowers' Operations Office--CFC
Director/Electric Borrower's Management Division--REA

D. Termination of Membership

Membership in the Council shall be terminated by:

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

E. Council Dues

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

FUNCTIONS

CHAIRMAN

To act as general coordinator of 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. Term of office to be one (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 one (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 three (3) members. The Chairman to be nominated by the Nominating Committee. All committee chairmen and committee members, to serve staggered terms of three (3) years each.

PROGRAM COMMITTEE

To determine program content and format for the annual conference and secure appropriate participation from the membership. To provide for subject continuity in programming when desirable. The committee chairman shall preside at all program sessions. To select the time and place for the annual council meeting.

MEMBERSHIP COMMITTEE

Under the established criteria, solicit and process applications of new members as well as administer the recertification of continuing members. Monitor the attendance and participation of members 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 19, 1993

1993/1994 OFFICERS AND COMMITTEE RECOMMENDATIONS

CHAIRMAN	JOE SATTERFIELD
VICE-CHAIRMAN	DAVID PRUITT
SECOND VICE-CHAIRMAN	MIKE GUSTAFSON
TREASURER	ALLEN RITCHIE
SECRETARY	SANDY LANEY

PROGRAM COMMITTEE

NOBLE STALLONS - CHAIRMAN
GEORGE WEAVER
MEL NICHOLAS
EARL WEEKS
DAN BRYAN

NOMINATING COMMITTEE

GENE JOSLIN - CHAIRMAN
TOM UPSHAW
BRUCE BOSWORTH
DOUG JOHNSON

MEMBERSHIP COMMITTEE

LAYTON WHEELER - CHAIRMAN
STEVE FAUSNAUGH
CECIL VIVERETTE
CONNIE SHIREMAN

MANAGEMENT RESEARCH COMMITTEE

BILL JAMES - CHAIRMAN
DOROTHY POSTEL
JIM SHERFEY
DAN KESSLER
PAUL BIENVENUE

**CONFERENCE
REGISTRATION**

**COUNCIL
MEMBERSHIP**

RURAL ELECTRIC DEVELOPMENT COUNCIL
WILLIAMSBURG, VIRGINIA
 June 12-15, 1994

MEMBER REGISTRATION

NAME	COOPERATIVE	ADDRESS
Dan Murray	Adams Electric Cooperative, Inc.	Gettysburg, PA
Ron Plank	Adams Electric Cooperative, Inc.	Gettysburg, PA
Pat Evans	Amicalola EMC	Jasper, GA
Charles Beck	Blue Ridge EMC	Lenoir, NC
Doug Johnson	Blue Ridge EMC	Lenoir, NC
Joe Satterfield	Blue Ridge Mountain EMC	Young Harris, GA
Sandy Laney	Blue Ridge Mountain EMC	Young Harris, GA
Bob Bauman	Butler County REC	Allison, IA
David Pruitt	Cap Rock Electric Cooperative, Inc.	Stanton, TX
Sharon Hoelscher	Cap Rock Electric Cooperative, Inc.	Stanton, TX
Scott Handy	Cass County Electric Cooperative	Kindred, ND
George Weaver	Central Georgia EMC	Jackson, GA
Jean Stansell	Central Georgia EMC	Jackson, GA
James M. Reynolds	Community Electric Cooperative	Windsor, VA
Paul Bienvenue	Delaware Electric Cooperative, Inc.	Greenwood, DE
Fay Shockley	Delaware Electric Cooperative, Inc.	Greenwood, DE

RURAL ELECTRIC DEVELOPMENT COUNCIL

WILLIAMSBURG, VIRGINIA

June 12-15, 1994

MEMBER REGISTRATION

NAME	COOPERATIVE	ADDRESS
Layton Wheeler	Delaware Electric Cooperative, Inc.	Greenwood, DE
Harold Smith	Flint EMC	Reynolds, GA
Opal Wilder	Flint EMC	Reynolds, GA
Marlynn Cox	4-County EPA	Columbus, MS
Milton Doyle Hines	Guadalupe Valley Electric Cooperative	Gonzales, TX
Steve Fausnaugh	Hancock-Wood Electric Coop., Inc.	N. Baltimore, OH
Markus I. Brynat	Iowa Lakes Electric Cooperative	Estherville, IA
Jim Crawford	Jackson EMC	Jefferson, GA
Connie Shireman	Jo-Carroll REC	Elizabeth, IL
Gene Joslin	Johnson County ECA	Cleburne, TX
Danny Nichols	Johnson County ECA	Cleburne, TX
Dorothy A. Postel	Maquoketa Valley REC	Anamosa, IA
Greg Miller	Minnesota Valley Electric Cooperative	Jordan, MN
John Hoke	Niobrara Valley EMC	O'Neill, NE
Lyle Brigle	North Western Electric Coop., Inc.	Bryan, OH
Bill James	Northeastern REMC	Columbia City, IN

RURAL ELECTRIC DEVELOPMENT COUNCIL
WILLIAMSBURG, VIRGINIA
 June 12-15, 1994

MEMBER REGISTRATION

NAME	COOPERATIVE	ADDRESS
Doug Bechtel	Orcas Power & Light Company	Eastsound, WA
Tom Upshaw	Palmetto Electric Cooperative, Inc.	Hilton Head, SC
Carl Sederland	Radiant Electric Cooperative, Inc.	Fredonia, KS
Kent D. Farmer	Rappahannock Electric Cooperative	Fredericksburg, VA
Mary James	Rappahannock Electric Cooperative	Fredericksburg, VA
Margo Martin	Rappahannock Electric Cooperative	Fredericksburg, VA
Cecil Viverette	Rappahannock Electric Cooperative	Fredericksburg, VA
Allen R. Ritchie	Shenandoah Valley Electric Cooperative	Mt. Crawford, VA
Doug Wine	Shenandoah Valley Electric Cooperative	Mt. Crawford, VA
Elaine Garry	Sioux Valley Empire Electric Assoc.	Colman, SD
Jim Kiley	Sioux Valley Empire Electric Assoc.	Colman, SD
Wayne Swann	Southern Maryland Electric Coop., Inc.	Hughesville, MD
Bill Smith	Sussex Rural Electric Cooperative	Sussex, NJ
Bob Toombs	Tri-County Rural Electric Cooperative	Mansfield, PA
Roger Davis	Utilities Dist. of W. Indiana REMC	Bloomfield, IN
Noble Stallons	Utilities Dist. of W. Indiana REMC	Bloomfield, IN

RURAL ELECTRIC DEVELOPMENT COUNCIL
WILLIAMSBURG, VIRGINIA
June 12-15, 1994

MEMBER REGISTRATION

NAME	COOPERATIVE	ADDRESS
Craig DeBower	United Electric Cooperative, Inc.	DuBois, PA

RURAL ELECTRIC MANAGEMENT DEVELOPMENT COUNCIL
1994-1995 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	1996
E. E. (Skip) Strickland, Jr., Manager Berkeley Electric Cooperative, Inc. P. O. Box 1234 Moncks Corner, South Carolina 29461	1996
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

1994-95 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, General Manager
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

1995

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

1995

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

1999

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

1997

1994-95 Membership List (Continued)

Recertification
Date

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

1996

H. Wayne Wilkins, General Manager
Davidson EMC
P. O. Box 948
Lexington, North Carolina 27293

1995

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

1995

Melvin D. Nicholas, General Manager
Eastern Iowa Light & Power Cooperative
E. Fifth & Sycamore Streets
Wilton, Iowa 52778

1995

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

1995

Edward E. Brown, Jr., General Manager
Four County EMC
P. O. Box 667
Burgaw, North Carolina 28425

1995

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

1996

1994/95 Membership List (Continued)

Recertification
Date

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

1995

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

1999

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

1999

J. Bruce Bosworth, General Manager
Iowa Lakes Electric Cooperative
P. O. Box 77
Estherville, Iowa 51334

1995

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

1996

James D. Sherfey, General Manager
Lee County Electric Cooperative, Inc.
P. O. Box 3455
North Fort Myers, Florida 33918

1996

<u>1994/95 Membership List (Continued)</u>	<u>Recertification Date</u>
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
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	1996
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	1995
William W. James, Jr., President/General Manager Northeastern REMC P. O. Box 171 Columbia City, Indiana 46725	1998

<u>1994/95 Membership List (Continued)</u>	<u>Recertification Date</u>
W. Douglas Bechtel, General Manager Orcas Power & Light Company P. O. Box 187 Eastsound, Washington 98245	1996
G. Thomas Upshaw, General Manager Palmetto Electric Cooperative, Inc. P. O. Box 21239 Hilton Head, South Carolina 29925	1995
Robert L. Roberts, General Manager Pioneer REC, Inc. P. O. Box 604 Piqua, Ohio 45356	1998
Steve A. Glaim, General Manager Polk-Burnett Electric Cooperative 1000 Highway 35 Centuria, Wisconsin 54824	1996
Carl A. Sederlund, 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	1996
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

1994/95 Membership List (Continued)

Recertification
Date

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
Gary Hedman, General Manager Southern Nebraska RPPD P. O. Box 1687 Grand Island, Nebraska 68802	1995
John C. Anderson, Executive Vice President Southside Electric Cooperative P. O. Box 7 Crewe, Virginia 23930	1997
Eugene P. Sullivan, General Manager Stearns Co-op Electric Association P. O. Box 40 900 East Kraft Drive Melrose, Minnesota 56352	1999
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

1994-95 Membership List (Continued)

Recertification
Date

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

1996

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

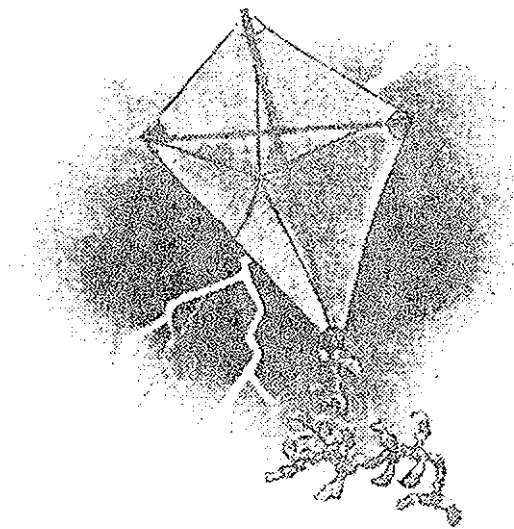
1999

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

1995

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

1997



VISION & REALITY

Rural Electric Management Development Council

June 12 - 15, 1994

Ft. Magruder Inn and Conference Center, Williamsburg, Virginia

6 p.m. to 7 p.m.
"General Emory's Redoubt"
HOSPITALITY HOUR
Sponsored by Rappahannock Electric Cooperative, Shenandoah Valley Electric Cooperative, Delaware Electric Cooperative, Southern Maryland Electric Cooperative

Monday, June 13, 1994

6:45 a.m.
"Jefferson Davis Foyer"
CONTINENTAL BREAKFAST

7:00 a.m.
"Jefferson Davis Foyer"
REGISTRATION

8:00 a.m.
"Jefferson Davis Amphitheater"
INTRODUCTIONS
Joe Satterfield, General Manager
Blue Ridge Mountain EMC

SCHEDULE OF EVENTS
Noble Stallons, General Manager
Utilities District of Western Indiana REMC

WELCOME TO VIRGINIA
Cecil Viverette, President,
Rappahannock Electric Cooperative

8:30 a.m.
PANEL - "The Road to Competition"
Moderator - Dr. Greg Boudreaux, Manager
NRECA, Board & Management Development
Dr. John Anderson, Executive Director
The Electricity Consumer Resource Council
Washington, D.C.

Albert Ernst, Partner
Dykema-Gossset Law Firm, Michigan
Earl McLaughlin, Vice President Marketing
Public Service, Colorado

DISCUSSION
BREAK

PANEL - "Vision or Reality"
Moderator - Dr. Greg Boudreaux, Manager
NRECA, Board & Management Development
Doyle Hines, General Manager, Retired
Guadalupe Valley Electric, Texas

Paul Weatherby, President & CEO, Retired
Cobb EMC, Georgia
C. J. Hoke, General Manager, Retired
Southern Nebraska RPPD

DISCUSSION
LUNCH ON YOUR OWN

11:45 a.m.

2:45 p.m.
Don Howell, Consultant
Vinson & Elkins, Houston, Texas

BREAK

3:00 p.m.
THE ROAD TO COMPETITION
Comfort Flame™ - Scott W. Handy
Assistant General Manager
Cass County Electric Cooperative, Kindred, North Dakota

3:30 p.m.
THE CONTINENTAL DIVIDE
Doug Bechtel, General Manager
Orcas Power & Light Company, East Sound, Washington

4:00 p.m.
RECESS

5:00 p.m.
PLANTATION PICNIC AT EVELYTON
Bus - Main Lobby Entrance

Tuesday, June 14, 1994

7:00 a.m.
"Jefferson Davis Foyer"
CONTINENTAL BREAKFAST

7:15 a.m.
"Jefferson Davis Amphitheater"
CONTROLLING THE FUTURE
Video, Cap Rock Electric Cooperative, Texas

7:30 a.m.
"Jefferson Davis Foyer"
REGISTRATION

8:00 a.m.
"Jefferson Davis Amphitheater"
THE REALITY OF NEEDS ASSESSMENT
Movie

8:30 a.m.
THE RESEARCH COMMITTEE PROJECT
Bill James, Committee Chairman
President/General Manager
Northeastern REMC, Columbia City, Indiana

9:00 a.m.
THE RESEARCH PRESENTATION
Dr. Greg Boudreaux, Manager
NRECA, Board & Management Development

Dr. Dennis Hein, Director of Research
NRECA Market Research

10:00 a.m.
BREAK

10:15 a.m.
DISCUSSION

10:45 a.m.
MEMBER ROUNDTABLE

11:45 a.m.
BREAK FOR LUNCHEON

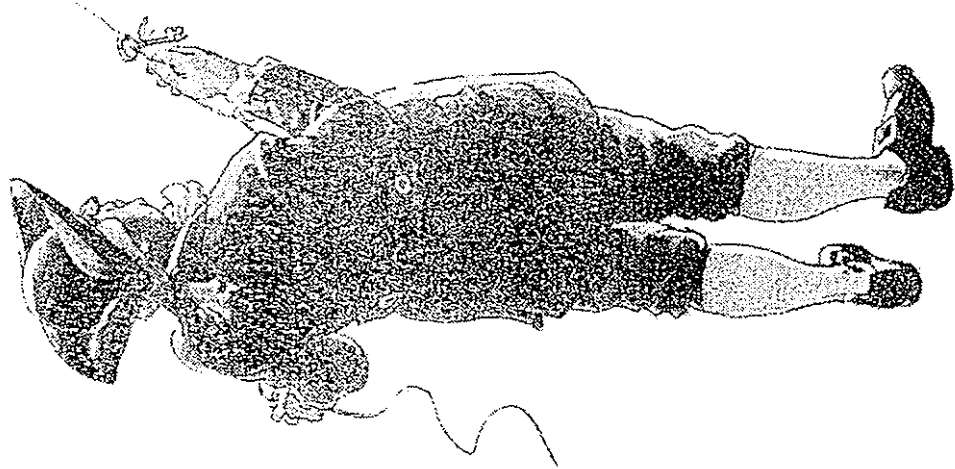
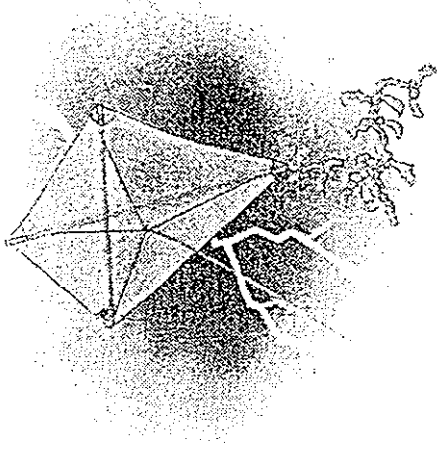
12:00 p.m.
"Petersburg Hall"
GROUP LUNCHEON

Speakers: Wally Beyer, REA Administrator
Charles B. Gill, Governor and CEO of CFC

1:30 p.m.
RECESS

Wednesday, June 15, 1994

- 7:00 a.m.
"Jefferson Davis Foyer"
CONTINENTAL BREAKFAST
- 7:15 a.m.
"Jefferson Davis Amphitheater"
BUILDING YOUR TOMORROW
Video, Cap Rock Electric Cooperative, Texas
- 8:00 a.m.
THE ROAD TO COMPETITION
Image vs. Identity - Noble Stallons
General Manager
Utilities District of Western Indiana REMC
- 8:45 a.m.
CO-BANK UPDATE
Lee Earhart, Assistant Vice President, Co-Bank
- 9:30 a.m.
NRECA UPDATE
Dan Kamerman, NRECA Rural Development Research
- 10:00 a.m.
MEMBER ROUNDTABLE
- 10:15 a.m.
BREAK
- 10:30 a.m.
MEMBER ROUNDTABLE
- 12:00 P.M.
BUSINESS SESSION
- ADJOURNMENT**



VISION & REALITY

Rural Electric Management Development Council

June 12 - 15, 1994

Ft. Magruder Inn and Conference Center, Williamsburg, Virginia

"THE ROAD TO COMPETITION"

PANEL MODERATOR:

DR. GREG BOUDREAUX -- NRECA

PANEL MEMBERS:

DR. JOHN ANDERSON, EXECUTIVE DIRECTOR
THE ELECTRICITY CONSUMER RESOURCE COUNCIL
WASHINGTON, D.C.

ALBERT ERNST, ATTORNEY AT LAW
DYKEMA GOSSET LAW FIRM
LANSING, MICHIGAN

EARL MCLAUGHLIN, VICE PRESIDENT MARKETING
PUBLIC SERVICE COMPANY OF COLORADO
DENVER, COLORADO

A Presentation at the Rural Electric Management
Development Council Annual Meeting
June 13, 1994 ♦ Williamsburg, VA

THE ROAD TO COMPETITION

Dr. John A. Anderson
Executive Director
The Electricity Consumers Resource Council (ELCON)

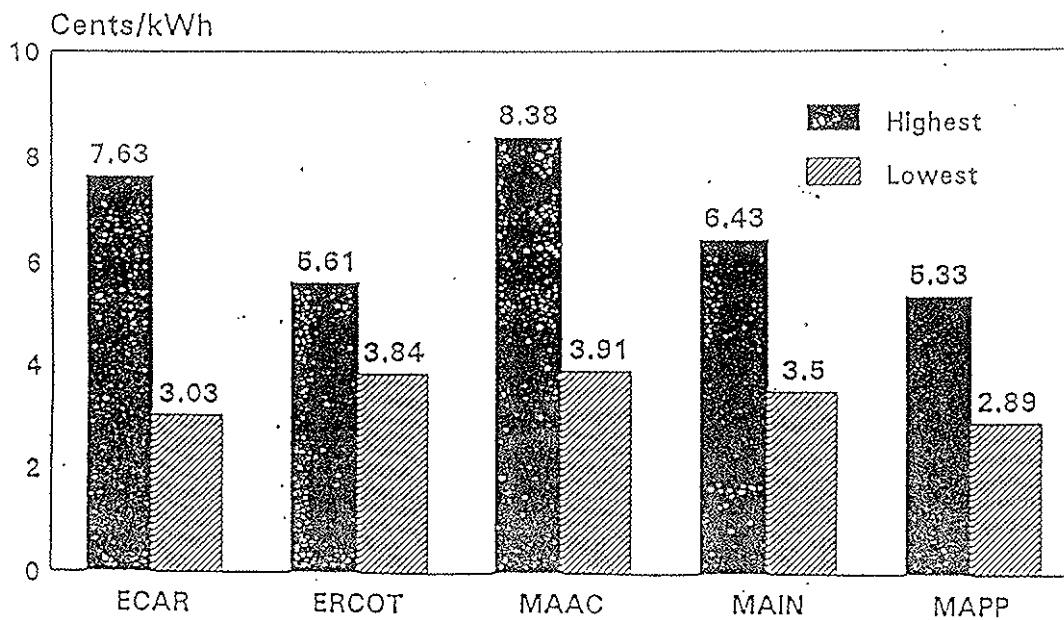
Overview

- ☒ Industrials advocate competitive sourcing (or retail competition) of electricity because it makes economic (business) sense
- ☒ Retail competition is a much better option than the alternatives
- ☒ Retail competition will produce benefits for all customers
- ☒ The arguments against retail competition are without merit
- ☒ Retail competition should follow specified general guidelines

Rates Simply Are Too High And Vary Too Much

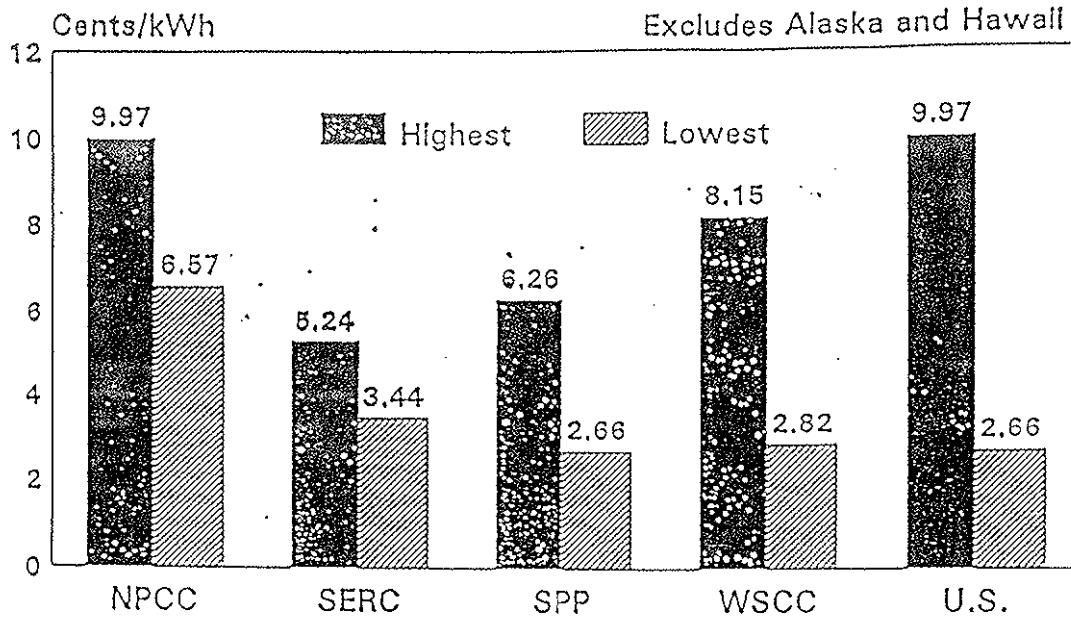
- Most industrials today pay far more than the cost of new generation
- Rate differentials are significant both:
 - between states and regions, and
 - within single states
- Indeed, rate differentials exceeding 2 to 1 exist in most states

RATE DISPARITIES WITHIN NERC REGIONS For U.S. Investor-Owned Utilities Only



10-MW Industrial Loads (68% Load Factor)
Tariff Rates in Effect as of 1/1/93
Source: Edison Electric Institute

RATE DISPARITIES WITHIN NERC REGIONS For U.S. Investor-Owned Utilities Only



10-MW Industrial Loads (68% Load Factor)
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Source: Edison Electric Institute

The Potential To Save Millions Of Dollars

- ☑ Drives industrials to seek options
- ☑ Increasingly, industrials have many very viable options

Existing Competitive Opportunities

- ☒ Self-Generation/Cogeneration
- ☒ Inside-/Outside-the-Fence Exempt Wholesale Generators (EWGs)
- ☒ Retail Wheeling
- ☒ Affiliate Wheeling
- ☒ Utility Brokered Power
- ☒ Jumping Franchises
- ☒ Distributed Generation
- ☒ Joint Ventures with Gas LDCs
- ☒ Municipalization
- ☒ Wholesale Brokerage by "Any Political Subdivision of a State"
- ☒ Franchise Competition
- ☒ Franchise Loopholes

How Viable Are These Options?

- ☒ In a word: VERY
- ☒ The EPAct greatly increased the viability of each option
- ☒ Self-generation was made more feasible
- ☒ Municipalization is more valuable
- ☒ "First cousins" of municipalization are increasingly intriguing

What Is The Potential For Industrial Generation?

- ☒ Very large
- ☒ In fact, a recent study conducted for the electric utility industry concludes that:
 - 29 GW of industrial load is at stake within next 10 years
 - Over 30 utilities may lose > 400 MW
 - A wave of deals is expected in 1994 and 1995

Why Is Self-Generation So Attractive?

- ☒ A combined-cycle combustion turbine:
 - Produces power at < 7,000 Btu/kWh
 - This equates to 3 - 3.5 cents/kWh
- ☒ Most industrial rates are significantly higher than 3 - 3.5 cents/kWh
- ☒ The EPAct created a secondary market for these generators. A market will exist for the power even if the manufacturing facility shuts down

What Is The Outcome Of Industrials Taking Options?

- ❑ Many new entities supplying power
- ❑ Many new entities shopping for power
- ❑ Sizeable "stranded costs"
- ❑ A plethora of special rates designed to stop the bypass
- ❑ All of this WITHOUT retail wheeling

There Is A Better Way

- ❑ Ultimate customers should be allowed to competitively source their power needs
- ❑ Industrials competitively source every other commodity they purchase
- ❑ Electricity should not be treated differently

Competitive Sourcing Is Not A Radical Concept

- ❑ Retail wheeling exists today:
(e.g., WAPA, BPA, NYPA, CA, CT, etc.)
- ❑ Retail wheeling has not caused the problems often predicted
- ❑ The EAct encourages retail wheeling.
In fact, the EAct codified the states' authority to order retail wheeling.

Many States Now Are Considering Retail Competition

Legislative

Nevada

New Mexico

Massachusetts

Connecticut

Ohio

Regulatory

California

Michigan

New York

South Carolina

Texas

Competitive Sourcing Produces Benefits For All Customers

- ☒ All customers can participate
- ☒ The planning process is greatly improved
- ☒ Non-shopping customers are provided an efficiency benchmark
- ☒ Cost-effective energy efficiency measures will be encouraged
- ☒ Stranded costs can be minimized

Planning Will Greatly Improve With Competitive Sourcing

- ☒ Utilities now ask:
What will regulators let me do?
- ☒ Competitive sourcing will require electricity suppliers to ask:
What do consumers want?
- ☒ This change in focus will both:
 - Greatly improve planning
 - Benefit ALL consumers

Arguments Against Competitive Sourcing Are Without Merit

- To illustrate, I offer ten "strawmen"
- Followed by recommendations regarding implementation

Strawman #1

■ RETAIL COMPETITION DESTROYS THE UTILITY PLANNING PROCESS

■ Actually:

- Retail competition IMPROVES planning
- The investor becomes the planner
- The planner thus assumes the risk
- Markets determine shares of technologies
- T&D planning will continue to be conducted by the owners of the wires -- subject to regulatory oversight

Strawman #2

☒ RETAIL COMPETITION MEANS THE LOSS OF A FORUM FOR PUBLIC DEBATE

☒ Actually:

- The "forum" already is lost
- Collaborative processes utilized to develop IRP are expensive, unwieldy and inaccessible to many
- Retail competition allows those who take risks to plan -- and pay the price if they err
- Markets allow everyone to participate -- the ultimate protection for all

Strawman #3

☒ THE PUBLIC WANTS, AND WILL PAY FOR, CLEANER (BUT COSTLY) RESOURCES

☒ This may well be true --

But it also may be false

- Retail competition is the very best way to test the assertion
- If consumers are willing and able to pay for the resource -- It will be purchased
- Markets are driven by consumer choice; Consumer choice is not set by regulation

Strawman #4

- WE MUST NOW INCUR HIGHER COSTS IN ANTICIPATION OF FUTURE ENVIRONMENTAL MANDATES
- This is true if, and ONLY if, we can anticipate perfectly the future mandates
 - Unfortunately, we cannot anticipate even closely future mandates
 - Expenditures for anticipated mandates that don't materialize are inefficient, at best

Strawman #5

- RETAIL COMPETITION WILL ELIMINATE COST-EFFECTIVE ENERGY EFFICIENCY AND CONSERVATION PROGRAMS
- Actually, cost-effective programs will be stimulated by retail competition
 - Customers are more sensitive to price
 - Direct expenditures for energy-efficiency are much more effective than comparable utility-implemented programs
 - Direct expenditures by-pass utility "incentives" and overhead

Strawman #6

- RETAIL COMPETITION IS MESSY -- OPPOSING IT ASSURES AN ORDERLY REGIME
- This completely ignores very real options
 - Options taken by consumers guarantee change -- with or without retail competition
 - Ad hoc change will not be orderly
 - A structured competitive regime will be far more equitable and orderly than ad hoc change

Strawman #7

- ONLY LARGE INDUSTRIALS WILL BENEFIT -- ALL OTHERS ARE HARMED
- Actually:
 - All customers can, and should, participate
 - However, non-shoppers cannot be ignored: they may become shoppers
 - Shoppers provide a benchmark for non-shoppers
 - Improvements in planning benefit all

Strawman #8

❑ ELECTRICITY RATES ARE NOT A SIGNIFICANT FACTOR IN DOMESTIC OR WORLDWIDE COMPETITION

❑ Actually:

- The combined direct and indirect electricity content per unit of output is significant
- Access to alternative supplies can save millions (if not billions) of dollars
- The potential savings encourages shopping

Strawman #9

❑ RETAIL COMPETITION IS NOT NEEDED - - WHOLESAL COMPETITION IS ENOUGH

❑ Wholesale competition will never fully materialize without retail competition

❑ As long as suppliers know that customers are captive, they do not have to perform well in wholesale markets

❑ Indeed, can wholesale competition even exist with vertical integration?

Strawman #10

- ❑ RETAIL COMPETITION WILL BANKRUPT ALL UTILITIES
- ❑ Stranded costs potentially are very large. However:
 - Only UNeconomic assets will be stranded
 - Consumers should not pay for these assets
- ❑ BOTTOM LINE: Stranded costs will be shared by consumers, stockholders and taxpayers -- as in other industries

How Should Retail Competition Be Implemented?

- ❑ The Michigan Model
- ❑ The California Model
- ❑ General Guidelines

The Michigan Order

April 11, 1994

- ☒ The Michigan PSC approved a five-year experimental retail wheeling program
- ☒ Limited to 150MW -- 1% of the generating capability of Detroit Edison and Consumers Power
- ☒ Customers are responsible for purchasing the power
- ☒ Customers may return at the end of the experiment

The Michigan Order

(Continued)

- ☒ The MPSC rejected the ALJ's conclusion that the PSC lacked authority over retail wheeling
- ☒ The MPSC found that its jurisdiction over retail wheeling was NOT preempted by Federal law
- ☒ The MPSC said that it has jurisdiction over transmission pricing
- ☒ Unfortunately, the MPSC found that a third-party supplier must have a Certificate of Public Convenience and Necessity

The California Order

April 20, 1994

- ☒ The CPUC said: "Prices for electric service in California are simply too high."
 - The CPUC said that end-use competition would put a downward pressure on prices
- ☒ Any customer may elect to continue to be a "utility service" customer
- ☒ Where competition does NOT exist - -
 - Performance-based regulation will replace cost-based regulation

The California Order

(Continued)

- ☒ Customers may choose to shop
- ☒ Shopping may be from: nonutility power producers, utilities, brokers, marketers, or others
- ☒ Categories of customers may choose according to the following schedule:
 - 1996 -- transmission voltage
 - 1997 -- primary level customers
 - 1998 -- secondary level customers
 - 1999 -- commercial customers
 - 2002 -- all customers

General Guidelines To Assure Retail Competition

- ☒ Recognize that market forces produce better prices/results than regulators
- ☒ Laws and regulations that inhibit competition should be eliminated
- ☒ Recognize that wholesale competition is not enough -- retail competition is essential
- ☒ Nondiscriminatory access to transmission and distribution must be assured

General Guidelines To Assure Retail Competition

(Continued)

- ☒ Rates for transmission and distribution should only reflect real costs
- ☒ Recognize that only part of the planning function is monopolistic
- ☒ Transition costs that are caused by competition should be shared by ratepayers, stockholders and taxpayers
- ☒ Transition costs must be handled on a case-by-case basis -- not generically

Conclusions:

"We would not panic about the industry as a whole. PCG and SCE appear to have among the highest generating costs (at about 6.7 cents per kilowatt-hour) of any electric utility -- and even in their case we do not expect disaster."

"This is not an utter disaster, in the sense that longer term, the utilities should still have significant earnings power when the dust settles, and could eventually see earnings growth better than under the old regulation (though from a lower base.)"

LAW OFFICES
DYKEMA GOSSETT
800 MICHIGAN NATIONAL TOWER

LANSING, MICHIGAN 48933-1707

TELEPHONE (517) 374-9100

TELECOPIER (517) 374-9191 TELEX 23-0121

Professional Limited Liability Company

ANN ARBOR, MICHIGAN
BLOOMFIELD HILLS, MICHIGAN
DETROIT, MICHIGAN

GRAND RAPIDS, MICHIGAN
WASHINGTON, D.C.

ALBERT ERNST

DIRECT DIAL
(517) 374-9155

JUNE 13, 1994

THE ROAD TO COMPETITION

THE RURAL ELECTRIC MANAGEMENT DEVELOPMENT COUNCIL

WILLIAMSBURG, VIRGINIA

HANDOUTS

ALBERT ERNST
ATTORNEY AT LAW

DYKEMA GOSSETT
PROFESSIONAL LIMITED LIABILITY COMPANY

800 MICHIGAN NATIONAL TOWER
LANSING, MICHIGAN 48933-1707
(517) 374-9155
FAX (517) 374-9191

E/11774

S T A T E O F M I C H I G A N
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

* * * * *

In the matter of the application of)
CHERRYLAND ELECTRIC COOP., FRUIT BELT)
ELECTRIC COOP., O&A COOP., OCEANA)
ELECTRIC COOP., THE ONTONAGON COUNTY RURAL)
ELECTRIFICATION ASSOCIATION, PRESQUE ISLE)
ELECTRIC COOP., INC., SOUTHEASTERN)
MICHIGAN RURAL ELECTRIC COOP., INC., THUMB)
ELECTRIC COOP., TOP O'MICHIGAN RURAL)
ELECTRIC COMPANY, TRI-COUNTY ELECTRIC)
COOP., WESTERN MICHIGAN ELECTRIC COOP.,)
and WOLVERINE POWER SUPPLY COOP., INC. for)
authority to borrow up to \$300,000 (per)
cooperative) from the REA under the REA)
Zero Interest Rural Economic Development)
Loan Program.)

Case No. U-9504

REC. 11
MAY 11 1989
DIVERSITY 60802

PREHEARING SUMMARY AND
ADMINISTRATIVE LAW JUDGE RULING

Background

On October 13, 1989, a joint application was filed by the following:

- Cherryland Electric Cooperative (Cherryland)
- Fruit Belt Electric Cooperative (Fruit Belt)
- O&A Electric Cooperative (O&A)
- Oceana Electric Cooperative (Oceana)
- The Ontonagon County Rural Electrification Association (Ontonagon)
- Presque Isle Electric Cooperative, Inc. (Presque Isle)
- Southeastern Rural Electric Cooperative, Inc. (Southeastern)
- Thumb Electric Cooperative (Thumb)
- Top O'Michigan Electric Company (Top O'Michigan)
- Tri-County Electric Cooperative (Tri-County)
- Western Michigan Electric Cooperative (Western)
- Wolverine Power Supply Cooperative, Inc. (Wolverine)

hereinafter referred to collectively as "Cooperatives." The application was filed with the Commission pursuant to MCL 460.301 et seq. seeking authority to borrow up to \$300,000 per cooperative from the Rural Electrification Administration (REA) under the REA Zero Interest Rural Economic Development Program. As a result of the application, a Notice of Hearing was issued by the

resolved with the "not quite as strict" factors in place. See Drake at page 1129.

The Commission cases suggested by Consumers (U-9174 and U-9288) have been reviewed and found to be inapplicable to the instant situation. In U-9174, a Mich Con Gas Cost Recovery case, ANR was a supplier of natural gas to Mich Con. ANR claimed a direct interest in the proceeding. The Commission deferred to that direct interest. In U-9288, Consumers was a joint applicant in a securities case involving the Low-Level Radioactive Waste Policy Amendments Act of 1985. Wisconsin Electric Power Co. and a non-utility company were permitted to intervene because of the midwest states (including the state of Wisconsin) involvement.

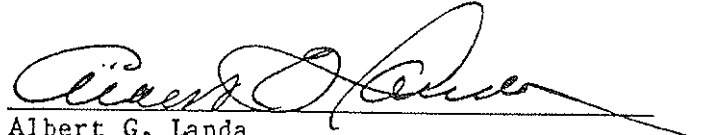
The Cooperatives, in brief pp 6-8, advance the argument that repeated cases, not counting pending cases or cases resolved short of hearings, "have focused on service territory disputes between Consumers Power and the rural electric cooperatives. In every one of those cases, it could be argued that Consumers Power's intent was to harass and delay--since in every single case, Consumers Power eventually abandoned the litigation." [A list of the eight cases in question, pp 6-8 of Brief, is appended to this Ruling.] The Cooperatives request approval by the Commission in the instant case in the matter of the Oceana Electric Cooperative, Case No. U-9348 (October 11, 1989).

With regard to the redundancy of contests by Consumers, the Administrative Law Judge would recommend whatever relief to the Cooperatives the Commission deems appropriate to terminate what appears to be questionable litigation as evidenced by the final dispositions. It is apparent there is an economic and financial imbalance between Consumers, a mega-utility, and a rural

cooperative with limited resources. Legal costs would adversely impact a small rural cooperative to a greater degree than to Consumers. Sanctions against Consumers may be in order by legal expense disallowance in Consumers' next general rate case.

For the reasons stated, the petition by Consumers Power Company for intervention is denied.

MICHIGAN PUBLIC SERVICE COMMISSION



Albert G. Landa
Administrative Law Judge

January 10, 1990
Lansing, Michigan
ar

MICHIGAN COMMISSION RETAIL WHEELING ORDER
HIGHLIGHTS FOR RURAL ELECTRIC COOPERATIVES
RURAL ELECTRIC MANAGEMENT DEVELOPMENT COUNCIL

JUNE 13, 1994

- A. STATE STATUTORY AUTHORITY - THE COMMISSION HAS (STATE) STATUTORY AUTHORITY TO IMPLEMENT RETAIL WHEELING (ORDER, PP 8, 9).
- B. FEDERAL PREEMPTION - THE COMMISSION'S AUTHORITY TO IMPLEMENT RETAIL WHEELING IS NOT PREEMPTED BY FEDERAL LAW (ORDER, P 12).
- C. CERTIFICATE OF CONVENIENCE - A THIRD PARTY PROVIDER (TPP), I.E., THE ENTITY THAT SELLS POWER TO A RETAIL WHEELING CUSTOMER, WOULD BE REQUIRED TO FIRST OBTAIN A 1929 PA 69 CERTIFICATE OF CONVENIENCE AND NECESSITY FROM THE COMMISSION (ORDER, PP 19, 20). ROADBLOCK TO IMPLEMENTATION OF RETAIL WHEELING.
- D. FRANCHISE - A TPP WOULD BE REQUIRED TO FIRST OBTAIN A FRANCHISE FROM THE MUNICIPALITY IN WHICH THE RETAIL WHEELING CUSTOMER IS LOCATED BEFORE IT COULD SELL POWER TO THAT CUSTOMER (ORDER, P 22). ROADBLOCK TO IMPLEMENTATION OF RETAIL WHEELING.
- E. WHEN THE PROGRAM COMMENCES - THE INCEPTION OF SERVICE UNDER RETAIL WHEELING ARRANGEMENTS SHOULD BE TIMED WITH THE UTILITY'S NEED FOR NEW SUPPLY-SIDE RESOURCE (ORDER, P 33). FOR DETROIT EDISON, THIS SHOULD BE IN THE 2002 ERA. FOR CONSUMERS POWER, IF 325 MW OF MCV IS DISPOSED OF, THIS COULD ALSO BE IN THE 2002 ERA.
- F. DURATION OF EXPERIMENTAL RETAIL WHEELING PROGRAM - 5 YEARS (ORDER, P 33). THUS, ASSUMING THAT THE EXPERIMENT STARTS IN 2002, THE FIVE YEAR EXPERIMENT WILL CONCLUDE IN 2007 -- AND ANY PERMANENT PROGRAM WOULD PROBABLY NOT BE IN PLACE UNTIL ABOUT 2008 OR 2009.

- G. COMMISSION'S REGULATION OF RETAIL WHEELING RATES - CONTRACTS OR OTHER ARRANGEMENTS MADE BY RETAIL WHEELING CUSTOMERS TO PURCHASE POWER FROM TPPS MUST BE SUBMITTED TO THE COMMISSION FOR AUTHORIZATION OF THE RATES, TERMS AND CONDITIONS OF SALE PRIOR TO THE INCEPTION OF SERVICE (ORDER, P 32). CONTRARY TO ABATE'S PROPOSAL TO COMPLETELY DEREGULATE THE RATES, TERMS AND CONDITIONS FOR POWER PURCHASES FROM TPPS.
- H. SIZE OF EXPERIMENTAL RETAIL WHEELING PROGRAM - 60 MW FOR CONSUMERS POWER'S SYSTEM AND 90 MW FOR DETROIT EDISON'S SYSTEM -- I.E., ABOUT 1% OF THEIR TOTAL LOAD (ORDER, P 33).
- I. COMMITMENT MADE BY RETAIL WHEELING CUSTOMERS - PARTICIPATING CUSTOMERS WILL BE REQUIRED TO SIGN CONTACTS WITH THE UTILITY IN WHICH THEY COMMIT TO REFRAIN FROM TAKING FULL SERVICE FOR AN AMOUNT OF POWER EQUAL TO THEIR ALLOTMENT OF FIRM DELIVERY CAPACITY DURING THE FIVE-YEAR EXPERIMENT. RETAIL WHEELING CUSTOMERS WILL ASSUME THE RESPONSIBILITY FOR MAKING ALL ARRANGEMENTS NECESSARY TO PROCURE POWER FROM TPPS AND TO HAVE THE POWER DELIVERED TO THE LOCAL UTILITY'S SYSTEM. THE UTILITY WILL BE RESPONSIBLE ONLY FOR PROVIDING AN UNBUNDLED DELIVERY SERVICE TO THE CUSTOMER'S LOCATION (ORDER, P 32).
- J. SIZE LIMITATION ON A PER CUSTOMER BASIS - SIZE OF INDIVIDUAL CUSTOMER'S PARTICIPATION LIMITED TO BETWEEN 2 AND 10 MW OF RETAIL DELIVERY CAPACITY AT EACH LOCATION TO BE SERVED UNDER THE RETAIL WHEELING TARIFF. NO SINGLE CUSTOMER MAY ACQUIRE MORE THAN HALF OF THE TOTAL CAPACITY MADE AVAILABLE IN EACH UTILITY'S PROGRAM, REGARDLESS OF THE NUMBER OF ITS LOCATIONS THAT ARE SERVED UNDER THE TARIFF (ORDER, P 33).
- K. ABILITY OF RETAIL WHEELING CUSTOMER TO RETURN TO UTILITY - RETAIL WHEELING PARTICIPANTS SHOULD BE ABLE TO RETURN TO FULL UTILITY SERVICE AFTER THE EXPERIMENTAL PROGRAM'S EXPIRATION (I.E., 5 YEARS) ON THE SAME TERMS THAT WOULD BE AVAILABLE TO ANY NON-PARTICIPATING CUSTOMER (ORDER, P 34). HOWEVER, IF RETAIL WHEELING PARTICIPANT DECIDES TO RETURN TO FULL UTILITY SERVICE PRIOR TO THE EXPERIMENTAL PROGRAM'S EXPIRATION, ITS LOAD WILL BE SERVED FROM INCREMENTAL GENERATION OR POWER SUPPLY RESOURCES BEYOND THOSE REQUIRED TO SERVE OTHER RETAIL CUSTOMERS. INSTEAD OF ASSESSING SUCH CUSTOMER FOR POWER SUPPLY CHARGES UNDER

THE UTILITY'S PSCR CLAUSE, THE INCREMENTAL POWER SUPPLY COSTS ASSOCIATED WITH THE MOST EXPENSIVE SOURCE OF FUEL OR PURCHASED POWER, INCLUDING CAPACITY COSTS OR OTHER FIXED COSTS, WILL BE ASSIGNED TO IT IN ADDITION TO THE OTHER CHARGES PROVIDED BY TARIFF. POWER WILL ALSO BE SUBJECT TO INTERRUPTION TO MAINTAIN SYSTEM INTEGRITY. POWER SUPPLY COSTS WILL BE COMPUTED SEPARATELY FROM PSCR RECONCILIATION PROCEEDINGS (ORDER, PP 34, 35).

- L. LIMITATION TO TRANSMISSION OR SUBTRANSMISSION VOLTAGE LEVELS - UNIVERSITIES' PROPOSAL TO OPEN EXPERIMENT TO PRIMARY VOLTAGE CUSTOMERS WAS REJECTED (ORDER, PP 36, 37).
- M. SELF-SERVICE WHEELING - CUSTOMERS WISHING TO ENGAGE IN SELF-SERVICE WHEELING SHOULD BE ELIGIBLE TO PARTICIPATE IN THE RETAIL WHEELING EXPERIMENT (ORDER, P 38).
- N. BUY/SELL ARRANGEMENTS - ABATE PROPOSAL THAT LOCAL UTILITY BE REQUIRED TO CONTRACT FOR PURCHASE OF POWER FROM TPP AND RESELL TO RETAIL WHEELING CUSTOMER AT NO MARKUP WAS REJECTED BY COMMISSION. INSTEAD, CUSTOMERS SHOULD ASSUME THE RESPONSIBILITY OF CONTRACTING DIRECTLY WITH TPPS FOR THEIR POWER PURCHASES (ORDER, P 40).
- O. POOLING - CUSTOMERS MAY FORM POOLS FOR NEGOTIATING THE PURCHASE OF POWER FROM TPPS -- BUT EACH CUSTOMER'S LOAD AT ANY ONE LOCATION WILL BE TREATED AS SEPARATE FOR PURPOSES OF APPLYING THE RETAIL DELIVERY TARIFF AND WILL BE METERED AND BILLED SEPARATELY (ORDER, P 41). THIS COULD BE A ROADBLOCK TO IMPLEMENTATION OF RETAIL WHEELING.
- P. REASSIGNMENTS - RETAIL WHEELING CUSTOMERS SHOULD NOT BE PERMITTED TO ENGAGE IN REASSIGNMENTS OF DELIVERIES UNLESS THEY OBTAIN THE LOCAL UTILITY'S CONSENT (ORDER, P 42).
- Q. SEPARATE METERING - FOR THOSE CUSTOMERS WISHING TO OBTAIN RETAIL WHEELING SERVICE FOR ONLY PART OF THEIR LOADS, THE FULL SERVICE AND RETAIL WHEELING PORTIONS SHOULD BE PHYSICALLY SEGREGATED AND SEPARATELY METERED (ORDER, P 43).

- R. PRICING FACTORS TO BE CONSIDERED IN REMAND - THE COST OF ANCILLARY SERVICES SHOULD BE CONSIDERED IN THE REMAND, I.E., THE EXTENT TO WHICH IT IS APPROPRIATE TO REFLECT FERMI 2-RELATED COSTS, MIDLAND NUCLEAR PLANT AMORTIZATION COSTS, SFAS 106-RELATED COSTS, DEMAND-SIDE MANAGEMENT CHARGES, NUCLEAR DECOMMISSIONING SURCHARGES, ADMINISTRATIVE COSTS, AND SIMILAR ITEMS (ORDER, P 49).
- S. STANDBY SERVICE - CUSTOMERS PARTICIPATING IN THE RETAIL WHEELING EXPERIMENT SHOULD HAVE THE OPTION OF TAKING STANDBY SERVICE UNDER THE UTILITY'S TARIFFS OR MAKING THEIR OWN STANDBY ARRANGEMENTS. IF, HOWEVER, A CUSTOMER DOES NOT CONTRACT FOR UTILITY STANDBY CAPACITY EQUAL TO ITS RETAIL DELIVERY CAPACITY, ITS RETAIL WHEELING LOAD MUST BE PHYSICALLY CAPABLE OF INTERRUPTION IN THE EVENT ITS PRIMARY AND STANDBY SOURCES OF SUPPLY FAIL TO PRODUCE (AND TRANSMIT TO THE LOCAL UTILITY'S SYSTEM) ENOUGH POWER TO SERVE THE PORTION OF ITS LOAD THAT IS NOT COVERED BY UTILITY STANDBY CAPACITY (ORDER, P 50).
- T. DISCLOSURE REQUIREMENTS - COMPLETE DISCLOSURE OF RETAIL WHEELING ARRANGEMENTS WILL BE REQUIRED OF PARTICIPANTS AS A CONDITION OF THE EXPERIMENTAL PROGRAM (ORDER, P 51).

E/11773

Village of Romeo, Michigan

Establishment Of A Village-Owned Electric Utility

Representatives of Ford Motor Company and the Village of Romeo have met to discuss common concerns pertaining to: (i) the high cost of such electric service; and (ii) reliability problems experienced by the residents of the Village associated with the electric service presently supplied by Detroit Edison.

One of the alternative solutions that was discussed involved the formation of a Village owned electric utility. Ford has commissioned legal and engineering consultants to conduct preliminary studies and the principal conclusions are outlined below:

Preliminary Legal Conclusions:

- Under Michigan law a village may own or operate an electric utility. There are 42 municipally owned electric utilities in Michigan; 5 of which are village owned.
- A village owned electric utility may offer electric service (within its boundaries) to customers already receiving electric service from another utility.
- Under Michigan law, the franchise granted to Detroit Edison in 1975 by the Village of Romeo is non-exclusive in nature.
- Village owned electric utilities are not subject to regulation by the Michigan Public Service Commission.

Preliminary Engineering Conclusions:

- There is data substantiating the fact that other municipalities that have formed their own electric utility have realized improved reliability and reduced power costs for their residents.
- A Village owned utility would not require investment in electric generation. Electric power is widely available for purchase in the wholesale market.
- Capital requirements (including start-up costs) are estimated to be approximately \$13 million. The necessary capital can be raised by issuance of revenue bonds which would not impact the Village's bond rating or affect its ability to raise capital in the future.

- Projected savings to Village residents and commercial customers over a ten year period ending December 31, 2005 are estimated to be approximately \$10 million. In other words, a residential customer that uses 6,500 kWh of electricity per year would save approximately \$150 per year if a Village owned electric utility is established.
- After fulfilling statutory and Village Charter requirements pertaining to establishment of a Village owned electric utility, and assuming Detroit Edison does not cause further delays, the system could be constructed and be operational within 1½ to 2 years.
- The electric lines of the Village owned electric utility would all be buried underground.
- The Village could operate the electric utility with as few as six employees; 1 superintendent/general foreman, 4 linemen/electricians and 1 clerk/secretary.
- Utilities owned by municipalities in Michigan have available several organizations such as the American Public Power Association, Michigan Municipal Electric Association, Michigan Public Power Association, and the Michigan Municipal Cooperative Group that offer a variety of support services, including power supply, system maintenance, mutual assistance to meet emergencies and education and training.
- If a Village owned electric utility is established, the Village could derive additional benefits by simultaneously installing a state of the art Integrated-Interactive Communications System for telephone and cable. It should be noted that the decision to install such a communications system is independent from the electric utility considerations noted above.

The Village Council is requested to approve spending up to \$20,000 for the Village to fund its own legal and engineering consultants to confirm or disprove the findings of the studies commissioned by Ford. Ford has offered to reimburse the Village for this cost so that there is no financial risk in the event Ford's findings are not supported.

Sb: 03/23 1042 CITY OF ALMA APPROVES MUNICIPAL ELECTRIC UTILITY STUDY

ALMA, Mich., March 23 /PRNewswire/ -- The City of Alma announced that the Alma City Commission unanimously approved last night the initiation of a preliminary feasibility study regarding the investigation of a municipal electric utility for the city.

The \$20,000 study was requested and is being partially financed by a coalition of Alma businesses, including the largest employers and industrial energy users within the city.

The letter which follows further details their request. The study will be conducted by Courtney & Associates of Findlay, Ohio. Courtney & Associates principal, John T. Courtney, has more than 17 years' experience in municipal utility operations and management. His firm specializes in providing professional services to publicly owned utilities.

-0-

March 22, 1994 Alma City Commission 525 East Superior P.O. Box 278 Alma, Michigan 48801 Dear Mayor and City Commissioners: As representatives of the largest employers and electrical energy users in the City of Alma, we are concerned with the high costs of electrical power as it affects our ability to effectively compete in state, national and global markets. In recent weeks, we have become informed about discussions originally involving Total Petroleum, Inc., Greater Gratiot Development, Inc. and the City of Alma concerning alternative energy options in our community. Based upon further review, one alternative appears to have potential benefits for all Alma citizens in addition to enhanced overall economic development in the community.

The Michigan Constitution provides cities and villages with the legal ability to establish and operate a municipal electric utility to serve the system's industrial, commercial and residential customers. Obviously, Alma does not presently have any electrical generation capabilities, however, this would not preclude the development of an electric utility. Of the more than 2,000 public electrical utilities nationwide, slightly less than half do not possess generating plants. These systems purchase power at wholesale prices and "wheel" power to their respective communities across existing power distribution systems outside their service districts. Available data also reveals that many public power systems have the advantage of lower energy costs for their customers while at the same time returning a greater percentage of their gross retail sales to the community than investor-owned utilities. This is of particular interest since our present supplier of electricity, Consumers Power Company, has projected its overall rates to rise by as much as 50 percent during the next 10 years according to the company's own figures filed in 1993 with the Michigan Public Service Commission. A municipal electric utility may also allow the City to help achieve its goal of further diversification of general revenues.

In order to determine the economic feasibility of a municipal electric utility, we strongly recommend that you commission a preliminary feasibility study to determine the expenses and revenues of a municipal system versus those of the existing investor-owned system. The City Manager has been in contact with a consultant who has the qualifications and experience to undertake such a study for an amount not to exceed \$20,000. Due to the potential energy savings associated with a municipal electrical utility, we are proposing that the industries / businesses identified below pay 75 percent of the study based upon their respective energy demands, with the City contributing the remaining 25 percent of the cost. In the event that a municipal system is not economically feasible in Alma, these costs would be non-refundable to the participating industries / businesses. If the City would ultimately establish a municipal electric utility, we would however, request that the upfront contributions by the identified industries and organizations for the preliminary study be reimbursed as the City finances such an operation. The offer of private contributions is intended to minimize any public financial risks associated with this study and should not be construed as a means to influence the conclusions of an independent analysis of this issue for the City of Alma.

It is critically vital that our local industries do all that can be done to preserve their competitive viability. Understanding options which may be available represents the first step toward future success. We therefore strongly feel that this issue warrants further study, not only for economic development purposes, but also for the vitality of the community as a whole.

Very truly yours,
/S/

/S/ Michael E. Regina

Lawrence R. Alexander President
Manager

Project

Lobdell-Emery Manufacturing Company Total Petroleum, Inc.

/S/

/S/ David D. Roslund,

CPA

John P. Ulrich Highland Plastics/Alma Boat Company Director of
Manufacturing

Administrator, Wilcox Health Care Services Center & Small
Business Investor

Alma Products Company
& Manager

/S/

/S/ Bob M. Baker

Jon Groteluschen President & CEO
President of Finance

Vice

Gratiot Community Hospital

Alma College

/S/

/S/ Amos Tinnell

William R. McKinstry Administrator
Superintendent

Michigan Masonic Home

Alma Public Schools

/S/

/S/ James E. Wheeler II

Mark Hunter President
Operations Alma
Industrial Development
3/23/94

Director of

Contech -0-

/CONTACT: Doug Thomas, Alma City Manager, 517-463-8336/ CO: City
of Alma ST:
Michigan IN: UTI SU:

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rate limits, the same being then and there the private property of any person or of any corporation, within the limits of the state constitution, and to institute and prosecute proceedings for that purpose.

Historical Note

Source: P.A.1919, No. 119, § 1, Eff. Aug. 14.
C.L.1929, § 3811.

C.L.1948, § 213.111.
C.L.1970, § 213.111.

Constitutional Provisions

Article 10, § 2, provides: "Private property shall not be taken for public use without just compensation therefor being first made or secured in a manner prescribed by law. Compensation shall be determined in proceedings in a court of record."

Cross References

Airports, acquisition by political subdivisions, see § 259.126.
City or villages, acquisition and ownership of utilities, see Const. Art. 7, § 24.
Due process of law, see Const. Art. 1, § 17.
Electric or gas corporations, power to condemn, see § 486.252.
Fourth class cities, appropriation of property, see § 105.1 et seq.
Home rule cities, acquisition of property, see § 117.4e.
Joint public improvements, condemnation proceedings, see § 123.71.
Moving personalty from condemned realty, allowance of expense, see § 213.351 et seq.
Municipal housing facilities, powers, see § 125.657.
Municipal public improvements, see § 141.104.
Sewage disposal plants, operation by local government, see § 123.201.
Villages, appropriation of private property, see § 73.1 et seq.
Water and sewage, villages, see § 78.26.
Water supply, condemnation, see § 123.113.
Water supply corporation, condemnation, see § 486.308.
Waterworks, operation by city or village, see § 123.117.

Law Review Commentaries

Restrictive covenants: Compensability of equitable servitudes. 55 Mich.L.Rev. 877 (1957). ing. Melvin Merzon, 44 Urban L.J. 151 (1966).

Valuation at time of commencement of condemnation proceedings, not time of tak-

Library References

Eminent Domain ⇐17, 28, 35.
C.J.S. Eminent Domain §§ 45, 46, 58, 64.

United States Code Annotated

Due process of law, see U.S.C.A. Const. Amends. 5, 14.

213.112. City council's resolution of necessity, contents; circuit court, jurisdiction

Sec. 2. Such proceedings may be begun and prosecuted under this act whenever the common council of such city shall have declared by resolution that it deems it necessary that such city take for public use the absolute title in fee to any such public utility. Such resolution shall

TAKING OF PUBLIC UTILITY BY CITY

213.111

P.A.1882, Ex.Sess., No. 26, § 21.
P.A.1883, No. 124, § 21.
P.A.1887, No. 48.
C.L.1897, § 3412.
C.L.1915, § 3396.
P.A.1927, No. 297.
C.L.1929, § 3806.
P.A.1937, No. 195.
C.L.1948, § 213.91.

Section 213.92, which related to evidence of ownership of property, was derived from:

P.A.1882, Ex.Sess., No. 26, § 22.
P.A.1883, No. 124, § 22.
How. § 3064v.
C.L.1897, § 3413.
C.L.1915, § 3397.
C.L.1929, § 3807.
C.L.1948, § 213.92.

Section 213.93, which provided for the sale of buildings on the property taken, was derived from:

P.A.1882, Ex.Sess., No. 26, § 23.
P.A.1883, No. 124, § 23.
How. § 3064w.

P.A.1887, No. 48.
P.A.1889, No. 236.
C.L.1897, § 3414.
C.L.1915, § 3398.
P.A.1927, No. 297.
C.L.1929, § 3808.
C.L.1948, § 213.93.

Section 213.94, which permitted proceedings for the taking of property under municipal articles of incorporation, special acts, or local charters, was derived from:

P.A.1877, No. 201, § 29.
How. §§ 3058, 3064x.
P.A.1882, Ex.Sess., No. 26, § 24.
P.A.1883, No. 124, § 24.
C.L.1897, § 3415.
C.L.1915, § 3399.
C.L.1929, § 3809.
C.L.1948, § 213.94.

See §§ 213.21 et seq., 213.51 et seq.

For provisions of present §§ 213.71 to 213.77, see §§ 213.71 to 213.77 ante.

Sec. 25, P.A.1883, No. 124

This section, which repealed P.A.1882, Ex.Sess., No. 26, was repealed by P.A.1947, No. 129, and was derived from:

How. § 3064y.
C.L.1915, § 3400.
C.L.1929, § 3810.

TAKING OF PUBLIC UTILITY BY CITY

Cross References

City waterworks, condemnation for construction or operation, see § 123.117 et seq.

Law Review Commentaries

Economic perspective on compensation problem. Warren J. Samuels, 21 Wayne L.Rev. 113 (1974).

P.A.1919, No. 119, Eff. Aug. 14

AN ACT to authorize any city having a population of 25,000 or more to take for public use the absolute title in fee to any public utility for supplying water, light, heat, power or transportation to the municipality and the inhabitants thereof within or without its corporate limits.

The People of the State of Michigan enact:

213.111. Cities, authority to take over public utilities

Sec. 1. Any city in this state having a population of 25,000 or more is hereby authorized to take for public use the absolute title in fee to any public utility for supplying water, light, heat, power or transportation to the municipality and the inhabitants thereof within or without its corpo-



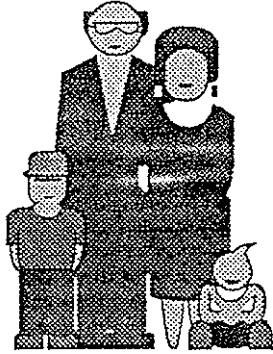
EARL McLAUGHLIN
VICE PRESIDENT
MARKETING,
CUSTOMER SERVICES & SUPPORT SERVICES



Public Service®

Public Service Company of Colorado
1225 17th Street, Suite 1200
P.O. Box 840
Denver, CO 80201-0840
(303) 294-2410 (303) 294-2741 FAX

CUSTOMERS DEMAND CHOICES
WANT ENERGY EFFICIENT SOLUTIONS



THE MARKETPLACE IS
DRIVING CHANGE

- Gas Deregulation
- California
- Michigan

Our Customers are Watching

CUSTOMER FOCUSED

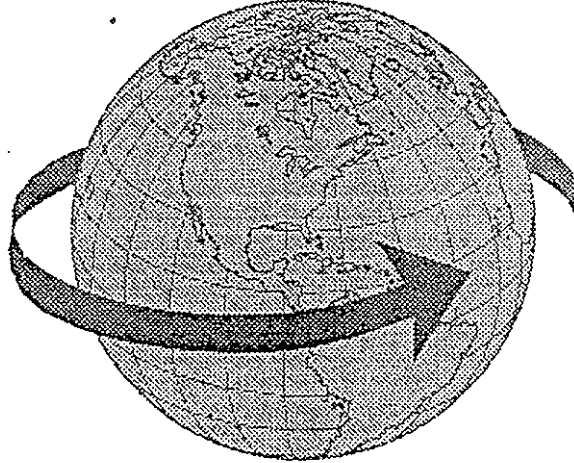
“The Customer will drive our destiny”

**“Our most important strategy is our
marketing strategy”**

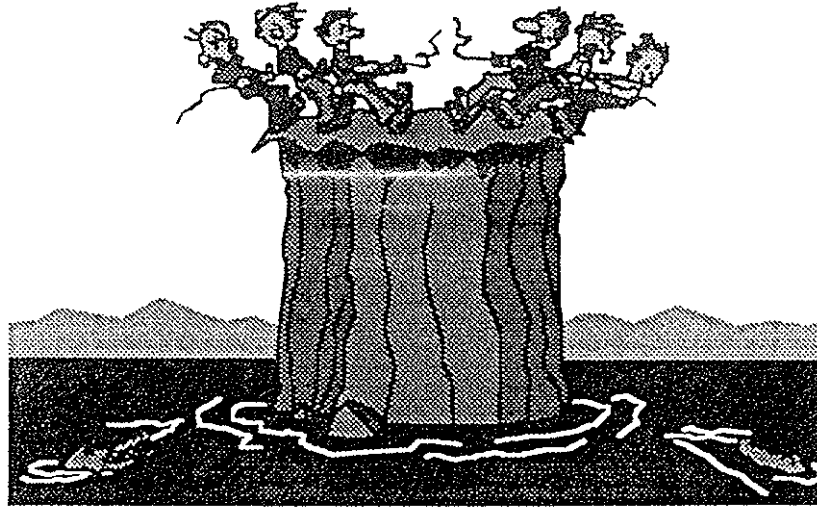
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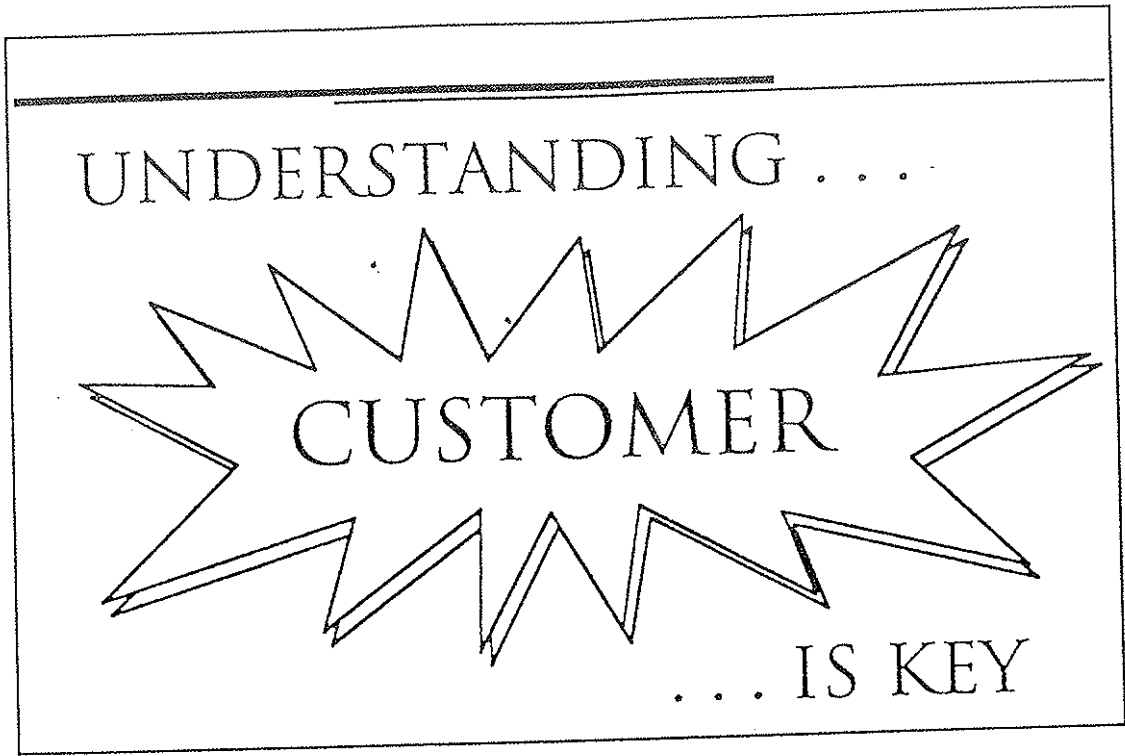
CEO Public Service Company of Colorado

BUSINESS IN TRANSITION



FIERCE COMPETITION





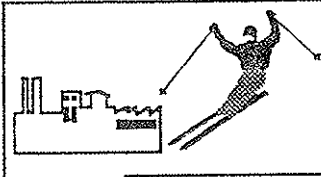
UNDERSTANDING

CUSTOMER

. . . . IS KEY

SUCCESS

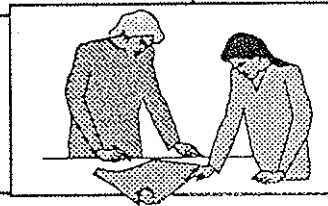
Research



Relationships



Account Planning



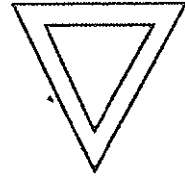
SMALL BUSINESS

- 20 employees or less
- Biggest hurdles are their internal systems
 - Billing, Accounting, Purchasing, etc.
- 88% of all Colorado commercial establishments have 20 or fewer employees
- PSCo serves approximately 112,000 small businesses
- 6% of total electric sales
- 18% of total gas sales
- All in very competitive markets

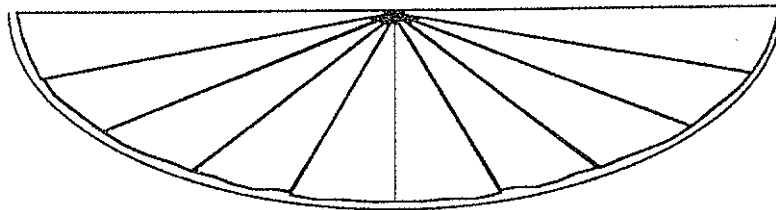
LARGE BUSINESSES

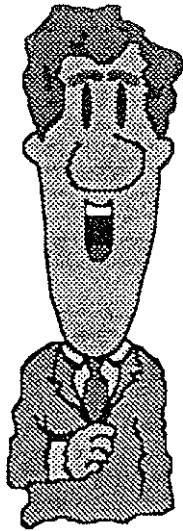
- Biggest hurdles are external
 - Environmental, Political, Employment
- Fierce competition
 - Market share
 - Control expenses (inputs)
 - Competitive advantage if inputs are lower cost
- Strategic alliances
 - Leverage
 - Cost control
 - Market
- Unbundled pricing
- Added value if translates to end products
- Oppose cross subsidization

FOCUS



Competitive Markets





"All goods and services
can be differentiated and
usually are."

Theodore Levitt

- **Fact:**

- Our customers are differentiating our business
- Seeking choices

- **We Must:**

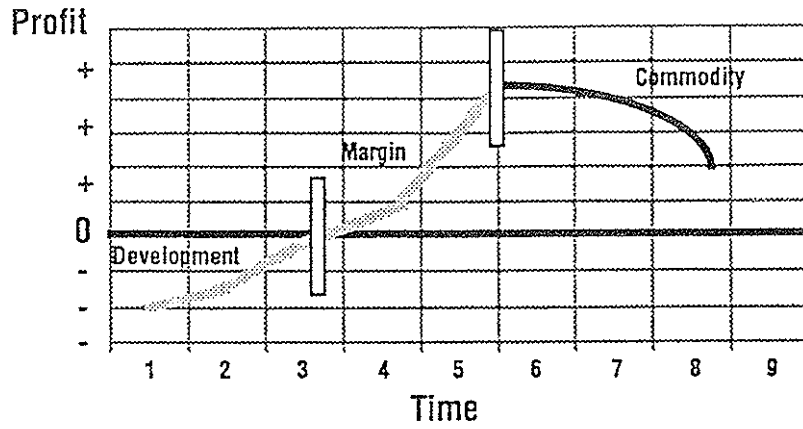
- Go beyond the meter
- Own the solution
- Lower our customers' energy costs
- Help make our customers more competitive in their markets
- Provide added value

- **Differentiation creates a competitive advantage (a barrier to entry)**
- **If we are unable to differentiate our products and services, our competition will have little resistance, and price will be the only determinate**

CUSTOMER QUOTE

- **“We want alliances with those who are;**
 - State-of-the-art in their business
 - Aggressive
 - Effective
 - Providing synergies
 - Reducing over all costs ”

SPEED IS CRITICAL

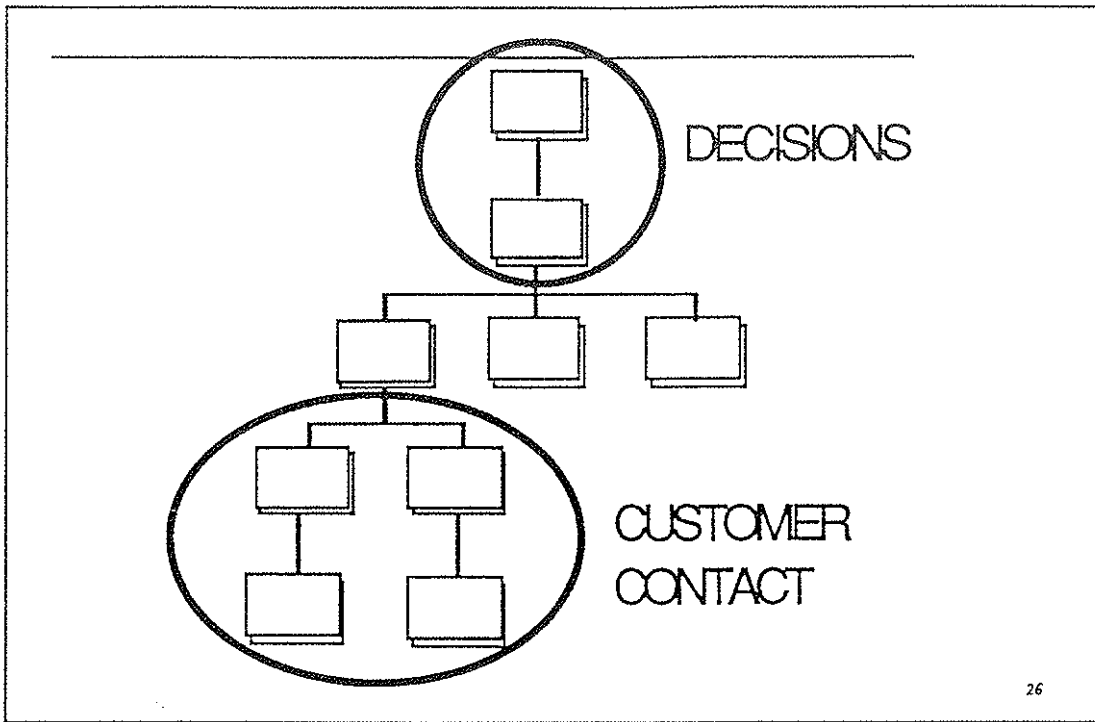


First will capture 90% of profit, then commodity pricing

COMPETITIVE STRATEGY EVOLUTION

- Increase Volume → Gain *Market Share*
- Reduce Cost → Improve *Profit Margins*
- Improve Quality → Meet *Competition*
- Improve Response Time → *Maintain Share*
- Surprise and Delight → "*Own the Market*"

Today, Customers are Buying Beyond the Product



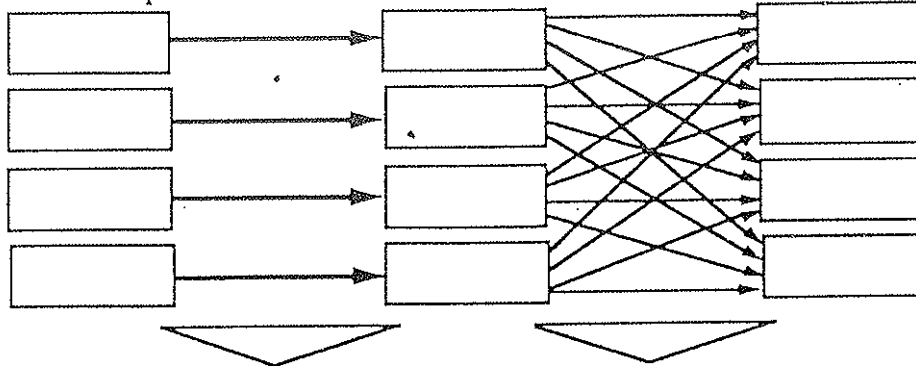
PRODUCT-DRIVEN ORGANIZATION

PSCo Today
Conceptual

Functional expertise /
product development

Product sales force

Customers / segments



"Internal simplicity"

- Clear accountability and lines of communication by function / product
- "Here's what we can do . . . Let's see if anybody needs it"

"External complexity"

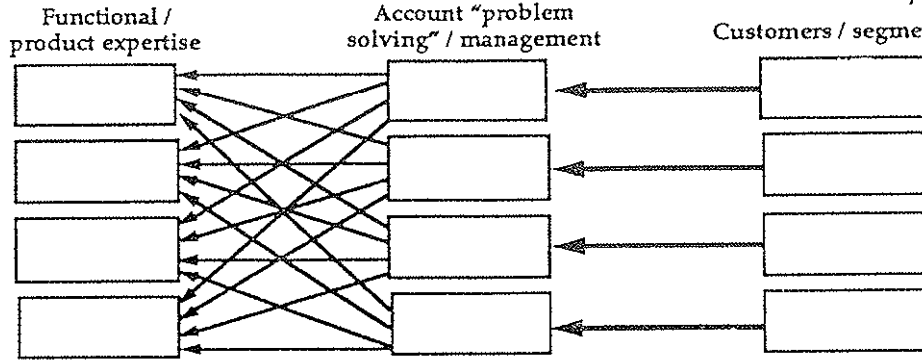
- Multiple sales people call on each customer
- Integration of products must be done by customer
- "Hammer in search of nails"

27

CUSTOMER / SEGMENT-FOCUSED ORGANIZATION

PSCo Future

Conceptual



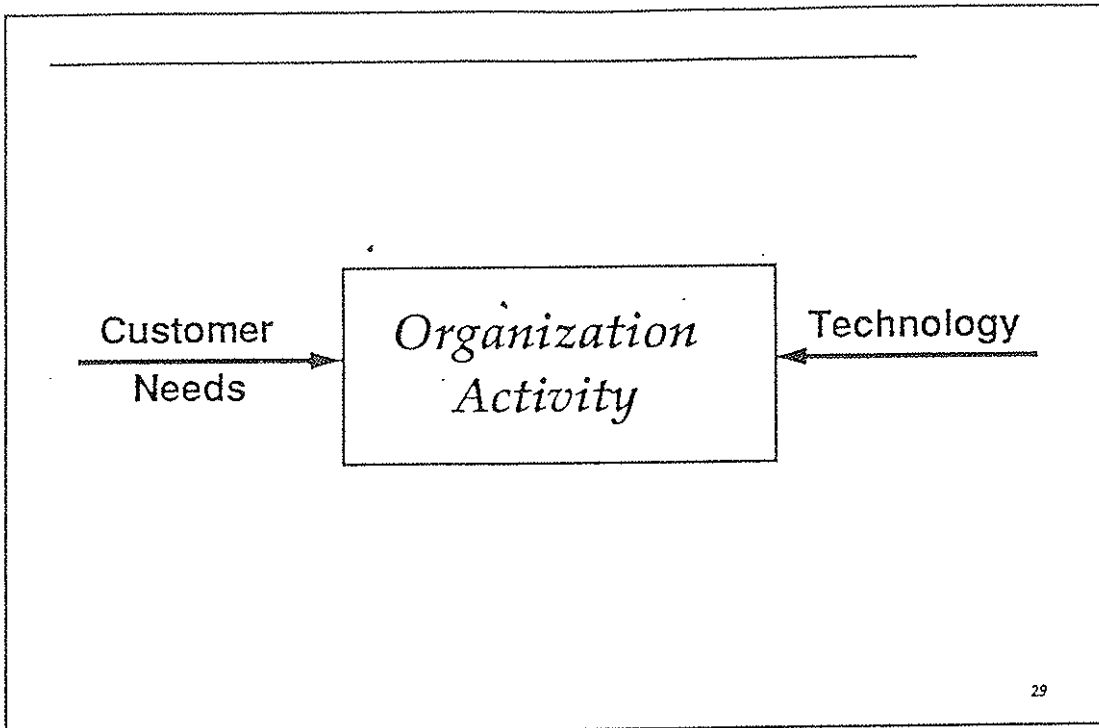
"Internal complexity"

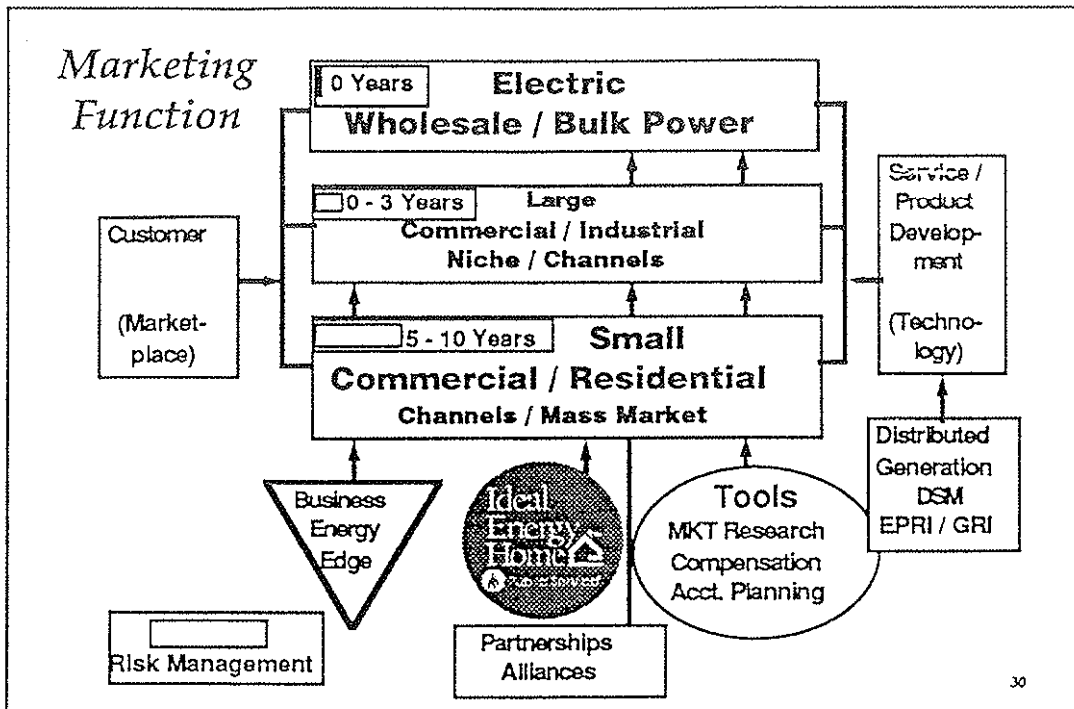
- More complex internal lines of communication ... account managers must assemble teams across product groups to develop solutions
- "Here's what we need to meet customer's needs ... Now, how do we do it?"

"External simplicity"

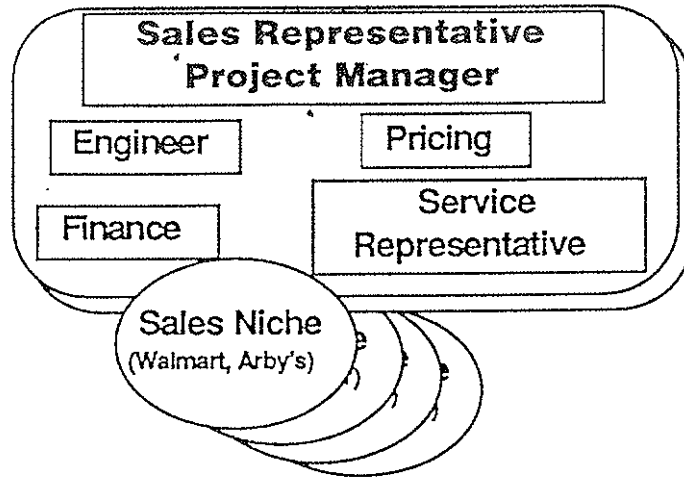
- Clear accountability for specific customers / segments ... "One face to customer"
- Integration of products by account team to develop "best solution" to customer needs ... "Use full tool kit"

28



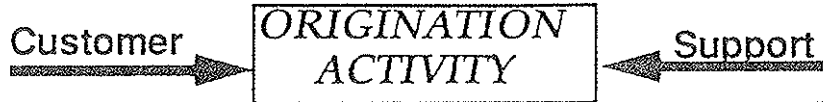


Large C & I Typical Pod



31

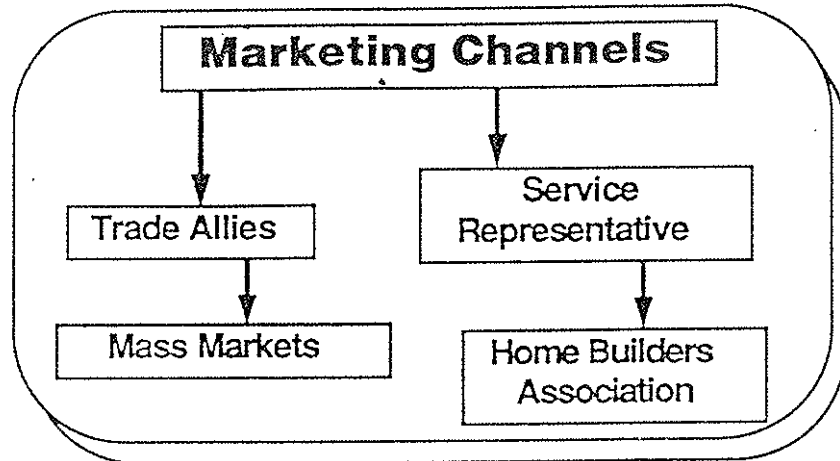
Wholesale / Industrial



- Focused on specific accounts
- Focused on unique needs
- Appear to customer as customized solutions
 - Problem solved against customer needs
- Not salespeople oriented (lunch, P.R. etc.)
- Problem Solvers
- Cross functional groups or teams
- Solution / problem solving flow from customer to corporate

"If we can do this we've got a deal.
Now what does it take to do the deal?"

*Residential / Commercial
Typical Pod*



33

Residential / Commercial



- Look for Themes
- 80% Commonality
- Trade Allies
- Etc.

YOU NEVER GET
100% IN A
COMPETITIVE
MARKET

"VISION OR REALITY"

PANEL MODERATOR:

DR. GREG BOUDREAUX -- NRECA

PANEL MEMBERS:

DOYLE HINES, GENERAL MANAGER, RETIRED
GUADALUPE VALLEY ELECTRIC
GONZALES, TEXAS

PAUL WEATHERBY, PRESIDENT & CEO, RETIRED
COBB ELECTRIC MEMBERSHIP CORPORATION
MARIETTA, GEORGIA

C. J. HOKE, GENERAL MANAGER, RETIRED
SOUTHERN NEBRASKA RPPD
GRAND ISLAND, NEBRASKA

PANEL - "Vision or Reality"

We had three distinguished panelist, Mr. Paul Weatherby - recently retired Manager from Cobb EMC in Georgia, Doyle Hines - recently retired Manager from Guadalupe Valley Electric in Texas, and C. J. Hoke - recently retired Manager from Nebraska.

The panelist were invited by Moderator Dr. Greg Boudereaux from NRECA to make opening remarks.

Mr. Doyle Hines from Texas took the microphone first and expressed his appreciation to the host cooperative for their work to host the program this year. He complimented them on their choice of the Williamsburg area as a great site to meet.

Mr. Hines expressed his serious concern that our rates must be competitive and sighted several examples of successes Guadalupe Valley has had from being innovative in rates to attract new customers and compete with other power suppliers. He stated that rates must be cost based and each utility must spend the time necessary to determine cost based rates. Guadalupe Valley has been successful in attracting industry as evidenced by their load being 74% industrial. Marketing is also an important factor in Guadalupe's growth. Even to the extent of being involved in marketing internationally.

Mr. Hines also advocated diversity stating "we must diversify our activities, even bringing ourselves further into the consumers needs than we have in the past". "It may be necessary to get into the gas business, the water business, the industrial park business. We can't say no, we can't say we don't have time, we can't say we can't do that. We must answer our customers needs."

Next, Mr. Paul Weatherby gave his opening remarks. He stated "through the years my message to you has been the wolf is coming". He went on to explain that unless we get competitive, we can not justify our existence.

Mr. Weatherby further commented that there was probably three things he had pushed for over the years - 1) alternative financing 2) the bad effects of the big little syndrome 3) things must change. Mr. Weatherby went on to expand on his three points in the ideas that he had to support the alternative financing, the big little syndrome, and that we must experience change in order to survive.

Mr. C. J. Hoke then made his opening remarks. Mr. Hoke, being from a public power district in Nebraska gave a brief explanation of the difference between a PPD and a REC. Nebraska is an all public power state. The public power districts, by definition are a public subdivision of the State of Nebraska. The power supply in the State of Nebraska is a public power district. The PPD's have no members, have no annual meetings, no capitol credits, and directors are elected in general elections just like the school boards, etc. While these difference may sound good, it is not all good. The PPD's are tightly regulated by the Nebraska Legislature which is a one house system with forty-nine members.

Mr. Hoke went on to state he agreed with the other panelists that we must be competitive. Not only do we feel competition from other electric utilities, but gas and other sources of fuel will be increasingly competitive. Mr. Hoke also emphasized that we as rural electric systems should be involved in the decision making on the issue of retail wheeling. He also emphasized the importance of our having an effective communication program with our customers.

After each of the panelist stated their opening remarks there followed considerable discussion about topics such as deregulation, competition, customer service, innovative rates, and financing. The panelists identified several priorities that the REMDC should be involved in. Power cost was an issue identified that needed to be addressed. Finding ways to have competitive rates were identified, and customer service was emphasized. After several questions and responses about these issues, the panel was dismissed.

On behalf of the REMDC the three retired panelists were then presented with a plaque for their dedication to the REMDC. Each plaque read:

"Special recognition presented to you whereby your colleagues ever mindful of your outstanding contribution to the council and to the rural electrification program pause now to reflect upon and record their highest regard and esteem for you June, 1994."

"INDUSTRY ISSUES"

DON HOWELL

**VINSON & ELKINS
ATTORNEYS AT LAW
HOUSTON, TEXAS**

REINVENTING THE RURAL ELECTRIC MOVEMENT

(as we go along)

TRYING TO INTERPRET WHAT IS HAPPENING TO OUR NATIONAL ELECTRIC SYSTEM

- WHAT IS HAPPENING TO IOUs?
- WHAT IS HAPPENING TO THE GENERATION OF ELECTRICITY?
- WHAT IS HAPPENING TO THE MARKET FOR ELECTRICITY?
- WHAT DOES THIS MEAN FOR THE RURAL ELECTRIC MOVEMENT?

WHAT IS HAPPENING TO IOUs?

- ATTITUDES
- ORGANIZATION
- EXPECTATIONS
 - "PRIVATIZATION" -- A NEW SOCIAL COMPACT
 - REREGULATION
 - INCENTIVES FOR PROFIT
 - AT&T

WHAT IS HAPPENING TO THE GENERATION OF ELECTRICITY?

- COGENERATION TECHNOLOGY
- NEW TECHNOLOGY
 - NEW GAS-FIRED PLANTS
 - DIESEL GENERATION
 - FUEL CELLS
- THE NEW GENERATORS
 - NOW
 - THE ROLLUPS TO COME

WHAT IS HAPPENING TO THE MARKET FOR ELECTRICITY?

- THE WHOLESALE MARKET
 - STATUTORY REQUIREMENTS
 - VOLUNTARY POOLS
 - CENTRAL AUCTION - BASED PRICING VS. POWER BROKERS
 - POWER MARKETERS
 - COMPUTERS - COMMUNICATIONS AND REAL TIME
- THE RETAIL MARKET
- SUPPLY VS. DEMAND

WHAT DOES THIS MEAN FOR THE RURAL ELECTRIC MOVEMENT?

- HOW DO WE KEEP OUR PROMISE?
- WHAT IS THE NORTHBOUND TRAIN?
- CAN WE SURVIVE
AND PROSPER?

RE-INVENTING OUR RURAL ELECTRIC SYSTEM

- RATES, RATES, RATES
- CHANGE, CHANGE, CHANGE

WHAT ARE OUR STRENGTHS?

- OUR PEOPLE
- OUR STRUCTURE
- OUR SERVICE
- OUR TAX EXEMPTION

WHAT ARE OUR WEAKNESSES?

- OUR GOVERNMENT
- OUR RESISTANCE TO CHANGE
- OUR SIZE

REA GENERAL STRATEGIES

- HELPING GOVERNMENT BECOME A LENDER, NOT A HOLDING COMPANY?
- HELPING GOVERNMENT TAKE REASONABLE RISKS AS A LENDER ON A PARITY WITH THE MARKET?
- HELPING GOVERNMENT BE A FRIEND IN A TIME OF CHANGE?

REA BUYOUT STRATEGIES

- WILL THE DOOR CLOSE?
- WHAT ARE THE OPPORTUNITIES?
 - LOWER COST FINANCING
 - TERRITORIAL PROTECTION
- PARITY DEBT WITH MARKET INDENTURE

G&T STRATEGIES

- ORGANIZATIONAL STRATEGIES
 - ONE MEMBER SYSTEM, ONE VOTE
 - IRS REQUIREMENTS
 - CONSTITUTIONAL REQUIREMENTS
 - DUAL VOTING PROVISIONS
- POWER SUPPLY STRATEGIES
- REA STRATEGIES
- FLEXIBLE CAPITAL STRATEGIES

TAKEOVER STRATEGIES

- TARGET RECS
 - UNCOMPETITIVE RATES
 - GOOD MIX OF RESIDENTIAL AND COMMERCIAL CUSTOMERS
 - TERRITORIAL PROTECTION
 - LOAD GROWTH AREA
 - INDUSTRIAL CUSTOMERS MAY NOT MATTER
- TAKEOVER PROTECTION
 - REQUIRE EXTRAORDINARY MAJORITY VOTE FOR DISSOLUTION
 - REQUIRE PERSONAL ATTENDANCE TO VOTE AT MEETING
 - CHANGES IN CONTROL PROVISIONS
 - ACCELERATION OF DEBT
 - REPAYMENT OF MEMBER CAPITAL

CAPITAL STRATEGIES

- PATRONAGE DIVIDENDS
 - GO ONLY TO VOTING CUSTOMERS
- CAPITAL ROTATION
 - GENERAL ROTATION, NOT
FIRST IN TIME IS FIRST IN RIGHT
- ESCHEAT LAWS
- PREFERRED STOCK
- FLEXIBLE BORROWING ALTERNATIVES
- ADEQUATE EQUITY
- RATING DISCIPLINE

FUEL STRATEGIES

- FUEL HEDGES
- COST OF POWER PLANTS, NOT COST OF FUEL
- MIX OF FUEL PRICES

SERVICE STRATEGIES

- CUSTOMER ORIENTED
- DIVERSION OF CAPITAL TO SERVICE AREA ENTITIES
- ROLE OF FIBER-OPTIC CABLE

STATUTORY STRATEGIES

- MULTIPLE PURPOSES
- PREFERRED STOCK

CONCLUSION

- THERE IS NO PLACE TO HIDE
- THROW OUT THE RULE BOOK
- TAKE OFF THE BLINDERS
- LOOK FOR OPPORTUNITIES
- ANTICIPATE CHANGES
- COST IS THE DRIVER
- LOCAL SERVICE IS THE GLUE
- THERE IS NO SILVER BULLET

"THE ROAD TO COMPETITION"

THE DEVELOPMENT OF THE COMFORT FLAME FIREPLACE

presented by:

SCOTT W. HANDY
ASSISTANT GENERAL MANAGER
CASS COUNTY ELECTRIC COOPERATIVE, INC.
KINDRED, NORTH DAKOTA

The Road to Competition

Alliances with Non-Utility Partners
to Enhance Competitive Position:

The Development of the Comfort Flame Electric Fireplace

A presentation at the 1994 meeting of the

Rural Electric Management Development Council

Williamsburg, Virginia

June 13, 1994

presented by:

Scott W. Handy
Assistant General Manager
Cass County Electric Cooperative, Inc.
Kindred, ND

Abstract: The Comfort Flame electric fireplace is the result of an alliance between an electric cooperative and a non-utility trade ally. The fireplace has increased Cass County Electric's ability to compete with natural gas for space and water heating, and also provides a profitable return to Cass County Electric's subsidiary company.

"Compete: to strive to outdo another, as for supremacy," Random House Dictionary.

Competition is a concept most people believe doesn't apply to the electric utility industry. Each utility's service area is fixed, prices are set on a cost-plus basis, and we can all operate in our own little isolated worlds, right?

Not exactly. In fact, not at all. The days of cost-plus pricing and isolationism are long gone. Many utilities, but not all, do enjoy some semblance of stability in service area. But this, too, is changing quickly. There is even direct competition for some market segments in the utility industry. Ask anyone who markets electricity for space and water heating if competitors are actively pursuing these markets.

Cass County Electric Cooperative has been dealing with many forms of competition for a long time. Since developing an aggressive dual energy heating program in the early 1970's, stiff competition from suppliers of oil, propane, and more recently, natural gas, has been the norm. Territorial competition posed a major threat to the cooperative's growth area in and near Fargo, North Dakota in the mid-1980's.

We have tried a number of things over the years to meet and beat the competition. One of the more unique ideas is a joint venture partnership with a manufacturing company to produce and market a quality electric fireplace. This presentation is the story behind this project.

Background and Introduction

Cass County Electric is fortunate to serve in and around the fastest-growing metropolitan area in North Dakota. Now this may sound more imposing than it really is, because even though Fargo is the largest city in North Dakota, it has a population of only 80,000.¹

Northern States Power Company (NSP) is a large, investor-owned utility serving electricity to most of Fargo, and natural gas to all of Fargo and area communities. NSP aggressively markets natural gas in the growing areas of Fargo, most of which lie in Cass County Electric's service area.

¹Cass County Electric's service area lies within a regional trade area called the Red River Trade Corridor. Even though Fargo and other south eastern North Dakota cities are relatively small, the regional trade area is home to about 1.5 million people and an annual economic trade of over \$20 billion. This regional trade area is a natural fit for sales of products such as the Comfort Flame electric fireplace.

It has been said that competition inspires a company to better performance. This has certainly been the case for Cass County Electric. Competing with NSP has helped us to sharpen our focus and concentrate on those things which will help us survive and stay one step ahead. In fact, NSP is largely responsible for Cass County Electric's venture into this project.

NSP has a gas line extension policy which makes it cost-prohibitive for the owner of a new home to have both electric heat and a gas fireplace. This is a serious issue because of all the new homes built in Fargo in 1993, over half had a gas fireplace. The gas line extension policy requires the customer to pay the entire cost of the extension to serve a gas fireplace (\$800 to \$1,000) if the home is not heated with gas. Needless to say, this policy has cost Cass County Electric considerable market share in space and water heating in the new house construction market.

Our attempts to deal with this matter through political channels have not been successful. NSP has convinced the North Dakota Public Service Commission that other gas customers would subsidize an extension for a gas fireplace even though all gas customers pay a fixed monthly service charge which is supposed to recapture the investment cost of the extension.

During a brainstorming session involving Cass County Electric marketing personnel, we explored alternative ways of attacking this barrier. The idea of an electric fireplace as an alternative to the popular gas fireplace came up.

A market search for existing electric fireplace models revealed only a few units. We purchased some examples and conducted informal customer research to gauge the market attractiveness of the existing models. This proved to be a disappointing exercise, because the existing models of electric fireplaces were small, of questionable quality and just didn't provide an effective competition for the gas fireplace.

The idea didn't die out easily, however. The many advantages of an electric fireplace suggested that an effectively marketed, premium quality model would be a good competitive tool.

Tom Thorson, Cass County Electric's manager of marketing, came up with the idea of challenging a manufacturer to develop and market a premium quality electric fireplace. His first contact was with Electro Industries of Monticello, Minnesota. Electro Industries is a small manufacturer of electric heating, load management and other utility-related equipment. It has a reputation for innovation and fast development of an idea, and is a company with which Cass County Electric has had a long standing relationship. Electro Industries provided much of the electric heating

and load management equipment with which we have secured a 50 percent participation by our customers in a dual energy heating program.²

Electro Industries studied electric fireplace technology and did some internal development of ideas to provide a realistic flame effect. Bill Seefeldt, president of Electro Industries told us that he felt he could develop and produce an electric fireplace that would meet our expectations. However, he put a twist in his response: he would be willing to proceed if Cass County Electric would participate financially in the development and marketing of the unit.

At this point Cass County Electric marketing personnel had to make a decision. This situation was similar to the old story of a dog that continually chases cars -- what does the dog do when he finally catches a car?

The details of Cass County Electric's financial participation remain proprietary, but the agreement can be discussed in concept. Electro Industries presented a proposed budget for research and development for the project and asked Cass County Electric to respond with a proposal for sharing development costs in order to move the project ahead.

Making the Deal

Two factors drove the decision for Cass County Electric to enter into a joint venture with Electro Industries. One factor was the seriousness of the threat by gas fireplaces to electric heating market share in new home construction. The other factor was a comparison of the proposed investment in the fireplace project to legal costs Cass County Electric had incurred over the previous year by intervening in a natural gas rate case. The rate case involved flexible gas pricing to meet competition at the industrial level and the trade secret protection of gas pricing requested in the rate filing. Our logic was that if we were willing to allocate resources in the legal arena to fight gas competition, we should also be willing to allocate resources in the development of a competitive tool.

After several meetings between Cass County Electric and Electro Industries, an informal operating agreement was reached. Essentially, we agreed to fund about 75 percent of the development costs of the fireplace in exchange for a royalty on fireplace sales. We agreed to be actively involved in the development and marketing of the fireplace.

²The Comfort Flame project is not the first controversial project with which Cass County Electric has been involved. The dual energy heating program, when first proposed in the early 1970's, was not warmly received by others in the electric utility industry. From our early start in the dual energy heating business, we've had major success in market share as well as the displacement of millions of gallons of imported oil. The new emphasis on demand side management in our industry is confirmation that many of us in the electric cooperative business are early leaders in the adoption and implementation of new ideas.

An interesting aspect of the project was that Cass County Electric's general manager, Mike Gustafson, was not brought into the project discussion until the initial deal had already been made. This was primarily because of the rapid development of the project and the need to respond quickly in competitive situations. The culture of risk-taking and fast response has been ingrained in Cass County Electric employees during the ten years of Mike's leadership as general manager, and he has been very supportive of the project.

We have adjusted the details of the operating agreement a few times, and have also made further investments in development.

Product Development

Representatives of Cass County Electric and Electro Industries met several times during the initial development process. Many of these meetings took place at the manufacturing plant to observe and test specific design options.

The first prototype unit was exhibited by Cass County Electric at the March 1993 Fargo Home Show. A comment card was available in the exhibit and about 500 people took the time to share their opinions about the fireplace and what improvements they would like to see.

Many of the suggestions have been incorporated into the design, and further enhancements have been made based on the input of fireplace customers and Cass County Electric marketing personnel.

Electro Industries has also made a number of changes in the manufacturing process to increase quality and streamline production.

Marketing

Electro Industries recognized early on that Cass County Electric would be a valuable partner in the marketing of the fireplace. Cass not only has a high profile in its service area, but also has a lot of exposure with other electric cooperatives around the country. Cass County Electric employees have been active in promoting the fireplace at several national meetings, including NRECA's 1994 annual meeting.

The distribution method for the fireplace has proven to be the biggest challenge. Initial efforts to set up area dealers, such as fireplace stores and electric supply houses, failed to generate much interest or many sales. Electro Industries acquired the capability of selling fireplaces directly to the end customer via credit card sales, but this has not been very effective either.

The direction now is to establish electric cooperatives, and in some locations, investor-owned utilities, as distributors. Cass County Electric has become an area

distributor, selling at both the wholesale and retail levels. Several other cooperatives are interested, but this concept hasn't taken off yet.

Other potential distribution channels which hold some promise include local and regional furniture stores and lumber yards. In the case of furniture sales, there has been some success in positioning the fireplace as a nice-looking piece of furniture that also provides heat, rather than a heating unit that also happens to have aesthetic appeal.

Literature and sales videos have been jointly developed by Cass and Electro Industries. Cass has developed a model marketing plan for use by other cooperatives that choose to make the electric fireplace a tool in their overall marketing plan.

Other Benefits

The fireplace project has provided a spark to Cass County Electric's marketing efforts. After many years of selling the abstract nature of energy, the task of selling an actual, tangible product has been fun. Many marketing employees have had some marketing training in product marketing and sales and now have a channel in which to use those skills.

The emotional appeal of the fireplace has also been interesting to observe. People are genuinely impressed with and interested in the fireplace and view it as a way to provide an atmosphere in their homes and businesses.

Being a distributor of the fireplace also has the potential to add some margins for the cooperative. In addition to the royalty, the markup on sales more than covers the costs of involvement. Increased energy sales and, indirectly, increased market share for space and water heating, are other long term benefits.

Conclusion

Whether we like it or not, competition is a real force in the markets we serve. Our competitors are, in most cases, much larger and better funded than we are. Electric cooperatives must be creative and must have the ability to move quickly to survive in this competitive arena.

There are many opportunities to compete and add value for our customers. Some of these opportunities lie outside the utility industry. In order to compete effectively with other energy suppliers, we need to seek out these unique niches and move quickly to capitalize on them.

The Comfort Flame electric fireplace has provided another tool in our competitive tool box, and it fits nicely with our desire to be positioned as a creative and innovative energy supplier.

The Road to Competition

The Development of the Comfort Flame Electric Fireplace

1994 REMDC Conference

Scott Handy
Cass County Electric Cooperative

"Compete: to strive to outdo
another, as for supremacy"

The Road to Competition

Competitive background

- dual energy heating program
- fossil fuels
 - local dealers
 - investor-owned utilities
- territorial
 - investor-owned utilities
- regulatory challenges

The Road to Competition

Fireplace Project Background

- gas fireplace competition
 - loss of market share
 - NSP tactics
 - regulatory contacts

- market search for electric fireplace

- Electro Industries

The Road to Competition

Making the Deal with Electro Industries

- request for partnership
- comparison to other expenses
 - legal costs for competition
 - overall marketing efforts
- evaluation of benefits
- form of the agreement

The Road to Competition

Marketing the Comfort Flame

- CCEC participation
- market channels & distribution
- promotion
- pricing
- sales to date

The Road to Competition

Experience So Far

- process is slow and frustrating
- marketing is fun
- employee enthusiasm

Cass County Electric Cooperative

The Road to Competition

Product Features

- electro technology
displacement of pollutants
- convenience
- safety
- zero clearance
- different models
heat output
flame only
builder models
- options
remote control
possible future options

INTRODUCING . . .

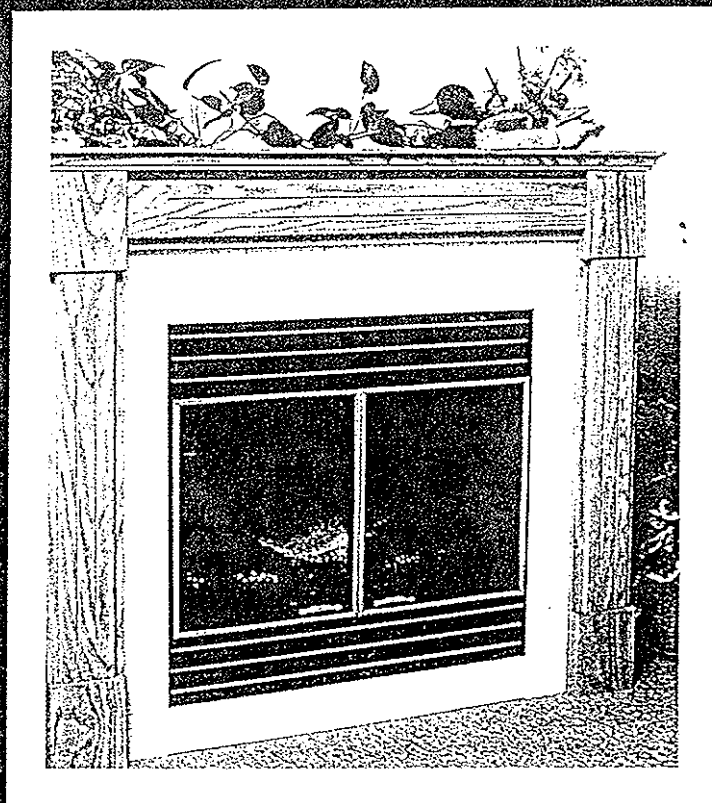
COMFORT FLAME

the electric fireplace

That's right, it's electric!

No smoke, ashes, fumes or other hazards to worry about.

Technology has allowed us to eliminate all the drawbacks of a wood or gas fireplace and enhance the benefits.

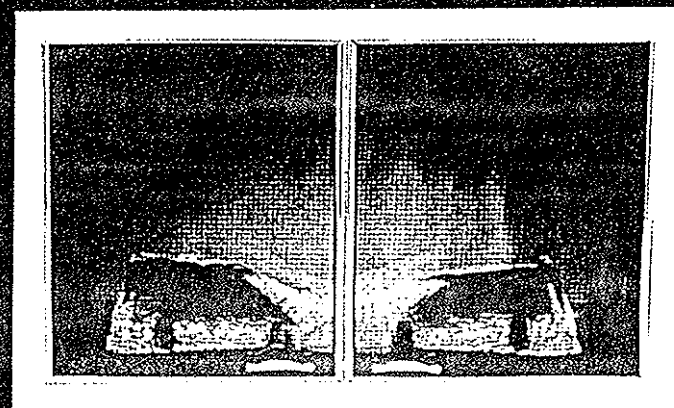


It looks and feels warm!

It's very authentic!

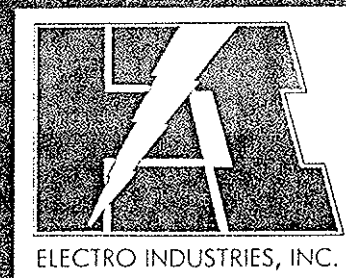
It installs easily!

It's totally electric!



The Comfort Flame can be installed virtually anywhere with zero clearance and without any concern for special insulation, fireproofing, brick, etc. Also, there is no chimney or vent to be installed and maintained. The installation of a Comfort Flame is limited only by your imagination.

***ELECTRICITY . . .
THE CLEAN TECHNOLOGY***



No other fireplace offers the versatility, safety and convenience of a **Comfort Flame**. You decide whether you want heat only, flame effect only, or both heat and flame effect. Plus, you receive the following advantages:

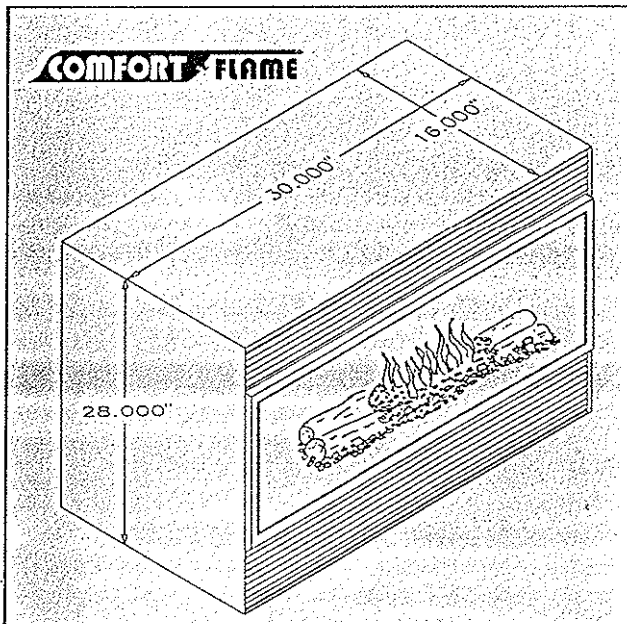
- Built-in thermostat
- No chimney, no vent
- No maintenance
- Non-polluting
- Zero clearance
- Finned rod elements
- Completely safe
- Authentic flame effect
- Scent emitter

Additional options include:

- Remote control
- Parlor stove package

No chimney or venting!

With the Comfort Flame fireplace, the house vapor barrier envelope (the home's "tightness" factor) can be maintained, allowing maximum efficiency for the main heating system. The Comfort Flame is 100 percent efficient, and does not add energy loss to the building or structure. Avoiding a chimney or venting system also reduces installation costs and material requirements.



The electric Comfort Flame delivers the warm, pleasing atmosphere you look for in a fireplace without the hazards or work associated with burning gas or wood.

It doesn't get any simpler. Just hook up the electric power, set the thermostat and push the "ON" button (remote control available). If it gets too hot in the room, turn down the thermostat or turn the heat completely off without losing the flame effect.

The Comfort Flame is an ARL listed and approved heating appliance. Electro Industries' standard 2-year warranty statement applies.

The development of this fireplace is a joint effort by SERVE, Inc., a subsidiary of Cass County Electric Cooperative, Inc., Kindred, North Dakota, and Electro Industries.

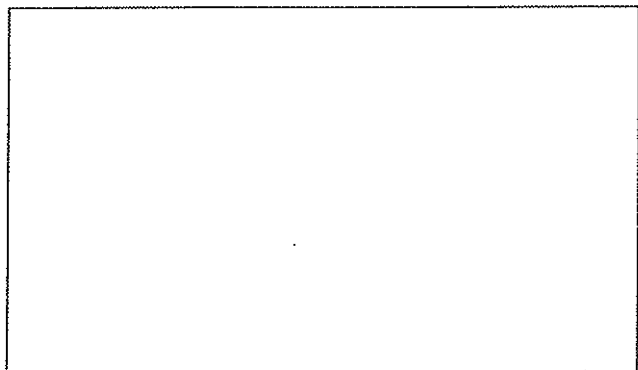
MODELS:

CF-1400 - 120 volt, 15 amp
1400 watt heat output \$ _____

CF-3000 - 240 volt, 20 amp
3000 watt heat output \$ _____
(off-peak controllable)

Electro Industries, Inc.
2150 W. River Street
Monticello, MN 55362
1-800-922-4138

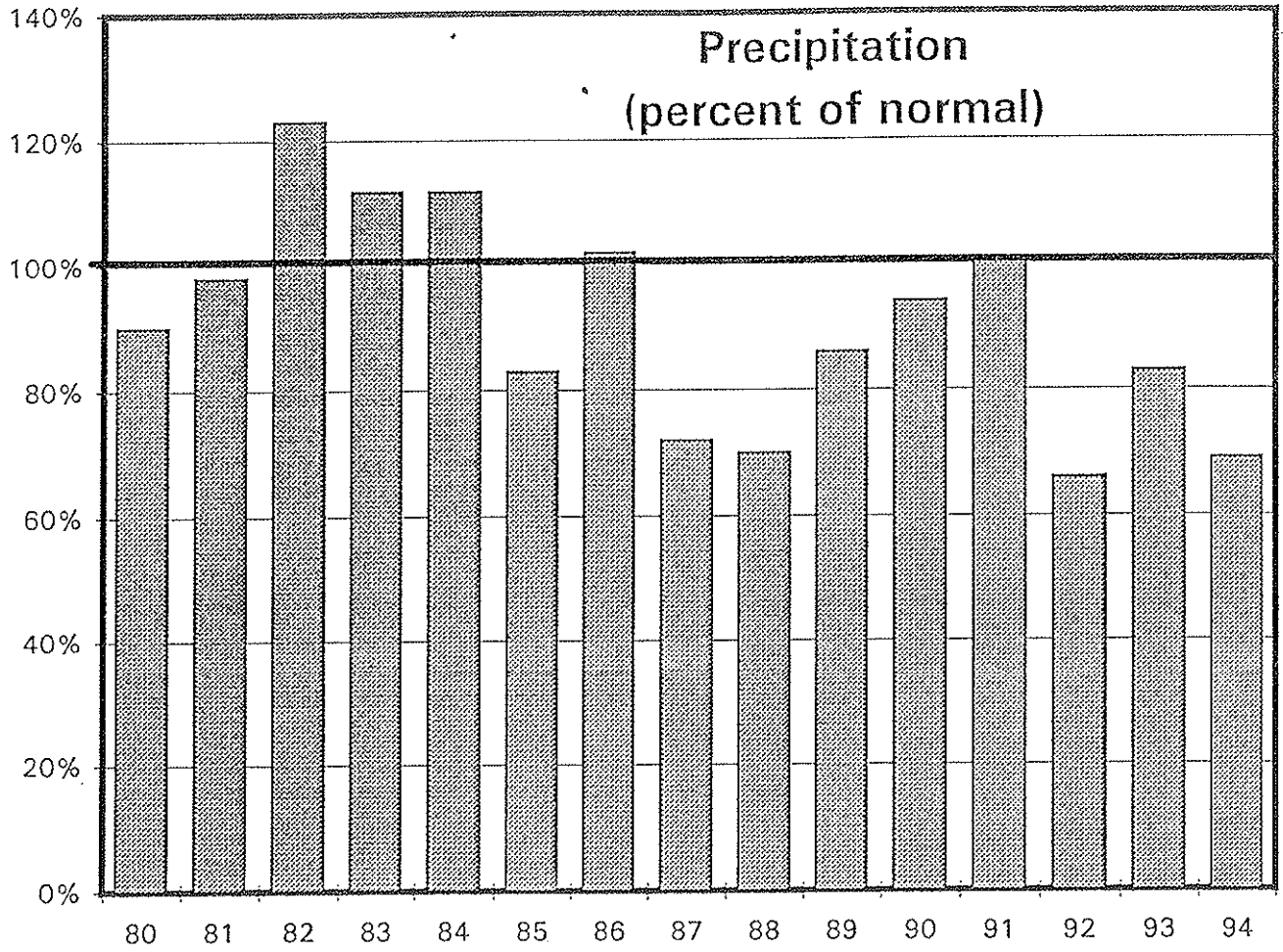
DISTRIBUTED BY:



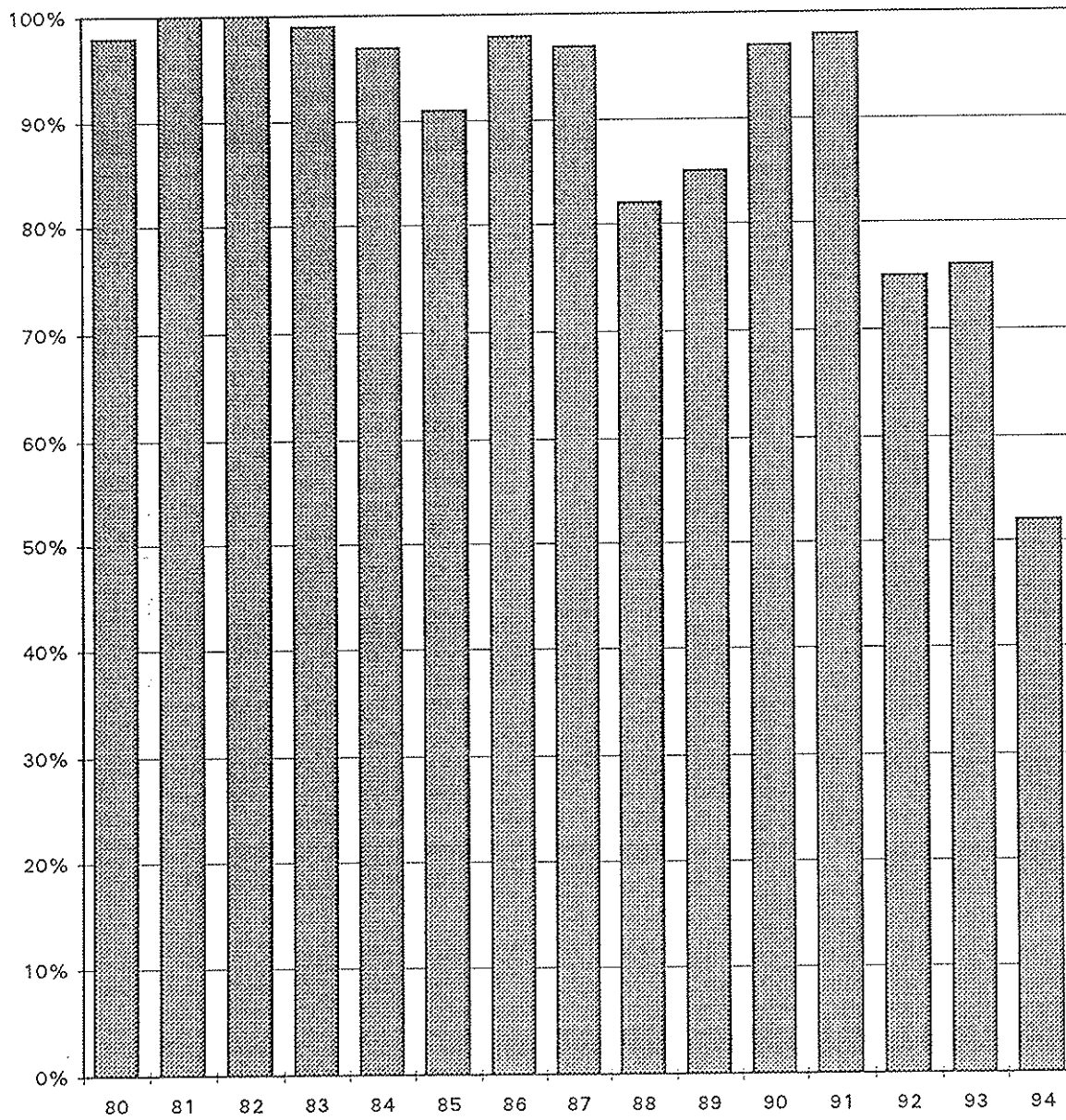
"THE CONTINENTAL DIVIDE"

by:

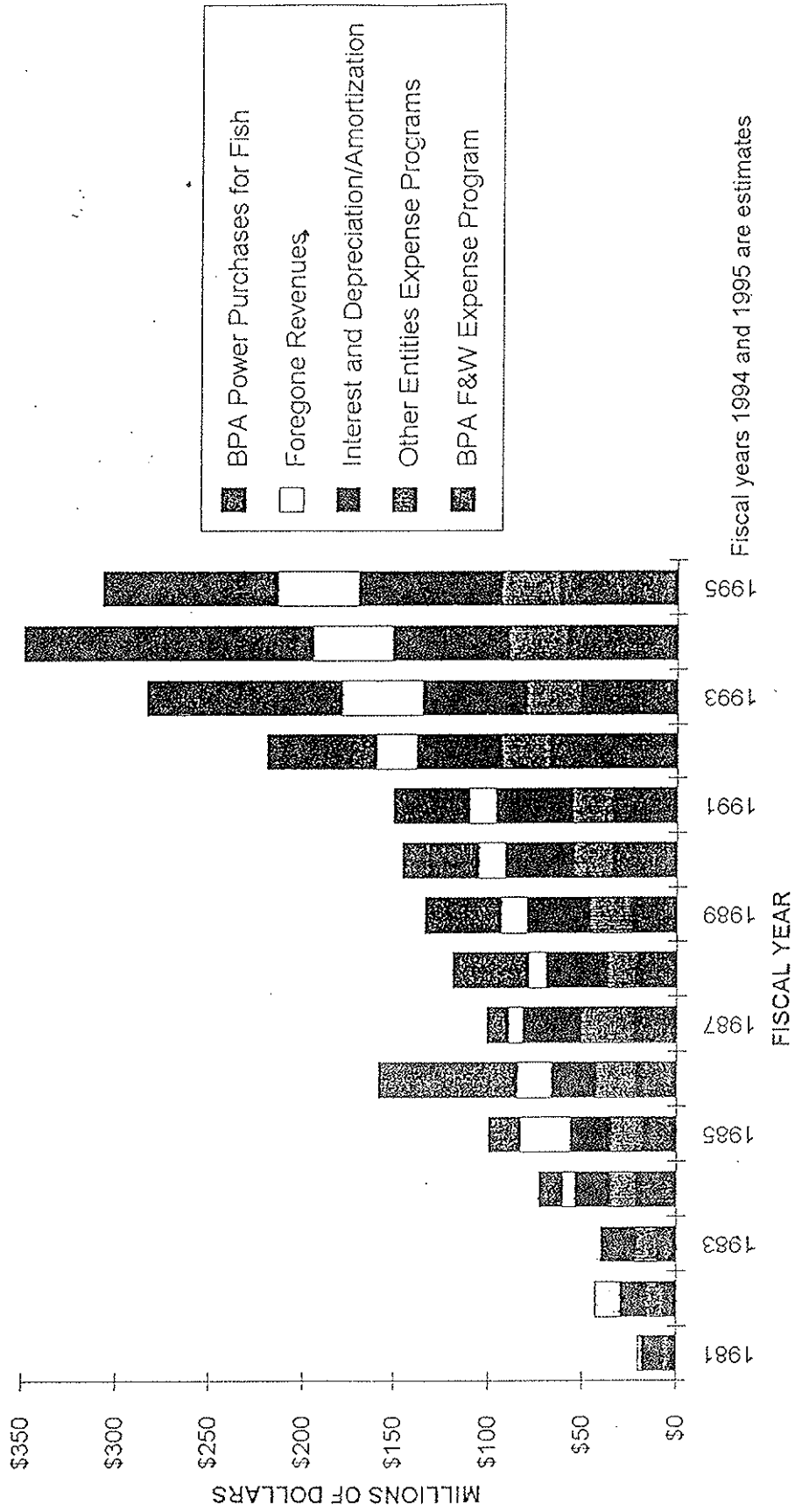
**DOUG BECHTEL
GENERAL MANAGER
ORCAS POWER & LIGHT COMPANY
EAST SOUND, WASHINGTON**



Reservoirs (Percent of capacity)

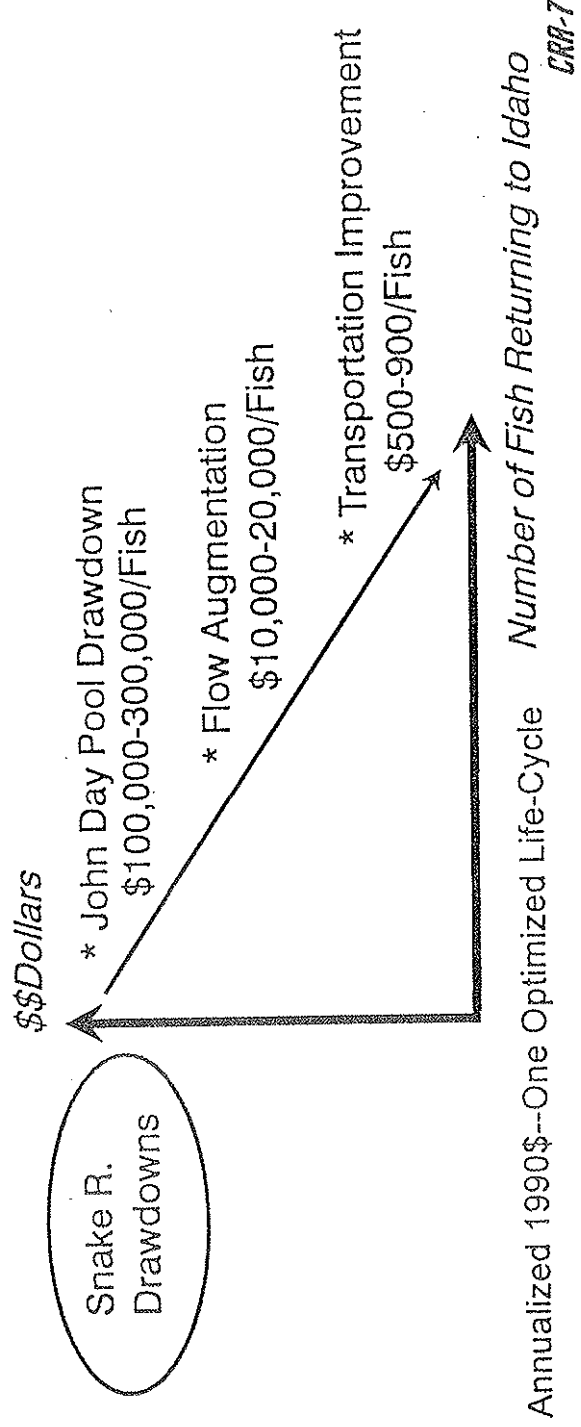


BPA FISH AND WILDLIFE INVESTMENTS

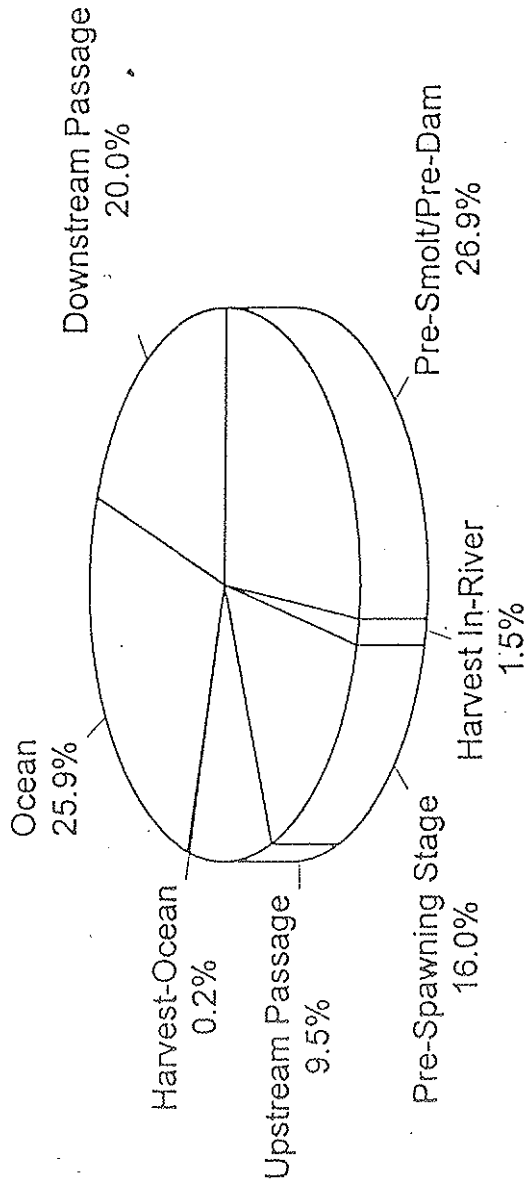


Snake River Salmon Recovery Cost-Effectiveness of Recovery Measures

\$\$ Dollars Per Returning Adult Salmon to Idaho Waters

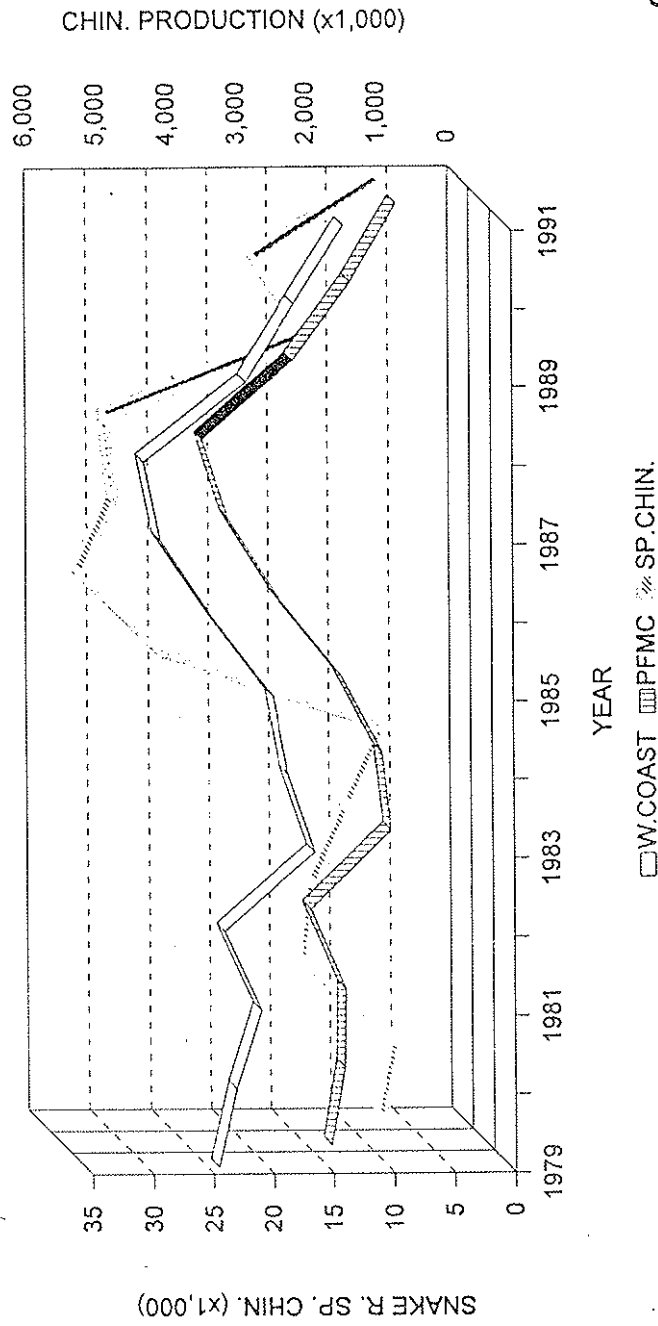


Snake River Salmon Life-Cycle Mortality Spring Chinook Estimated Adult Equivalent Mortality

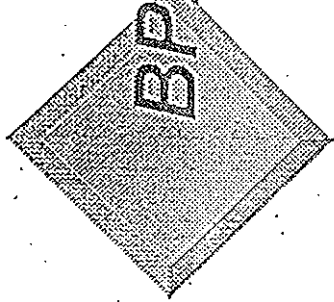


CRA-2

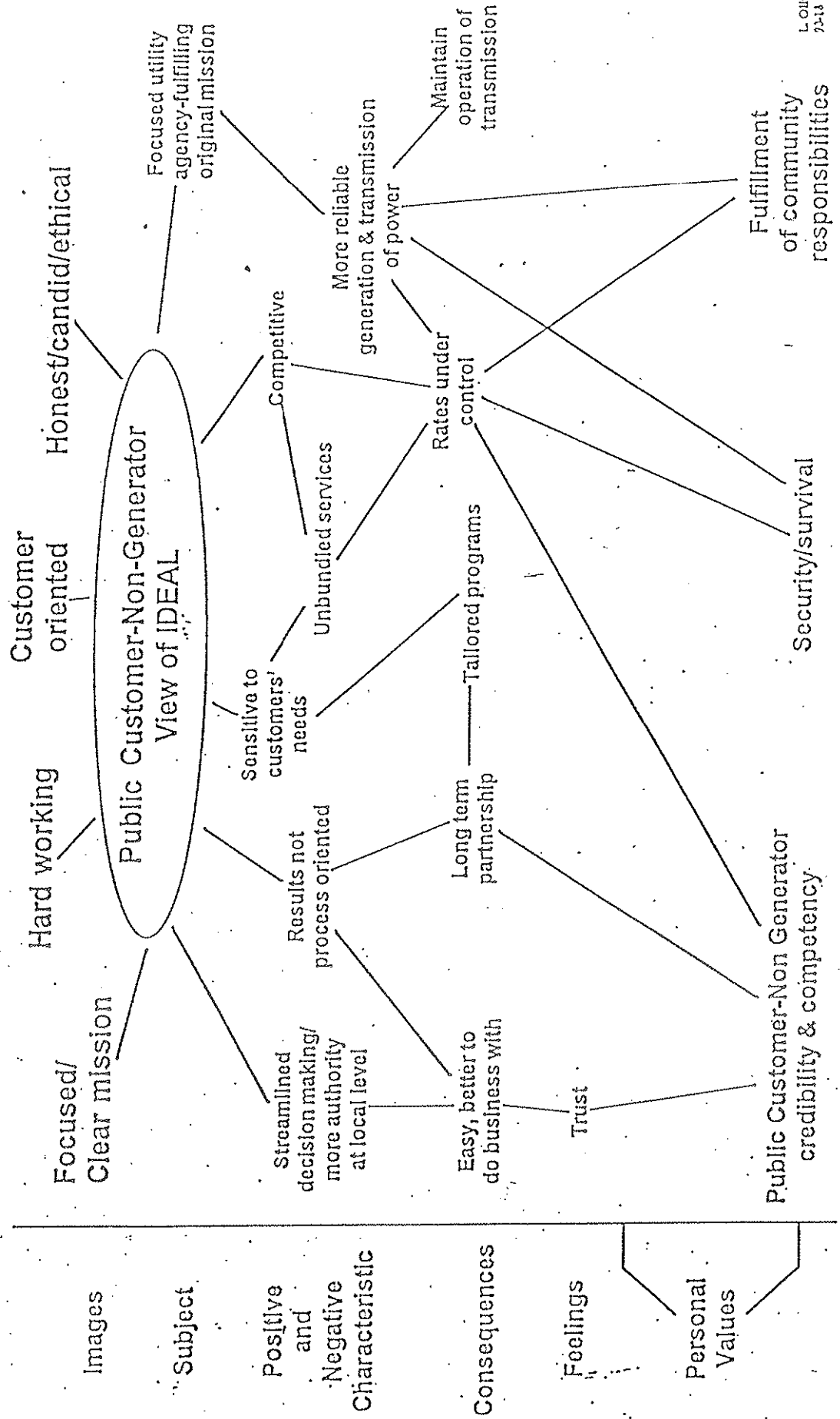
Snake River Escapement Versus Estimated West Coast/PFMC Area Production



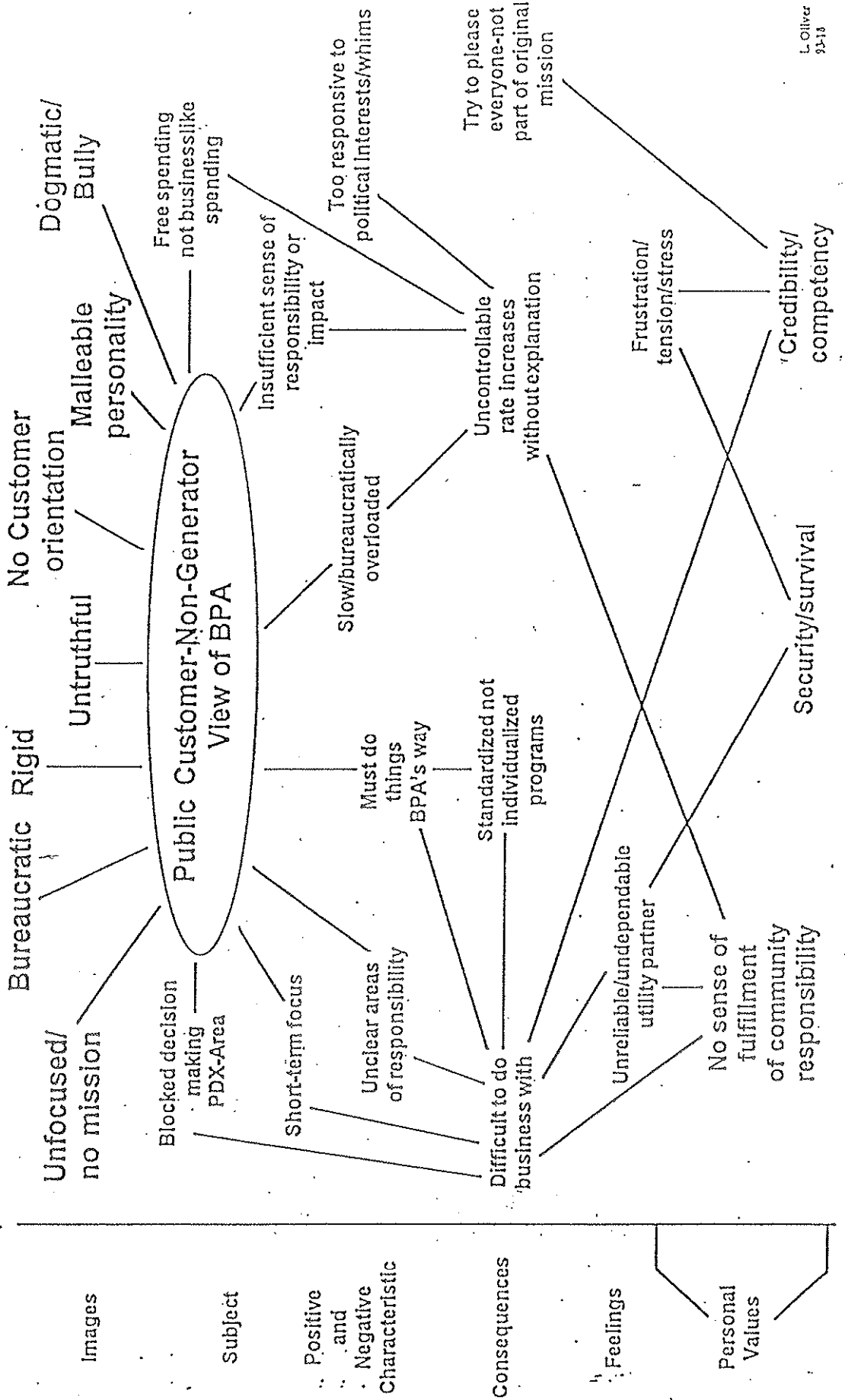
CRR-3



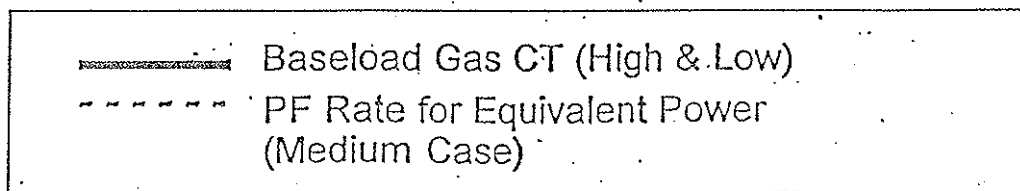
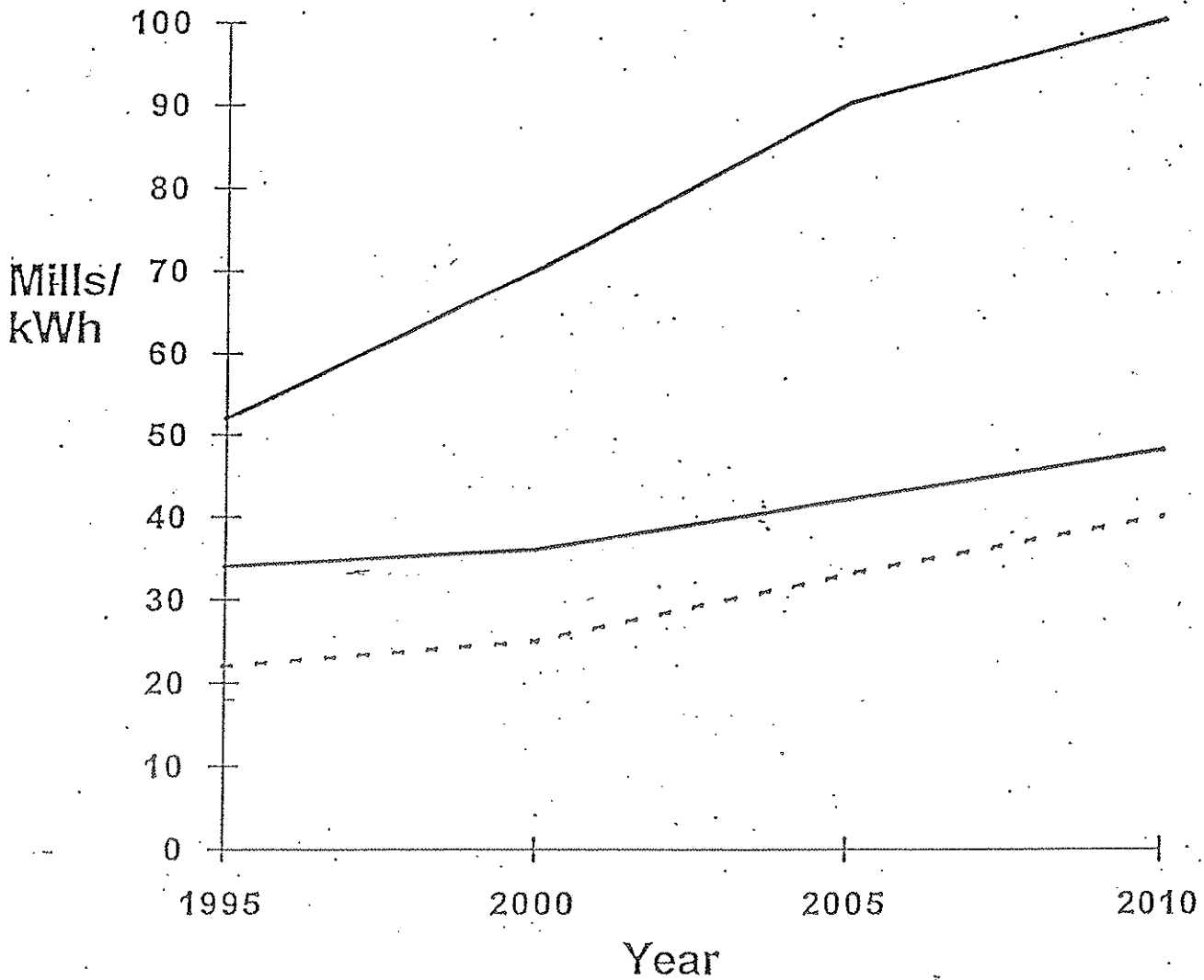
BPA COMPETITIVENESS ISSUES



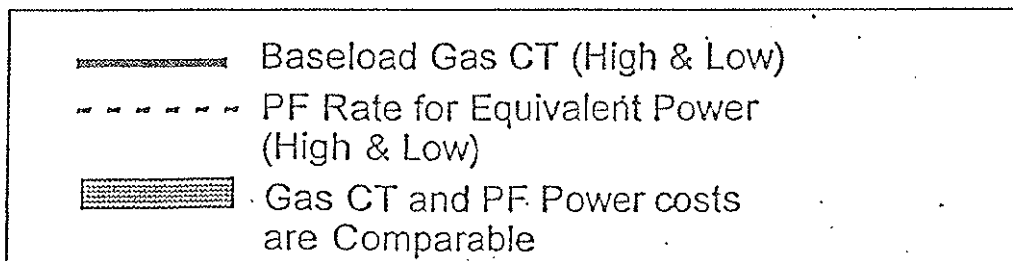
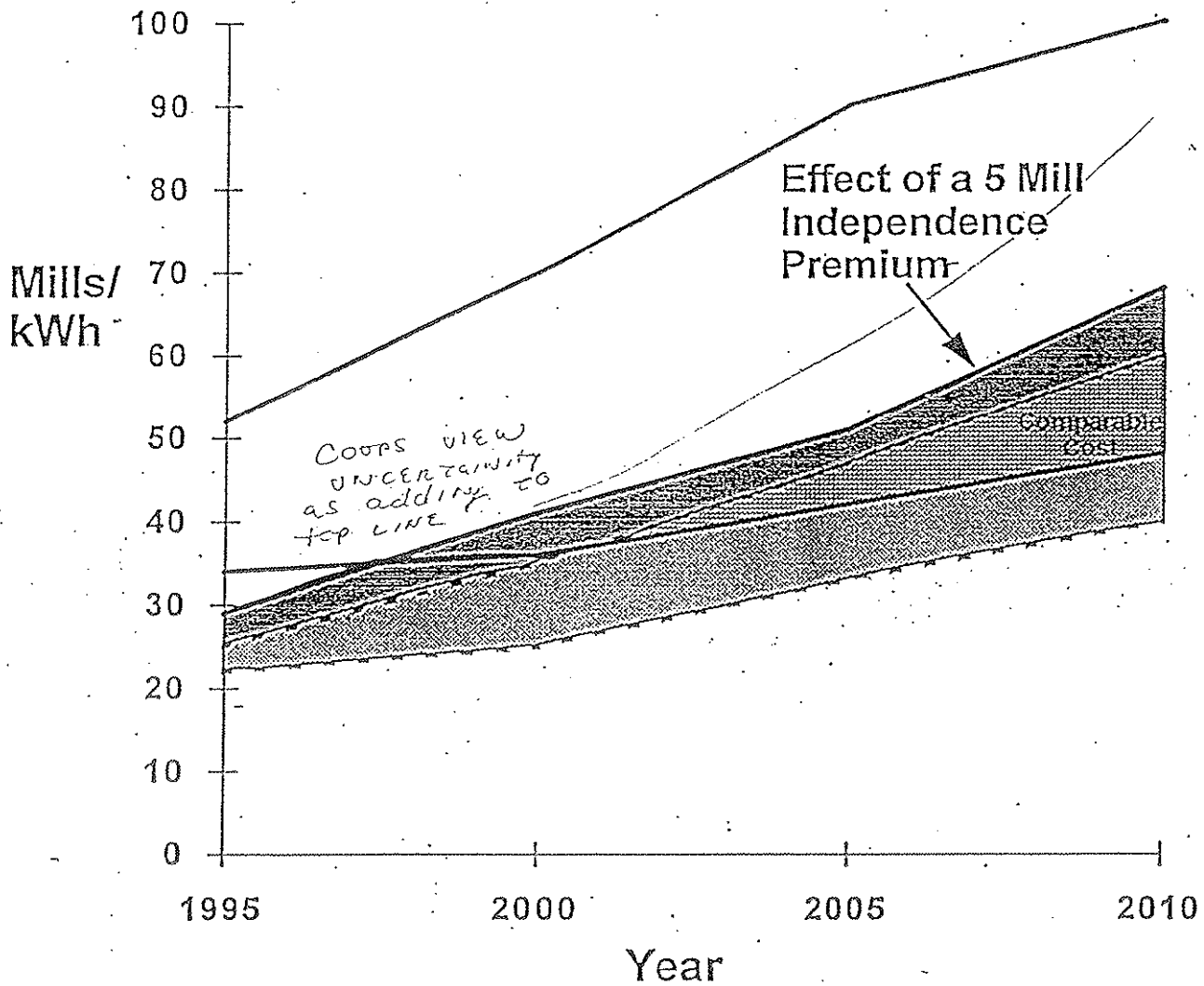
BPA COMPETITIVENESS ISSUES

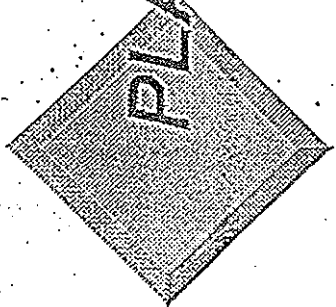


GAS COMBINED-CYCLE COSTS vs. PF RATE

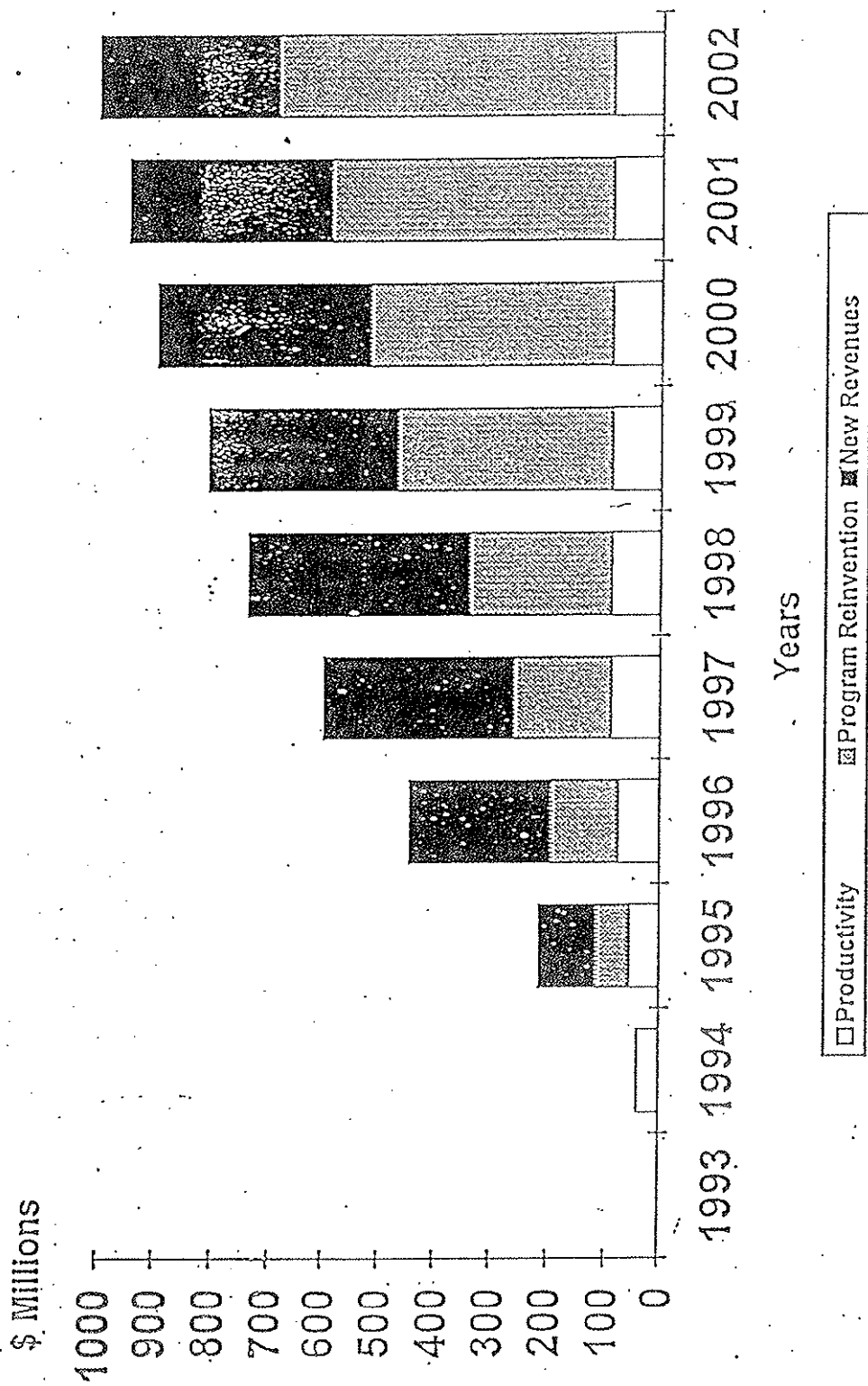


GAS COMBINED-CYCLE COSTS vs. PF RATE

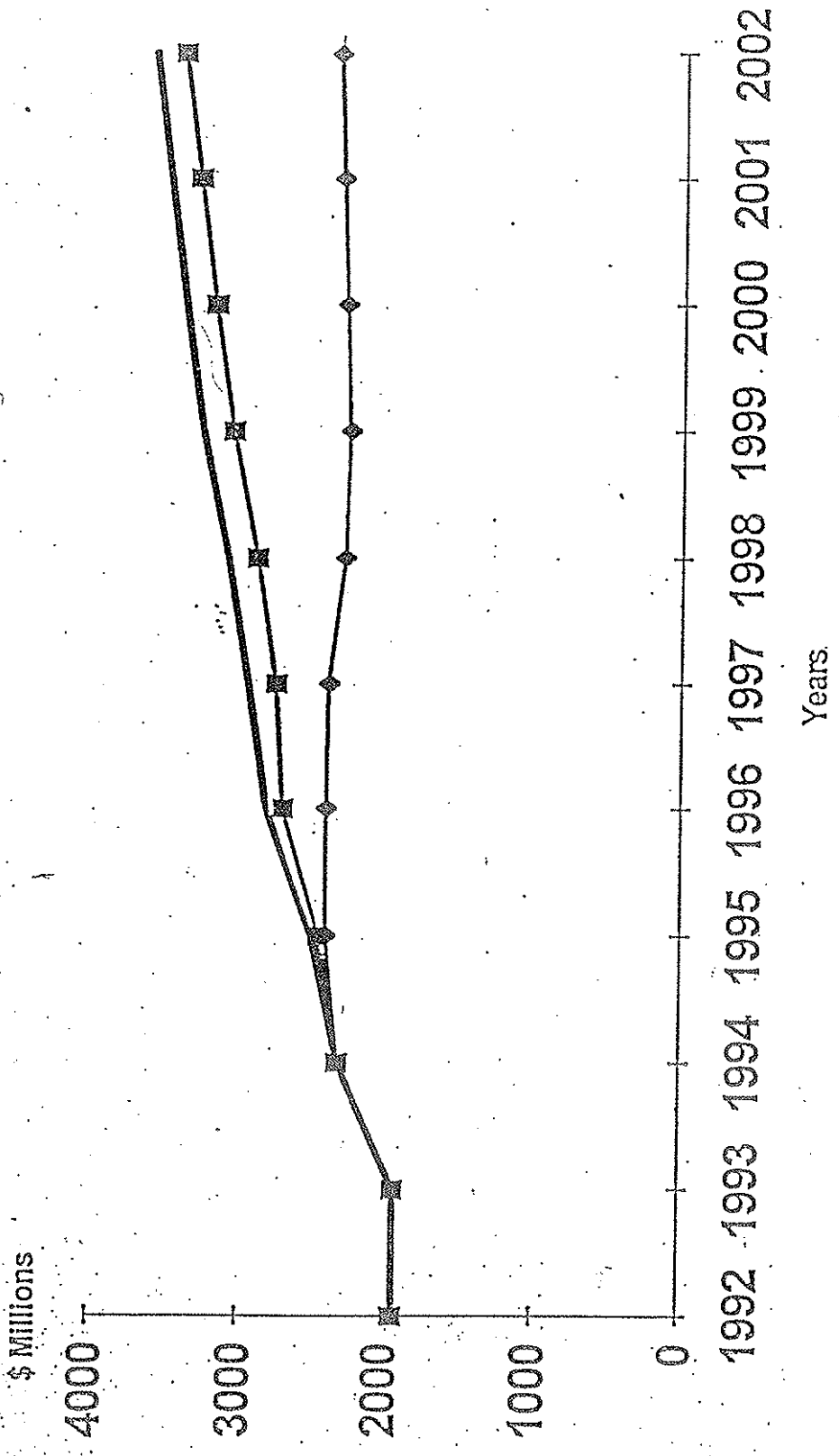




PLAN TARGET CATEGORIES

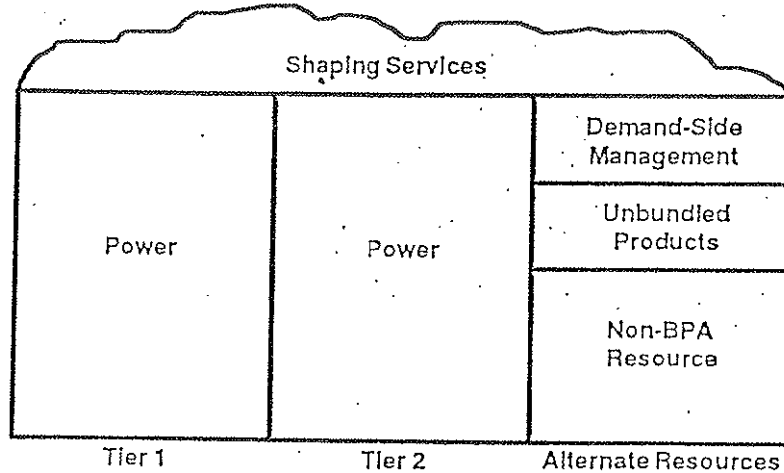


REVENUE GAP



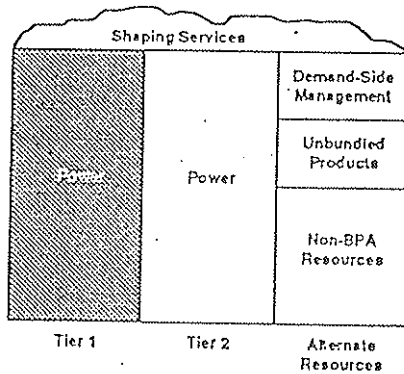
Business as Usual
 Announced Productivity/Revenues
 Market Driven

Products and Services Framework



PMCG
Mh:5647

Products and Services



Tier 1 Power

Demand

The ability to schedule up to a given capacity level on any hour.

Light Load Hour Energy

An amount of monthly firm energy to be delivered on light load hours.

Heavy Load Hour Energy

An amount of monthly firm energy to be delivered on heavy load hours.

(Transmission)

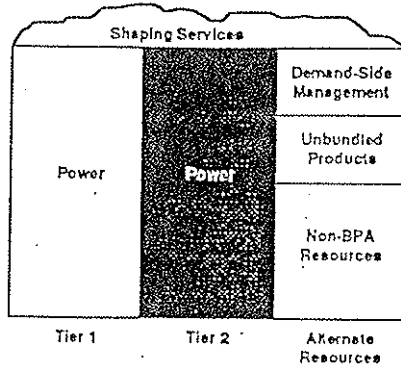
Moving Federal power to existing Points of Delivery.

(Operating Reserves)

Unloaded hourly generating capability (or load restriction rights) used to manage resource emergencies.

PMCG
Mh:5647

Products and Services



Tier 2 Power

Demand

The ability to schedule up to a given capacity level on any hour.

Light Load Hour Energy

An amount of monthly firm energy to be delivered on light load hours.

Heavy Load Hour Energy

An amount of monthly firm energy to be delivered on heavy load hours.

(Transmission)

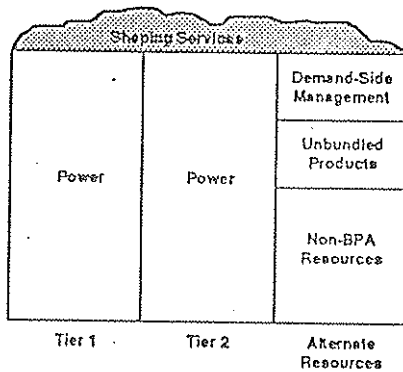
Moving Federal power to existing Points of Delivery.

(Operating Reserves)

Unloaded hourly generating capability (or load restriction rights) used to manage resource emergencies.

PMCG
kh:5647

Products and Services



Shaping Services

Load Regulation

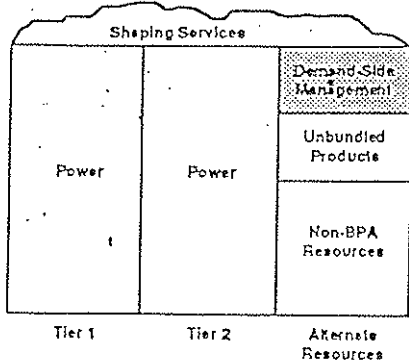
BPA regulates a utility's loads within the hour.

Load Shaping

BPA increases or decreases a utility's forecasted hourly deliveries to meet its actual hourly needs.

PMCG
kh:5647

Products and Services

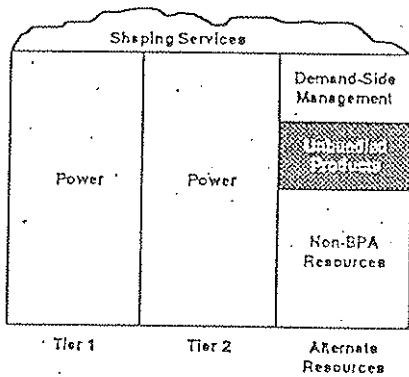


Conservation Products
New Products being developed.

Demand-Side Mgmt.

PMCO
kh:5647

Products and Services

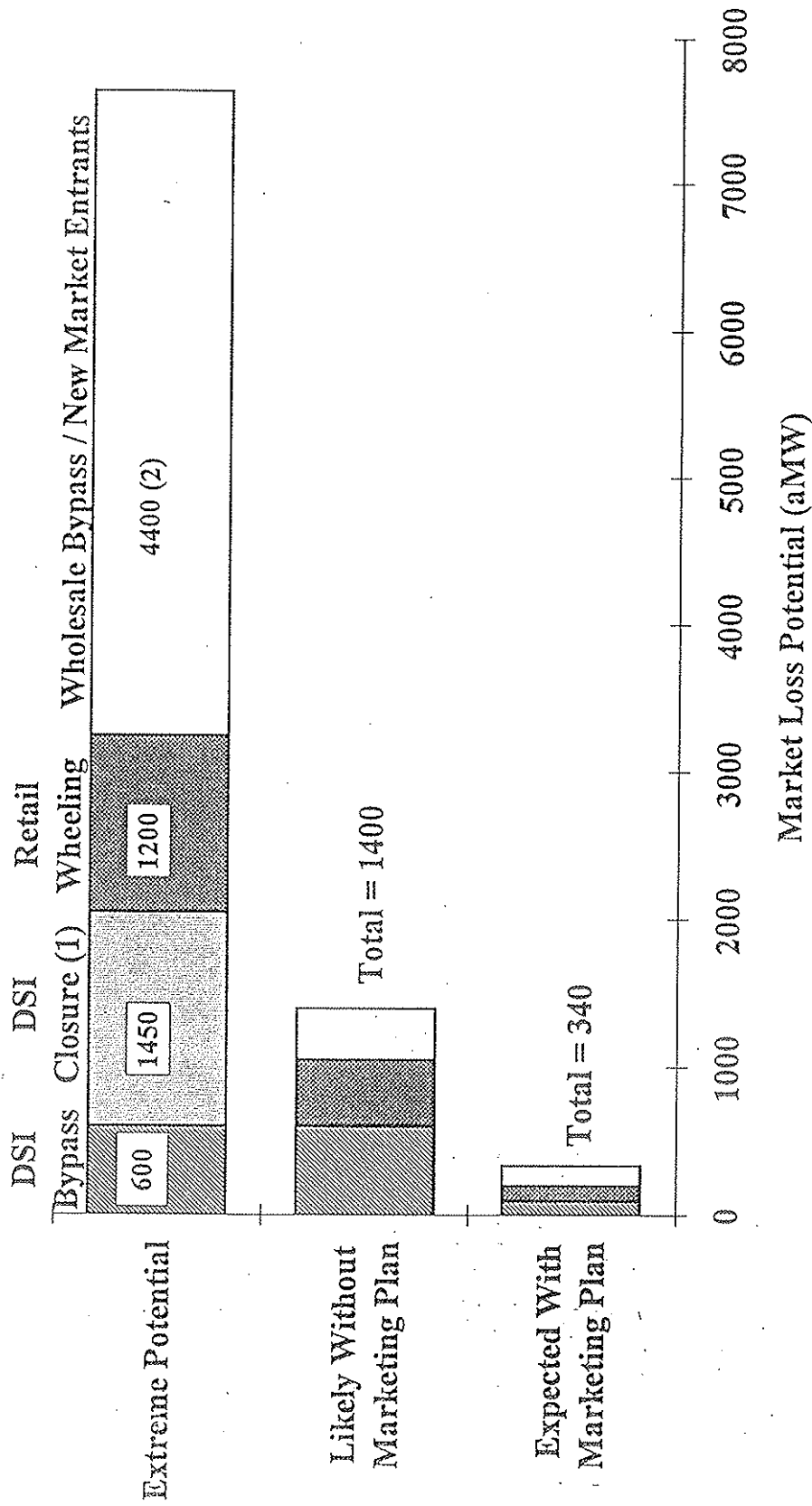


Firm Capacity
Shaping / Smoothing Services
Surplus Firm / Nonfirm Energy
Resource Integration Options
Reserves
Transmission Services

Unbundled Products

PMCO
kh:5647

**Summary Of BPA Market Loss Potential
By End Of 10 Year Period**



(1) DSI closures are over and above BPA's 1993 Whitebook assumptions

(2) Portion of which could supply DSI Bypass and Retail Wheeling estimates

POWER PRODUCTS
Explanations, Notice, Phasing

Code	EXPLANATION	Reason Notice	Notice	Up Commit	PL-1 Final	PL-2 Final	PL-3 Final
	POWER PRODUCTS				1995	1997	1999
A1	Monthly Firm Energy	4.5 years	> 1 year				99
A2	Right to Determine LLH Shape	4.5 years	> 1 year				99
A3	Right to Determine HLH Shape	4.5 years	> 1 year				99
A4	Planned Load Change - cap	4.5 years	> 1 year	> 1 year	97		
A5	Planned Load Change - eny	4.5 years	> 1 year	> 1 year	97		
A6	Unanticipated Ld Growth - cap	4.5 years	> 1 year		95		
A7	Unanticipated Ld Growth - eny	4.5 years	> 1 year		95		
A8	Back-up Capacity	30 minutes	One day		95		
A9	Back-up Energy	4.5 years	> 1 year		95		99
A10	Emergency Power	10 minutes					99
A11	Priority Nonfirm Energy	One-time Offer	5-20 years			97	
A12	Nonfirm Energy	Prescheduled			95		
A13	Daily Peaking Energy	Prescheduled					99
A14	HLH Cap. w/ Peaking Eny	7 months	> 1 year				99
A15	Extended Pkg Energy	7 months	> 1 year			97	
A16	Excess Rate of Run for Pk Repl	7 months	> 1 year			97	
A17	LLH Peaking Energy	7 months	> 1 year				99
A18	Option to purchase add'l eny	7 months	> 1 year	Sun-Sat			99
A19	Option to purchase add'l cap	7 months	> 1 year				99
A20	Capacity Reservation	7 months	> 1 year	Two hrs			99

POWER PRODUCTS
Explanations, Notice, Phasing

Code	THRU	EXPLANATION	Resrv. Notice	Recrvy. Commit	04 Notice	Use Commit	95-97 Prod.	99 Prod.
A21	Surplus Firm cap	Surplus firm capacity power products for scheduling utilities.	4.5 years	> 1 year	Presch	Two wks	95	1999
A22	Surplus Firm eny	Surplus firm energy power products for scheduling utilities.	7 months	> 1 year			95	
B1	Basic Load Following	Load following service assuming normal load shapes.	4.5 years	> 1 year				99
B2	Load Following for Ecc. Lds	Load following service for loads with radical shapes.	4.5 years	> 1 year			97	
B3	Supplemental Control Area Reserves	BPA provides controlling utilities a limited amount of reserves to supplement reserves maintained by the utility.	Custom	Custom			97	
B4	Control Area Reserve Service	BPA takes on the Operating Reserve obligation for the customer's resources.	4.5 years	> 1 year	10 min.		95	
B5	Suppl. Oper. Reserve - 1 hr	One hour of non-spinning Operating Reserve (as defined by the Northwest Power Pool).	4.5 years	> 1 year	10 min.		97	
B6	Suppl. Oper. Reserve - 4 hr	Up to four hours of non-spinning Operating Reserve.	4.5 years	> 1 year			97	
C1	Presch. Delivery - Incr	The ability to increase preschedule deliveries for an hour with 30-minute prior notice.	7 months	> 1 year	30 min.		95	
C2	Presch. Delivery - Decr	The ability to decrease preschedule deliveries for an hour with 30-minute prior notice.	7 months	> 1 year	30 min.		95	
C3	Presch. Receipt - Incr	The ability to increase preschedule receipts for an hour with 30-minute prior notice.	7 months	> 1 year	30 min.		95	
C4	Presch. Receipt - Decr	The ability to decrease preschedule receipts for an hour with 30-minute prior notice.	7 months	> 1 year	30 min.		95	
D1	Storage	Storage of water in the Federal System, accounted in terms of energy units. Some storage arrangements are custom-designed.	Case-by-Case	Custom			95	
D2	Generation Guarantee	Back-up services for firm capability (currently provided through Service and Exchange Agreements or by negotiated fee).	Case-by-Case	Custom			95	
D3	Annual Energy Shaping	The ability to shape monthly firm energy within a year.	3 months	> 1 year			95	
D4	Flexibility	Limited planned firm storage or advance service during an Operating Year.	4.5 years	> 1 year			95	
D5	Extended Return of Pk. Repl	The ability to extend a peaking replacement obligation beyond 24 hours.	7 months	> 1 year			97	
D6	Power Disposal	BPA will dispose of a customer's power at a price determined by BPA.	Case-by-Case	Custom			97	
D7	Power Purchase	BPA will purchase power for a customer, at the customer's request.	Case-by-Case	Custom			97	
D8	Scheduled Purch Reduction	The right to displace purchases of capacity or energy purchases from BPA. (This concept is equivalent to the current availability charge for energy or the demand ratchet for capacity.)	7 months	> 1 year	4 days	Sun-Sat.	97	
D9	Unrealized Firm Load - cap	The ability to avoid the take-or-pay obligation associated with capacity, if loads come in below estimates.	7 months	> 1 year	Presch			99

POWER PRODUCTS
Explanations, Notice, Phasing

Code	HEADING	EXPLANATION	Reversal Notice	Reversal Commit	Use Notice	Use Commit	Ph. 1 Prod.	Ph. 2 Prod.	Ph. 3 Prod.
D10	Unrealized Firm Load - eny	The ability to avoid the take-or-pay obligation associated with energy, if loads come in below estimates.	7 months	> 1 year	Presch		1995	1997	1999
D11	HLH Energy Entitlement	The ability to move monthly firm energy entitlement from Light Load Hours to Heavy Load Hours.	4.5 years	> 1 year					99
D12	Weekly Eny Shaping	The ability to shape weekly amounts of energy among days of the week.	7 months	> 1 year	4 days	Sun-Sat		97	
D13	Monthly Eny Shaping	The ability to shape monthly amounts of energy among weeks of the month.	7 months	> 1 year	4 days	Sun-Sat		97	
D14	Scheduling Agent	BPA will act as a Scheduling Agent at a non-scheduling customer's request.	Case-by-Case	Custom					99
D15	Shaping for Customer Resc	Light Load Hour to Heavy Load Hour shaping for customer resources.	Case-by-Case	Custom					99
E1	Harmonic Control	BPA will detune system harmonics if the customer doesn't meet system standards.		Unilateral			95		
E2	Voltage (VAR) Support	BPA will control VAR flow within a standard tolerance if the customer doesn't meet system standards.		Unilateral			95		
E3	Volt Support - Close Toler.	BPA will control VAR flow within a tolerance closer than a standard tolerance if requested by the customer.	4.5 years	> 1 year					99
E4	Subtransmission of Federal Power	Transmission and transformation service to move Federal power from main grid to new customer points of delivery.	4.5 years	> 1 year			95		
E5	Load Shedding	Arming a load shedding scheme as required to satisfy the purchaser's load shedding obligation.	4.5 years	> 1 year				97	
E6	Generator Dropping	Dropping generation as required to satisfy the purchaser's generator dropping obligation.	4.5 years	> 1 year				97	
F1	Environmental Protection	BPA will "plan" to avoid a hazardous waste accident. BPA will take steps necessary to implement plan. (This may be a mandatory product, if shared facilities require some implementation steps.)	Case-by-Case	Unilateral			95		
F2	Environmental Clean-Up	BPA will clean up a site having shared facilities, in the event of a hazardous waste accident. (This may be a mandatory product, if clean-up is not voluntarily undertaken.)	Case-by-Case	Unilateral			95		
G1	Operating Resv. (sold to BPA)	Generation or load dropping provided to BPA for use up to 1 hour. (BPA will provide up to 5-minute notice.)							99
G2	Xmin/Stability Resv. (to BPA)	Load dropping provided to BPA for up to 30 minutes with no advance notice from BPA when used.							99
G3	Load Buy-Down (sold to BPA)	Load dropping provided to BPA for use at BPA's discretion (e.g., could be for up to 2 weeks on either 20-minute or 24-hour advance notice).							99

The Pacific Northwest Rural Electric Cooperative Coalition

Idaho Cooperative Utilities Association
Nevada Rural Electric Cooperative Association
Oregon Rural Electric Cooperative Association
Pacific Northwest Generating Cooperative
Washington Rural Electric Cooperative Association
Western Montana Generation and Transmission Cooperative

The Pacific Northwest Rural Electric Cooperative Coalition is composed of the Idaho Cooperative Utilities Association, the Nevada Rural Electric Cooperative Association, the Oregon Rural Electric Cooperative Association, the Pacific Northwest Generating Cooperative, the Washington Rural Electric Cooperative Association, the Western Montana Generation and Transmission Cooperative, and includes Bonneville Power Administration rural electric cooperative customers serving California, Utah and Wyoming.

The Coalition was established in 1993 to perform three functions on behalf of the Region's rural electric cooperatives relative to the development and implementation of the Bonneville Power Administration's Business Plan and related issues:

1. To disseminate information from and about Bonneville issues to all of the Region's rural electric cooperatives;
2. To coordinate, facilitate and ensure the participation by the Region's rural electric cooperatives in all Bonneville consultations, forums, meetings and public processes associated with the Business Plan and related issues, and;
3. To develop and present to Bonneville unified statements of position on behalf of all the Region's rural electric cooperatives when such statements are endorsed by all Coalition members.

The Pacific Northwest Rural Electric Cooperative Coalition

Coalition Consensus Positions:

- Postage Stamp Transmission Rates

- Presentation of Low Density Discount

- Establishment of Seasonally Differentiated Rates

- Elimination of Conservation Expenditures

**THE RESEARCH COMMITTEE
PROJECT**

**BILL JAMES, COMMITTEE CHAIRMAN
PRESIDENT/GENERAL MANAGER
NORTHEASTERN REMC
COLUMBIA CITY, INDIANA**

RESEARCH COMMITTEE REPORT

RESEARCH COMMITTEE MEMBERS:

Bill James - Chairman
Paul Bienvenue
Dan Kessler
Dorothy Postel
Jim Sherfey

RESEARCH COMMITTEE OBJECTIVE:

This year's project was to provide input to NRECA Management Services for strengthening director training courses.

The research committee met in late March in St. Louis with Greg Boudreaux and Dennis Hein. In addition to the committee members, Joe Satterfield, Dave Pruitt and Noble Stallons attended.

The results of this meeting were excellent. It provided a "training needs assessment survey" instrument for use in a telephone survey to be conducted by Dennis Hein. This survey was to be of both managers and directors of REMDC members. Managers would be requested to supply the names of two specific directors--their board president and their newest board member.

It was also decided at the meeting that we should approach the G&T Manager's Committee concerning joint funding of this approximately \$20,000 project.

After covering the above, Bill James introduced Greg Boudreaux and Dennis Hein who then shared the results of their telephone survey, and that NRECA would perform a national survey based on this pilot survey utilizing REMDC members.

THE RESEARCH PRESENTATION

DR. GREG BOUDREAUX, MANAGER
NRECA
BOARD & MANAGEMENT DEVELOPMENT

DR. DENNIS HEIN
DIRECTOR OF RESEARCH
NRECA
MARKET RESEARCH

***REPORT TO THE RURAL
ELECTRIC MANAGEMENT
DEVELOPMENT COUNCIL***

June 14, 1994

***Greg Boudreaux
Manager of Training
NRECA***

An Emerging Consensus Regarding Priorities

- REMDC
- RESMA
- G&T Management Advisory
Committee
- Management Advisory Committee
- NRECA Strategic Planning Committee
- NRECA Internal Strategic Planning

NRECA's Strategic Focus

- Competitiveness**
- Community**
- Competence**

Our Strategic Priority:

**Board And Management
Effectiveness**

Our Key Issues

- Diversity of Rural Electric Systems**
- Board Turnover**
- The Complexity of Management In Our Industry**
- The Need For Teamwork and Colloboration**

REMDC Research Committee Key Conclusions

1. Focus on the board/manager team.
Eliminate the adversarial tendency.
2. Training must focus on business skills
and utility issues.
3. Combine manager and director programs.
4. Strengthen prerequisites. Be objective
in descriptions.
5. Communicate what we are doing to
managers.
6. Include a manager in courses as a resource.
7. Clarify the role of the system attorney.

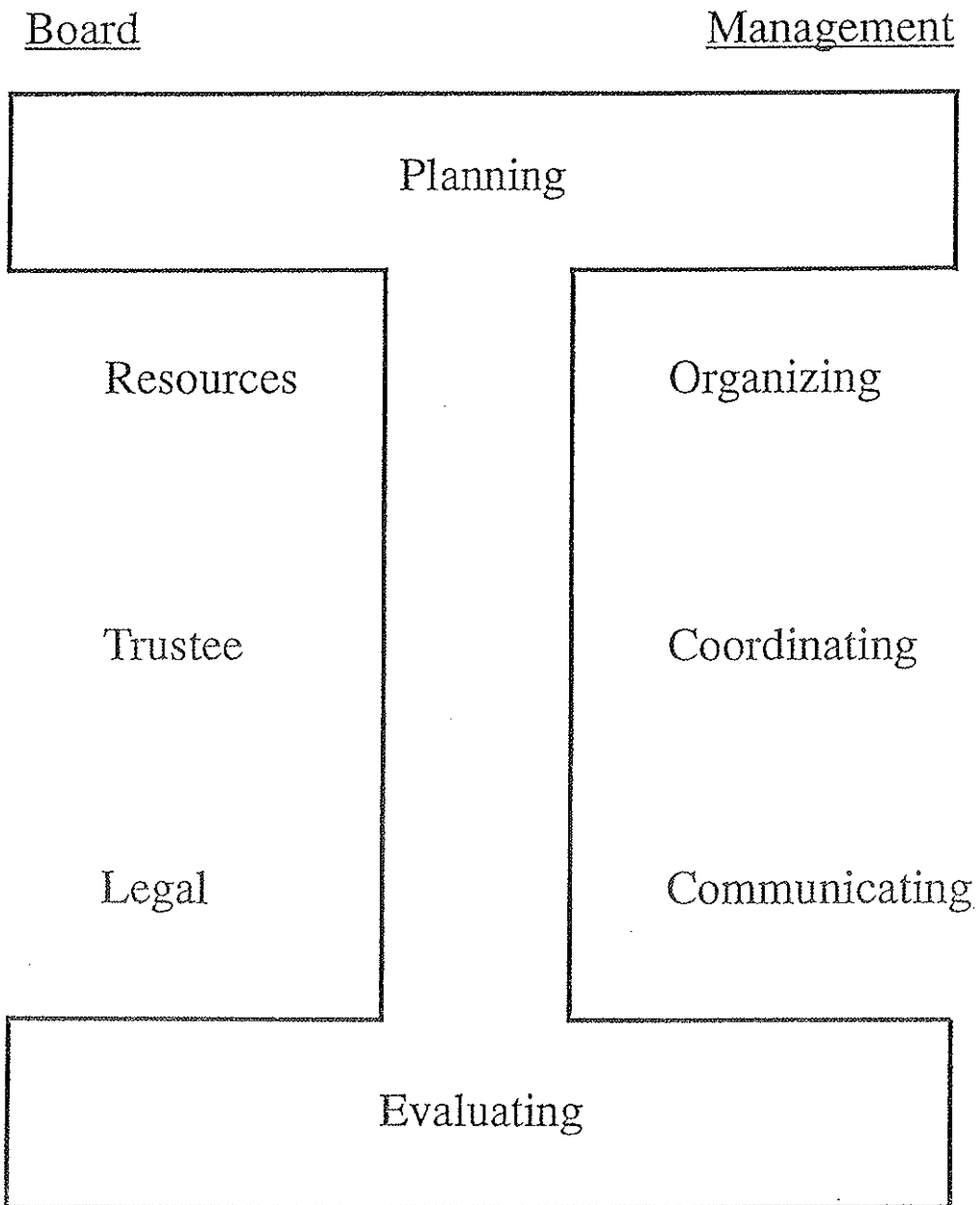
Basic Offerings

- 300, 400, 500 and Advanced Director Courses**
- Directors Updates**
- Directors Conference**
- Management Internship and Other University of Nebraska Programs**
- Managers Conference**
- Specialized Professional Conferences**

Major New Initiatives

- Orientation for new Managers/Directors**
- Redesign of the updates for Managers and Directors**
- Leadership Forums**
 - For G&Ts**
 - For High-Growth Systems**
- New university programs for large high-growth systems**
- Enhanced focus on "At Risk" systems**
 - Buy-out Preparedness Workshop**
- Assistance to every system with a Manager vacancy**
- Redesign of conferences to emphasize strategic issues and to reflect system diversity**
- Key Accounts Management**

The I-Beam Analysis of The Board/Manager Relationship



Key Competencies For Managers

- Understanding Utility Trends and Issues**
- Strategic Vision**
- Community Leadership and Involvement**
- Communicating Effectively with Diverse Groups**
- Human Resource Management in a Complex HR Environment**
- Teamwork and Collaboration**
 - - **In the Boardroom**
 - - **At the G&T**
 - - **With Staff**

Key Competencies For Directors

- Understanding Utility Trends and Issues
- Selection and Appraisal of the Manager
- Policy Guidance
- "MACRO" Focus
- Teamwork and Collaboration
 - - In the Boardroom
 - - At the G&T

Training Effectiveness

TIME PERIODS

After

During

Before

Manager

Trainer

Trainee

ROLE-PLAYERS

NRECA / REMDC
 MANAGEMENT SUMMARY OF THE PRETEST OF THE 1994
 DIRECTOR / MANAGER TRAINING SURVEY
 Prepared By NRECA Market Research

Introduction

The purpose of this summary is to present an overview of the preliminary findings of the 1994 NRECA / REMDC pretest conducted of the Director and Manager Training Surveys. The purpose of this study is to do a preliminary survey to a select group of managers, new directors, and directors who are heads of their boards, to determine the type of responses and the clarity of the questions used in the study. It is hoped that this preliminary study will lead to an in-depth study to be conducted nationwide. This study will lead to a better understanding of the training needs of the NRECA member systems. A complete set of all information presented in this summary can be found in the statistical report entitled "NRECA Training Pretest Results".

The sample used for this study consists of 21 new directors, 19 head directors, and 25 managers. This preliminary sample was taken from the members of the Rural Electric Management Development Council. All surveys were collected during May, 1994.

Demographic Profile

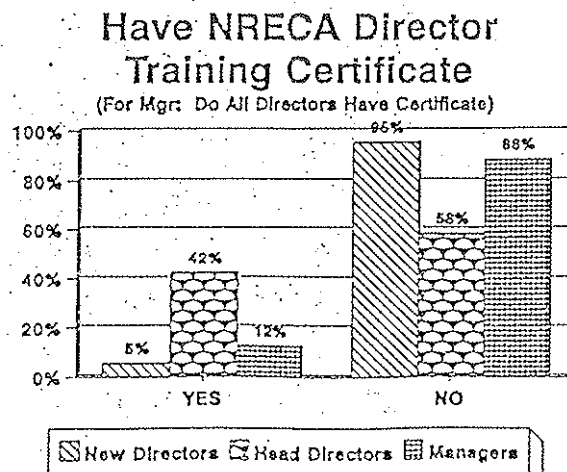
The typical NRECA / REMDC new director surveyed in the pretest is approximately 55 years of age, and has either attended some college or is a college graduate.

The typical NRECA / REMDC head director surveyed in the pretest is approximately 57 years of age, has either attended some college or is a college graduate, and has been a director for over 10 years.

The typical NRECA / REMDC manager surveyed in the pretest is approximately 48 years of age, is a college graduate, and has been a manager for over 10 years.

NRECA Director Training Certificate

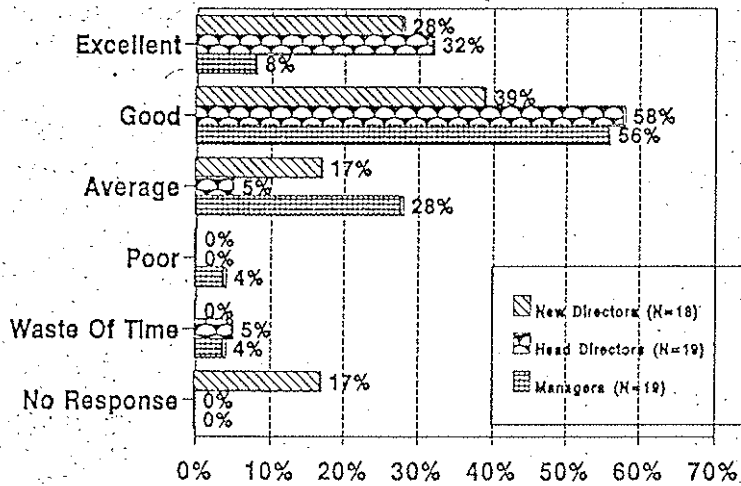
Nearly half (42%) of the head directors surveyed currently have their NRECA Director Training Certificate. However, when the managers were asked if all of their directors have their NRECA Director Training Certificate, only 12% responded yes.



Evaluation of Training Programs

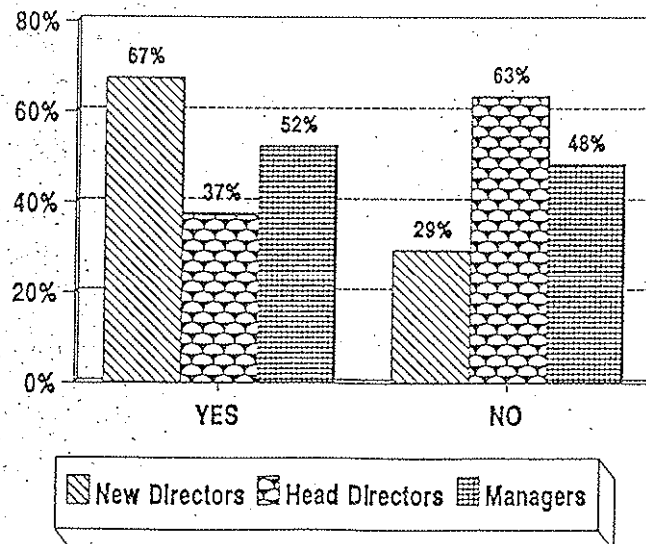
When asked how the managers and directors would evaluate NRECA's training programs for directors, the majority of the directors and managers rated the programs as good, with a high percentage rating them as excellent.

Assessment of NRECA's Training Programs For Directors



New directors make up the largest percentage (67%) who have attended an NRECA training course within the past year, followed by over half of the managers (52%), and over one-third (37%) of the head directors.

Attended NRECA Training Course In Past 12 Months



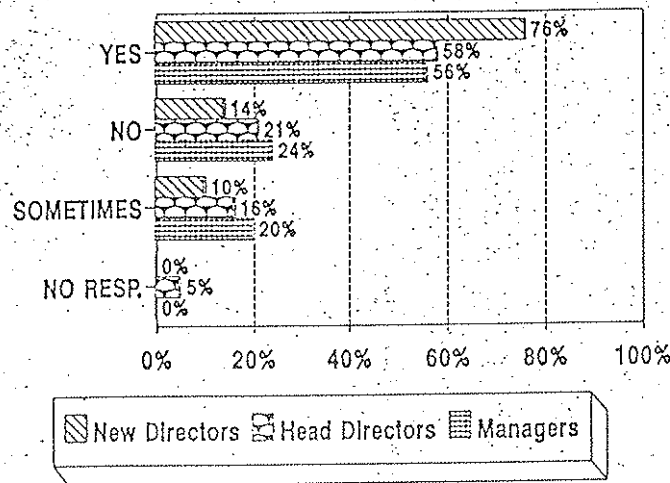
*Evaluation of Training Programs
(continued)*

The following table illustrates what the new directors, head directors, and managers cited as the hardest part of their job:

New Directors:	Head Directors:	Managers:
Learning How Things Run Doing What's Best for Members Attending Meetings Far From Home Financial Aspects	Financial Aspects Determining Future Co-op Needs Attending Meetings Far From Home	Dealing With Emp. Rate Competition Lack of Time Communication

Over three-fourths (76%) of the new directors feel that additional training would help them do their job better. Over half of both the head directors (58%) and managers (56%) also feel additional training would help them do their job better.

**Additional Training Help
You Do Job Better As
Director/Manager**



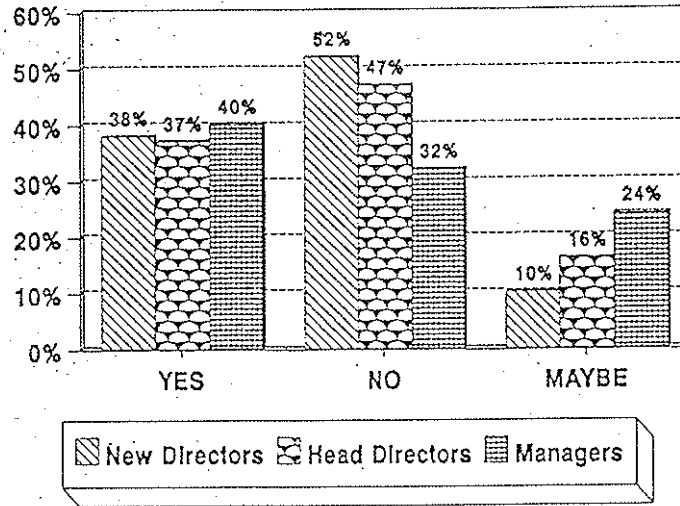
The following table illustrates the types of training the new directors, head directors, and managers feel would help directors do a better job:

New Directors:	Head Directors:	Managers:
Financial Communication Skills Basic Operations	Financial Basic Operations	Utilities Industry As Whole Future Planning

Evaluation of Training Programs (continued)

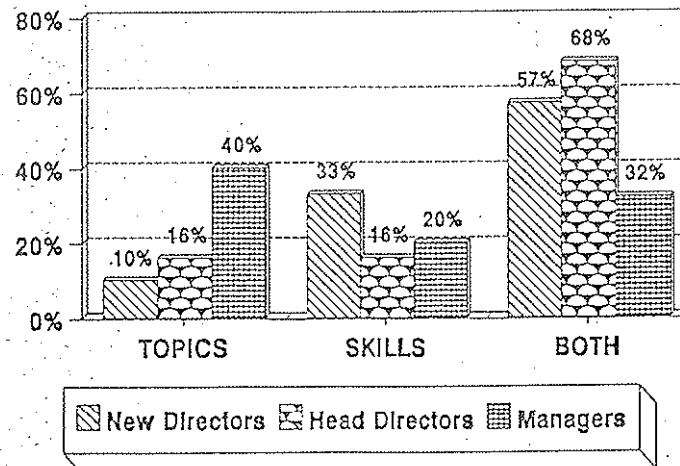
REMDC directors and managers are interested in a Director Internship Program. Over one-third of each group responded in favor to such a program, while a high percentage responded maybe.

Favor 1-2 Week Intense Director Internship Program



Directors would like to see training programs focus on both topics and skills, while the highest percentage of managers would like to see training programs focus on topics.

Prefer Training Programs Focusing On Topics Or Skills?

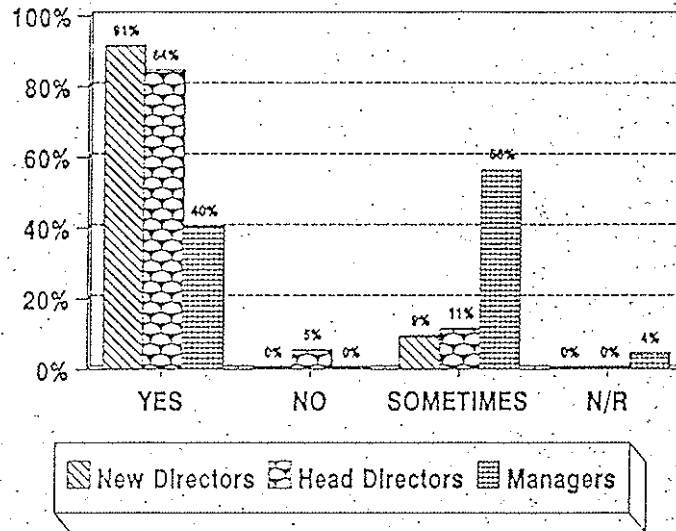


* Directors cited financial structure of co-ops and legal aspects as the most important topic, and communication skills as the most important skill they would like to improve.

*Evaluation of Training Programs
(continued)*

Nearly all of the directors favor training programs that combine director and management training, while over half (56%) of the managers would like to see director and management training combined only some of the time.

Favor Training That Combines Director & Management Training



Importance of Topics

The respondents were asked to evaluate a list of topics to determine the importance first for themselves as either a director or a manager, then for their board of directors as a whole. The managers were also asked to evaluate the need for their management staff. The following table illustrates the mean scores for these topics. The scale ranges from one to ten, with one being a low need and ten being a high need.

	<u>New Directors</u>	<u>Head Directors</u>	<u>Managers</u>
a. Understanding the basic operational aspects of electric utilities:			
Need for yourself as a director/manager.....	6.62	5.32	4.36
Need for your <u>Board as a Whole</u>	5.71	6.37	5.60
Need for your <u>Management Staff</u>	****	****	5.40
b. Parliamentary procedure:			
Need for yourself as a director/manager.....	6.24	5.47	5.00
Need for your <u>Board as a Whole</u>	5.91	6.32	6.28
Need for your <u>Management Staff</u>	****	****	3.76

	New <u>Directors</u>	Head <u>Directors</u>	<u>Managers</u>
c. Understanding how to read financial and statistical reports:			
Need for yourself as a director/manager.....	6.48	6.21	4.92
Need for your <u>Board as a Whole</u>	6.00	6.95	7.04
Need for your <u>Management Staff</u>	****	****	5.84
d. Understanding how to appraise the manager:			
Need for yourself as a director/manager.....	5.81	5.68	5.00
Need for your <u>Board as a Whole</u>	5.43	6.32	8.20
Need for your <u>Management Staff</u>	****	****	4.36
e. Understanding the process of strategic planning:			
Need for yourself as a director/manager.....	7.15	6.42	7.16
Need for your <u>Board as a Whole</u>	6.65	6.74	7.76
Need for your <u>Management Staff</u>	****	****	7.24
f. Legal responsibility (and liability):			
Need for yourself as a director/manager.....	6.05	6.58	7.08
Need for your <u>Board as a Whole</u>	5.76	6.79	7.52
Need for your <u>Management Staff</u>	****	****	6.92
g. Understanding the changing electric utility industry -topics like retail wheeling and deregulation:			
Need for yourself as a director/manager.....	7.76	6.42	8.12
Need for your <u>Board as a Whole</u>	6.76	6.395	7.76
Need for your <u>Management Staff</u>	****	****	8.00
h. Understanding how retail rates are developed:			
Need for yourself as a director/manager.....	6.05	6.74	5.40
Need for your <u>Board as a Whole</u>	5.50	7.11	5.52
Need for your <u>Management Staff</u>	****	****	6.40
i. Understanding how wholesale rates are developed at your power supplier:			
Need for yourself as a director/manager.....	6.15	7.00	6.00
Need for your <u>Board as a Whole</u>	5.60	7.11	6.28
Need for your <u>Management Staff</u>	****	****	6.04
j. Understanding how to evaluate the financial health of the system:			
Need for yourself as a director/manager.....	6.29	6.84	6.32
Need for your <u>Board as a Whole</u>	5.86	7.05	7.32
Need for your <u>Management Staff</u>	****	****	6.44

	<u>New Directors</u>	<u>Head Directors</u>	<u>Managers</u>	
k.	Understanding the issues at the G&T or power supplier:			
	Need for yourself as a director/manager.....	6.10	6.26	6.48
	Need for your <u>Board as a Whole</u>	5.14	6.11	7.12
	Need for your <u>Management Staff</u>	****	****	5.92
l.	Building personal skills, like being a better lobbyist for the system:			
	Need for yourself as a director/manager.....	5.52	6.47	6.84
	Need for your <u>Board as a Whole</u>	5.14	7.16	6.48
	Need for your <u>Management Staff</u>	****	****	6.56
m.	Building personal skills like dealing with conflict or personality clashes in the boardroom (or at meetings):			
	Need for yourself as a director/manager.....	5.38	6.05	6.60
	Need for your <u>Board as a Whole</u>	5.38	6.26	6.72
	Need for your <u>Management Staff</u>	****	****	5.84
n.	How REA Rural Economic Development Programs work (e.g., loan programs; water):			
	Need for yourself as a director/manager.....	5.91	6.00	6.63
	Need for your <u>Board as a Whole</u>	5.29	6.16	6.25
	Need for your <u>Management Staff</u>	****	****	6.79
o.	Understanding opportunities and challenges in diversification (e.g., setting up a gas subsidiary):			
	Need for yourself as a director/manager.....	6.43	6.16	7.52
	Need for your <u>Board as a Whole</u>	6.14	6.47	7.56
	Need for your <u>Management Staff</u>	****	****	6.72
p.	Building problem solving skills while working in a group:			
	Need for yourself as a director/manager.....	5.95	6.32	6.96
	Need for your <u>Board as a Whole</u>	5.57	6.42	6.92
	Need for your <u>Management Staff</u>	****	****	7.20
q.	Understanding how to separate your personal goals from your responsibilities:			
	Need for yourself as a director/manager.....	5.33	5.00	5.68
	Need for your <u>Board as a Whole</u>	5.10	5.26	6.28
	Need for your <u>Management Staff</u>	****	****	6.08
r.	Understanding the role of the attorney:			
	Need for yourself as a director/manager.....	5.38	5.47	4.88
	Need for your <u>Board as a Whole</u>	5.10	5.68	5.60
	Need for your <u>Management Staff</u>	****	****	4.48

	<u>New Directors</u>	<u>Head Directors</u>	<u>Managers</u>
s. Understanding the manager selection process:			
Need for yourself as a director/manager.....	7.10	5.68	****
Need for your <u>Board as a Whole</u>	6.05	5.74	****
Need for your <u>Management Staff</u>	****	****	****
t. Understanding how to choose a representative to the G&T (only answered if they have a G&T):			
Need for yourself as a director/manager.....	6.00	5.33	4.18
Need for your <u>Board as a Whole</u>	5.21	5.39	7.09
Need for your <u>Management Staff</u>	****	****	2.96
u. Enhanced public speaking / presentation skills:			
Need for yourself as a director/manager.....	6.33	6.47	7.00
Need for your <u>Board as a Whole</u>	5.52	6.21	5.84
Need for your <u>Management Staff</u>	****	****	7.28

As one can see from this table, the top three topics of importance are as follows:

		<u>NEW DIRECTORS</u>	<u>HEAD DIRECTORS</u>	<u>MANAGERS</u>
NEED FOR SELF:	#1	G (7.76)	I (7.00)	G (8.12)
	#2	E (7.15)	J (6.84)	O (7.52)
	#3	S (7.10)	H (6.74)	E (7.16)
NEED FOR BOARD:	#1	G (6.76)	L (7.16)	D (8.20)
	#2	E (6.65)	H (7.11)	E (7.76)
	#3	O (6.14)	I (7.11)	G (7.76)

NRECA Market Research
5601 South 27th Street, Suite 201
Lincoln, Nebraska 68512

"THE ROAD TO COMPETITION"

IMAGE VS. IDENTITY

presented by:

NOBLE STALLONS, GENERAL MANAGER
UTILITIES DISTRICT OF WESTERN INDIANA REMC
BLOOMFIELD, INDIANA

PROTECTING YOUR ASSETS

presented by:

DOROTHY POSTEL, GENERAL MANAGER
MAQUOKETA VALLEY REC
ANAMOSA, IOWA

THE
ROAD
TO
COMPETITION

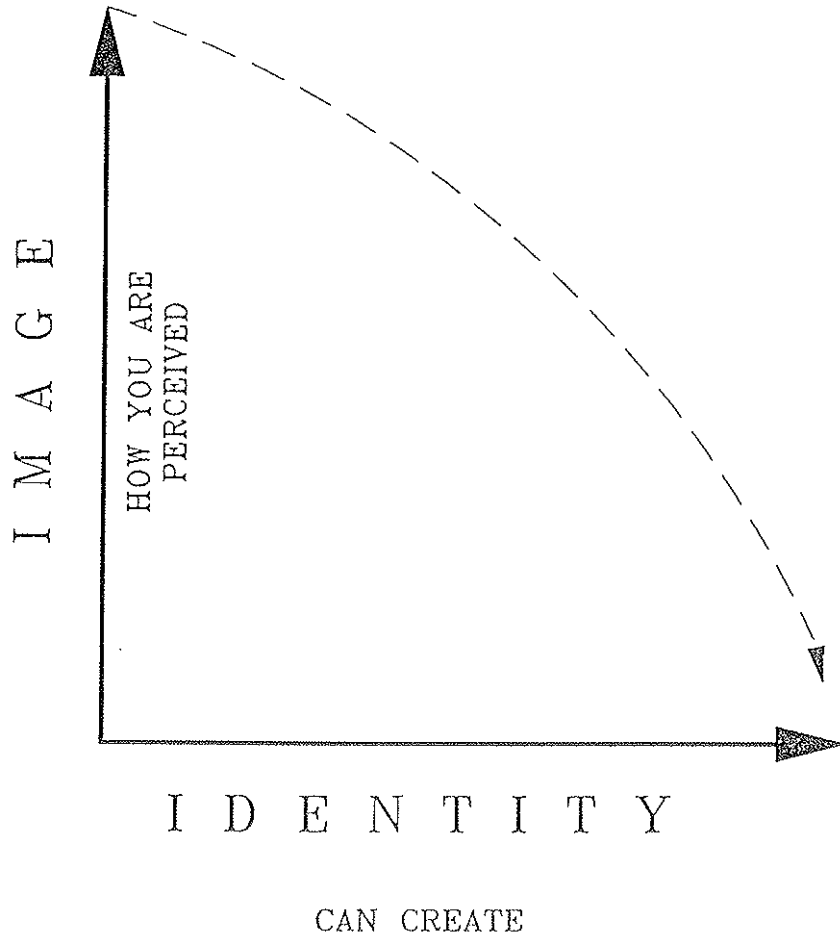
I M A G E

- HOW YOU ARE PERCEIVED BY OTHERS
- MUST BUILD/EARN

I D E N T I T Y

- HOW YOU WANT TO BE PERCEIVED
- CAN CREATE

I M A G E VS I D E N T I T Y



MARKETING
A POSITIVE
IMAGE

- ANTICIPATE

- IDENTIFY

- SATISFY

W A L T D I S N E Y
W O R L D

B E
O U R
G U E S T

WHAT IS THE
DISNEY
SECRET ?

$$M^4 = \pi$$

$$M^4 = P I$$

$$M^4 = \text{POSITIVE IMAGE}$$

$$M^4 = P I$$

- MOTIVE
- MARKET
- MESSAGE
- METHOD

TOOL
TO ANALYZE
COMPETITION

- METHOD
- MESSAGE
- MARKET
- MOTIVE

NATIONAL RURAL ELECTRIC MANAGEMENT DEVELOPMENT COUNCIL

1994 ANNUAL CONFERENCE

WILLIAMSBURG, VIRGINIA

PROTECTING YOUR ASSETS

Presented by:

Dorothy A. Postel, General Manager
Maquoketa Valley Rural Electric Cooperative
Anamosa, Iowa

June 15, 1994

MAQUOKETA VALLEY RURAL ELECTRIC COOPERATIVE
ANAMOSA IOWA

PROTECTING YOUR ASSETS

Maquoketa Valley Rural Electric Cooperative has always been concerned about protecting its assets, whether it be fighting for territorial protection, by continuing improvements to its lines, buildings and equipment, or by the caring attitude expressed to its members.

Today however, I want to share with you some of the Cooperative's programs and policies for the protection of its greatest asset . . . the employees.

A. In 1980 we started an Incentive Safety & Loss Control Program to encourage and acknowledge safe workers. This program is operated on a point system as follows:

1. 20 points for working a full year
2. 1 point for each net additional full day of accumulated sick leave (maximum of 12 points)
3. Points are given according to job group based on level of injury exposure -- line personnel receive 25 points; member services personnel 15 points; and clerical personnel 10 points.
4. 5 points if you work all year without a job related lost time injury
5. 5 points if all employees work without a job related lost time injury
6. Minus 100 points for each lost time injury and 2 points a day for each day lost

A total of 67 points is the maximum credited for one year.

Recognition is given as follows:

1. 100 points Safe Worker Decal & Pin
2. 300 points Safe Worker Belt Buckle or Pen/Pencil Set
3. 500 points Jacket with Safe Worker Emblem
4. 750 points \$ 75.00 Award
5. 1,000 points \$100.00 Award
6. 1,250 points \$150.00 Award
7. For each 250 points accumulated, the safety award will increase by \$50.00.

(EXAMPLE - BELT BUCKLE)

MAQUOKETA VALLEY RURAL ELECTRIC COOPERATIVE
ANAMOSA IOWA

PROTECTING YOUR ASSETS

- B. All employees are requested to have a physical examination every two years. Physicals are mandated by law for employees needing a Commercial Drivers License. Although the program was started to insure an employee's continued ability to perform the duties of their position, three serious illnesses have been detected in early stages, the most recent being lymphoma. Other employee health problems of a less serious nature have also been discovered during these physicals.
- C. Education and training also enhances this greatest asset. 75% of our line personnel have completed the Denny Merchant's 4-year Power Line Correspondence Program. The Cooperative paid for the tuition, textbooks, and provided time for testing during the monthly safety meetings. The study time was after hours. A \$200 cash incentive was paid to each person completing the 4-year program. Line personnel, warehouseman, utility technician, and mechanic have received 24 hours of hazmat training. Clerical personnel have taken numerous computer classes, public relations training, and other classes relating to their positions. Updates on current issues are given at employee meetings which are held in conjunction with the monthly safety meetings.
- D. Although we are non-union, an Employees' Committee meets with the manager and Board of Directors every year giving the employees' input regarding pay raises and benefit enhancements.
- E. One employee who had a negative attitude toward the Cooperative now has a very positive attitude due to the Cooperative's grievance policy.
- F. The Cooperative participates in an Employee Assistance Program offering confidential counseling and referral services to employees and their families.
- G. Our newest program is a wellness program, "REC Health Trek 500". Only three years old, it has already proven to be a powerful and successful program. The goal is to reach 500 wellness miles each year. Miles can be earned by strenuous activities such as swimming, running, and aerobics; stress release activities such as bowling, golfing, camping, or reading a book; and personal health activities such as flu shots, mammographies, eye exams and dental exams. Miles can also be earned by participating in the Iowa Department of Transportation "Adopt A Highway" project by picking up trash along a 2-mile stretch of highway, by being registered as an organ, tissue, or bone marrow donor, and by giving blood.

MAQUOKETA VALLEY RURAL ELECTRIC COOPERATIVE
ANAMOSA IOWA

PROTECTING YOUR ASSETS

Incentives are given in the following manner:

FIRST 500 MILES	Enrollment	Sports Towel
	100 miles	T-shirt
	200 miles	Fanny Pak or Sports Wallet
	300 miles	Sweatpants or Shorts
	400 miles	Walk-O-Meter
	500 miles	\$50.00
SECOND 500 MILES	250 miles	Jacket
	500 miles	\$50.00
THIRD 500 MILES	250 miles	Sweatshirt
	500 miles	\$50.00

Monthly log sheets are presented to the Health Trek Committee who total the miles for each participating employee and post progress charts. Approximately 80% of our employees are actively involved in the program, some more than others. These more active employees will reach the 500 mile goal earlier in the year.

We designed a Health Trek 500 logo and even had it registered with the Secretary of State.

(EXAMPLE -- TOWEL & T-SHIRT)

In measuring the success of our programs, in March 1993 the employees reached a milestone with 1,000,000 hours worked without a lost time accident. A banquet was held and each employee received a special engraved watch. At the end of May 1994, 1,139,952 hours have been worked without a lost time accident; 33% of the employees are at work every day during the year (vacations and holidays excepted), and are receiving an extra day's vacation the following year; several employees, after reaching the maximum accumulation of sick leave hours, have the opportunity to trade sick leave for extra vacation on a 4 to 1 ratio.

I'm sure many of you have similar programs and perhaps more generous ones that you too may want to share with the group. It's always beneficial to know what other cooperatives and businesses are offering their employees.

Safety and loss control is valuable for efficient operations, however the major concern to the Cooperative is the protection of its most important asset . . . the employees!

"CO-BANK UPDATE"

presented by:

Lee Earhart, Assistant Vice President

COBANIK

®

Rural America's Cooperative Bank®

COBANK FINANCIAL RESULTS

	Year-End Dec. 31,		
	1993	1992	1991
Net Income	\$148	\$147	\$105
Loans Outstanding	11,556	10,371	10,100
Capital	1,021	908	834
Total Assets	14,407	12,688	12,790

1993 PATRONAGE REFUNDS

- 64 bp reduction to net effective interest rate
- 19.2% of patronage-sourced interest
- 30% paid in cash

COBANK FUNDING

- CoBank obtains its funds primarily from the sale of Farm Credit System securities to investors in the national and international money markets.

INTEREST RATE ALTERNATIVES

Variable Rate

Fixed Rate

Tranche Funding

Forward Fixed Rate

Option to Fix Rates

Callable Fixed Rate

RISK MANAGEMENT PRODUCTS

Interest Rate Swaps

Interest Rate Caps

Interest Rate Collars

INTEREST RATE MANAGEMENT FLEXIBILITY

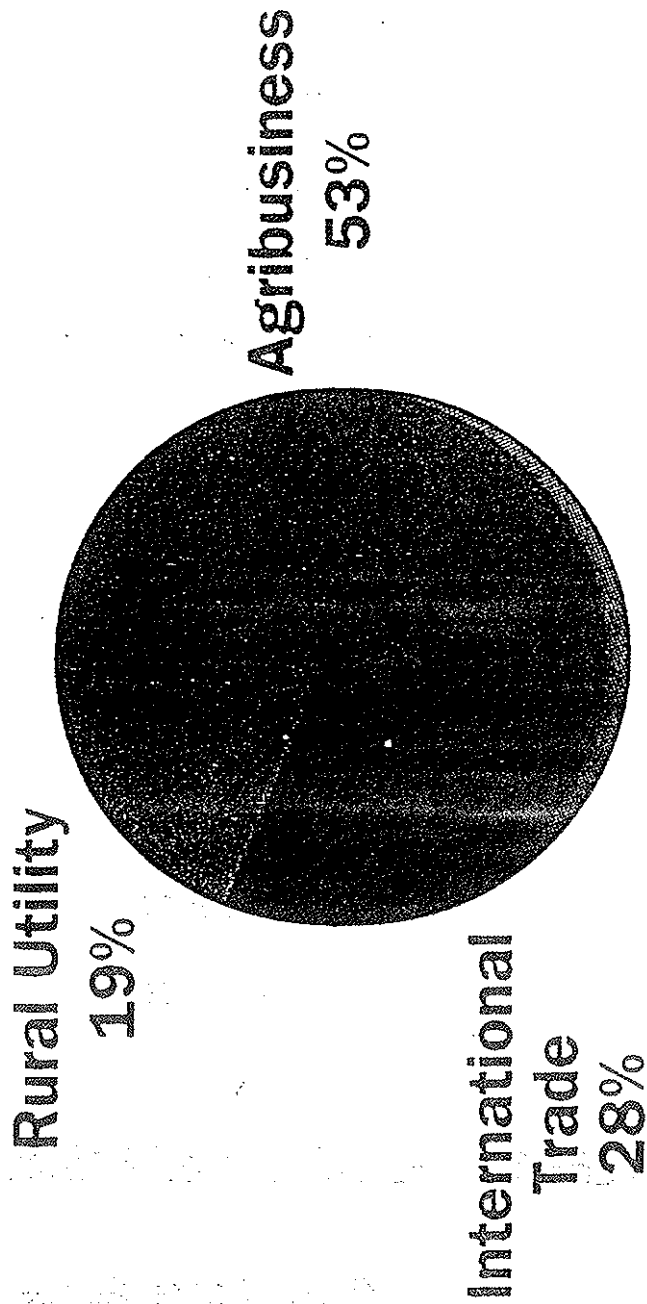
Yield Curve Access

Debt Strategy Management

Rate Risk Management

COBANK LOANS OUTSTANDING

By Group as a Percent of Total Loans
Dec. 31, 1993

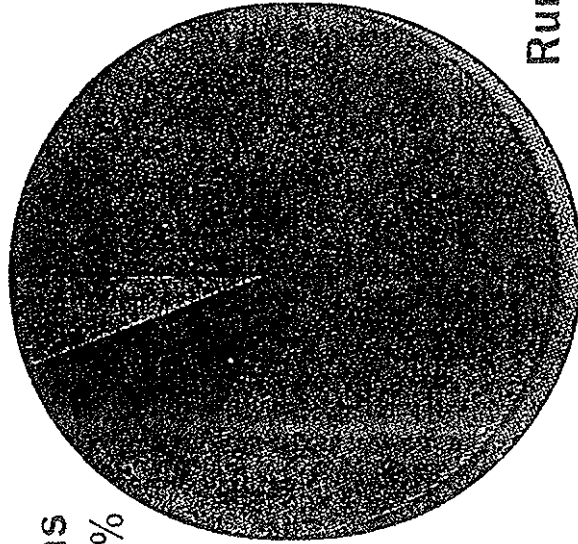


PERCENT OF RURAL UTILITY LOANS OUTSTANDING BY GROUP

Dec. 31, 1993

Rural Water & Development
6%

Communications
12%



Rural Electrics 82%

FINANCING FOR RURAL ECONOMIC DEVELOPMENT

FINANCING FOR WATER AND WATER TREATMENT FACILITIES

COBANK STRENGTHS

- **Commitment to rural America**
- **Diversity**
- **Financial soundness**

COBANK®

Rural America's Cooperative Bank®

"NRECA UPDATE"

presented by:

Dan Kamerman

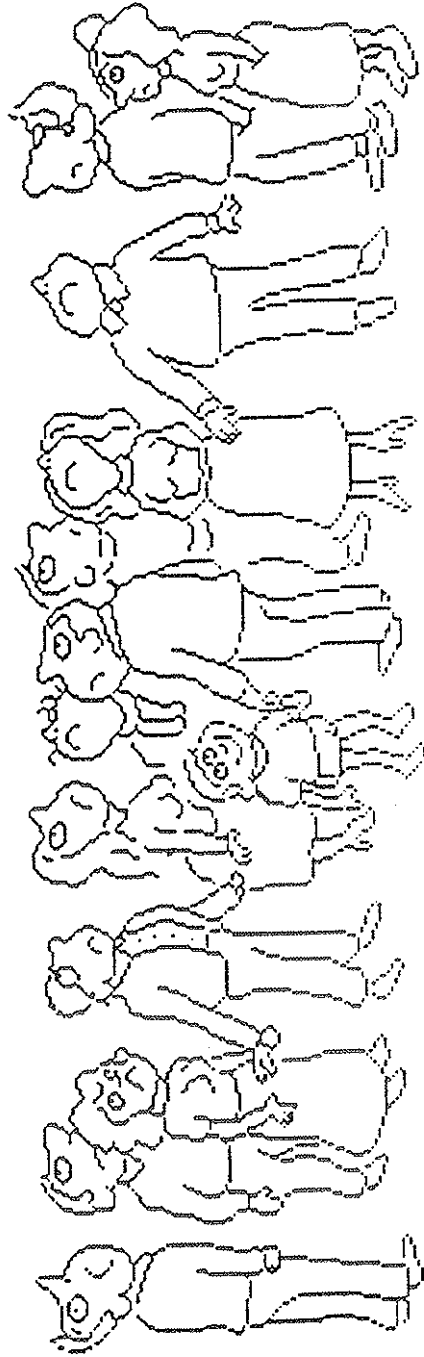
NRECA Rural Development Research

Community-Based Economic Development Planning:

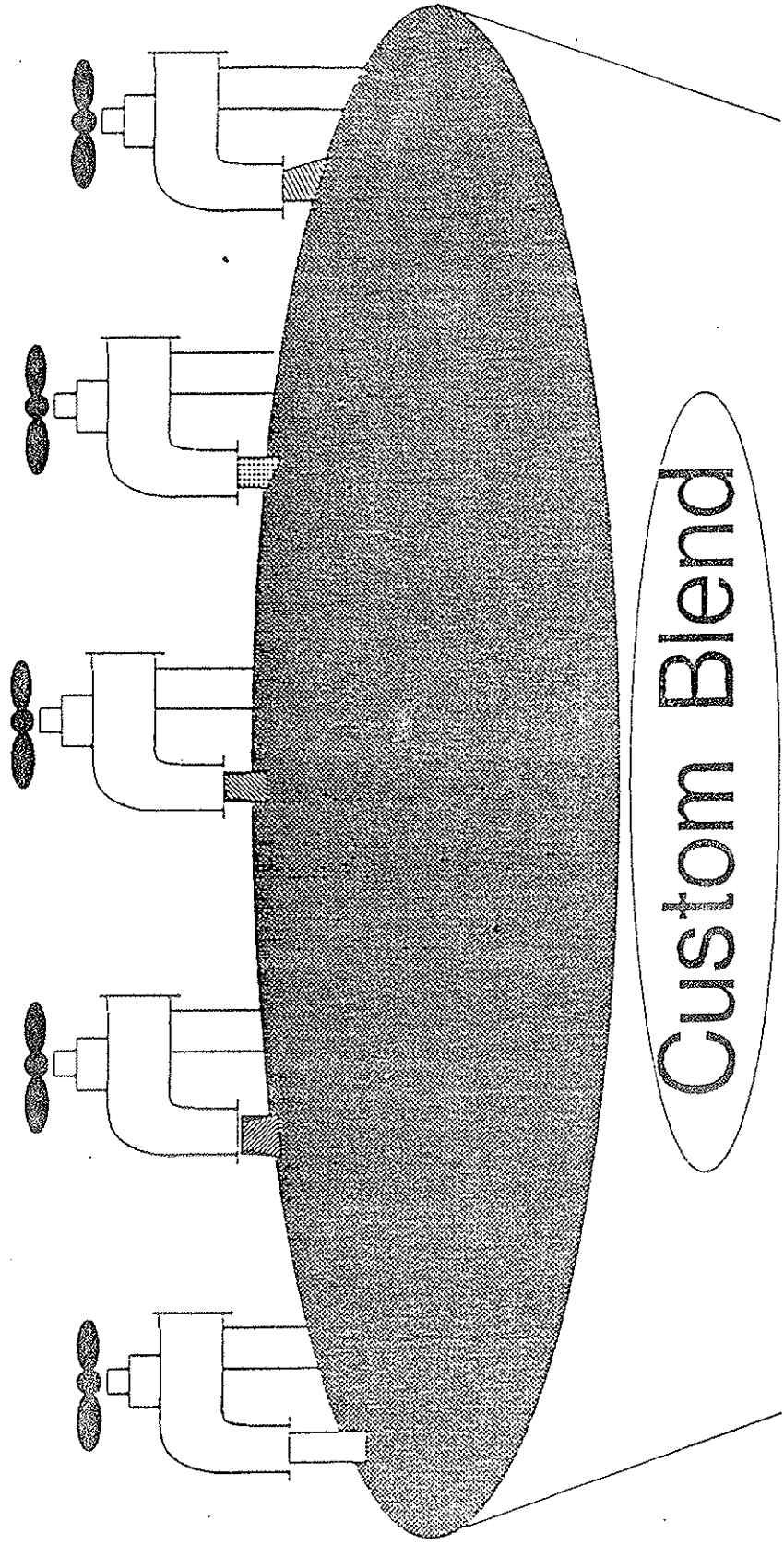
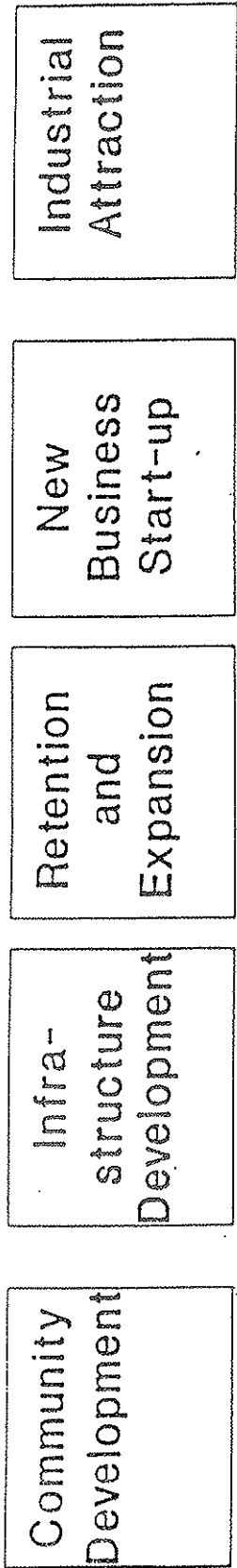
Resource Teams



*"It's about time
somebody asked
the people!"*



A Comprehensive Approach



What is a Resource Team?

- ✓ A community-based
planning and assessment process
- ✓ Involving interviewing many members
of the community and
recording their suggestions
- ✓ The resource team
(experts in different fields)
writes up implementation plan

The Critical Focus is on the
COMMUNITY

Benefits of Resource Teams

- Realistic and doable projects (simple to complex);
- Excellent public and member relations;
- Excellent for resolving conflicts;
- Produces action plan that won't sit on a shelf;
- Works in most rural communities;
- Approach builds community consensus;
- Attaching plan to funding applications is the "community seal of approval;" and
- They are free or inexpensive.

Schedule Overview for the Resource Team

- Day One:
 - Team members arrive
 - Lunch and orientation
 - Tour the area

- Day Two:
 - Community interviews

- Day Three:
 - Report outline
 - Prioritize projects
 - Identify advantages & challenges
 - Assign responsibility for writing-up projects
 - Establish deadlines

Who Should be Interviewed by the Resource Team

- Political Leader: county, municipal and local
- Agriculture leaders, Extension & farm organizations representatives
- Religious leaders
- Bankers
- Educators
- Major employers and economic interests
- Retail business people
- Health care & social service providers
- Senior citizens and affiliated organizations
- Civic groups (Jaycees, Lions Club, etc.)
- Economic development organizations
- High School students
- Anyone else who wants to attend!

Questions to the Community: What the Resource Team Asks

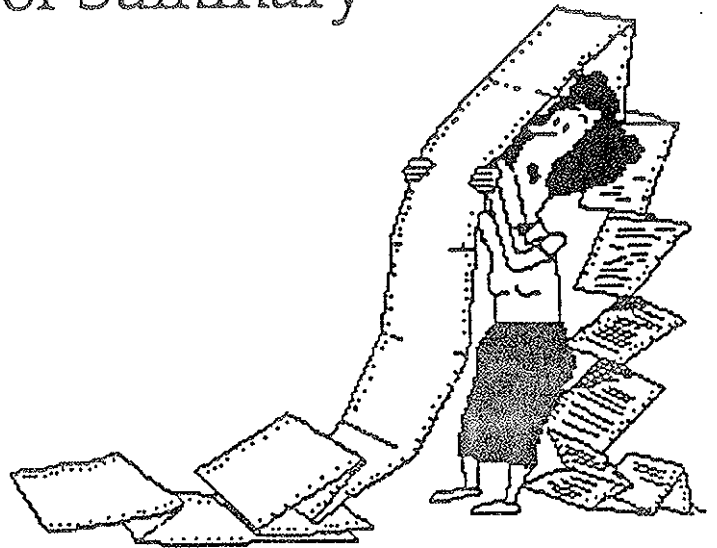
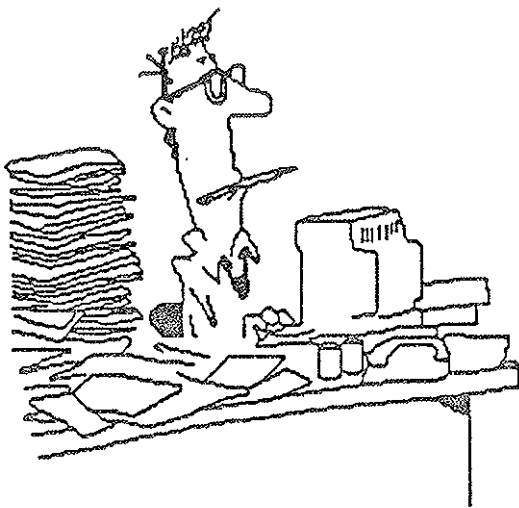
- What are the major problems in the community?
- What projects would you like to see done in the short term, over the next year?
- What projects would you like to see done in the long term, over the next two or three years?

Who is on the Resource Team

- NRECA, REC, G&T and Statewide
- Local bankers, educators & business people
- Federal Representatives
 - Small Business Administration
 - Farmers Home Administration
 - Economic Development Administration
 - Extension Service
- State Representatives
 - Governor's Office
 - Economic Development Department
 - Planning Department
 - Department of Agriculture
 - Tourism Department
- Specialists in health care, education, grant writing, financing and communications.

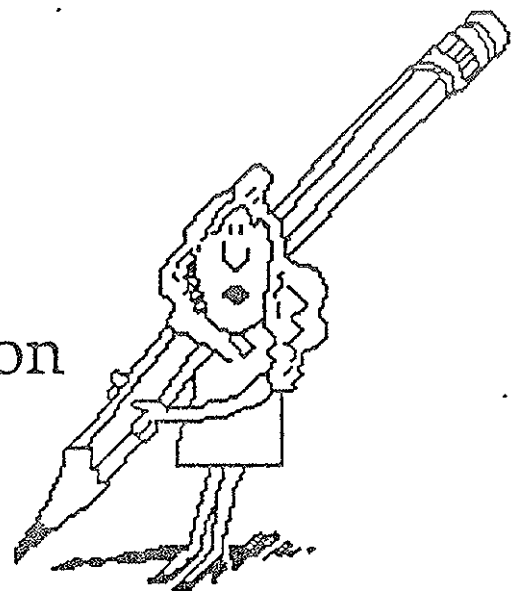
Resource Team Report Organization

- I) Executive Summary /Introduction
- II) Resource Team Members
- III) Interview Participants
- IV) Regional Demographics
- V) Areas of Advantage and Challenges
- VI) Community Development Projects
- VII) Economic Development Projects
- VIII) Implementation or Summary



Writing the Projects

- 1) Project Summary
- 2) Implementation
 - Organization
 - Steps to Follow
 - Technical Resources -- include contact information (name, address and phone #)
 - Financial Resources -- include contact info
- 3) Key Players
- 4) Other Critical Information



Samples of Areas of Advantage

- Strong and healthy work force
- People see the need to cooperate
- Talented pool of senior citizens
- Great natural beauty
- Presence of university and community college for technology transfer, special courses and cultural events

Samples of Areas of Challenge

- Neglected and poor appearance of buildings in the area
- Lack of affordable housing
- Lack of financial reserves and resources; poor access to financing
- Hospital is about to close
- Lack of necessary infrastructure (especially water and sewer)

Samples of Community Development Projects

- Develop a housing renovation program
- Institute a Main Street program
- Use senior citizens as aides in school
- Institute a late bus for after-school activities
- Create a non-profit foundation to obtain grant financing for projects

Samples of Economic Development Projects

- Develop a small business incubator
- Institute a retention and expansion of existing industry program
- Develop a crafts marketing co-op
- Market local industrial park to industry
- Inventory available industrial sites in the county

Check List for Creating the Resource Team

- Rural Electric senses that the Resource Team would be helpful and contacts NRECA's Economic Development Group, (202) 857-2117, 4877 & 9562.
- Schedule planning meeting to plot Resource Team development.
- Identify Resource Team members.
- Identify community groups to invite to provide input.
- Schedule dates for Resource Team visit.
- Promote the Resource Team visit.
- Run Resource Team sessions.
- Compile rough draft of report.
- Review the draft and submit comments.
- Publish final report.
- Set-up an implementation team.

Promoting the Resource Team

Draw up a promotion plan to maximize participation and involvement. Consider the following when devising your plan:

- Multiple letter mailings to participants;
- Newspaper articles;
- Radio and TV spots;
- Bill stuffers;
- Cooperative's member-newsletter; and
- Community bulletin boards.

BUSINESS SESSION

JOE SATTERFIELD

REMDC CHAIRMAN

**RURAL ELECTRIC MANAGEMENT DEVELOPMENT
COUNCIL**

1994 ANNUAL MEETING BUSINESS SESSION
Williamsburg, Virginia
June 15, 1994

AGENDA

1. Call to Order - Joe Satterfield
2. Approval of Agenda
3. Review and approval of business session minutes of May 19, 1993
4. Review and approval of Treasurer's Report
5. Review and approval of Nominating Committee Report
6. Review of Membership Committee Report and approval of new membership and recertification applications
7. Other Business

MINUTES

1994 RURAL ELECTRIC MANAGEMENT DEVELOPMENT COUNCIL MEETING

Williamsburg, Virginia
June 12 - 15, 1994

On Wednesday, June 15, 1994, Chairman Joe Satterfield 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 with one addition. That addition being a letter to be presented to the group for their endorsement. The Chairman ask for objections or additions. There being none, a motion was made and passed to approve the agenda.

APPROVAL OF MINUTES OF THE MAY 19, 1993 BUSINESS SESSION

The minutes of the business session of May 19, 1993, were presented for approval. A motion was made by Allen Ritchie to approve minutes as mailed, seconded by Dave Pruitt and passed.

REVIEW AND APPROVAL OF TREASURER'S REPORT

Allen Ritchie, Treasurer, was recognized for a report. The report covered the period of May 12, 1993 to June 7, 1994 and indicated reserve funds of \$95,171.53. To date, fifty-three (53) members had paid current dues. A motion was made by George Weaver, seconded by Bill James and passed to approve the treasurer's report as presented.

REVIEW AND APPROVAL OF NOMINATING COMMITTEE REPORT

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

<u>Officers:</u>		<u>Term Expires</u>
Chairman	David Pruitt	1995
Vice-Chairman	Mike Gustafson	1995
Second Vice-Chairman	Bill James	1995
Treasurer	Allen Ritchie	1997
Secretary	Sharon Hoelscher	1995

<u>Program Committee:</u>		<u>Term Expires</u>
Chairman	Noble Stallons	1995
	Elaine Garry	1997
	Mel Nicholas	1995
	Earl Weeks	1995
	Dan Bryan	1996

<u>Nominating Committee:</u>		<u>Term Expires</u>
Chairman	Tom Upshaw	1995
	Gene Joslin	1997
	Bruce Bosworth	1995
	Doug Johnson	1996

<u>Membership Committee:</u>		<u>Term Expires</u>
Chairman	Layton Wheeler	1996
	Cecil Viverette	1995
	Connie Shireman	1995
	Steve Fausnaugh	1997

<u>Management Research Committee:</u>		<u>Term Expires</u>
Chairman	Bill James	1996
	Dorothy Postel	1996
	Doug Bechtel	1997
	Dan Kessler	1995
	Paul Bienvenue	1996

There being no further nominations, a motion was made, seconded, and passed that the officers and committee candidates be approved as presented.

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 stated that the Council now has fifty-three (53) members. Coles-Moultrie Electric Cooperative and Southern Nebraska Rural Public Power District have been deleted from the membership list. Mr. Wheeler stated that the committee will be in touch with Gary Headman with Southern Nebraska Rural Public Power District to see if they wish to recertify.

Mr. Wheeler asked the Council to accept membership from United Electric Cooperative, Inc., Stearns Electric Association and Sussex Rural Electric Cooperative. With the acceptance of these three our total membership will be fifty-six (56).

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

The committee hopes to seek membership next year from Choptank Electric Cooperative, Inc., Aiken Electric Co-op, Inc., Anoka Electric Cooperative, and Cumberland EMC.

A motion was made, seconded and unanimously passed to recertify nine (9) members and to accept the three (3) new members.

OTHER BUSINESS

Chairman Joe Satterfield announced that the 1995 meeting would be held in Galena, Illinois, and will be co-hosted by Dorothy Postel, Maquoketa Valley REC, and Connie Shireman, Jo-Carroll Electric Cooperative.

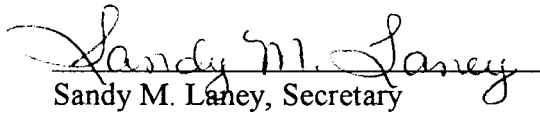
Chairman Joe Satterfield then called upon Doug Bechtel who invited the Council to hold its 1996 annual meeting in Seattle, Washington. A motion was made, seconded, and unanimously passed that the 1996 meeting of the Council be scheduled for Seattle, Washington. The 1996 meeting will be hosted by Doug Bechtel, Orcas Power & Light.

Jim Kiley was called on to present a letter to the Council. The letter contained issues that need to be addressed by the Council and NRECA. Upon the Council's approval, the letter will be taken to NRECA to make them aware of who we are and how we feel about some current issues facing the rural electric industry. Mr. Kiley then read the proposed letter to the Council. (Copy Attached as Exhibit "A") The Council recommended that this letter be hand delivered to NRECA in Washington, D.C. by Jim Kiley, David Pruitt, Gene Joslin and Joe Satterfield. With everyone being in agreement a motion was made, seconded and unanimously passed to adopt this letter and present it to NRECA.

Chairman Joe Satterfield then recognized Jim Kiley and presented him with a plaque for his leadership and previous years of exceptional service as Chairman (1990-1993) of the REMDC.

Chairman Joe Satterfield expressed his appreciation to all the committees for all the time and hard work put into making this year's meeting such a huge success.

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


Sandy M. Laney, Secretary

**THE RURAL ELECTRIC MANAGEMENT
DEVELOPMENT COUNCIL**

TREASURER'S REPORT

JUNE 7, 1994

THE RURAL ELECTRIC MANAGEMENT DEVELOPMENT COUNCIL

OPERATING STATEMENT

May 13, 1993 to June 7, 1994

INCOME:

1993 Dues (Schedule A) - 3	\$ 900.00
1993 Dues (Schedule B) - 53	15,900.00
Interest from Investments	<u>1,884.64</u>
TOTAL INCOME	\$18,684.64

EXPENSES:

Council- General

1993 Meeting	
Blue Ridge Mtn. EMC - Meeting Room, Ref., etc.	\$ 2,544.88
Contribution (Auth.) Chattahoochee/Oconee	250.00
Presentation - Howell/Holmes Exp.	1,808.81
Sioux Valley EMC - Recording Secretary Gift	70.00
Sioux Valley EMC - 1993 REMDC Proceedings	<u>428.10</u>
Total 1993 Meeting	\$ 5,101.79

Research Project

Northeastern - Committee Meeting	\$ 93.01
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TOTAL EXPENSES	\$ 5,194.80
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NET INCOME:

\$13,489.84
=====

THE RURAL ELECTRIC MANAGEMENT DEVELOPMENT COUNCIL

SCHEDULE A

1993 Dues Paid After May 12, 1993

Boone EC	6/02/93	\$ 300.00
Lee County EC	6/02/93	300.00
Community EC	6/02/93	300.00
Total		<u>\$ 900.00</u>

SCHEDULE B

1994 Dues Paid as of June 7, 1994

Adams EC	4/10/94	\$ 300.00
Agralite Co-op.	5/14/94	300.00
Amicalola EMC	4/17/94	300.00
Berkeley EC	4/12/94	300.00
Blue Ridge EMC	4/12/94	300.00
Blue Ridge Mountain EMC	4/19/94	300.00
Boone EC	4/11/94	300.00
Butler County REC	5/04/94	300.00
Cap Rock EC	4/24/94	300.00
Cass County EC	4/18/94	300.00
Central Area DP	4/11/94	300.00
Central Georgia EMC	4/12/94	300.00
Central Wisconsin EC	4/15/94	300.00
Cobb EMC	4/10/94	300.00
Coles-Moultrie EC	--	--
Community EC	4/12/94	300.00
Coosa Valley EC	4/10/94	300.00
Davidson EMC	4/11/94	300.00
Delaware EC	4/15/94	300.00
Eastern Iowa Light & Power Co-op.	4/19/94	300.00
Farmers EC	4/12/94	300.00
Flint EMC	4/11/94	300.00
Four County EMC-NC	4/19/94	300.00
Four County EPA-MS	4/10/94	300.00
Georgia EMC	4/17/94	300.00
Guadalupe Valley EC	4/11/94	300.00
Hancock-Wood EC	4/11/94	300.00
Iowa Lakes EC	4/10/94	300.00
Jackson EMC	4/18/94	300.00
Johnson County EC	5/04/94	300.00
Jo-Carroll EC	4/10/94	300.00
Lee County EC	4/11/94	300.00
Linn County RECA	4/19/94	300.00
Maquoketa Valley REC	4/11/94	300.00
Mecklenburg EC	4/19/94	300.00
Minnesota Valley EC	4/24/94	300.00

Niobrara Valley EMC	4/23/94	300.00
Northeastern REMC	4/11/94	300.00
North Western EC	4/10/94	300.00
Orcas Power & Light Co.	4/15/94	300.00
Palmetto EC	4/12/94	300.00
Pioneer REC	4/19/94	300.00
Polk-Burnett EC	4/12/94	300.00
Radiant EC	4/30/94	300.00
Rappahannock EC	4/19/94	300.00
Shenandoah Valley EC	4/10/94	300.00
Sioux Valley Empire EA	4/11/94	300.00
South Central Indiana REMC	4/11/94	300.00
Southern Maryland EC	5/04/94	300.00
Southern Nebraska RPPD	--	--
Southside EC	4/11/94	300.00
Tri-County REC	4/10/94	300.00
Troup EMC	4/18/94	300.00
Utilities District of Western IN REMC	4/04/94	300.00
Wells EMC	5/01/94	<u>300.00</u>
Total Members Paid - 53		\$15,900.00

THE RURAL ELECTRIC MANAGEMENT DEVELOPMENT COUNCIL

BALANCE SHEET

June 7, 1994

	6/07/94	5/12/93
<u>ASSETS</u>		
Current		
Cash in Checking Account	\$10,739.71	\$15,944.51
Investments - Savings Account	<u>84,431.82</u>	<u>65,747.18</u>
Total	\$95,171.53	\$81,681.69

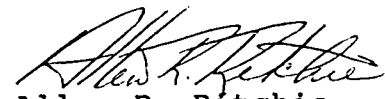
MEMBERS' EQUITY

Retained Earnings	\$81,681.69	\$70,489.03
Net Gain (Loss)	<u>13,489.84</u>	<u>11,192.66</u>
Total	\$95,171.53	\$81,681.69

* * * * *

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Respectfully submitted,



Allen R. Ritchie
Treasurer

RURAL ELECTRIC MANAGEMENT DEVELOPMENT COUNCIL

MEMBERSHIP COMMITTEE

1994 REPORT

COMMITTEE:

Layton Wheeler, Chairman
Delaware

Steve Fausnaugh
Hancock-Wood
Ohio

Connie Shireman
Jo-Carroll

Cecil Viverette
Rappahannock

Recertification was received from nine (9) members:

Cap Rock Electric Cooperative, Inc.
Stanton, Texas

Jackson EMC
Jefferson, Georgia

Cobb EMC
Marietta, Georgia

Linn County RECA
Marion, Iowa

Farmers' Electric Cooperative, Inc.
Chillicothe, Missouri

Shenandoah Valley Electric
Cooperative, Inc.
Mt. Crawford, Virginia

Guadalupe Valley Electric Cooperative, Inc.
Gonzales, Texas

Southern Maryland Electric
Cooperative, Inc.
Hughesville, Maryland

Hancock-Wood Electric Cooperative, Inc.
North Baltimore, Ohio

ACTIONS TO BE TAKEN

1. The Membership Committee recommends 1994 recertification of the following members:

Cap Rock Electric Cooperative, Inc. Stanton, Texas	Jackson EMC Jefferson, Georgia
Cobb EMC Marietta, Georgia	Linn County RECA Marion, Iowa
Farmers' Electric Cooperative, Inc. Chillicothe, Missouri	Shenandoah Valley Electric Cooperative, Inc. Mt. Crawford, Virginia
Guadalupe Valley Electric Cooperative, Inc. Gonzales, Texas	Southern Maryland Electric Cooperative, Inc. Hughesville, Maryland
Hancock-Wood Electric Cooperative, Inc. North Baltimore, Ohio	

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

United Electric Cooperative, Inc. DuBois, Pennsylvania	Stearns Electric Association Melrose, Minnesota
Sussex Rural Electric Cooperative Sussex, New Jersey	

System to recertify in 1995:

Central Area Data Processing Cooperative St. Peters, Missouri	Flint EMC Reynolds, Georgia
Central Wisconsin Electric Cooperative Iola, Wisconsin	Four County EMC Burgaw, North Carolina
Davidson EMC Lexington, North Carolina	Georgia EMC Tucker, Georgia
Delaware Electric Cooperative, Inc. Greenwood, Delaware	Iowa Lakes Electric Cooperative Estherville, Iowa
Eastern Iowa Light & Power Company Wilton, Iowa	North Western Electric Cooperative, Inc. Bryan, Ohio
Utilities District of Western Indiana REMC Bloomfield, Indiana	

Membership invitations and/or meeting attendance was sent to the following:

Derl J. Hinson
Executive Vice President
& General Manager
Aiken Electric Co-op, Inc.
P. O. Box 417
Aiken, South Carolina 29802

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

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

Charles E. Dalton, General Manager
Blue Ridge Electric Cooperative, Inc.
P. O. Box 277
Pickens, South Carolina 29671

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

Frederick L. Hubbard
Executive Vice President
& General Manager
Choptank Electric Cooperative, Inc.
P. O. Box 430
Denton, Maryland 21629

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

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

Wayne M. Poole, General Manager
Cumberland EMC
P. O. Box 3300
Clarksville, Tennessee 37043

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

Jeffrey L. Nelson, General Manager
East River Electric Power Co-op, Inc.
P. O. Drawer E
Madison, South Dakota 57042

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

Jimmy N. White, General Manager
Gibson EMC
P. O. Box 47
Trenton, Tennessee 38382

John M. McBride, General Manager
Guernsey-Muskingum Electric Co-op, Inc.
17 South Liberty Street
New Concord, Ohio 43762

E. L. Ayers, Executive Vice President
& General Manager
Haywood EMC
1819 Asheville Road
Waynesville, North Carolina 28786

Jack F. Wolfe Jr., General Manager
Mid-Carolina Electric Co-op, Inc.
P. O. Drawer 669
Lexington, South Carolina 29072

James O. Baker, President
Middle Tennessee EMC
810 Commercial Court
Murfreesboro, Tennessee 37129

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

Grant J. Earl, General Manager
Moon Lake Electric Association, Inc.
P. O. Box 278
Roosevelt, Utah 84066

Richard L. Arnold, Manager
N. W. Electric Power Co-op, Inc.
P. O. Box 565
Cameron, Missouri 64429

Wayne D. Keller
Executive Vice President
**North Carolina Association of
Electric Co-ops**
P. O. Box 27306
Raleigh, North Carolina 27611

John P. Edwards, President & CEO
Old Dominion Electric Cooperative
4201 Dominion Boulevard, Suite 300
Glen Allen, Virginia 23060

Charles P. Riesen, General Manager
P.K.M. Electric Co-op, Inc.
P. O. Box 108
Warren, Minnesota 56762

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

Robert L. Elliott, II, President/CEO
Rita Blanca Electric Co-op, Inc.
P. O. Box 990
Dalhart, Texas 79022

Michael F. Treadwell, General Manager
Rural Electric Cooperative, Inc.
P. O. Box 609
Lindsay, Oklahoma 73052

John Q. Adams, Executive Vice President
& General Manager
San Bernard Electric Co-op, Inc.
P. O. Box 158
Bellville, Texas 77418

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

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

Eugene P. Sullivan, General Manager
Stearns Electric Association
P. O. Box 40
Melrose, Minnesota 56352

William E. Smith, General Manager
Sussex REC
P. O. Box 346
Sussex, New Jersey 07461

William M. Erickson, General Manager
Tipmont REMC
P. O. Box 20
Linden, Indiana 47955

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

Ronald R. Harper, General Manager
Tri-County Electric Assn., Inc.
P. O. Box 930
Sundance, Wyoming 82729

Craig W. DeBower, General Manager
United Electric Cooperative, Inc.
P. O. Box 688
Du Bois, Pennsylvania 15801-0688

David P. Larson, General Manager
**Wright-Hennepin Co-op
Electric Association**
P. O. Box 330
Maple Lake, Minnesota 55358

1994 - 1995 Membership (By State)

ALABAMA

Coosa Valley Electric Cooperative, Inc.

DELAWARE

Delaware Electric Cooperative, Inc.

FLORIDA

Lee County 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
Eastern Iowa Light & Power Cooperative
Iowa Lakes Electric Cooperative
Linn County RECA
Maquoketa Valley REC

KANSAS

Radiant Electric Cooperative

MARYLAND

Southern Maryland Electric
Cooperative, Inc.

MINNESOTA

Agralite Cooperative
Minnesota Valley Electric Cooperative
Stearns Electric Association

MISSISSIPPI

Four County Electric Power Association

MISSOURI

Boone Electric Cooperative
Central Area Data Processing Cooperative
Farmers' Electric Cooperative, Inc.

NEBRASKA

Niobrara Valley EMC
Southern Nebraska RPPD

NEVADA

Wells REC

NEW JERSEY

Sussex Rural Electric Cooperative

NORTH CAROLINA

Blue Ridge EMC
Davidson EMC
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NORTH DAKOTA

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North Western Electric Co-op, Inc.
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Palmetto Electric Co-op, Inc.

SOUTH DAKOTA

Sioux Valley Empire Electric Assoc., Inc.

TEXAS

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

VIRGINIA

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

WASHINGTON

Orcas Power & Light Company

WISCONSIN

Central Wisconsin Electric Co-op
Polk-Burnett Electric Co-op

RURAL ELECTRIC MANAGEMENT DEVELOPMENT COUNCIL
1994-1995 MEMBERSHIP

A. Daniel Murray, General Manager
Adams Electric Cooperative, Inc.
153 North Stratton Street
Gettysburg, Pennsylvania 17325
(717) 334-9211
(717) 334-3980 (Fax)

Ramon D. Millett, General Manager
Agralite Cooperative
P. O. Box 228
Benson, Minnesota 56215
(612) 843-4150
(612) 843-3738 (Fax)

John S. Dean, Sr.
General Manager/CEO
Amicalola EMC
P. O. Box 10
Jasper, Georgia 30143
(706) 692-6471
(706) 692-5251 (Fax)

E. E. (Skip) Strickland, Jr., Manager
Berkeley Electric Cooperative, Inc.
P. O. Box 1234
Moncks Corner, South Carolina 29461
(803) 761-8200
(803) 899-2854 (Fax)

Douglas W. Johnson
Executive Vice President
Blue Ridge Electric Membership Corporation
Caller Service 112
Lenoir, North Carolina 28645
(704) 758-2383
(704) 758-2383 Ext. 202 (Fax)

Joe Satterfield, General Manager
Blue Ridge Mountain EMC
P. O. Box 9
Young Harris, Georgia 30582
(706) 379-3121
(706) 379-3121 Ext. 135 (Fax)

Robert M. Alderson, General Manager
Boone Electric Cooperative
P. O. Box 797
Columbia, Missouri 65205
(314) 449-4181
(314) 876-1272 (Fax)

Robert J. Bauman, General Manager
Butler County REC
P. O. Box 98
Allison, Iowa 50602
(319) 267-2726
(319) 267-2566 (Fax)

David Pruitt, President/CEO
Cap Rock Electric Cooperative, Inc.
500 West Wall
Midland, Texas 79701-1601
(915) 756-3381
(915) 756-3381 Ext. 14 (Fax)

Michael D. Gustafson, General Manager
Cass County Electric Cooperative, Inc.
P. O. Box 8
Kindred, North Dakota 58051
(701) 428-3292
(701) 428-3044 (Fax)

Gary J. Hobson, General Manager
Central Data Processing Cooperative
P. O. Box 850
St. Peters, Missouri 63376
(314) 922-9158
(314) 922-9158 Ext. 599 (Fax)

George L. Weaver, President
Central Georgia EMC
P. O. Box 309
Jackson, Georgia 30233
(404) 775-7857
(404) 775-0013 (Fax)

Donald J. Van Deest, General Manager
Central Wisconsin Electric Co-op
P. O. Box 255
Iola, Wisconsin 54945
(715) 445-2211
(715) 445-4333 (Fax)

Dwight T. Brown, President/CEO
Cobb EMC
P. O. Box 369
Marietta, Georgia 30061
(404) 424-1504
(404) 424-8618 (Fax)

James M. Reynolds, General Manager
Community Electric Cooperative
P. O. Box 267
Windsor, Virginia 23487
(804) 242-6181
(804) 242-3923 (Fax)

Joe B. Cade, General Manager
Coosa Valley Electric Cooperative, Inc.
P. O. Box 837
Talladega, Alabama 35160
(205) 362-4180
(205) 761-2615 (Fax)

H. Wayne Wilkins, General Manager
Davidson EMC
P. O. Box 948
Lexington, North Carolina 27293
(704) 249-3131
(704) 246-3114 (Fax)

E. Paul Bienvenue, General Manager
Delaware Electric Cooperative, Inc.
P. O. Box 600
Greenwood, Delaware 19950
(302) 349-9090
(302) 349-5891 (Fax)

Melvin D. Nicholas, General Manager
Eastern Iowa Light & Power Cooperative
E. Fifth & Sycamore Streets
Wilton, Iowa 52778
(319) 732-2211
(319) 732-2219 (Fax)

Dan Bryan, General Manager
Farmers' Electric Cooperative, Inc.
P. O. Box 680
Chillicothe, Missouri 64601
(816) 646-4281
(816) 646-3569 (Fax)

Harold B. Smith, CEO/General Manager
Flint EMC
P. O. Box 308
Reynolds, Georgia 31076
(912) 847-3415
(912) 847-5181 (Fax)

Edward E. Brown, Jr., General Manager
Four County EMC
P. O. Box 667
Burgaw, North Carolina 28425
(919) 259-2171
(919) 259-2171 Ext. 426 (Fax)

Earl W. Weeks, General Manager
Four County Electric Power Association
P. O. Box 351
Columbus, Mississippi 39703
(601) 327-8900
(601) 327-8900 Ext. 292 (Fax)

Jerry Pate, Executive Vice President
Georgia EMC
P. O. Box 1707
Tucker, Georgia 30085
(404) 270-6950
(404) 270-6995 (Fax)

Marcus Pridgeon, General Manager
Guadalupe Valley Electric Cooperative, Inc.
P. O. Box 118
Gonzales, Texas 78629
(210) 672-2871
(210) 672-9841 (Fax)

John A. Cheney, President & General Manager
Hancock-Wood Electric Cooperative, Inc.
P. O. Box 188
North Baltimore, Ohio 45872
(419) 257-3241
(419) 257-3024 (Fax)

J. Bruce Bosworth, General Manager
Iowa Lakes Electric Cooperative
P. O. Box 77
Estherville, Iowa 51334
(712) 362-2694
(712) 362-2819 (Fax)

Randall Pugh, President/CEO
Jackson EMC
P. O. Box 38
Jefferson, Georgia 30549
(404) 367-5281
(404) 367-5281 Ext. 430 (Fax)

Hollis E. (Gene) Joslin, General Manager
Johnson County Electric Cooperative Association
P. O. Box 16
Cleburne, Texas 76033
(817) 556-4000
(817) 556-4068 (Fax)

Connie M. Shireman, General Manager
Jo-Carroll Electric Co-op, Inc.
P. O. Box 390
Elizabeth, Illinois 61028
(815) 858-2207
(815) 858-3731 (Fax)

James D. Sherfey, General Manager
Lee County Electric Cooperative, Inc.
P. O. Box 3455
North Ft. Myers, Florida 33918
(813) 995-2121
(813) 995-7904 (Fax)

Kim R. Colberg, General Manager
Linn County RECA
P. O. Box 69
Marion, Iowa 52302
(319) 377-1587
(319) 377-5875 (Fax)

Dorothy A. Postel, General Manager
Maquoketa Valley REC
P. O. Box 370
Anamosa, Iowa 52205
(319) 462-3542
(319) 462-3217 (Fax)

M. John Bowman, Executive Vice President
& General Manager
Mecklenburg Electric Cooperative
Caller 2451
Chase City, Virginia 23924
(804) 372-4121
(804) 372-5193 (Fax)

Roger W. Geckler, General Manager
Minnesota Valley Electric Cooperative
P. O. Box 125
Jordan, Minnesota 55352
(612) 492-2313
(612) 492-8274 (Fax)

John Hoke, General Manager
Niobrara Valley EMC
P. O. Box 60
O'Neill, Nebraska 68763
(402) 336-2803
(402) 336-4858 (Fax)

Lyle D. Brigle, Manager
North Western Electric Co-op, Inc.
P. O. Box 391
Bryan, Ohio 43506
(419) 636-5051
(419) 636-0194 (Fax)

William W. James, Jr.
President/General Manager
Northeastern REMC
P. O. Box 171
Columbia City, Indiana 46725
(219) 244-6111
(219) 625-3407 (Fax)

W. Douglas Bechtel, General Manager
Orcas Power & Light Company
P. O. Box 187
Eastsound, Washington 98245
(206) 376-2252
(206) 376-2559 (Fax)

G. Thomas Upshaw, General Manager
Palmetto Electric Co-op, Inc.
P. O. Box 21239
Hilton Head, South Carolina 29925
(803) 681-5551
(803) 681-2855 (Fax)

Robert L. Roberts, General Manager
Pioneer REC, Inc.
P. O. Box 604
Piqua, Ohio 45356
(513) 773-2523
(513) 773-7549 (Fax)

Steve A. Glaim, General Manager
Polk-Burnett Electric Co-op
1000 Highway 35
Centuria, Wisconsin 54824
(715) 646-2191
(715) 646-2404 (Fax)

Carl A. Sederlund, Manager
Radiant Electric Co-op, Inc.
P. O. Box 390
Fredonia, Kansas 66736
(316) 378-2161
(316) 378-3164 (Fax)

Cecil E. Viverette, Jr., President
Rappahannock Electric Cooperative
P. O. Box 7388
Fredericksburg, Virginia 22404
(703) 898-8500
(703) 891-0231 (Fax)

C. Douglas Wine
Executive Vice President
**Shenandoah Valley Electric
Cooperative, Inc.**
P. O. Box 236
Mt. Crawford, Virginia 22841
(703) 434-2200
(703) 434-2227 (Fax)

James Kiley, General Manager
Sioux Valley Empire Electric Assn., Inc.
P. O. Box 216
Colman, South Dakota 57017
(605) 534-3535
(605) 534 3522 (Fax)

Kevin D. Sump, General Manager
South Central Indiana REMC
300 Morton Avenue
Martinsville, Indiana 46151
(317) 342-3344
(317) 342-1335 (Fax)

I. Wayne Swann, President
**Southern Maryland Electric
Cooperative, Inc.**
P. O. Box 1937
Hughesville, Maryland 20637
(301) 274-3111
(301) 274-0086 (Fax)

Gary Hedman, General Manager
Southern Nebraska RPPD
P. O. Box 1687
Grand Island, Nebraska 68802
(308) 384-2350
(308) 384-5018 (Fax)

John C. Anderson
Executive Vice President
Southside Electric Cooperative
P. O. Box 7
Crewe, Virginia 23930
(804) 645-7721
(804) 645-1147 (Fax)

Eugene P. Sullivan, General Manager
Stearns Co-op Electric Assn.
P. O. Box 40
900 East Kraft Drive
Melrose, Minnesota 56352
(612) 256-4241
(612) 256-3618 (Fax)

William E. Smith, General Manager
Sussex REC
P. O. Box 346
22 East Main Street
Sussex, New Jersey 07461
(201) 875-5101
(201) 875-4114 (Fax)

Robert O. Toombs, General Manager
Tri-County REC
22 North Main Street
Mansfield, Pennsylvania 16933
(717) 662-2175
(717) 662-2142 (Fax)

Wayne Livingston, Exec. Vice President
& General Manager
Troup Electric Membership Corporation
P. O. Box 160
LaGrange, Georgia 30241
(404) 882-2513
(404) 883-1892 (Fax)

Donald A. Widder, General Manager
United Electric Cooperative, Inc.
P. O. Box 688
Route 255 North
DuBois, Pennsylvania 15801
(814) 371-8570
(814) 371-9278 (Fax)

Noble Ray Stallons, General Manager
**Utilities District of
Western Indiana REMC**
P. O. Box 427
Bloomfield, Indiana 47424
(812) 384-4446
(812) 384-3127 (Fax)

Daniel L. Kessler, Jr., General Manager
Wells REC
P. O. Box 365
Wells, Nevada 89835
(702) 752-3328
(702) 752-3407 (Fax)

SCHEDULE OF REMDC MEETING DATES AND LOCATIONS

Meeting	Date	Location
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 & Conference Center, Williamsburg, VA

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

**RURAL ELECTRIC MANAGEMENT DEVELOPMENT COUNCIL
JUNE 15, 1994**

1994/1995 OFFICERS AND COMMITTEE RECOMMENDATIONS

CHAIRMAN	DAVID PRUITT
VICE-CHAIRMAN	MIKE GUSTAFSON
SECOND VICE-CHAIRMAN	BILL JAMES
TREASURER	ALLEN RITCHIE
SECRETARY	SHARON HOELSCHER

PROGRAM COMMITTEE

NOBLE STALLONS - CHAIRMAN
ELAINE GARRY
MEL NICHOLAS
EARL WEEKS
DAN BRYAN

NOMINATING COMMITTEE

TOM UPSHAW - CHAIRMAN
BRUCE BOSWORTH
DOUG JOHNSON
GENE JOSLIN

MEMBERSHIP COMMITTEE

LAYTON WHEELER - CHAIRMAN
STEVE FAUSNAUGH
CECIL VIVERETTE
CONNIE SHIREMAN

MANAGEMENT RESEARCH COMMITTEE

BILL JAMES - CHAIRMAN
DOROTHY POSTEL
DAN KESSLER
PAUL BIENVENUE
DOUG BECHTEL

RE MANAGEMENT DEVELOPMENT COUNCIL

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Dave Pruitt
Texas

Vice Chairman
Mike Gustafson
North Dakota

**Second
Vice Chairman**
Bill James
Indiana

Treasurer
Allen Ritchie
Virginia

**Program Committee
Chairman**
Noble Stallons
Indiana

**Research Committee
Chairman**
Bill James
Indiana

**1995 Annual
Meeting Hosts**
Connie Shireman
Illinois
Dorothy Postel
Iowa

August 22, 1994

Mr. Glenn English
General Manager
National Rural Electric
Cooperative Association
1800 Massachusetts Ave., NW
Washington, DC 20036

Dear Glenn:

Thank you for your kind reception last Tuesday. We had been selected by our 55 member council to present our position statement. We appreciated very much the opportunity to meet with you and members of your staff and appreciate the open and candid discussion we were able to have regarding the issues and concerns we raised. We would appreciate very much getting a response from you representing NRECA's position so that I can report back to the Management Development Council members about the results of our visit with you and the members of your staff.


As the four of us expressed, we see our business changing and the focus must be on being competitive in all meanings of the word.

As stated in our position paper, the members of REMDC are concerned that NRECA's current efforts may be stressing what we would label as peripheral issues such as rural health care, water & sewer and the farm bill. These are important, but they are not key to allowing rural electric cooperatives to survive and prosper.

We look forward to your response to our paper and our discussion. As you suggested, maybe we should meet again at an appropriate time for you, possibly before the Regional meetings kick off.

Again, thank you for your time and interest. If questions, please contact Joe, Jim, Gene or myself.

Sincerely,


David W. Pruitt, Chairman
R.E.M.D.C.

DWP:sah

cc: Martin Lowery
Don Smith
John Holt
Joe Satterfield
Jim Kiley
Gene Joslin

bc: All REMDC w/enclosure - Position Paper

POSITION STATEMENT

RURAL ELECTRIC MANAGEMENT DEVELOPMENT COUNCIL

JUNE 15, 1994

The function and purpose of the Rural Electric Management Development Council (REMDC), since its inception in 1958, has been to explore ways to improve the effectiveness of management at rural electric systems. Each of the rural electric systems that are members of the REMDC acquired that membership by being able to demonstrate they were not only practicing modern management, but they were willing to share their successes and failures with others, and contribute to research in finding ways to improve the practice of management at rural electric systems.

At the first meeting of the REMDC, Clyde Ellis, NRECA's Executive Manager, accompanied Bob Kabat to the meeting to stress the importance of improved management at rural electric systems and to ask for close working relationships between NRECA and the REMDC. Since that time, both Bob Partridge and Bob Bergland maintained close working relationships with the REMDC.

The REMDC is comprised of about 55 rural electric systems from all across the country, from the Pacific Northwest to Florida. Member systems range in size from fewer than 5,000 consumers, to systems with well over 100,000 consumers. The members of the REMDC serve over 1,400,000 consumers nationally. In terms of affiliation with NRECA, these systems contribute over \$1-million in dues each year.

The REMDC membership reflects a size and demographic profile of the rural electric program of the 1990's. We feel strongly that the challenges to today's rural electric systems are best met by a highly skilled management team comprised of board members who understand and are trained in the practice of their trusteeship responsibilities, plus a highly skilled, professional manager, management staff and a competent, informed and motivated work force who have a vision and commitment to meet the challenges of the dynamic and rapidly changing business climate in which our systems must function.

The widely diverse, yet specific needs of rural electric systems operating in a rapidly changing business climate cannot be served by broadly stated national policies designed to meet the average needs of the average system. Today's rural electric system needs leadership and vision that recognizes not only the diversity of needs and interests that exist nationally among rural electric systems, but also the diversity of needs and interests that exist locally among consumers.

History and tradition should be well remembered, but the vast and increasing majority of today's rural electric consumers could not care less about the "good old days" when only 10% of rural America had electricity. Today's rural electric consumers demand high quality service. They want a timely and professional response from their local rural electric system. They also expect those things at a reasonably competitive price. These demands of the consumer require major changes in approach by many rural electric systems nationwide. They require a new agenda...one which focuses on the realities of today—not the successes or traditions of yesterday.

In order to survive as cooperative utilities, rural electric directors and managers must deliver high quality service at a competitive price.

If we fail this test, consumers will quickly force change—either in the management team or the form of ownership, or both.

Many believe, including the members of the REMDC, that the entire electric utility industry is undergoing a dramatic change, driven by competitive forces and fueled by consumers who increasingly will insist on choice for electric supply. In the future, consumers themselves, or their representatives, will be choosing their supplier of electric service. This seems to beg a very important question: Will we be using whatever time we have left before this inevitable change takes place to find the ways to improve the quality of our service, to be more responsive, and to become truly competitive? Or will we spend our time trying to legislate special consideration of our disadvantaged position, or by diverting our attention to peripheral issues?

The members of the REMDC are concerned that NRECA's current efforts may be stressing what we would label as peripheral issues such as rural health care, water and sewer and the Farm Bill. These are important, but to us they are not key to allowing rural electric cooperatives to survive and prosper.

The key issue is competitiveness. NRECA must focus its attention on the key issues and challenges facing today's rural electric cooperatives:

1. Interest rate variations are an important, but not an overriding, operational cost factor. Too much time is spent on REA matters, and we are suggesting this from the vantage point of REA borrowers, most of whom have no immediate plans to exit. If REA is the glue that binds us, then we should look for another glue.

2. Local cooperatives and their members must do whatever is in their best interest. This may include buying utility property, as is often advocated by NRECA, or even selling some or all of their cooperative assets. The selling of a cooperative is never a pleasant thought, but it is a local decision. The all out win or lose fight usually results (if the fight is lost) in the members receiving far less than what they should for their system. NRECA should encourage its members to know the real value of their systems and to promote a more businesslike approach to sell offers. Many potential buyers would back off if they thought that they would have to pay a fair price.
3. Some of us are skeptical that many of the Federal programs aimed at assisting rural Americans will have widespread impact. They are too slow, restricted, and cumbersome to work well. We believe cooperatives will have more success working with local governments and institutions. NRECA should redirect its efforts.
4. NRECA needs to speak more openly to its members about the diversity within the membership. We already recognize how we are alike. We need to learn to recognize and respect our differences—then NRECA will be better able to tailor programs to the different needs.

The need for articulate aggressive leadership on the part of NRECA has never been greater. As NRECA Executive Vice-President and General Manager, Glenn English, stated in the Rural Electric Newsletter on February 18, 1994:

"We must never forget our basic purpose, which is to provide electricity at the lowest possible rate. Any new services provided by rural electric cooperatives must be regarded as tools to assist us in accomplishing our basic mission."

NRECA must take the lead in informing its member system boards and managers of the dramatic changes occurring in the electric utility industry. This type of leadership may not be popular, but it must be done. NRECA must focus its resources on helping its member systems function effectively in the new competitive climate.

NRECA should direct its attention away from the preservation of the REA and direct its attention to establishing and maintaining affordable, dependable power supplies and provide the direction and leadership to local systems in how to survive in the on-coming competitive climate most systems are confronted with.

Unless rural electric systems nationally can become alert to the onset of competitiveness and take positive action to effectively operate in a competitive climate, many rural electric systems will not exist five years from now.

NRECA can provide the leadership that holds our rural electric program together. To do so, it needs to find new ways to help us operate in the future. NRECA needs to communicate clearly the diversity that exists among its member systems. The 1994 Regional meetings could serve as a springboard for bringing the message to all rural electric systems.

NRECA has the resources to assume a critical leadership role in communicating and helping local systems deal with these key issues.

We, the members of the Rural Electric Management Development Council request that NRECA:

1. Develop a clear statement of position on how NRECA plans to address the dynamic changes that are occurring in the electric utility industry.
2. Identify the major goals and programs on which NRECA will be directing its resources in the next two to five years.
3. Provide a response to the REMDC position statement and a reply to these questions to the REMDC so it can be circulated to our members.

We, the membership of the REMDC, stand ready to assist and support NRECA in this endeavor.

Signed on behalf of the Rural Electric Management Development Council:

Joe Satterfield, Chairman
Rural Electric Management Development Council

FILE: REMDC1.ST

RURAL ELECTRIC MANAGEMENT DEVELOPMENT COUNCIL

1994 MEMBERSHIP

ALABAMA

Coosa Valley Electric Cooperative, Inc.

DELAWARE

Delaware Electric Cooperative, Inc.

FLORIDA

Lee County 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

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