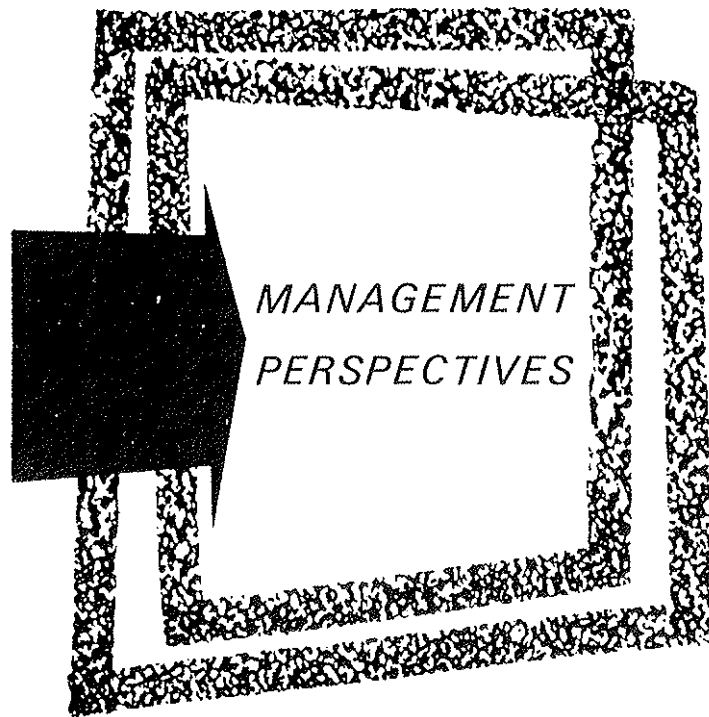


Proceedings of the
19th Annual Conference
of
The Rural Electric Management
Development Council



Hot Springs, Arkansas

May 11–13, 1976

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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 future success of the rural electric program is dependent upon dynamic management and leadership and that this can best be accomplished through a planned program of Management Training and Career Development utilizing up-to-date management principles and techniques.
2. We believe that research and development of new concepts and approach to management 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 the development of up-to-date management programs depend on a willingness to innovate, study, and review present management principles and practices and then translate the results of such studies into meaningful programs.
4. We believe that management principles and techniques must be under constant study and review and that this study and review can be done most effectively on a group basis by those most interested and willing to contribute.
5. We believe that dynamic rural electric system management will be enhanced where there has been a maximum exchange of ideas and experiences between those organizations making applications of up-to-date principles and techniques.
6. We believe that we should share with all consumer-owned rural electric systems, the results of our management practices, experiences and innovations, also believe that this sharing will be best accomplished through NRECA and other appropriate organized groups.

OBJECTIVES

- A. To bring together key management people who have demonstrated their application of up-to-date management principles and techniques and who evidence a strong interest and willingness to contribute to study, research, and innovation in the application of management to the rural electric system operations.
- B. To contribute to the strengthening of management in the rural electric program by undertaking management research in areas of current concern and interest.
- C. To develop new management concepts, approaches and techniques that will enable rural electric management to utilize the resources and provide the leadership required for meeting the needs of the people in the ever changing rural area environment.
- D. To develop the means whereby the results of management research and innovation can be clearly defined and widely disseminated to all rural electric systems.

OFFICERS AND COMMITTEES FOR 1976 DEVELOPMENT COUNCIL

| | | |
|---------------------|-----------------------|----------------------|
| Chairman . . . | Charles Overman | Term expires in 1978 |
| Vice Chairman . . . | L. P. "Bill" Beverage | Term expires in 1976 |
| Treasurer . . . | Bevis Hanna | Term expires in 1977 |
| Secretary . . . | Barbara Deverick | |

PROGRAM

| | | |
|----------------|-----------------|----------------------|
| Chairman . . . | Everett Bristol | Term expires in 1978 |
| | Bill Loomis | Term expires in 1977 |
| | Derl Hinson | Term expires in 1978 |
| | Mark McNeil | Term expires in 1976 |

NOMINATING

| | | |
|----------------|----------------|----------------------|
| Chairman . . . | Clyde Hukills | Term expires in 1977 |
| | R. Andy Bruton | Term expires in 1978 |
| | Mark McNeil | Term expires in 1978 |
| | Millard Goff | Term expires in 1976 |

MEMBERSHIP

| | | |
|----------------|------------------|----------------------|
| Chairman . . . | Robert Weathers | Term expires in 1977 |
| | Lawrence Moderow | Term expires in 1978 |
| | Virgil Herriott | Term expires in 1976 |
| | Olaf Sandvick | Term expires in 1977 |

MANAGEMENT RESEARCH

| | | |
|----------------|-----------------|----------------------|
| Chairman . . . | Ed Gaither | Term expires in 1977 |
| | James Kiley | Term expires in 1978 |
| | James Golden | Term expires in 1976 |
| | Cecil Viverette | Term expires in 1976 |

- A. All committee members and officers elected for a 3-year term.
- B. Chairman of each standing committee named by the Nominating Committee and serve for 3 years when elected.

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Randy Bruton, Office Manager

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William Miller, General Manager

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Carl Williams, Manager

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19TH ANNUAL CONFERENCE
of
THE RURAL ELECTRIC
MANAGEMENT DEVELOPMENT COUNCIL

VELDA ROSE HOTEL, HOT SPRINGS, ARKANSAS
May 11-13, 1976

Tuesday, May 11

8:30 Registration
9:00 Opening Remarks
9:15 Report by Research Committee
10:00 Break

10:15 "Management Skills - Next Ten Years"
Bob Kabat, Director, Management Services, NRECA

12:15 Lunch

1:30 "Power Supply - Next Ten Years"
Moderator - Charles Weaver, Chief, Loans and Borrowers'
Management Branch, Power Supply Management
& Engineering Standards Division, REA

John J. Bugas, President & General Manager
Colorado-Ute Electric Association

Milton A. Chase, Engineering Officer, CFC

S. Maurice Robinson, Engineer
Arkansas Electric Cooperative Corp.

Wednesday, May 12

8:30 "As Others See Us"
Moderator - C. E. Viverette, Executive Vice President
Blue Ridge Electric Membership Corporation

Howard Bjelland, Legal Counsel
Colorado-Ute Electric Association

Gail Dunning, Management Consultant
National Rural Electric Cooperative Association

Jim Guy Tucker, Attorney General
State of Arkansas

10:00 Break

10:15 (Continue Panel Discussion)

12:00 Lunch

1:15 "Rural Electric Problems & Issues"
Charles B. Gill, Borrower's Operations Officer, CFC

Wednesday, May 12 (Continued)

3:00 Break

3:15 "Management & Leadership"
Mark McNeil, General Manager
Shenandoah Valley Electric Cooperative

Thursday, May 13

8:30 Business Session

9:30 "Future Research Projects"
Discussion lead by Research Committee

10:15 Break

10:30 (Continue discussion of research projects)

MANAGEMENT CHANGES --NEXT 10 YEARS

Robert I. Kabat
Director, Management Services
NRECA

Management Development Council
Velda Rose Hotel
Hot Springs, Arkansas
Tuesday, May 11, 1976

The rural electric program is going through a period of very rapid change, perhaps the most dramatic in the history of the program and this is going to affect the management styles of each one of us. Very briefly, some of these changes are the great change in the leadership of the program - 500 Managers reaching retirement in five years, two to three times that number of key employees retiring or leaving the program and 75% of the Directors retiring or leaving the program in the next 10 years and this could accelerate due to increasing member challenges. Before too long we'll have almost a whole new generation of leadership in this program.

Then, there are the almost mind boggling changes in power supply and financing -- the increasing trend toward joint ventures with the power companies on power supply and the almost unbelievable amounts of money this requires. Decisions made in these areas are probably the most critical in the whole program and really the future of many distribution systems is at stake in them.

Finally, there is the new consumer who instead of being passive, apathetic and indifferent is increasingly questioning everything we're doing in terms of the impact on his or her rates and asking why? Increasingly, they want to be heard, to be involved and have concrete evidence that something is being done about their concerns. This is going to completely change the way we relate to and communicate with our members. One could go on and cite other major changes but perhaps these are the most significant.

Let's look at what effect this is going to have on the totality of those associated with the rural electric program, the Manager and his staff, the Directors, the Member and the associations to which we belong.

The Manager In A State Of Change

Let's briefly look at some of the areas in which the Manager will have to change, or perhaps further strengthen his skills:

1. Strengthening His Staff. Realizing that he probably can't survive without a highly qualified, well trained staff, he'll use this period of high turnover in key jobs to get out of the "lock step" of promotion based strictly on seniority and aggressively seek out the best person for each key vacancy as it occurs. He'll want people in these jobs who have strong educational backgrounds, good experience and have had some management or supervisory

experience and the potential to do a highly effective job as managers and supervisors and to provide development opportunities for the employees working for them which may have never existed before. He'll regularly utilize the placement offices of his local community colleges and technical schools as well as other colleges and universities in the state. He'll also work closely with NRECA's Employee Referral Service to seek out the best for each vacancy.

2. **New Management Skills.** The Manager will have to further develop his management skills in many areas. This may almost require his reeducating himself and overcoming the management obsolescence into which he might have drifted. In many cases, he'll have to drastically change his management style. He'll have to be willing to delegate more and probably won't have any choice as "up and out" problems consume more of his time. He'll have to be willing to confide in and share more so major and almost insoluble problems can be approached on a participative basis. He'll not only have to do that with his staff and they with theirs but with the Board and perhaps for the first time with the membership. He, like all the employees, will have to become much more skilled in dealing with people under stress and learn to cope effectively on an individual and group basis with stress, frustration and even anger, aggression and confrontation. He'll have to become more skilled in the art of negotiation because this will be a way of life in many key areas - labor relations, power supply negotiations, territorial negotiations and relations with other power suppliers and perhaps even community groups.
3. "I want to know in a concrete way how well they think I'm doing!" The Manager will see that his Board is well trained in how to effectively appraise him and develop a plan of action which will help him develop further. He'll provide the leadership to urge the Board to do this.
4. **A Changing Board Relationship.** He'll have to spend more time on board development - urging them to take training programs as an essential requirement of their position, spending an hour at each board meeting discussing some complex area of concern in depth and then arranging a quarterly all day board development session where an outsider is invited in to discuss a major area of board interest and concern and at the end of that day they'll be better prepared to make the decisions they face and answer member concerns. The Manager will motivate the Board to make this time commitment required which will be essential as they must make increasingly complex and far-reaching decisions.

Also, the Manager will have to become more skilled in involving the Board in the decision areas which are their responsibility. He'll provide the completed staff work and encourage the Board to raise questions, express their concerns and come up with their best judgement in areas where at times there may not be only one solution. It will be a much more consultative and participative relationship and the Manager may need to further develop his skills in these areas.

5. A More Open Relationship With The Members. Many Managers may find this trying as they're used to dealing with a passive, unquestioning membership. The Manager will have to find ways to develop more open communication with the members on a person to person basis and on a group basis in small and larger group meetings. He'll have to become skilled in the dynamics of group involvement as he has to provide the leadership for member advisory committees who don't just want information but want to be given meaningful assignments and make recommendations and know what is done about them. He'll have to be able to give and take with what, at times, may be sharp challenges from members in member meetings. He'll have to become much more knowledgeable about the art of communication and make sure that the best possible techniques and approaches are being used throughout the system from employee contacts to member publications. Skills in the communication area could become a key attribute for a Manager.

6. Rewarding the Best. Very few systems have effective merit systems. Most rural electric adjustments are automatic or almost so. Little is being done to reward the really strong performers. As we go through this period of rapid people change, many of these new people will not only expect challenge in their jobs, but will want to be individually rewarded for meeting these challenges and coming up with effective solutions. They'll expect something more than a perfunctory appraisal. They'll expect the Manager to spend time with them discussing their performance and counselling with them on ways they can do even better and perhaps assume greater responsibility. A pep talk or "I don't know how you can do any better" will not suffice. They'll expect a tailored approach, one which measures performance against previously agreed upon goals and standards. As Gib Snow wrote me recently:

"...the irrefutable fact is that an all purpose form to cover every job situation within an organization is virtually useless.

"I believe in a tailored approach rather than a universal approach. That is, that with a form such as the one (Exhibit A) that I have attached to this memorandum a supervisory and an employee can 'Negotiate' objectives and standrads for the coming appraisal period that indeed are quantifiable, attainable, and in which the supervisor can truly zero in on and help the employee attain personal and business goals. It should then become a simple matter to, at the end of the appraisal period, go back over the negotiated goals and standards and compare them to the achievements. This, of course, can't be done if we establish subjective goals. They must be quantifiable. That is, these goals must be set in terms of things that can be counted, stated as a ratio, as a percentage, to be accomplished in a certain period of time and/or some kind of quality measure. We need perhaps in some jobs to establish acceptable error rates. In other jobs, perhaps, we have to establish certain quantity rates. The major question that should always be on the mind of both the appraisor and appraisee is 'performance is acceptable when ---'. We simply cannot apply this thinking to such subjective words as alertness, creativity, personality, drive, and stability. Try it, it won't work,"

Managers and supervisors are going to have to spend more time in this important area. Additional training may be required. The Manager will have to provide the leadership to make sure this is done by effectively appraising the people who report to him. Many Managers today give this a low priority - but it will have a high priority in the future.

New Key Employees

The new key employees probably will be better educated, better trained and have more specialized technical or professional experience. They'll also be more technically oriented and probably less people oriented. They'll have little background in the philosophy and concepts of this program. They'll want challenge and will also challenge the Manager. They won't be satisfied with low key jobs which offer no opportunity for varying experiences or advancement. It will strain the best in all of us to satisfy these new employees.

In addition to some of the areas mentioned earlier, the Manager will have to provide the leadership to see that these new employees are provided:

1. A Planned Orientation Program including discussions with the Manager personally on the history, philosophy, objectives and viewpoints of their system and the rural electrification program, an opportunity to spend several days in each department observing its operations and raising questions, and sessions on the systems wage and salary plan, benefits and personnel and other major policies. Such a program should be held not only for the new key employees but to some degree for all employees.
2. Individually Tailored Training. Early a look should be taken at the training the individual completed and a plan developed to provide the training needed in the management, supervisory, professional and technical areas through the NRECA programs, your local colleges and universities and other programs available. Mutually agreed upon career objectives should also play a part in this. Your key employees are going to want to discuss with you where they're going in their career development.

Also, as part of this individualized training program there should be planned visits to other systems which have effective programs of career interest to the individual as well as visits to the Statewide, REA, CFC and NRECA. Such visits should be carefully planned and arranged in advance so the people of most professional interest to the employee can be seen. Too often such visits are on a "pop-in" basis and those who can be of most help might be out.

If the individual has had very little formal management training but is in a key management job or has real management potential consideration ought to be given early to his attending the management internship program at the University of Nebraska which will provide him with needed intensive management training in a period of less than a year.

Periodically, discussions ought to be held on the progress under the individualized training programs - is the training helpful and if so how, should the emphasis be changed, is it worth the investment which could be considerable over the individual's career with the system. Also, after each training experience, the individual should be asked to prepare a written report on the effectiveness of the training program, how it helped him personally and how it is helping his career objectives. In these days of limited funds every training experience should be evaluated carefully. Not enough of this is being done.

3. Special Assignments, Working Teams Across Department Lines, etc. - These aren't new. We're been discussing them for years. But now more than ever they have to be used to challenge those new key employees and to give them the opportunity to work either individually or on a group basis on the really tough problems we face such as long range financial planning, retail rate design, reallocation of the system's limited resources to meet changing needs, load management, member involvement and communication, meeting changing member needs, etc. Doing this will provide the Manager with much needed staff support and also may provide innovative solutions to difficult problems.
4. A More Open Relationship - Managers will be expected to be more open and share more with their key staff and confide more in them. This will mean there should be more frequent interpersonal exchanges, regular staff meetings and the time for counselling. The new staff will want to know a lot more the why for doing things, they'll not accept doing things because they have always been done that way, they'll tend to speak up and challenge more. The relationship between a Manager and his staff will be on an associate basis rather than on supervisor to subordinate, a relationship built on mutual trust and confidence, more one of decisions arrived at together than the Manager doing it alone, more one of openness than holding things close to the chest. Many of us will have to change our management styles to work effectively with these new key employees.

What About The Board

The new boards will be more demanding, more questioning, more probing, more interested in concrete end results and will also want to be much more involved in decision making and will not just want to come to a meeting to be informed and with little or no questioning give approvals and confirm actions taken. As with his staff, the Manager will have to work much more on an open consultative relation with his board. They'll want to be more involved.

Let's take a look at a few major changes in the board area:

1. Policy on Board Search and Selection - More and more systems will adopt a board policy on board search and selection which will come to grips with such questions as - can we anticipate vacancies, how can we go about selecting a new board member on a planned systematic basis when a director leaves the board (which can be done under many bylaws), should the search for the best person to fill the vacancy be done by a board committee, a member committee or a board-member committee, should the selection committee have a board approved statement of qualifications (see Exhibit B) against which to measure those they've considering, should they interview the candidates, should the committee recommend only one candidate to the full board for their consideration or several and in order of their preference, etc. Adopting such a policy should help us get the best in rural America to serve on our boards as we go through this great leadership change.
2. Open Nominations - More and more systems will go to a completely open nomination process through either a membership elected nominating committee, nominations at district meetings or nominations by petition. Every effort will be made to acquaint the nominating group with the suggested Statement of Qualifications of A Director as a guide in their important deliberations. Fewer and fewer systems will have board appointed nominating committees which many feel result in closed corporations.

3. Training A Must - Boards will adopt policies requiring each director to attend training programs each year to more enable the director to contribute to board discussion and decisions in increasingly complex areas. Note this is emphasized in the Statement of Qualifications of a Director. Some may even amend their bylaws to make this a condition for being nominated to the Board. There will also be a planned orientation for new directors similar to that for new employees but, of course, geared to the responsibilities of the Board. Also, Board Chairmen and perhaps the other officers will periodically attend special workshops on chairing a meeting, getting meaningful participation of individual directors, keeping a meeting on track, bringing a matter to a decision, conducting a member meeting with concerned consumers (perhaps will become a must for every director), developing a meaningful agenda, understanding and applying rules of order, etc.
4. Appraise Me - Boards more and more will want to know how well they're doing and it will become almost a way of life that every board every few years will have an appraisal of their performance done by an outside consultant. To do this the consultant will attend several board meetings, interview each director individually, the Manager and his staff, review the board minutes since the last appraisal, look at the board policies and perhaps even attend some member meetings. The appraisal will not only deal with the effectiveness of the board as individuals but as a whole. It should help each director develop a program for his own development and provide guidance in how the Board as a whole can function better. Members will be interested that the Board is doing this - they may even demand it. Likewise, every system every three to five years will have a Management Audit made by an outside consultant to take an objective look at the total management of the system including its plans, policies, budgets, operations, organization structure, and results being achieved, etc. State Regulatory Commissions will probably require this and perhaps on an even more frequent basis to assure them that the system is being operated on as efficient and effective basis as possible.
5. Change Without Embarrassment. Directors know which members of the board are most effective and best able to serve in important official capacities such as an Officer, on the G&T Board, or on the Statewide Board. As needs change, it may be desirable to change those who are serving in these positions which are becoming much more important than honorary position to go to directors with the most seniority. Boards more and more will nominate individuals for these positions by just writing a name on a piece of paper and if an individual gets a majority he'll be elected and if not the voting will continue by eliminating the one with the lowest number of votes or some other agreed upon method. There will be no nominations, no show of hands to indicate how one voted - the whole process will be done by each director individually and in complete confidence and there will be no embarrassment when the Board in its wisdom feels a change should be made.

A Restless Membership

The Manager will have to deal with a much more concerned membership. Because of escalating retail rates they're going to raise many more questions about the system's operations - sometimes these may be questions which will have little impact on their rates but about things they understand best - type of vehicles, time taken for breaks, salaries, number of employees, etc. For the first time they may really wonder how well their system is managed, how effective a job the directors are doing. This will bring about many changes in member relations including:

1. More Member Involvement - Many systems will establish member advisory committees broadly representative of the membership - sex, age, occupation, minority groups, etc. Concerned consumers will also serve on these committees. The committees will either be appointed or elected. They'll meet on a regular basis and if a member misses two meetings in a row, he'll be off the committee. It will be an active advisory committee with working subcommittees, each served by a key staff person. Their responsibilities will be spelled out in a written Statement of Functions which makes it clear the committee is advisory only, but their recommendations will be considered by the Board or the Manager and later they'll be advised why their recommendations can or can't be carried out. Key staff members may have to be trained in how to work with such strong membership groups.
2. More Openness - The members will demand a more open and consultative relationship and they'll not only want to discuss what is happening today and why but what does the future hold. They'll speak out more in meetings and want their views and concerns considered and perhaps even want to know what was done about them. We'll see more frequent, smaller member meetings in addition to the Annual Meeting. In these meetings, the Board and staff may be subjected to some sharp and, at times, antagonistic questions. The members may really persist in what they believe is their right to know. It may be difficult in meetings such as this to create a climate of mutual trust and confidence. But every effort should be made to be completely open and frank and to stress the significance of member ownership and control. Participating in meetings such as this will require training in dealing with frustration, stress, anger, aggression and confrontation and perhaps also in techniques of effectively conducting a meeting under circumstances such as this. But we don't want to be negative about this - now that we've got the attention of the members, let's look at it as the opportunity to develop increased member understanding and support. Also, let's use it as the justification to take a critical look at our total communication program - employee contacts, member publications, member requests, etc. to make sure we're dealing as effectively as possible with changing member attitudes and concerns.
3. Member Attitude Surveys - Many systems don't really know what their members really think and their concerns and attitudes toward the system. It will be common in the future for systems to conduct periodic member attitude surveys to determine member reaction to rates, quality of service, the system's services, employee contacts, member publications, member meetings and the services the members would like the system to provide to

meet more of their economic, social and psychic needs. Survey results will be compared against a rural electric member norm to determine if the reaction is good or bad. Also, results can be compared based on type of consumer - the older member with the newer member, the urban type consumer with the rural consumer, the large user with the small user. For the first time many systems will know the basic attitudes, feelings and reactions of their members. Every few years, they'll do a repeat survey to see how such attitudes have changed.

4. Member Relations and Communication Audit. In addition to having a member attitude survey, a system every four years ought to have a Member Relations and Communication Audit. Every system, of course, has to have an annual financial audit which is a look at one important but fairly limited area in the system's operations. Some systems have a management audit every three to five years, but the idea of a Member Relations and Communication Audit is new. The consultant doing the Audit would look in depth at such areas as: Member Relations and Communication Objectives, Viewpoints, Policies, Work Plans and Budgets, Employee personal contacts both in billing and collecting and outside areas such as meter reading, obtaining easements, handling service complaints, etc; the way area and annual meetings are conducted and the results achieved, member publications for the last 12 months, written communications with the members, understanding of the employees and the Board of key issues affecting member relations and communication, the effectiveness of telephone contacts, the effectiveness of member involvement programs, etc. - just to mention a few areas which will be looked at in this in depth audit. The audit will conclude with concrete recommendations on changes in the system's member relations and communications programs which will enable them to more effectively cope with changing member feelings, attitudes and reactions.

X RURAL ELECTRIC SYSTEM

CENTRAL DATA PROCESSING
APPRAISAL AND DEVELOPMENT REVIEW SUMMARY

Name _____

Date _____

Position _____

Supervisor _____

Period for review _____

A. Previously established goals and standards to be reviewed

B. Accomplishments

C. Goals and standards agreed upon for next evaluation period

D. Course of action - help needed

COMMENTS _____

Date of Review _____

Employee's Signature _____

Supervisor's Signature _____

SUGGESTED STATEMENT OF QUALIFICATIONS
FOR A RURAL ELECTRIC DIRECTOR

1. Must meet all requirements spelled out in the bylaws, such as membership, residence, receiving service, no conflict of interest such as spelled out in "a." below, etc. (These requirements should be taken from the particular cooperative's bylaws.)
 - a. Not be employed by, or in any way financially interested in a competing enterprise or business selling electric or other energy or electrical supplies, including servicing or other items.

- II. Should have demonstrated by his or her actions an understanding and sympathy with the following basic beliefs and viewpoints:
 - a. Belief in the cooperative principles and way of doing business, including--
 - 1) The right of people to provide an essential service for themselves.
 - 2) Member ownership and control.
 - 3) One member-one vote.
 - 4) Non-profit operation.
 - 5) Area coverage.

(others can be added)
 - b. Belief that the energy resources of this country should be developed to provide adequate energy at reasonable cost for all the people and that the cooperative should continually strive to make such reasonable cost power available to its members.

- III. Should have demonstrated by his or her action the possession of the following personal characteristics:
 - a. Provided broad Leadership in his or her community.
 - b. The highest integrity and the complete respect of the community in which he or she lives.
 - c. Sound judgement and ability to reason logically and clearly.

- d. Maturity and understanding of others, their problems and viewpoints.

IV. Should be able to make a meaningful contribution to carrying out the functions of a Director, including:

- a. Willing and able to give the time to attend--
 - 1) Meetings of the Board.
 - 2) State and National Association Meetings.
 - 3) Director Orientation and Training Programs.

Without the background, information and knowledge provided by such meetings, no director can possibly make intelligent choices on all the complex matters coming before a Rural Electric Cooperative Board.

- b. Studying data and other information presented to the Board to keep fully informed and prepared for Board discussions and deliberations and to be able to answer questions raised by the members as appropriate.
- c. Contributing significantly to board meetings by raising pertinent and discerning questions and by contributing innovative ideas and suggestions.
- d. Supporting the decisions and actions of the Board once arrived at by action of the majority of the Board.
- e. Representing the membership on an impartial basis, not just those in his district, but the total membership.
- f. Making every effort to obtain increasing member and public understanding and support of the cooperative and the rural electrification program and being sensitive to their feelings, concerns and attitudes.
- g. Becoming skilled in raising questions about the end results being achieved in certain Key Performance Areas and in interpreting Operating and Financial Reports.
- h. Providing leadership to meet the changing needs of the membership and to improve the quality of rural living and raise the income levels in the cooperative's service area.

(Others can be added to II, III & IV above to meet the needs of your rural electric system.)

POWER SUPPLY - NEXT TEN YEARS

"PROBLEMS"

John Bugas
President & General Manager
Colorado-Ute Electric Assoc.

I would like to thank you for letting me participate with this distinguished panel and speak to this distinguished group. You may not consider yourselves distinguished, but when you look at the fact that there are a very limited number of managers of rural electric systems in the U. S., less than 1,000, and you are wrestling with some very major problems. I would like for just a few minutes to discuss one of the problems that will not only be confronting you but the power supply systems in the United States.

Before we do that, maybe it would be well for us to take a look at some of the historic facts about the development of the industry that we are associated with. The bulk electric power supply systems in the United States consists of approximately 900,000 megawatts of generating capacity and about 425,000 miles of transmission line above 69,000 volts. The system consists of hundreds of individual utilities, some of which as you well know, are investor-owned, some of them cooperatively-owned, some of them municipally and state-owned and the remainder being federally-owned. These systems supply all the electric power supply needs of over 215 million people in their homes, offices and factories. And frankly, in my opinion, the strength of this industry lies in the diversity of ownership, diversity of regulation.

From 1882 when Thomas Edison started the first commercial electric power system, and until about 1968-70 period, the history of this industry was generally one of rapid expansion, improved technology, and decreasing costs. Starting about 1968, however, a great change began to take place in the economic area of the electric utility industry, and I would like to just cover some of these changes or recall them, as I'm sure most of you are familiar with them - the changes were caused by:

1. Rapidly increasing inflation which is continuing today.
2. A greatly increased cost of money, and no one knows that better than a GT manager.

When we first went from 2% money to 9½% financing, an extremely rapid change in the growth of our cost took place as a result. This is not only true of the GT systems, but is true of all segments of this industry and increasing cost of money is one of the factors that has probably more than any other contributed to the high cost of electric service today.

3. Substantially higher labor costs that have occurred since 1968.
4. This varies across the U. S. but has effected everyone - an extraordinary increase in the price of primary fuel.
5. New and unusual environmental demands that never confronted this industry prior to 1968. These are not to be taken lightly - they are adding very greatly to our costs.
6. This seems to be becoming an increasing factor in my mind - an increased cost due to the many delays in licensing and construction of new generation and transmission facilities.

John Bugas (Continued)

In my mind, these six factors have all contributed to the steadily increasing operating costs. For the first time in the history of the industry, additional units of production in transmission cost more than the previous units. The industry is rapidly going from a decreasing unit cost industry to an increasing unit cost industry. This is a shock to most of us because those of us who have been around the industry for sometime were used to the declining unit costs. Suddenly this has reversed and in my mind again, I really don't see much of a possibility of change in the immediate future.

Because of these changes in the economic climate, the electric utility industry has entered into the greatest period of uncertainty in its 94-year history. There is uncertainty as to future load growth, fuel supply, equipment, and material delivery, construction lead times, environmental standards. These standards are ever changing as/are licensing and environmental regulations. Compounding these uncertainties are the problems associated with the rapidly rising cost of material, labor, fuel and help. While many of these issues confront other industries, their convergence at this time is particularly acute in the electric power industry. Electricity's uniqueness, in that it must be produced instantaneously upon demand, aggravates these problems and makes an exceedingly difficult task in providing adequate and reliable power suppliers.

I've sorta laid out the problems - I don't have the solutions. I would like to discuss with you some of the problems that we may be able to solve and some that I'm not sure we as an industry can solve - it's going to take, I think, more than just the industry effort. It is going to take a major effort on the part of the entire nation. In thinking in terms of tackling these problems I'm sort of reminded of the circus owner who has lost his lion tamer. He advertised for a lion tamer and after a couple of weeks, two people showed up - one a very beautiful young lady and the other a grisley old man. So he took them out into the lion cage area and says, "Alright, I would like to see you perform," and he looked at them and said, "Which one would like to go first?" The beautiful young lady said, "Well, I'll go first," so she stepped into the cage with the lions into the center of the cage and immediately completely disrobes, lies down in the middle of the cage, snapped a whip at the lion; he jumped off the stool and lies down beside her and nuzzles her and the circus owner looks at the grisley old man and says, "Boy, that's a pretty tough act to follow - would you like to give it a try?" The old man says, "I sure would if you would get that lion the hell out of that cage."

I know the time is short but I would like to cover a couple of problems that you as distribution managers can assist GT's with - one of them that is going to become increasingly difficult for us and that is load forecast. Now upon load forecasting rests almost every bit of your planning for the future. As a matter of fact, if you look at it this very day, your forecasts today are going to decide what generating capacity, what transmission lines are going to be constructed 7-10 years from now to meet that load and if you miss in those forecasts, then some people are either going to be without electricity 7-10 years from now, or you are going to - if you over-forecast - you are going to have facilities constructed that were not needed and being accused of promoting electricity by constructing more facilities than are needed.

Now, the problem of load forecasting is compounded by economic factors and unknown to our uncertainties in how electricity is going to be used 10 years from now. Along with the traditional load forecasting, I think we are going to have to have people on our staff who can as a matter of fact, and have some ability in economic marketing, so that you can throw some new factors into the forecast but this fore-

casting is necessary also from a financing point of view. Almost everything we do is based on those forecasts and I don't know how you use the forecasting to date, but I think REA did a good thing here a few years ago when it put the burden on the GT's and then took one more step and also put the burden on the member systems of GT's and said you make the forecasts and we will approve them. You're right in the soup - it used to be that if you missed a forecast, you could say that REA will make that but you are not going to get away with that.

The second thing is the fuel supply - the fuel supply to me is a real serious problem and the only solution that I can see for the rural systems that will be long range and help them is that they must obtain control or own outright their own fuel supply. You simply are going to have to do that or you are in one big peck of trouble as I see nothing but fuel costs going up, and up and up and the only chance that you have of keeping these within bounds and reasonable is to own that supply yourself. Now that sounds kind of simple but it is going to be a difficult thing to do - it is going to take additional financing and it's going to take a lot of planning on the part of GT's and the support of their member systems to get this accomplished. Unless you have control of the fuel supply, I think we have serious problems.

In Colorado we are rather fortunate - we started off years ago owning our own fuel supply. We made one mistake I just want to point out to you - on our last two generating units we made a deal with a fuel supplier but we have no control of that fuel supply and we have determined that they have an adequate amount of coal to serve those two units - so what happens? This contractor signed in 1973, and one year later they sue us and want to cancel the contract. Why? Because the prices went up and the fuel cost doubled and so we are in the middle of a law suit now which I am confident we are going to win, but in the meantime, we are having to build a plant and there is some uncertainty about fuel supply for that. In other cases where we own the fuel, we have someone contracting to mine it for us - we have control of that fuel - if the prices are not right we kick them out and go make a deal with somebody else and there are a lot better circumstances when you own your fuel.

As far as lead time goes another factor here is the environment. In Texas, they seem to think that everybody is willing to pay the price and they are charging ahead. I personally feel that there is a limit and somehow we have got to bring this thing into balance. No one can be opposed to clean air but you know, how clean is clean? You can wash your hands five times a day and they are still dirty; you can wash them 20 times and they are still dirty; you can wash them 100 times a day to prove they are still dirty so there must be a place in there where there is a balance, where it will not really be detrimental to health.

On equipment performance, I think that the one thing that we all have to contribute here is a great amount of research. I don't know whether you are contributing to research, but if you are not I don't think you are doing your job. We have an organization now known as "EPRI," "Electric Power Research Institute," and every single co-op in the United States should be contributing to that organization, and if you're not, you're not carrying your fair share of the burden. Most of the investor utilities are - not all of them but a great many of them - contributing and a great number of municipal systems are also. Unfortunately, we find that not very many rural electric systems are.

John Bugas (Continued)

There are some financial constraints in our industry and I am not going to go into those. Maybe Milton would like to discuss those with you a little more thoroughly. I know that I have thrown a lot of problems on the table without having given you really any solutions to any of them, but I think it is going to take a great deal of time to solve them.

Thank you for inviting me to speak with you and if you have any questions, I will be glad to answer them later on.

POWER SUPPLY - NEXT TEN YEARS

Milton Chase
Engineering Officer
CFC

You know for seven years now I just can't get it out of my head that this turn around John Bugas has talked about where we have moved from an industry that was growing at low cost - low cost and more growth, and kept moving this way, but instead into the kind of industry that we see what I think is developing an inadequate supply and higher and higher costs. This must have fundamental impact on what we are doing and will sooner or later cause more problems than we have seen before unless it turns around and I frankly am not in a very optimistic mood about the possibilities of it turning around.

Sometimes I begin to think of the railroad. So we are getting into a situation that the railroads got into where there was no growth, costs went up and they kept going downhill. I don't think we are in quite as bad a shape as that because the competitive situation has not developed that developed with the railroads - trucking, automobiles, airplanes, became competitors of the railroad that took their business away. We seem to be competitive with other forms of energy and in that respect perhaps things are not so bad. Nevertheless, I think I at least continue to have problems every time I think of the railroads and the possibilities that after all these years our industry could be moving in this direction. I think not - but the crucial question is the question of growth.

Are we going to have growth - or are we not going to continue to have growth - to what extent will the growth take place. If growth doesn't take place to a great extent you have to produce new equipment, better equipment and replace the old equipment. Then you begin to get further and further behind, and money is tight and you don't maintain what you need to keep first class service going and you start going downhill. So from one point of view, I think some of us would like looking at the situation and say well, let's avoid growth if we can because of new kilowatt hours being expensive kilowatt hours and so if we don't have growth you are not in a very good position to replace, add, and renew and make something better.

I think it is important for us to begin to analyze what it means in terms of different aspect of our business. I know very well what every additional kilowatt of generating capacity costs but I think we are still in the area of getting the economy into scale by virtue of added transmission and I suspect that that may be the case in distribution systems and every power company to analyze his own situation and what he has and what happens if he looks 10 years ahead and that is what I am supposed to do so on the subject of looking ahead 10 years and why if you look 10 years ahead and your distribution system and the growth you anticipate when you end up with a more economical unit cost of distribution than we do today. I haven't seen good studies on this. I think it is an important thing to do.

I think we need to do that growth study because we have to be very much concerned with this problem of elasticity of demand - what is happening as cost of electricity goes up. To me, one of the phases of this problem is interesting that after being in this business for 40 years I never did quite understand what happened to increased uses of electricity. Nobody that I ever met, including myself, ever knew what the people paid for electricity and yet they continue to use it and you stop anybody on the street and say what do you pay for electricity and they don't know, but they continue to add more usage. There is more increase in usage in the TVA area than up in New England so there must be some relationship with cost and if that is true and we accepted

Milton Chase (Continued)

it to be true, we saw the figures, then what happens when you go in the other direction? Something else must begin to happen, and it is the only beginning that we are in this thing - it is going to take a little bit of time - then I think something is going to happen.

Well, what does this mean for an REA system? I think we have to make various kinds of assumptions as to what is liable to happen - I think we have got to look at what is commonly known as load management but it is usually defined very narrowly as load management. I don't mean by load management "load control." Load control can be one phase of load management to make it desirable but on certain pieces of equipment it may not be desirable. What load management does mean to me is that we change from the part of you which said it was our business to have whatever electricity anybody asked for whenever he asked for it and if you were a Michigan co-op and had to have a peak at 1:00 A. M. on the night of the opening of the deer season then you had it at that time and if you were down south and you had to have it in the middle of the summer then you had it then and whenever the people demanded it. Now I am not saying that we shouldn't have what the people are asking for but I am saying that maybe we have to begin to start paying attention to what we would want people to have and the extent which we can do something in our load management program to effectuate that - as to whether they do use it, as to the kinds of facilities that are installed, the kinds of heating equipment, the kinds of cooling equipment, the major appliances that we tend to deal with. Here again we can't talk about load management program in general, I think we have to talk about a load management program for each system and I do think of a GT and all its members as one system but a distribution system which purchases from a power company or from a Bonneville as a second system.

I think we got to start thinking now of basic, economic planning as to how it is we as individual systems are going to come out and what positions we are going to be in, in the event certain things do take place within the next 10 years and some of the picture in the next 10 years begins to get pretty definite. There is very little that can be done now that will have little effect on what the power supply picture is going to be 10 years from now. Almost every system is looking far ahead and although they have not made specific plans yet for 10 years in the future but only made plans for 5 years in the future, or 7 years in the future, they have something in the back of their heads that will probably work out and that is the road down which they are going there is very little we can see that can be new 10 years from now of any major consequences. This too is a major change. I can remember way back in the REA days when REA had a rule that wholesale power contracts could not be longer than five years and the basis for that rule was very simple - power companies tend to sell power on the basis of its dollar cost - not on the basis of its future cost and if REA co-ops signed up for a longer period of time, they were committing themselves in the future for the cost of today and everybody knew that the power companies costs were going to go down; everybody knew there were new development potentials and the major new development was the development of economy of scale, power companies going from one hundred to two hundred megawatts to four or five hundred megawatt units, the introduction of low cost natural gas, to the development of federal hydro electric projects, so why should an REA cooperative burden itself with a 10-year or 20-year contract with a power company when five years of things might develop. So I don't know what REA's policy is on that today, but it doesn't have much meaning today because within five years you might be better off to sign up for a 10-year period if you can do so on the basis of cost as they exist today, but unfortunately the contracts that are written today are based on what costs are going to be rather than tying it down right now. So we know now pretty well what we are going to see happen 10 years from now to supply our power.

As we look at some of these other sources that people are talking about, it becomes quite obvious that they do not play and will not play any part in the next 10 years as far as we can foresee. People are talking about geo-thermo power; people are talking about wind; people are talking about solar. When I am talking about solar here I am talking about solar electric generation. I am not talking about solar units that people install in their home for the purpose of heating their homes or cooling their homes or heating the water - that's available - that's technologically practical. I don't know how economical it is as it doesn't appear to have any major impact on our load but there is no such thing as a solar generating unit that anyone would know how to build today of any size. I believe that I just read recently that they are going to build a 10-megawatt unit in California to see how the things would work and they are still playing in the laboratory with the kind of panels which are required to mechanically directly convert the sunlight into electricity.

The wind and the geo-thermo that they are playing around with - the 100 kilowatt wind units and things of that sort - and similarly fuel cells which perhaps have great potential for REA systems to be put out in load centers, and what have you, that they have been working on for years - the development is very slow. I am not saying it won't happen, but I can't see it happening of any consequences within a 10-year period.

I am glad that I was asked to talk about a 10-year period rather than 25-year period. Normally, I prefer the other because nobody will check on it, but 10 years can be checked on but in this case I think I can speak this way and we are not getting any more economy per scale. If you will look at an expansion program of any utility company today, if they are adding nuclear units, they are adding eleven hundred and fifty, twelve hundred, whatever it is - depending on the manufacturer - of nuclear units. Some of those are in operation now; some will go in operation tomorrow; some that are starting today will be in operation 10 years from now. Here and there somebody says I think we should go for a fifteen hundred. Well, I know - everybody is nervous about that maybe that will cause more trouble just as going up in size has begun to cause trouble rather than the other way around and the same way with coal units, or conventional steam units; people are talking about installing 700 or 800 megawatt units - well, we have had many of those in operation for many years and some people are dropping back from those to 400 megawatt units and they seem to be more reliable but still that is about as far as we are going and we look into the situation 5 years from now and they have the same 800 megawatt units - here and there somebody says well I think we'll go to a thousand or more.

What's happening in hydro? Well, nothing is happening in hydro. Somebody even talks about building substantial hydro plants. The cost of fuel went way up in a short period of time. The studies that were made by the Corps of Engineers in 1938 had inherently in them the cost of fuel that existed at that time and what it cost to build power plants at that time and a report that covered the whole United States and possible electric plants had a relationship to economic cost and they showed many, many plans based on the cost of fuel at that time as being practical and many, of course, were built - this is the basis of TVA, Bonneville, and other Corps of Engineer projects around the country. Now, with fuel costs going as high as they are, it would make a lot of sense to start all over and take a good look at all of the hydro potential in the country and see how many more plants could be built today considering the high cost of coal and oil and natural gas and fossil fuel, but nobody even would think of doing anything like that because the environmentalist have made it highly clear that you don't dam rivers anymore; that you just upset the whole ecology by stopping that free flowing stream and the people who supported the hydro electric plants for many years have practically given up so we just don't have that.

So what we are looking at in the way of technological development is the problem of continued inflation, higher interest during construction for a longer period of time, no increase and no developments in the economy of scale and no other major developments within this 10-year period and, therefore, higher costs.

Now, I have a little feeling that these higher costs that we are dealing with follows what I just said, if we are all having higher costs and everybody is building more or less the same kind of thing then everybody will have higher costs. Well, I don't think that is the proper analysis of the situation. I think we have to recognize that there is going to be great disparity in those costs. I think the point that John made of REA co-ops going from 2% to 9% money is bound to have a greater impact than a power company going from 6% to 9%. I think the element of growth, that we have REA systems that are going 12% per year while we have systems in New England going at 2% per year, we are going to have a disparity there. I think we are going to have disparity depending on where people sit, what they are building, what plans get delayed, how long, other major problems.

Consumer Power of Michigan had a very serious problem -- they solved the trouble with one plan. Some other companies, Duke perhaps, with a nuclear plan, did not have that trouble and they came out differently. Now I don't think percentage-wise we are looking at disparities which would. As I recall it, a co-op in Bonneville was buying power at 3 mils a KWH or something like that, while at the same time I think there were some co-ops -- I think in New England -- and I am talking now in 1968 -- were paying 15 mils -- so there was a difference of six times. I don't think we will have that kind of difference but I think the difference is going to be great -- depending on what they do and where they are.

From the viewpoint of REA system, for example, the power situation there (Bonneville area and the northwest)--anybody here from the Northwest? Anyway, it is really chaotic now, but is it chaotic now in relation to what it will be ten years from now when Bonneville says we no longer have power for you. How do they get themselves cranked up to take care of that situation? But as of now, it's only a very small amount of high cost power each year, so their growth in increased cost has got to be small although they may have impact in other ways, however rates vary. If they are unable to supply power that is needed for aluminum and other industries and because we have a special situation in low costs and buying from TVA and the Bureau of Reclamation or the different power companies depending on whether they are in the south, southwest, or whether they ran out of gas or other areas where they have a good coal supply and have their own supply and are charging fair rates. We get greater variations there and whom they are buying from and what kinds of new supplies of coal or nuclear plant in relation to their present system.

I want to emphasize what John has said in relation to the importance in meeting all these problems and I expect it will be beyond this 10-year period if I may say a word beyond that period now -- of having our own fuel supply and we in CFC are very much concerned with this matter and have recommended the establishment of a co-op fuel corporation and we would foresee lending money to this corporation for the purpose of obtaining reserves and for doing other things and it cannot be -- and this is one of the problems that we are running into. It cannot be a co-op where everybody says (at least in my judgement it can't) here you take care of all our fuel supplies whether you are in Florida or whether you are in Oregon. It has to be something different and we are having a little difficulty working that out but I feel we are going to get that worked out and I think it will be an extremely important thing for the REA systems to have. It can assure fuel supplies -- primarily coal to begin with but later on I expect uranium, oil and natural gas in order to keep ourselves out of an extraneous issue-- this extraneous issue being the price of oil as determined by

the Shah of Iran or Opec countries - whoever it may be - and immediately effects the price of coal and all other energy. By owning our own fuel system and handling it we can keep ourselves out of all of that which is extraneous to our purposes.

I don't need to elaborate on some of the things that John was talking about - some of the things that are happening in California in connection with nuclear plants, in the West-Montana, Wyoming in connection with strip mining and the fact that so many companies have postponed and cancelled plants which were scheduled to come in because of the uncertainty today. What does this all add up to? I think it adds up to a power shortage in the early 80's if we continue to have - in this country as a whole - a pick up in load as in the last two years. Even if the country is going to grow as a whole in the order of 5 or 6 percent a year - which is not out of the question. Then it seems to me that in the early 80's we are going to have a power shortage and here again is the situation - will everybody have it?

Well, in some places you may not. Some GT's may be in great shape - no GT's have cancelled out on anything as far as I know, but some have taken into consideration what appears to be a slow down in growth. But I think we are in for a power shortage as a whole and the question here again is how do we react today or in the near future to a shortage coming up? I don't know - we are not accustomed to that. I was impressed recently in having worked with the New England Systems in setting up their New England Power Pool which is a control pool for every unit in New England that is tied into the system and operates on centralized dispatch regardless of who owns the generating facility. The most economical unit is on the line generating power when it is called for and that is controlled every single hour of the day and then the computer goes through a difficult and involved billing program and all of New England operates that way. And then suddenly - oh, prior to the time that the oil embargo and the cost of fuel went up at that time - the problem was do they have enough capacity in New England to meet the load and so the pool started to set up procedures of what to do in the event they didn't meet it. They were behind in their construction program and they set up a step-by-step procedure where they tried to get each of the companies to carry out pooling and load shedding plans equally. Before they got that done they had problems and, of course, the first thing they did was turn to the interruptible customers and everybody would do it at the same time and tell them to get off and then they would turn to other big industries that they had previous arrangements with and ask them to cut out on this, that or the other thing, and then they would cut down on their own facilities and there was a ten-point program and that in effect was the power pool arrangement.

Then along came the embargo and most of New England relied very heavily on imported oil, crude oil. Now they had to go one step further - they weren't sure and that was the last step - I think it was the 13th step - because there was difficulty when you had to start cutting off - how do you cut off? Oh, by the way I forgot about voltage reduction which is a very important stage in this operation of meeting your load by reducing your voltage by 2%, 5%, and 10% and this was brought into various ways - so they thought they had better have a load shedding plan so if they ran out of fuel, they would start cutting people off and they never were able to work this thing out because the companies wanted the government to do it.

As we look ten years from now, it may turn out that these devices that were put in for other purposes, load management devices or what have you, will turn out to be a mechanism by which we get by power shortages better than we would otherwise. Now maybe some people say we had better not do that - maybe we ought to let the shortage occur and try to keep working with it - well, that is something for us to worry about - maybe not today, but it is my guess that it is going to have to be worried about not too far in the future.

Milton Chase (Continued)

Now the last area I want to deal with very briefly is that when you have all of these kind of things happening, I think it is bound to have some impact on the organizational structure of the industry.

With all the changes which have taken place in the industry since the 1890's, I think we've got to be concerned with the potential of the industry as a whole beginning to change, in some respect. I wish I had a better feel for what is involved. What happens if a power company says we are giving up the ghost - we can't borrow anymore money - is the government going to move in and take it over? I don't know what happens. Or is another company going to come in - what happens about these co-ops like the ones we have mentioned this morning from Texas. Are the power companies going to take them over? I don't know if the power companies want them - I don't know if the power companies are able to take them over. I am sure that all of us that are a part of the movement will fight them taking them over and keep these sell-outs from taking place but I don't know what is going to happen to a lot of other companies.

Also, perhaps most pertinently for our consideration here is the relationship between distribution cooperatives and their GT's. The things that are beginning to develop just as the consumers are complaining to the power companies about the increases in cost, distribution co-ops are complaining to the GT's about costs and some of the new GT's - those that are trying to get underway - are beginning to look at things somewhat differently which may make sense to them and may not make sense at all - I don't know.

They are trying to find ways - everybody buying pieces of things - can we continue to buy pieces of things? Can we start by only buying pieces of things? I am sure this doesn't fit an established GT that needs to have the requirement contract to move ahead but we may be seeing some new approaches in this matter of organization and whatever happens in the industry as a whole is bound to have an impact on the REA system. For example, in Georgia REA may guarantee and will continue to make guarantee of very large sums of money to Oglethorpe to buy into generating unit and transmission of Georgia Power Company. Well, to what extent did they do that in order to have their own power system? I don't know. I expect the emphasis is on the purse but there was certainly an awful lot of talk in a lot of places on Wall Street that Georgia Power Company was about to collapse and there is talk today that REA failed Georgia Power Company. Well, I am not arguing that there is something wrong with that because all these 50 some co-ops in Georgia depended on Georgia Power Company but if financing is more readily available to REA cooperatives than it is to the power companies, and it seems to be the case now, in regard to the guarantees and in regard to the fact that you fellows have a CFC which is ⁱⁿ a position to do this and the power companies don't have a CFC or its equivalent. I never could understand why they didn't get their heads together and do something really constructive - they can only get their heads together when they are fighting you - like forming their own finance corporation. They could have done this, patterned right after ours, but they never could get together on it so perhaps some day you fellows will have to consider the possibility of broadening your horizons in terms of the total industry and the reorganizations that may be taking place as a result of efforts made to meet objectives.

There is no single solution to this problem.

POWER SUPPLY - NEXT TEN YEARS AND BEYOND

S. Maurice Robinson, Engineer
Arkansas Electric Co-op. Corporation

It's really a great honor for me to address this meeting of the Management Development Council. I was asked to discuss three sources of energy today. I didn't know I was limited to 10 years, so what I have is a little beyond 10 years, but I am going to be relating a lot of things today to the year 2000 which is about six years before I retire so maybe it will mean more to me than a lot you - a lot of you will still be around and worrying about these problems they will be bringing up then too. We need to ask ourselves today how much energy will be needed in the future and what will be the source of that energy?

Due to the current emphasis on the environment, we hear a lot of talk today about renewable and non-renewable energy sources. Renewable energy resources are those that are replenished continually and can never be totally depleted. This chart compares the total amount of various renewable resources available each year. The common unit of comparison is one Q or one quantity, and one Q on this chart (see attached chart) is the total amount of energy that the world is expecting to use each year by the year 2000 which is 24 years away. This usage is based on historical world energy usage.

Now the first one on the right is wind energy and it is almost insignificant as an energy resource. If all the energy in wind could be used it would provide only three tenths of one percent of the world's needs by the year 2000. The Energy Research and Development Administration (ERDA) is funding four giant windmills to be built within the next two years. Each one of them will produce 750 kilowatts.

Geothermo energy - is available only in very small quantities in various sections of the world such as the Rocky Mountains and in the West. All the geothermo energy in the world is only about 1% of the world's total needs by the year 2000.

The middle - tidal energy - is available in small quantities on some parts of the earth to those who can build extremely large physical structures along the sea coast that would be needed to harness that energy. It is unlikely that any significant amount of tidal power will be harnessed - certainly none in our State of Arkansas.

Hydro - water energy - is available in some areas by building dams and forming lakes. This is the most feasible of the renewable resources. Most of the good hydro dam sites in the United States have already been developed. There are still some that could be developed - a few in the United States and I think we ought to try to develop all we can, but elsewhere in the world there are some good sites that have not been developed, but even if all the hydro energy could be developed in the world, it could provide only 10% of the world's energy needs, so adding all these up we get about 12% of the world's energy needs by the year 2000 of the world's renewable energy needs.

Solar or sun energy is the one renewable resource which exists in very large quantities - more than 5,000 times the world's energy needs by the year 2000 could come from the sun each year. This is on an annual basis. However, electric power suppliers have no technology with which to generate electric power from the sun in large scale quantities. It's OK for satellites, but there is nothing available for us to use for central collector. ERDA is funding a 10,000 kilowatt plant that by 1980 will generate electricity from steam that is heated by converting steam from sunlight to a boiler. For several reasons, such as large land surface requirements, high investment cost, cloudy weather, making the power non-firm, large scale solar power plants

are very unlikely to be built. Individual homes and buildings may eventually be able to supply part of their energy needs by the use of the sun and I certainly think that this ought to be pursued - used in homes and buildings.

Now, nonrenewable energy sources are those that can be totally depleted. Such as fossil fuel and nuclear fuel. Oil and gas are the most easily used type of fuel and we have made hay with them while the sun has been shining. They have been easily removed from the ground, easily transported and burned. Because they are so convenient, most of our energy has come from these two sources up until now. At the same time, there is much less oil and gas than there is coal which is the third line. If we continue to increase our use of natural gas it will be completely used up in about 20 to 40 years. If we continue to increase our use of oil, it will be used in about 40 to 100 years. Now these years here are based on one quantity of energy. Say, natural gas will last 10 years based on the energy that will be required in the year 2000, which is more than it is now, so that's the reason it would last longer than 10 years. But, can you image today how our lives would be changed without use of natural gas and products of petroleum such as gasoline, diesel fuel, jet fuel, motor oil, etc. Just image what it would be like without these petroleum products and natural gas.

A lot of people out west are fortunate to be sitting on low sulphur coal mines, but today the United States imports more than one-half of its petroleum. It can be seen from this chart that the world supply of coal is much greater than the supply of oil and gas (see attached chart). A large portion of this coal supply is within the United States. The obvious conclusion is that we must use coal to replace our use of gas and oil. The sooner we recognize this necessity, and change our energy use from gas and oil to coal, then the better off everyone will be. Oil and gas are going to become precious fuels. We need to expand our coal production capacity with mines that meet health and safety standards and have a minimum impact on the environment. The people of the United States must allow coal to be surface mined with realistic regulations and reasonable programs of reclamation. Our railway system must be restored for transporting coal, slurry pipes lines must be built to some extent to transport coal. Large power plants must be built which will convert energy from coal to electric energy. We must maintain reasonable air and water quality in this country, while we rely more heavily upon coal as a world source of energy. We must proceed with an aggressive program for increased dependency upon coal, but even coal should not be taken for granted. It is non-renewable and it does have a life-time. Coal would last 130 years based on the world's total energy usage in the year 2000 if no other form of energy is used.

But we have another form of energy - it's nuclear energy derived from uranium ore. There are more than 60 nuclear power plants licensed to operate in the United States now producing about 90% of the nation's energy. We have, at the present time, no commercial fast breeder nuclear plants in the United States. Both conventional and fast breeder reactors use fission which is the splitting of an atom, to release energy in the form of heat to heat water in a boiler.

Uranium is found in nature in a mixture of two isotopes - it is 99.3% U-238. The other seven tenths of one percent is U-235. Conventional nuclear reactors cannot use 238 directly - they do use part of it, but only after it has been converted to plutonium 239. During this enrichment process, a large quantity of depleted uranium is produced as a by-product. For example, for every ton of conventional reactor fuel which is 3% fuel, 5 tons of uranium must be mined and 4 tons of it ends up as depleted by-product of uranium which has about two-tenths of 1% of U-235 in it. In the production of fully enriched uranium for weapons that has to have a real high percentage

S. Maurice Robinson (Continued)

of U-235 in it, about 200 tons of uranium is depleted to create every ton of the product that goes into the weapon. The country now has in storage more than 200,000 tons of depleted uranium. This is enough to supply uranium feeder requirements for the fast breeder reactor for many years. Though it is worthless in its present form, this material potentially contains the energy, equivalent to many tons of coal worth many trillions of dollars.

Conventional nuclear plants can use only a small portion of the uranium. The fast breeder reactor converts all of the uranium to a type of fuel which can be used. Through the use of the fast breeder there is enough fuel to supply the world's energy for many thousands of years. The French already have a fast breeder power plant, 250 megawatts, in commercial operation. The first year of commercial operation it was 80% available which is good and they have 1200 megawatt plant to start up this year and many other countries such as Russia and Great Britain are far ahead of the United States in their fast breeder reactor program.

The technology is available now and it is apparent from this chart that we must develop the fast breeder reactor before all our fossil fuels are gone. Now, it will be a long time before you run out of coal unless we use it real heavily. My father-in-law lives just west of town here and he raises fertile eggs for hatching and he raises cattle and he says that he prefers the "fast breeder" reactor.

The nuclear fusion process takes place under enormously high pressures and temperatures. We do not have the materials nor the technology yet to harness this source of energy. Eventually we will be able to develop technology and use this limitless clean source of power. We can use the water in the ocean for a source of fuel. We are learning more every day about the process.

The nuclear industry, just as in any other, has some hazardous accidents and we must assume that at sometime in the future, there will be some accident causing property damage and even death. It is crucial, however, to ask how likely these accidents are and how this compares with other risks in our every day activities. Recent studies by Dr. Norman Robinson of MIT indicates that a major accident is 10,000 times less likely to happen in a nuclear power plant than a terrible accident in a non-nuclear facility. Thus, the hazard of any individual or group can be about the same in 1980 with 100 plants on the line for instance, as the hazard of being struck by meteor. To put it another way, the chance of a person being killed by a nuclear accident in 1980 is one in five billion - this means that in 20 years on the average one person in the United States would die as a result of a nuclear accident in one of those 100 plants. By way of comparison, we kill 45,000 Americans each year in automobile accidents. How many people burn to death? 12,000 a year. How many are struck by lightning? 160 a year. The fact is that no radiation death or injuries have resulted from the operation of any licensed nuclear power plant in the United States, nor has any number of the member of the public that has been exposed to any radiation in excess of the Internationally approved standard as a result of the operation of the more than 50 nuclear power plants and their supporting activities, and the more than 100 U. S. military nuclear reactors now in service.

The complaint has been made that no specific permanent nuclear waste management program has been yet announced by the ERDA or licensed by the Nuclear Regulatory Commission. Certainly this radioactive material must be enclosed and waste storage or radioactive waste is a requirement accompanying the beneficial use of nuclear fission. However, it is being approached in the same sound manner which we have used in handling radioactive materials for the past 30 years, using techniques that have been developed in recent years. To place permanent storage of radioactive materials is actually

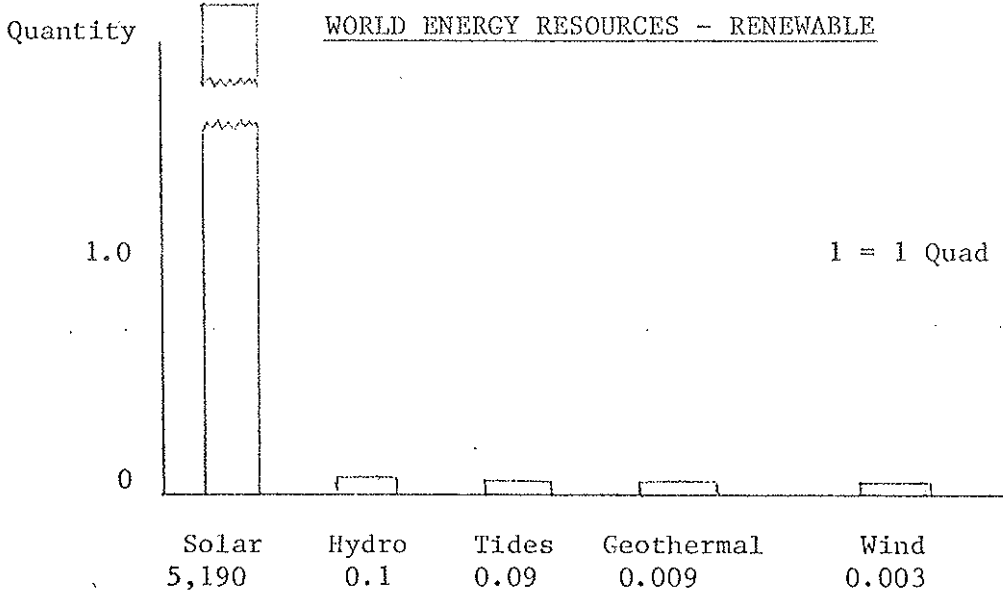
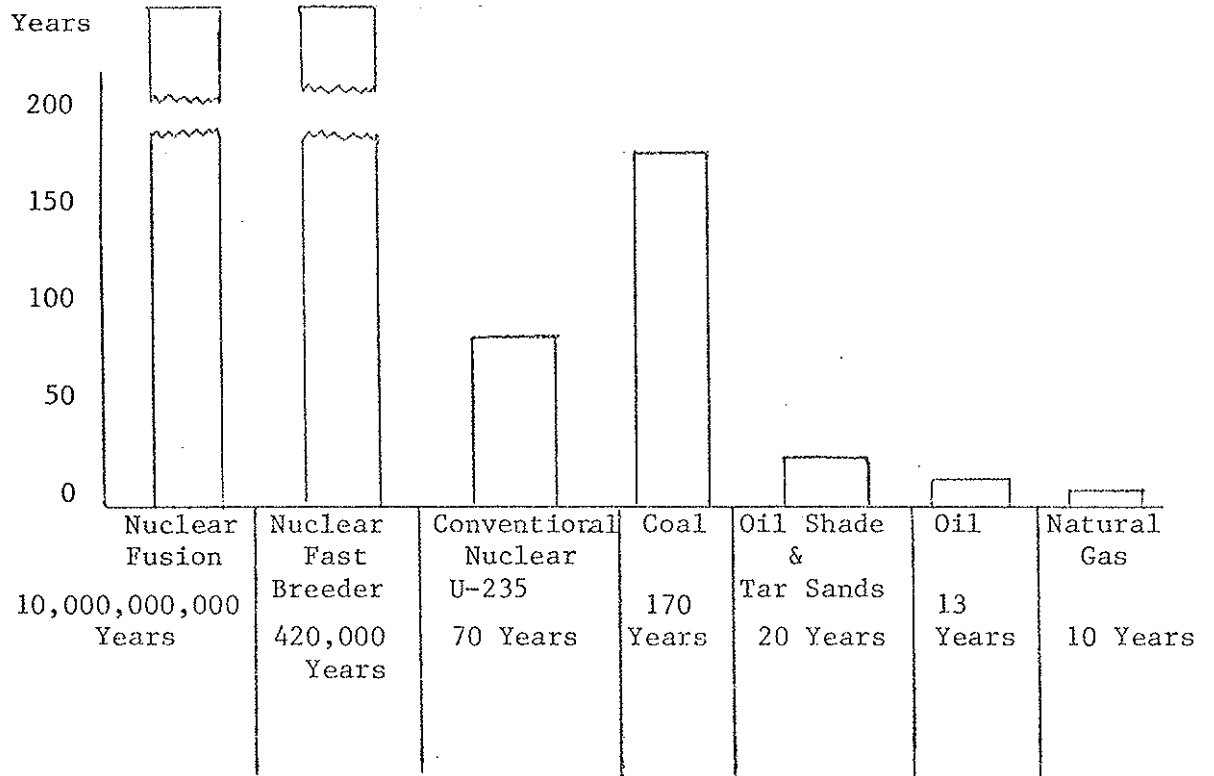
S. Maurice Robinson (Continued)

a matter of good engineering, good management, and it is one that takes governmental action, I think. In the near future, the ERDA will announce plans for a permanent storage facility.

With one last thought, there will be plenty of energy with nuclear fusion, enough to last ten billion years. That's when many scientists predict the sun will burn out.

WORLD ENERGY RESOURCES - NON-RENEWABLE

Based on Energy Required in Year 2000



AS OTHERS SEE US

Howard Bjelland
Legal Counsel
Colorado-Ute Electric Association

We are hoping in this discussion to see "electric service" from a viewpoint other than rural electric management. Do we tend to become myopic? How do consumers, regulators, the general public and other sectors see us and our problems? Are the real problems different than we think they are?

Mr. Viverette, panel members, and participants in the 19th Annual Conference of the Rural Electric Management Development Council, I am complimented by the invitation of the Council to appear on this program. My comments will be made from the perspective of a past regulator and a present attorney for a generation and transmission rural electric cooperative.

The entire public utility industry has indeed fallen on hard times in the past few years. The reasons, I believe, are well-known to all present, and I will not dwell on or discuss the effects of inflation, the high cost of money, increased fuel costs, and other contributing factors to the plight of the industry. Suffice it to say that ten years ago, the image of a public utility was generally that of a good, efficient, conscientious, hardworking, cheap public servant. The connotation of the term public utility in today's world is bad. A public utility in the minds of a large segment of the population, is a big, heartless, inefficient, money hungry corporation extracting exorbitant amounts of money from the public for the unearned benefit of greedy, grasping stockholders. We realize that even though such a picture is incorrect, the problem created thereby must be faced and resolved. In some way, the confidence of the people in all of our institutions, including public utilities, must be restored.

We, as cooperatives, are fortunate, in that the image of a cooperative, despite some rather unfortunate activity on the part of some marketing cooperatives, remains relatively good. A cooperative, in the minds also of a large segment of the population, is a small, good organization controlled by its members and providing services to such members at the lowest possible cost. So, to a degree, the use of the phrases "cooperative public utility" or a "public utility cooperative" creates a conflict in terms to many people, cooperative being a good word, and public utility being bad words. As a result of such difficulty in classification, cooperative public utilities are probably getting somewhat better publicity today than are investor owned public utilities.

Every effort should be made by the management of cooperatives to enhance the cooperative image. In years past it might have been advisable to minimize the differences between a cooperative utility and an investor owned utility. This was certainly true in many parts of the country. For example, in Colorado, the Public Utilities Commission deliberately attempted to bring cooperatives into the field of regulated utilities. We urged them to participate in organizations such as NARUE. We developed a rate of return concept. We did what we could to get them included in power pools. We tried to treat them just like any other regulated utility.

In today's world, however, differences should be maximized, not by joining in attacks on investor owned utilities, but by informing the public as to the benefits derived from service from a cooperative public utility. Cooperatives should also be distinguished from public power. A cooperative is part of the private sector of the economy, not the public sector. A cooperative represents free enterprise. As I have said before, the mere fact that a home may be financed by an FHA loan, does not

make that home public housing, nor does the fact that rural electric cooperatives have been and now are financed through a government agency make such cooperatives public power. I admit to a prejudice against public power. The surest way to achieve a zero growth society would be to nationalize the power industry. If our federal government took over the Sahara Desert today, in five years we would be short of sand.

We should conduct our public information programs in such a manner as to fully inform not only our own consumers but also the entire American public as to exactly what rural electric cooperatives are, how they serve, how they are financed, why costs are high, how rates are determined and set, and the fact that they are directly controlled and owned by the consumers they serve. We must fight the battle of information actively, not passively. The public is entitled to the facts. It is up to us to see that such factors are not only made available, but in one way or another, are made known to the public.

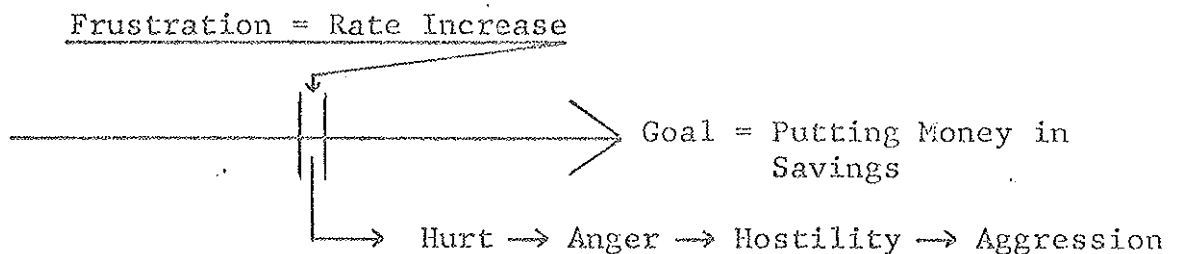
A major problem facing rural electric cooperatives today is that our rural electric cooperatives are too small. Mergers should and must take place. If you have, for example, 25 small rural electric cooperatives serving a given state, management costs and director costs are relatively high in connection with the revenues derived. By mergers, management costs and director costs could be sharply reduced. This is not to imply that bigness is necessarily good. However, there must be an optimum size where efficiency of service can be maximized but where the traditional relationship between a cooperative and its members can be maintained. In some states this could be done by the merger of cooperatives within geographical areas, such as a river valley, a basin or some other geographic division. In other words, there should be a commonalty of interest, other than the cooperative itself, which would tie the consumers together.

There are nearly 1,000 rural electric cooperatives providing electric service throughout the major portion of the United States. The average system probably has about 6,000 consumers. There is no doubt in my mind, but that a large number of mergers could take place, which would result in more efficient service at less cost to the consumer members. Serious thought should be given by all of us as to the possibility of such mergers.

PSYCHOLOGY OF DISCONTENT

Dr. Gail Dunning
Management Services Panel
Member Grumbles: How Long and Loud?
NRECA Annual Meeting
Anaheim, California

A number of years ago two psychologists from Yale University, Neal Miller and John Dollard, developed an hypothesis which came to be called the "Frustration-Aggression Hypothesis." The hypothesis stated, "Frustration is a necessary and sufficient cause for aggression." The hypothesis has been modified since its original inception, but essentially the hypothesis means that aggression can be explained by frustration. Anything which interferes with reaching a goal may be frustrating. If persons have plans that don't work out or goals which they are unable to reach, they become frustrated and this frustration produces aggression. They become angry and strike out against others.



For many reasons the American people have been frustrated in recent years and this frustration has turned into aggression for a sizeable portion of the American public. Family plans which were made several years ago are having to be changed because of the economy. Business ventures are held back or fail because of increased

fixed costs and labor costs. Savings are eroded away because of the increased cost of living. Recession is another horn of this dilemma and unemployment is a serious problem and a cause of great concern. Each of these events is frustrating and nearly all of the American people are effected by the economic crisis. All of you are aware of this very strongly because your cooperative is effected by the energy crisis and the energy crisis is a part of the larger picture of our economic problems.

Added to these economic problems which frustrate some goals for all American people, the political picture in recent years has turned toward the negative. America has been hurt by the division over Vietnam and that pain is still with us, the wound has not yet healed. Politicians have always been somewhat suspect in our society and Watergate seemed to be the last straw for strong trust in government. Most of you can remember when you had great trust in the American Presidency and believed nearly everything an American President said. Today, a presidential message is immediately disavowed and challenged by the press and by opposition in Congress. Those of us who have always considered ourselves good citizens are finding ourselves disbelieving more than we are believing the news from Washington and we are pained by that and feel guilty about it. The point is not whether a President is trustworthy. The point is that he may not be believed even if he is trustworthy.

Our international scene is also a source of frustration. After World War II, the United States of America emerged as the super power of the world. We do not hold that position as clearly as we once did and this eats away at our confidence of our place in the scheme of things.

When you sum it all up, we are all suffering from change and the change is perceived as negative. Any change requires some adjustment and is somewhat painful even when it is positive change. In the last few years, our economic, political and international scene has involved change for the worse - and all of us are somewhat frustrated by this even when we don't realize it. Frustration often leads to aggression, remember?

Now another point particular to our rural cooperative history needs to be added to this somewhat dismal picture. In the history of the children of Israel recorded in the Bible is a phrase, "And there arose a king who knew not Joseph." This passage referred to the passing of the Hyksos kings dynasty in Egypt. These Hyksos kings were shepherds like the children of Israel and were friendly to the children of Israel. Many of the members in rural electric cooperatives are "kings who knew not Joseph." That is, they have had no experience with the history of rural electrification. They cannot remember the days where there was no electricity at all. Few of them can remember cooling cream in a spring or lowering milk down a well to cool it. They can't even remember

when they didn't have electric power 24 hours a day - when electricity was available only certain hours of each day. There is a beautiful and romantic story in the history of rural electrification. Part of this romance has been caught by Clyde Ellis in his book "A Giant Step." However, many of our members have never heard this sweet serenade sung from the balcony of rural electric history. They have no psychological investment in the history of the rural cooperative movement and cannot be expected to have any - especially if we have done nothing or little to acquaint them with a rather glorious past.

The haunting hope of one of the songs of World War II, "When the lights come on again all over the world," did come in our land when rural electrification brought power to the rural homes and small communities of our nation. However, many of our members cannot even remember the time without television - let alone remember a time without electricity. Some of us have a great deal of nostalgia when we think of this epic in our American history, but nostalgia belongs to those who are able to remember such wonderful and awesome changes.

So we cannot bask in the past. We must face the challenges of the present and the future.

What do we do about the frustration/aggression hypothesis when it occurs in confrontation with our members?

TRIM THE FAT

First, we must run an efficient operation. The fat has to be trimmed from the budget. Our people will no longer tolerate waste in a local enterprise. They see and hear of waste in government and they are frustrated because they feel powerless to do anything about it. The frustration will then be directed to a place where they can do something about waste - and that is close to home. The school board, the church board and the cooperative board had better be tuned in to the temper of the American people or board rooms are going to be stormed by an angry populace, and already have been in some places. In traveling around the country speaking for cooperatives, I have seen some beautiful office buildings built for the operation of a local cooperative. While members may have approved of some of these buildings ten or fifteen years ago, building a comparable structure today would meet with overwhelming opposition and cooperative boards would be charged with proposing "monuments to stupidity." Our tempers and attitudes have changed as a people and while some of us might be patient with inefficiency because we can remember the dear and good old days, many of our members have no desire to put up with inefficiency. TRIM THE FAT.

INFORM THE PEOPLE

Communication problems in organizations often start with minor issues and build up to confrontation if these minor issues are left unresolved. A very minor rate raise, if not clearly explained to

members, will cause members to draw a new conclusion about the cooperative. The conclusion may be something like this. "Well, I didn't realize they were going to raise my rates. Maybe I missed reading about it. But they should have made it clear to me that this was coming." This minor misunderstanding now has created a blinder or a filter. A blinder because from now on the person is likely to be looking only for negative change. New services or helpful programs are likely to be passed over when the person is focusing on the rate being paid. It creates a filter in that the member is now viewing things from a prior conclusion - that "they" are not treating me quite as I should be treated.

We are dealing with change every day. All of us. We know this. Knowing this, we must make it as easy as possible for our members to adjust to change. Change has to be introduced slowly or it is not going to be successful. Even after you explain why you had to make a change in rates, if the person was not aware the change was to be made, your explanation may not neutralize the negative feelings the person has about the change. He will understand the change cognitively (thinking man) but not accept it affectively (feeling man). The effects of change are cumulative. Like piling children's blocks into a pillar, eventually the last block (change) is going to cause the pillar to fall and member confrontation takes place. We are puzzled that a final minor change causes the member to blow his fuse - it is because the member has

never psychologically adjusted to the changes made in the past and the last one finally tipped the scales - the straw that broke the camel's back. One of the important parts of making change successfully is the after care of the change. If you introduce a rate change and do not provide feedback on the success of this change, you cut off the evaluation process for the member. If my taxes go up, I want to find out what I got for my money. When you introduce change, provide feedback and evaluation on the effects of that change. This is change after care. INFORM THE PEOPLE.

ACQUIRE NEW SKILLS

New problems require new skills. Walt Whitman once said, "listen, I do not offer you the old, smooth prizes. I offer you new, rough ones." The member challenge/confrontation problem is a new, rough prize. It requires some skills in psychological understanding which we may need to acquire, develop or have. My judgment is that the new Member Services six day course is an excellent beginning. This course should be the beginning of a specialized training program which meets and anticipates the needs of Member Services staff working with our people. We need to keep the perspective which has been traditional with the rural electric movement. Our organization belongs to the members. Our movement is their movement. We should never develop the "we and they" vocabulary that dichotomizes business from its consumers. They are us. We are members too. Members are our people. Our folk. ACQUIRE NEW SKILLS.

CREATE A NEW IMAGE

Historically, the image of rural electrification has been positive because rural electrification met a real need and members felt good about their needs being met. We cannot return to being pioneers in electrification all over again, so our positive image must be based on some other premise. There is an almost evangelistic or missionary spirit among some rural electrification people. Often people express to me that they really "believe" in their work. Because of our Christian heritage, most of us believe in doing good things for others and we try to follow the Golden Rule. Turning the light on over rural America at least partially fulfilled this Christian ethic. We all feel good about it having been done. However, new needs require new solutions.

The psychic needs of our members need to be solved. I am convinced that rural electric cooperatives could meet those needs by a great effort of volunteerism. The REC could be the headquarters for meeting the psychic needs of our members. If our members are frustrated about the economy, in what ways can we answer their frustrations? I have already pointed out that we can trim the fat from the budget and avoid our members being frustrated by our waste or extravagance. We can carefully inform the people so our members have an opportunity to participate in change and adjust to change. We can acquire new skills as we are now doing in this new Member Services course. What else could we do?

First, we can make the rural electric cooperative the place where members have problems solved. It can be the center of activity for responding to the psychic needs of its members. Mothers who are concerned about nutritional needs of their children can receive training hosted in the rural cooperative building. You will notice the REC is the host of the project, not the conductor of it. Farmers, who because of increasing costs of farm machinery, must learn to repair their own machinery and can attend courses hosted by the rural electric cooperative. Married couples who are experiencing difficulty in making ends meet can attend classes hosted by the rural electric cooperative. Families who are turning to gardening as a means of cutting down on the grocery bill can attend classes hosted in the rural electric cooperative building. Mothers who are striving to stretch the clothing dollar could learn to make and remake clothing in classes hosted by the rural electric cooperative building. Families who do not understand how to use electric power economically or do not understand the advantages of insulation may attend courses where these matters are demonstrated or explained.

Volunteerism in our society is a vital part of our way of life. Millions of man hours of work are done in America by volunteers. A number of years ago I was National Fund Vice-Chairman for the American Red Cross and I was much impressed by the noble commitment of American people to humanitarian projects. Every community has local experts

who would volunteer their time as instructors if wisely approached. I can envision the rural electric cooperative as the location of weekly programs which respond to the needs of its members. This approach could be far broader than just responding to economic psychic needs. The REC could house a credit union, could sponsor courses taught by local physicians on child rearing practices or be the center for training in healthy family relations. These programs could be coordinated by the Member Services staff. Advertising could be done through articles in local newspapers, by telephone contact, through the house organ and by word of mouth.

Now, let us project how members and the entire community would view a rural electric cooperative which would work hard to meet the psychic needs of the community, responding to the specific problems which cause frustration and then produce aggression. The old adage is "You don't bite the hand that feeds you."

The answer is obvious. I care for the person who cares for me. And I care for the organization or institution which is attempting to respond to my concerns and my needs.

One final point needs to be made. I have suggested this approach to a number of managers of rural electric cooperatives and they are excited about the idea. Most of them immediately want to find \$10,000. or \$15,000. somewhere in the budget to finance this and this is exactly the wrong approach to take. Leon Festinger once gave a law of human behavior which reads, "Rats and Humans Love

Best That for Which They Sacrifice Most." The more people invest of themselves in this program the more dedicated to it. The only increase in an REC budget should be for paper and pencils for the classes, perhaps some new or borrowed instructional equipment and the power it would take to heat, cool or light a meeting room which is likely to be empty anyway. Of course, some employee of the cooperative will have to spend some time coordinating these programs. The Member Services section seems the ideal place for such an assignment.

Using some human ingenuity and lots of advance planning, in a few months a local rural electric cooperative can be seen as the location of positive action. When your community finds out the good things you are doing to respond to their needs, a rate increase is viewed in a different light. The rate increase comes from friends who are doing their best to meet your psychic needs. Not alone is the rate increase likely to be accepted; it may even be supported as the only justified cost increase in their personal experience. CREATE A NEW IMAGE.

A last thought. Our motivation as responsible human beings needs to be to meet the needs of our fellow man as much as possible. That this altruistic purpose results in excellent member relations is a splendid reward for doing what we should be doing anyway. Responding to the needs of others.

AS OTHERS SEE US

Jim Guy Tucker, Attorney
General, State of
Arkansas

Brief outline below from notes taken of Mr. Tucker's presentation:

Emphasized the rise of "consumerism." Pointed out that people start with a real frustration and develop imaginary frustrations to add to their concerns. Utilities bear the brunt of some of these frustrations because of high cost of electricity.

Politicians and businesses feel these frustrations as well as the individual consumers.

It has been more than 20 years since utilities have faced similar problems. Many utilities have not yet realized they are in 1976 instead of 1956.

Attorney General's office is involved in rate cases, representing the people's interest.

Uncle Abner says, "Trust everybody, but always cut the cards." This is what the Attorney General's office tries to do in rate cases.

Public as a whole fails to distinguish between IOU's - public power - and co-ops.

Members of co-ops can affect rate making decisions in their co-ops.

Distinctions between IOU's and co-ops have been lost to general public. This is a real problem and one cooperative should address.

Frustrations addressed to all segments of utility industry, none are immune.

One of the ways this frustration is vented is on "two bit" items. (Civic club dues paid for employees, donations, etc.)

What do you tell your members who built all electric homes that you promoted?

You can say, "I'm sorry, I'll help you," when the member presents a problem to you.

I personally, as Attorney General, don't know how much members have invested in their electric co-ops (capital credits).

How many members understand load factor - or fuel costs?

Today, people find it difficult to believe or trust anyone.

Co-ops have a reserve of good will and you can use it to communicate to members and the public the needs of utilities and their problems, particularly your problems.

Cooperatives have to address this need for communication to the public.

Cooperatives need to talk conservation of energy.

Off peak use - talk about load management - be open minded - provide leadership - you have the opportunity.

You have a responsibility to your state and nation. Be creative - innovative - provide leadership - and come and talk with your public officials.

Providing the energy needs of this country is a "new frontier." You have the responsibility to pioneer in this area.

We have much in common and must share the challenge.

RURAL ELECTRIC PROBLEMS AND ISSUES

Charles B. Gill, Borrower's
Operations Officer, CFC

Reported that a meeting had been held by CFC representatives with 35 representatives of rural electric cooperatives to:

- 1) Determine problems and issues
- 2) Prioritize these problems and issues
- 3) Develop some answers

Stated that there were six categories covered with 30 subtopics. Brief outline follows:

1. Power Supply: Ownership and control - reserves - fuel - environment - impact of power costs.
2. Communication: Between organizations - with members - relationships between REA/CFC/NRECA - with general public and political leaders.
3. Financing: Primarily in area of power supply. For every \$5 invested in the future \$4 will be in power supply and \$1 in distribution - capital credits of GT's and how they are handled - financing of load management equipment - financial planning - making use of tools available to determine effects ten years from now - system planning - all costs are variable - question of premature investment - can we afford some of the standards we have set in the past? - mergers.
4. Capital Credits: Referred to the work of the capital credits study committee and its recommendations. Rate comparability - could have some rates too low to have financially strong systems if REC's stick to rates comparable with neighboring IOU's.
5. Personnel Development: Concern over REA's input, need for more assistance - question raised of what REC's will do to fight for administrative staffing for REA.
6. Co-op Liability - Utility Responsibility: What do we do about problems relating to service - can see a cost curve in the next five years which could show every additional kwh sold will cost co-op more instead of less.

MANAGEMENT LEADERSHIP - MOTIVATION

Mark McNeil, General Manager
Shenandoah Valley Electric Cooperative

I received a call from Ev Bristol sometime ago about our program here and he indicated that we would have a session on management and leadership; particularly on motivation, and asked if I would participate. I do not feel particularly qualified to speak on motivation; however, I told him that I would give it a go, and possibly we could have some discussion on motivation.

I have with me here Mr. Allen Ritchie, who is staff assistant at the Shenandoah Valley Electric Cooperative, and he has worked on some of the things we have done. If you have any questions when I am through here, we have him as a resource person.

I am reluctant to say we motivate employees at our cooperative; on the other hand, things seem to go rather smoothly, and I would assume there is motivation somewhere. I will try to give you some of our background and our situation, realizing that some of my remarks on motivation might seem rather elementary, but I have found that the most elemental and simple things seem to work.

We are a cooperative with around one hundred employees; we have about 20,000 consumers, about 17 million dollars invested in the system; and located in the Shenandoah Valley of Virginia. We are not unionized. The fuel adjustment cost whirlwind that has taken place over the last couple years doesn't seem to have gotten us into too much trouble with our consumers although they are a little upset with the higher cost. We are having our annual meeting on the 15th of June so this might blow up in our face at that time.

I talked to this group in Myrtle Beach, S. C. year before last about our staff and how I felt we had a very well qualified staff due to their education, background, etc. This staff provides good leadership for our employees and, of course, this is a motivating factor as far as getting the work done, when our employees realize this staff knows what they are trying to do.

When I was first made manager of the Shenandoah Valley Electric Cooperative, I was a little leary of delegating authority, etc., but I finally started this practice in view of the management institutes that I had attended, etc. The staff, I mentioned, makes this possible. We have tried to let these people be pretty much on their own to get them involved in major decisions.

For example, we were considering going to automatic data processing in 1962, and we were thinking about a 402 card system. Our office manager and accountant were convinced we go this way, and I more or less felt this myself, but thought the best thing was to let them, the office manager and accountant, make the presentation for going to a 402 to the Board, which they did. Certainly, this made it their baby, and I hope they were motivated to make the system work. We followed the same process when we went from the 402 to the 360 Mod 20 - to the present System 3, we now have. They made the presentation to the Board of Directors and they had to make it operate satisfactorily. We have a list here of the applications which we have on our computer at the present time of which we are proud. If you would be interested, we will let you have a copy of it.

We have done the same thing with the electrical engineer. He did our own long range system study. He made the presentation to the Board - the results of his work and his recommendations. He presented them to the Board, and the Board acted on them, without undue comment from myself. Incidentally, the cooperative received a letter

Mark McNeil (Continued)

from the Rural Electrification Administration Friday, approving this long range system study. The same with the financial forecast. Allen Ritchie, who is with me here, has made our long range financial forecast. He made the presentation to the Board; he also made a complete rate application to present to the State Corporation Commission. I feel this involves these people, and I guess, motivates them.

We try to have lines of communication open wanting our employees to feel they are free to talk to management about anything. As I mentioned before, we are not unionized. About three years ago, we received a letter signed by quite a number of employees indicating they had some grievances about how raises were given, holidays, and a few other things. We thought this was an indication of our employees' attitude, that they would write the president of the Board and myself a letter talking about their grievances rather than having a union representative present a number of cards and say, "I am going to represent these employees in a bargaining union." Now, our feeling in this matter is, if anything is good for an employee under a union contract, it is also good for him or her if they are not under a union contract. In other words, we don't feel a union contract should force an employer to do things. We don't feel a union contract is necessary to have an employer treat an employee right.

So as soon as we got this letter from our employees, we had meetings with them to discuss the points they had brought up, and what we could do about it. We do have fringe benefits, hospitalization, vacations, etc., so that about the main thing we could talk about was more of the same or possibly higher wages. We talked this over with the employees, and tried to reach a satisfactory agreement, which we believe we did, because it was accepted, and we heard no more rumblings. But the point I want to make here is that as soon as we found some dissatisfaction, we did try to solve it with our own people and did not have to be involved with union negotiations, etc. And what we are proud of is the fact that these employees felt they could come to us with their problems.

Also, the employees seemed to feel they didn't have a definite goal they could shoot for and as a result of this, Allen worked up a wage schedule wherein a lineman would start as an apprentice; and in five years he would advance to a full-scale first class lineman. He would receive progressive raises each six months so that he could tell exactly what was going to happen to him. This was also done for every waged person and this has been a tremendous help as far as employee satisfaction is concerned.

I asked Allen if he had any suggestions I might mention on motivation. One of the comments he made as to why things worked as well as they do is our job descriptions are not too detailed. Also, the organization of departments is not too severe. This allows employees to go directly to another employee with a problem or to schedule work. Several of our employees have written programs for our computer; like engineering, accounting, etc. They can go to the computer operator for computer time instead of going to the office manager, to the data processing supervisor, and then the operator.

There are three district offices and we had a lot of trouble with their cost especially comparing them with each other. Now we have worked up standard costs which allow us to compare these district costs to their own standards. This is done every month for the last four months' period. These standard costs include both operations and construction, giving a total comparison.

Mark McNeil (Continued)

These standardized costs have been worked out with our own personnel and Allen handles the computation as to how the cost of a specific time period compares to the standard cost for the same period of time.

I have been told by employees one of their greatest satisfactions is seeing the results of their planning and work. Engineer planning system changes and seeing the results; computer programmer seeing his program coming into fruition. Our set up allows this.

The proof of the pudding is in the eating, and last June 30, I had a slight heart attack and was incapacitated for about two months, and the cooperative did not seem to falter. In other words, everybody continued to do their jobs very adequately. All the functions were performed so well that I began to wonder what they needed me for, but fortunately our Board of Directors did seem to feel they wanted me around for a little while longer, and therefore, I am in Hot Springs today. But it did point out to me and to them, the effects of a good organizational structure where the employees were allowed to do their jobs without too much highhanded interference from the manager.

Allen is here, and he has worked on a lot of these things and if you have any questions, he and I will try to give you any of the details you might be interested in.

SHENANDOAH VALLEY ELECTRIC COOPERATIVE

COMPUTER PROGRAMS

General Office and Accounting

Electric Bills; Register and
Year-to-Date List
Statistical Report
Meter Cards
Rural Living
Daily Cash and Cash Closing
Final Notices
Membership File - For List and
Annual Meeting Notices
Deposits
Capital Credits
Payroll Checks and Register--
Current and Year-to-Date
Payroll Taxes - Federal and State
Payroll Distribution - By Job and
Account
Over-time Statistical Report
Work Orders - Labor, Overhead
and Material
Continuing Property Records
Inventory

Accounts Receivable - Aged Trial
Balance
General Ledger - Year-to-Date Trial
Balance, Financial Statement
and Chart of Accounts
Investments
Accounts Payable - Checks, Register-
and Distribution
Outstanding Checks
Cash Receipts
Sales Tax List
Power Requirement
Analysis of Power Bills
Rate Study
Mileage Reports - Total System by
Division
Expense Report - to Management
Actual vs. Budget by Account and
Division
Wire Crossing

Engineering

System Voltage Drop Study
System Fault Current Calculation
Transformer Demand
Load Balancing Study
Conductor Sage and Tension
Calculation
Outage Reports
Transformer Service Reports
Installed Reclosers and
Sectionalizers Report
Installed Conductor Inventory
Electric Heat Calculation

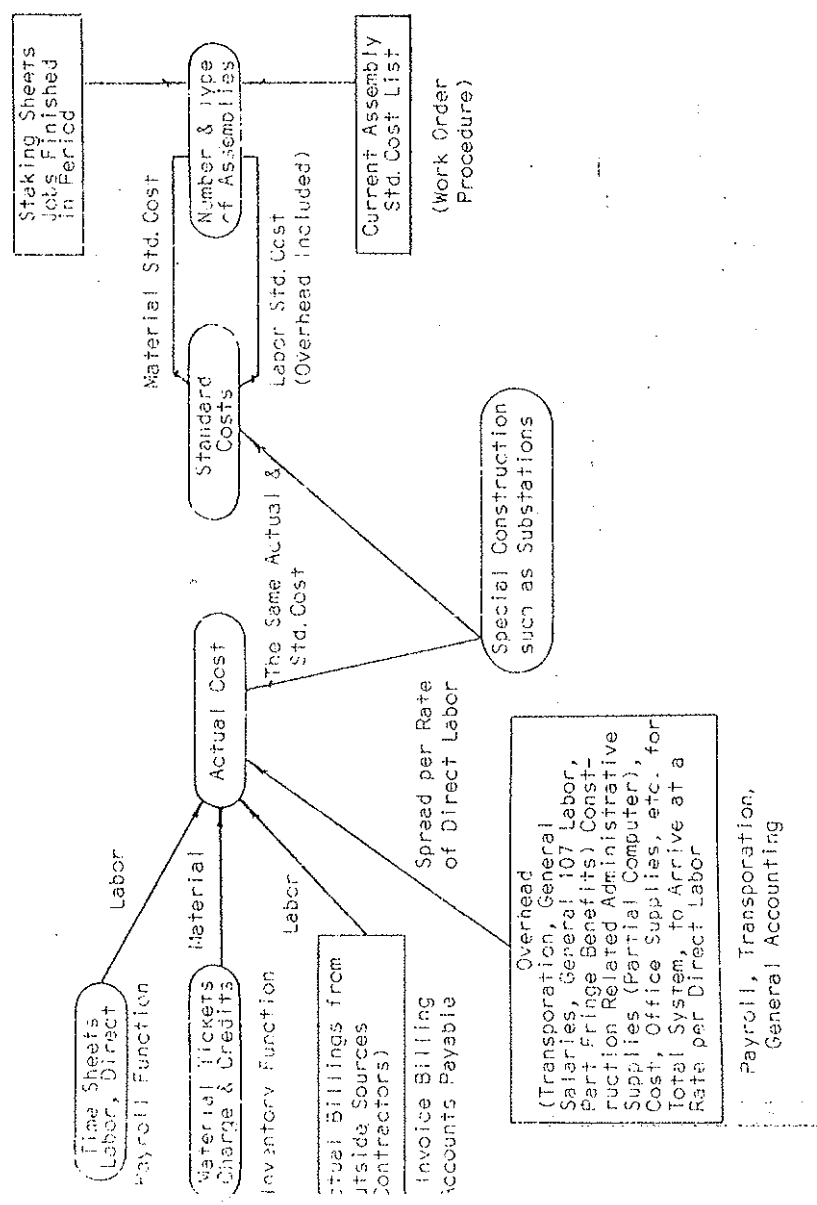
Recloser and Sectionalizers
Maintenance Report
Diagnostic Run and Corrections on
Various Files
Installed Transformer Report
Consumer Count and Location Report
Transformer Inventory Report
Job Cost Estimation
Consumer Phase and Point Report
Substation Transformer and
Regulator Report

North River Telephone Cooperative

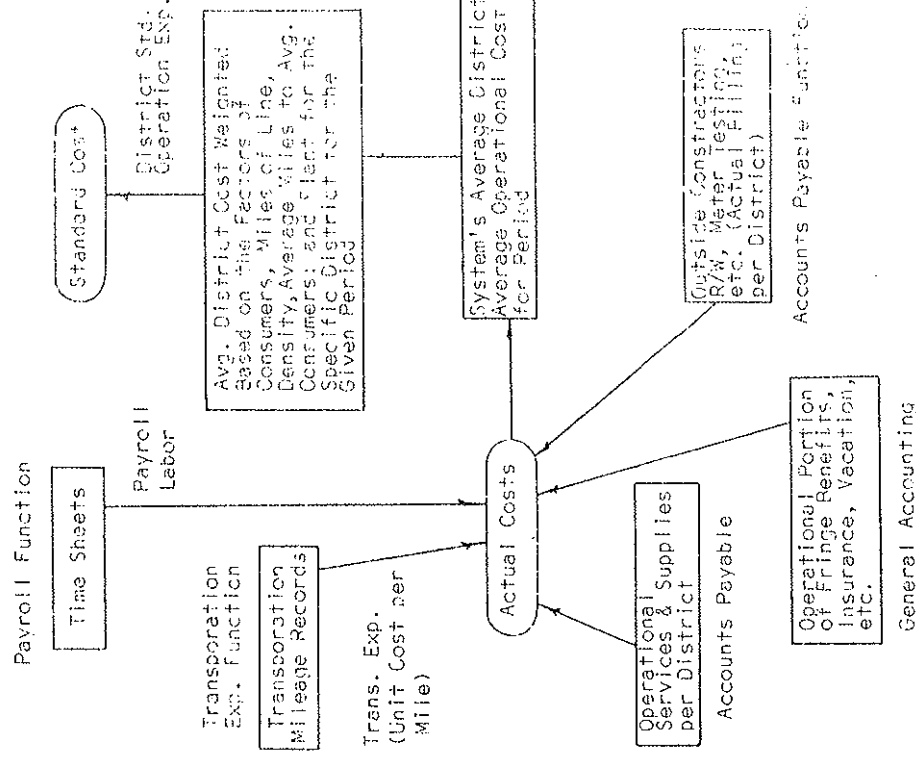
Bills
Toll Statements
Cash Closing
Final Notices

Membership File
Capital Credits
Continuing Property Records
Directory File

For Construction: (New Construction Work Only, No Retirements)
For Jobs Completed within the Period



For Operations: All Operating Expenses, (Accounts 560's, 570's, 580's, 590's & 900's) for Expenses Actually Paid for within the Period



COMMENTS:

1. The majority of the actual costs calculations are from computerized procedures, whereas the calculation of standard costs is a manual operation.
2. Actual costs minus standard costs equals deviation; Deviation divided by standard cost times 100 equals percent standard deviation.

MINUTES OF THE 1976 RURAL ELECTRIC MANAGEMENT DEVELOPMENT COUNCIL ANNUAL MEETING

Opening
Session

The 1976 Rural Electric Management Development Council Annual Meeting was held at Velda Rose Tower Hotel, Hot Springs National Park, Arkansas May 11 through 13. Charles Overman, Chairman of the Council, opened the meeting at 9:00 A.M. on May 11 and extended a welcome to all attending, especially new members and guests. It was reported that Bevis Hanna, Treasurer, would be unable to attend the meeting, but had sent the Treasurer's report which would be presented during the regular business session. Introductions were made by all persons attending the meeting. Chairman Overman recognized Robert Weathers who welcomed the group to Arkansas.

Research
Committee
Report

Chairman Overman then recognized Ed Gaither, Chairman of the Research Committee, for the report from the committee. Ed Gaither stated that the Committee had been charged with the responsibility of polishing up the Management Evaluation Manual which the council had developed and to get the manual put to use by REC's. He reported that the manual had been reviewed by Dr. Lippett and Charles Yulish, both Management Consultants, working with NRECA, and they had been impressed and shared some ideas regarding improvements which might be made in the manual. Ed stated that he had appeared at the RESMA meeting and shared the manual with the Statewide Managers. He stated that the manual had been shared with NRECA representatives, including John Myer and that Bob Kabat and members of his staff felt that the manual is an exciting management tool. Ed reported that meetings had been held in some states with REC Managers to introduce the manual and show them how to use it. He stated that this work had been carried out by Jim Kiley. Ed reminded the group that Jim Kiley had been Coordinator of the evaluation manual project and had continued in this role to help to market the manual. He commended Jim for the fine work he had done and thanked Sioux Valley Electric and its Manager, Virgil Herriott, for permitting him to take on the job of project coordinator. Ed then introduced Jim Kiley who gave the following report.

Jim Kiley's
Report of
"Marketing
Efforts on
Management
Evaluation
Guide"

Since the 1975 annual meeting of the Management Development Council in Sioux Falls, a considerable amount of activity has taken place.

Based on suggestions for improvements in various sections of the guide, the guide was updated and amended. Copies of these revisions were sent to all those who attended the Sioux Falls meeting and who had received copies of the guide.

Ed Gaither made a presentation of the guide to the Rural Electric Statewide Managers' meeting in Salt Lake City. Ed's presentation was very well received by the REMSA group.

Charlie Overman and I presented the guide to the NRECA Management Advisory Committee in Washington and we also received a good reception and the committee strongly recommended that the NRECA Management Services Department proceed with the promotion and marketing of the guide through statewide organizations.

The first such presentation was scheduled by the Missouri Statewide for September 30, 1975. Since that time, eight additional presentations have been given and reports seem to indicate that they have been well received. The presentations made and the number attending are as follows:

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| | | | |
|-------------|--------------------|--------------------|----|
| Jim Kiley's | September 30, 1975 | Hannibal, Missouri | 20 |
| Report | January 13, 1976 | Fargo, N. Dakota | 12 |
| (cont'd) | January 14, 1976 | Mandan, N. Dakota | 13 |
| | February 19 & 20 | Columbus, Ohio | 26 |
| | February 24 | Indianapolis, Ind. | 20 |
| | March 23 | Minneapolis, Minn. | 43 |
| | March 24 | Irvington, Va. | 31 |
| | April 26 | Great Falls, Mont. | 6 |
| | April 29 | Pierre, S. Dakota | 27 |

At the present time, I know of no additional workshops that have been requested or scheduled.

My experience thus far indicates that we have been using the right approach in introducing managers and staff people to the guide. I have enjoyed putting the sessions on, although I did experience some problems with my schedule. I would hope that through NRECA and the Management Development Council, we could convince some additional states to sponsor Management Evaluation Guide workshops.

We have been working with NRECA Management Services people in developing a Management Evaluation Guide workshop for both managers and directors. More about that later.

It was stated that the report of the Research Committee was given at the beginning of the program so that members of the Council could discuss the work of the committee before the business session. The Chairman announced that all other committees would report during the business session.

Attendance Attendance report indicated thirty (30) people in attendance, representing eighteen (18) electric cooperatives, REA, CFC, NRECA and the State of Arkansas.

Approved Minutes and Treasurer's Report The business session was held on May 13; Chairman Overman presided. Motion was made, seconded and adopted that the Minutes of the 1975 Council Meeting be approved. Motion was made, seconded and adopted that the Treasurer's report as presented be approved. A copy of the Treasurer's report was provided for each council member present. The Treasurer's report indicated a net loss of \$1,448.50 for the year due to the expense of the research project which had been planned for. The report indicated that 28 REC's had paid 1976 dues as of May 4, 1976. Copies of the operating statement and balance sheet are attached to these minutes.

Nominating Committee Report The Chairman called for the report of the Nominating Committee. Clyde Hukills, Chairman of the Committee, gave the report.

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Nominating
Committee
Report
(cont'd)

Clyde reported the following slate of candidates as nominated by the Nominating Committee:

| | | |
|---|-------------------|-----------------------|
| For Vice Chairman | - L. P. Beverage | - Term to expire 1979 |
| For Treasurer * | - Allen Ritchie | - Term to expire 1977 |
| For Member of Program Committee** | - Jack Hicks | - Term to expire 1977 |
| For Member of Program Committee | - Tom Townsend | - Term to expire 1979 |
| For Member of Nominating Committee | - Richard Seger | - Term to expire 1979 |
| For Member of Member- ship Committee | - Marvin Athey | - Term to expire 1979 |
| For Member of Research Committee | - Robert Roberts | - Term to expire 1979 |
| For Member of Research Committee | - Cecil Viverette | - Term to expire 1979 |

* Filling unexpired term of Bevis Hanna

** Filling unexpired term of Bill Loomis

Election

There was a motion and a second that the nominations cease and the slate be elected by acclamation. The motion was adopted. The chairman declared the slate as listed above duly elected to serve the council.

Site of 1977
Conference

The group then chose the site for the 1977 council meeting. Locations in Indiana, Oklahoma and Colorado were voted on. The group chose, by a majority vote, the location of Pueblo, Colorado for the 1977 council meeting.

Thanks

Chairman Overman thanked Program Chairman Everett Bristol and his committee for the fine program they had developed for the council meeting. He also thanked Bob Weathers for the arrangements which he and his staff had made for the council meeting. Thanks were extended to Jim Kiley for his fine work with the management development guide project and to Barbara Deverick for her work in publishing the 1975 council proceedings.

Dates for
1977
Conference

Chairman Overman stated that by consensus the group had chosen the dates of May 10, 11, 12, 1977 for the 1977 council meeting at Pueblo, Colorado.

Membership
Report

Chairman Overman recognized Bob Weathers, Chairman of the Membership Committee, for his report. Bob stated that the committee had no report or recommendations. He said that his committee would be contacting members of the council for nominations for new members.

Research
Project
Discussion

A further report from the Research Committee by Ed Gaither was made. Ed thanked the entire committee and the council for the work done in the development of the management guide and especially Jim Kiley who did outstanding work as the Project Coordinator. Jim Kiley, Project Coordinator, thanked Ed Gaither and the council members and reported on the work he is doing with various groups in introducing the manual and its use to managers and directors of REC's. Jim reported that Charles Weaver of REA was making use of the manual and Charles Weaver commented on the use being made by REA. Jim Kiley pointed out that there needed to be more publicity to the

Research
Project
Discussion
(cont'd)

Statewides about the manual and the workshop which could be put on to help managers know how to use the manual. He stated that REA and CFC could also help in publicizing the manual and its use. It was pointed out that perhaps a panel session at the next NRECA annual meeting on the use of the manual could be held. The group felt that the manual would continue to be refined and updated to meet changing needs, but the most important aspect of the project is to get the manual in use. It was pointed out that an announcement of plans for a Director/Manager Management Evaluation Workshop by NRECA would be made in the Fall.

Future
Directions

Chairman Overman thanked the committee chairmen for their reports and stated that at this time the group would spend some time in evaluating the work of the council and developing some directions for the future. He stated that the first exercise would be to determine where the council was at this point in time and asked for statements from the group to be categorized as -

"WHERE WE ARE IN THE COUNCIL AT THIS POINT"

Statements follow:

- (1) No specific goals
- (2) Down in membership participation and involvement
- (3) We are providing a valuable service in Rural Electric Management
- (4) We don't fully understand membership requirements
- (5) We are groping
- (6) We have \$12,500 of reserve funds
- (7) Some sentiment to disband the REMDC Council
- (8) Lack of commitment to the viewpoints and objectives by some members
- (9) Not generally known in REC program at large
- (10) Lost something in abandoning 2-session (staff assistants/managers) programming
- (11) We have all kinds of well-stated intentions with no provision to monitor and administer compliance with policy, rules, objectives, etc.
- (12) Business sessions on final morning has pitfalls
- (13) Not looked upon favorably by many non-member systems

Role of
Council

The group next pursued the role of the council and came up with the following:

ROLE OF COUNCIL

(Based on the assumptions stated under "Where we are in the council at this point," I perceive the role of the REMDC to be:

- (1) Continue to be a viable organization with a lot of its efforts directed at management research
- (2) REMDC must be an innovative, pioneering, catalytic force in the RE program
- (3) Must determine whether a structured formal organization is consistent with achieving (1) and (2) above
- (4) Developing ways of transforming theory into practical application
- (5) We want to make good systems better
- (6) We need to broaden our influence
- (7) We need a demonstrated willingness by REMDC members to carry out research programs and share results

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- Role of Council (cont'd)
- (8) We need input and influence into RE management programs
 - (9) Need to examine ideas advanced by NRECA (Kabat) and CFC (Gill) and determine REMDC's role in advancing these
 - (10) Council meetings should leave participants with challenge and ideas to carry home
 - (11) Need more program input by members - especially information exchange
 - (12) Program committee needs to re-emphasize viewpoints and objectives and our reason for meeting

The chairman asked the group what it wanted the Research Committee to do with the information developed and the group gave the following list of ideas:

- Direction Ideas
- (1) Program evaluation guide for use by Program Committee
 - (2) Research Committee is the unit for making the REMDC stronger and more meaningful, free to gather input from all member systems
 - (3) Members respond when asked for input
 - (4) Look at effect of management time on participation
 - (5) Review membership requirements
 - (6) Development of systematic method of finding potential members

Type of Organization

In discussion concerning the role of the council, the group pointed out that the organization was designed to be a highly selected group - this is indicated by the objectives of the council. The council is "an after the fact" organization. (Meaning an organization in which those cooperatives that are members have put into practice the principles of management with good results before becoming members of the council.)

Program Committee

A discussion concerning making funds available for the use of the Program Committee was heard. It was pointed out that funds had been appropriated for the Research Committee. The group agreed that the program committee will be funded by the council to meet basic needs of the committee. A motion was made, seconded and adopted authorizing the chairman and other officers to approve funds for use of the program committee.

Guidance for Research Committee - NRECA Proposed

The group, by consensus, requested the Research Committee to meet with Bob Kabat of NRECA to thoroughly explore the proposal made by Kabat. The proposal being that the council consider holding its annual meeting in conjunction with an advanced management program which would last about 2½ days with the REMDC meeting to be held for 1½ days before or after the advanced management program. The NRECA would sponsor the advanced management program with assistance in planning the program content from REMDC. The Research Committee was requested to bring a recommendation concerning the proposal back to the council.

MINUTES OF THE 1976 RURAL ELECTRIC MANAGEMENT DEVELOPMENT COUNCIL ANNUAL MEETING

Guidance for
Research
Committee -
NRECA
Proposed
(cont'd)

It was pointed out that Kabat's proposal would provide opportunity for the REMDC to have input in the development of the advanced management program, with no duplication of other programs.

Chairman Overman pointed out that NRECA does use advanced management conference to develop the NRECA staff and that the Research Committee should take note of this.

Some questions were raised about the length of the meeting if the Advanced Management Conference and the REMDC meeting is set in the same week and whether or not managers could take that much time.

CFC
Challenge

It was pointed out that the Research Committee should also take a look at the challenge from Chuck Gill of CFC to have the REMDC exert a catalytic role in getting REA/CFC/NRECA to focus on the major problems in a concerted effort.

Charles Weaver of REA discussed briefly ways in which REA/CFC/NRECA are already working together and pointed out some basic conflicts, one of these being in what constituted "Optimal Equity".

Involve
GT's

The group felt that the Research Committee should also look at how the council can help the distribution cooperatives and the GT's get closer together in goals.

It was pointed out that the Management Evaluation Guide can be made applicable to NRECA and CFC. Example of its use would be to get NRECA to change its committee structure to coincide with the twelve areas in the evaluation guide.

It was also suggested that the council might study how to get GT's to do management planning.

The point was made that perhaps the Research Committee should look at how the management guide might be refined to fit GT's.

Or perhaps the council could promote acceptance of a management concept with GT's rather than providing a specific guide.

Research
Committee
Work

Chairman Overman asked Ed Gaither, Chairman of the Research Committee, if the discussion provided a sense of direction for the Committee. Gaither replied that the Research Committee will synthesize the information received from the discussion and proceed with its work.

Membership
Committee
Guidance

The Chairman of the Membership Committee asked if the council had any advice or directions for the Membership Committee. It was suggested that this committee develop a form for application for membership. It was suggested that invitations to join REMDC or visit one of its meetings should be extended to those cooperatives whose managers are CFC board members.

MINUTES OF THE 1976 RURAL ELECTRIC MANAGEMENT DEVELOPMENT COUNCIL ANNUAL MEETING

Membership It was pointed out that one of the most vocal detractors of the REMDC
Committee and the management evaluation guide is the chairman of the NRECA
Guidance Management Advisory Committee and that perhaps he should be invited to
(cont'd) participate in an REMDC session.

Adjournment Chairman Overman asked for other comments; there were none. He thanked
the Program Committee for the very fine work it had done.

Upon motion, second and adoption, the meeting was adjourned.



Barbara Deverick, Secretary

THE RURAL ELECTRIC MANAGEMENT
DEVELOPMENT COUNCIL

OPERATING STATEMENT

PERIOD ENDING MAY 4, 1976

Income:

| | |
|------------------------------------|---------------|
| 1975 Dues (Schedule A) | \$ 600.00 |
| 1976 Dues (Schedule B) | 2,800.00 |
| Interest from Investment | <u>522.20</u> |
| Total | \$3,922.20 |

Expenses:

Professional Fees and Expenses:

| | |
|--------------------------------|------------|
| Bob Kabat - NRECA | \$1,068.81 |
| Stuart M. Rich - REA | 238.92 |

Research Committee:

| | |
|---|----------|
| Management Evaluation Guide Books | 2,465.14 |
| May, 1975, Meeting - Sioux Falls | 11.92 |
| July, 1975, Meeting - Washington, D. C. | 411.25 |
| July, 1975, Meeting - Salt Lake City | 264.93 |
| August 25, 1975, Meeting - Houston | 131.60 |
| February 10, 1976, Evaluation Guide Books | 248.26 |

Others:

| | |
|---|---------------|
| 1975 Meeting Room - Coffee Service, etc. | 126.36 |
| Printing and Postage - 1974 and 1975 Booklets | <u>403.51</u> |
| Total | \$5,370.70 |

Net Loss (\$1,448.50)

THE RURAL ELECTRIC MANAGEMENT
DEVELOPMENT COUNCIL

SCHEDULE A

1975 Dues Paid After April 30, 1975

| | | |
|-------------------------------|-------------------|---------------|
| Cotton Elec. Coop | 6- 3-75 | \$ 100.00 |
| Whitley County REMC | 6-16-75 | 100.00 |
| United REMC | 6-19-75 | 100.00 |
| Linn County RECA | 7-15-75 | 100.00 |
| Jackson Purchase | 8- 4-75 | 100.00 |
| Oklahoma Elec. Coop | 9- 2-75 | 100.00 |
| Total | | \$ 600.00 |

SCHEDULE B

1976 Dues Paid As of May 4, 1976

| | | |
|----------------------------------|-------------------|----------------|
| Pioneer REC | 4- 8-76 | \$ 100.00 |
| San Isabel Elec. | 4- 8-76 | 100.00 |
| Wright-Hennepin | 4- 8-76 | 100.00 |
| Kay Elec. Coop | 4-12-76 | 100.00 |
| Kem Elec. Coop | 4-12-76 | 100.00 |
| Lumbee River EMC | 4-12-76 | 100.00 |
| Morgan County REMC | 4-12-76 | 100.00 |
| Sioux Valley Empire | 4-12-76 | 100.00 |
| United REMC | 4-12-76 | 100.00 |
| West Plains Elec. Coop | 4-12-76 | 100.00 |
| Carroll Elec. Coop | 4-14-76 | 100.00 |
| Blue Ridge EMC | 4-15-76 | 100.00 |
| Cornhusker PPD | 4-15-76 | 100.00 |
| Cotton Elec. Coop | 4-15-76 | 100.00 |
| Linn County Elec. | 4-15-76 | 100.00 |
| Chugach Elec. | 4-16-76 | 100.00 |
| Oklahoma Elec. | 4-16-76 | 100.00 |
| Douglas County EMC | 4-19-76 | 100.00 |
| First Elec. Coop | 4-19-76 | 100.00 |
| Mecklenburg | 4-19-76 | 100.00 |
| Adams Elec. Coop | 4-23-76 | 100.00 |
| East Central Elec. | 4-26-76 | 100.00 |
| Ozarks Elec. | 4-26-76 | 100.00 |
| Shenandoah Valley | 4-26-76 | 100.00 |
| Yampa Valley Elec. | 4-26-76 | 100.00 |
| Central Kansas | 4-29-76 | 100.00 |
| Cumberland EMC | 5- 3-76 | 100.00 |
| Whitley County REMC | 5- 4-76 | 100.00 |
| Total | | \$2,800.00 |

THE RURAL ELECTRIC MANAGEMENT
DEVELOPMENT COUNCIL

BALANCE SHEET

May 4, 1976

ASSETS

Current:

| | |
|--------------------------------|--------------------|
| Cash in Bank | \$ 1,151.31 |
| Investments (Note 1) | <u>11,341.53</u> |
| Total | <u>\$12,492.84</u> |

LIABILITIES AND MEMBERS' EQUITY

Members' Equity:

| | |
|-----------------------------|---------------------|
| Retained Earnings | \$13,941.34 |
| Net Loss | (<u>1,448.50</u>) |
| Total | <u>\$12,492.84</u> |

Note 1 - Investments:

The Farmers State Bank - Fort Morgan, Colorado

| | |
|--|-----------------|
| Time Certificate of Deposit 4054 (5 1/2% Compounded 90 Days - Due June 2, 1976) | \$ 3,084.58 |
| Time Certificate of Deposit 4007 (5 1/2% Compounded 90 Days - Due July 2, 1976) | 3,128.71 |
| Time Certificate of Deposit 4306 (5 1/2% Compounded 90 Days - Due July 16, 1976) | 2,000.00 |
| Time Certificate of Deposit 4033 (5 1/2% Compounded 90 Days - Due August 4, 1976) | <u>3,128.24</u> |
| Total | \$11,341.53 |

THE RURAL ELECTRIC MANAGEMENT
DEVELOPMENT COUNCIL

RESEARCH COMMITTEE

BUDGET

| | |
|---|-----------------|
| Balance as of April 30, 1975 | \$ 885.08 |
| Approval of payment for preparation of Management Evaluation Guide Books, May 22, 1975 | 2,465.14 |
| Appropriation May 22, 1975 | <u>5,000.00</u> |
| Total Budget | \$8,350.22 |

EXPENDITURES

| | |
|---|-------------------|
| Management Evaluation Guide Books | \$2,465.14 |
| Sioux Falls Meeting, May 22, 1975 | 11.92 |
| Washington, D. C. Meeting, July, 1975 | 411.25 |
| Salt Lake City Meeting, July, 1975 | 264.93 |
| Houston Meeting, August, 1975 | 131.60 |
| Evaluation Guide Books | <u>248.26</u> |
| Total Expenditures | \$3,533.10 |
| Balance in Budget as of May 4, 1976 | <u>\$4,817.12</u> |

CRITERIA FOR MEMBERSHIP
IN THE
RURAL ELECTRIC MANAGEMENT DEVELOPMENT COUNCIL

I. ACTIVE MEMBERSHIP

Active membership shall be limited to consumer-owned rural electric systems.

Eligibility:

- A. Member-systems shall be willing to accept and support the Viewpoints and Objectives of the Development Council and be governed by the membership criteria.
- B. Member-systems shall have demonstrated the practice of sound management as set forth in the Nomination for Membership.
- C. Member-systems shall be committed to the concept of continuing, comprehensive management development.
- D. Member-systems shall participate in the Development Council through the General Manager and not more than two other employees responsible for the implementation of broad management programs within the system. These participants shall meet the following requirements:
 1. Shall have developed a basis of broad understanding and support of the principles of progressive management and have demonstrated their ability to adapt conceptual thinking to successful general management, particularly as it relates to consumer-owned systems.
 2. Shall have demonstrated active involvement in delegation of authority, accountability for results, and other management techniques in implementing the broad objectives.
 3. Shall evidence a willingness to innovate, experiment, and search for improved methods.
 4. Shall be willing to share the results of such activities with other rural electric systems.

II. ASSOCIATE MEMBERSHIP

Associate memberships may be held by other consumer-owned enterprises which shall meet the criteria set forth for active membership, but shall be without vote.

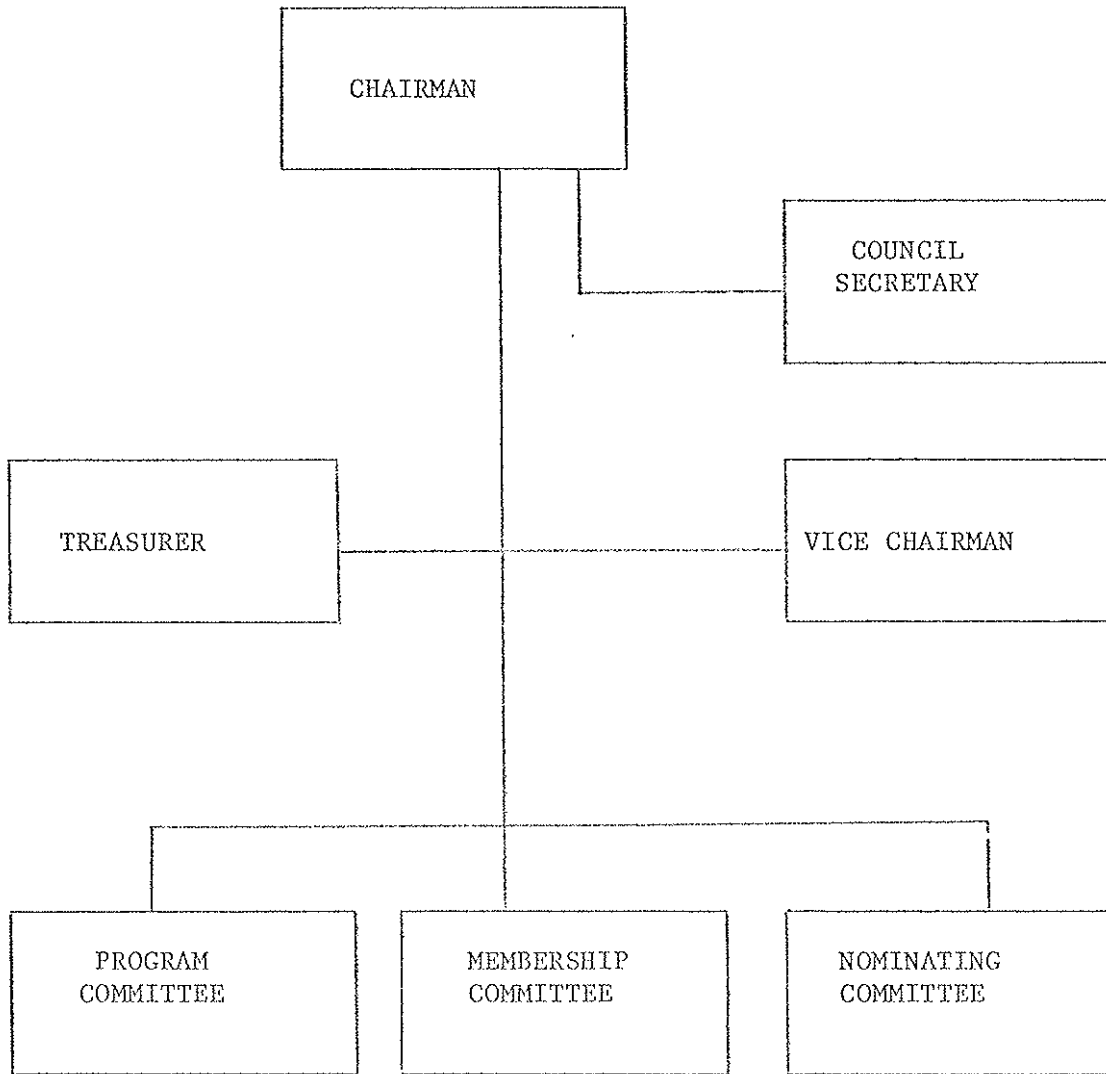
III. REQUIREMENTS FOR CONTINUING MEMBERSHIP

- A. Active and associate member-systems shall pay an annual membership due of \$100.00, whether or not they attend the annual meeting, and shall bear proportionately the cost of research projects and other expenses in excess of the amounts accumulated through annual dues.

III. REQUIREMENTS FOR CONTINUING MEMBERSHIP - cont'd

- B. Continuing membership in the organization will depend on the individual participants, as designated by the member-system, as follows:
1. Shall give constructive support to the purposes and programs of the organization.
 2. Shall attend all general meetings of the Development Council unless absent with valid cause as expressed in writing.
 3. Shall participate as requested in research projects which have been authorized by the organization.
 4. Shall appear on a Development Council annual meeting program as requested except with valid cause.

RURAL ELECTRIC MANAGEMENT DEVELOPMENT COUNCIL



FUNCTIONS

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

COMMITTEES

- All committees to be composed of a Chairman and three (3) members. The Chairman to be nominated by the nominating committee. All committee chairmen and committee members to serve staggered terms of three (3) years each.
- PROGRAM CHAIRMAN: To determine program content and format for the annual conference and secure outside speakers and appropriate participation from the membership. To provide for subject continuity in programming when desirable. To select the time and place for the annual conference and make all conference arrangements. (This can be accomplished through the Management Services Department of NRECA, including registration). The committee chairman shall preside at all program sessions.
- MEMBERSHIP COMMITTEE: Under the criteria established for admission to membership, select organizations each year who are actively engaged in management in the rural electrification field who will be offered membership in the Development Council. Evaluate compliance of member systems with criteria.
- 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.

Amended 5/75

OFFICERS AND COMMITTEES FOR 1977 DEVELOPMENT COUNCIL

| | | |
|---------------------|-----------------------|--------------------------------|
| Chairman | Charles Overman | Term expires in 1978 |
| Vice Chairman . . . | L. P. "Bill" Beverage | Term expires in 1979 |
| Treasurer | Allen Ritchie | Term expires in 1977 |
| Secretary | | Appointed annually by chairman |

PROGRAM

| | | |
|--------------------|------------------|----------------------|
| Chairman | Everette Bristol | Term expires in 1978 |
| | Jack Hicks | Term expires in 1977 |
| | Derl Hinson | Term expires in 1978 |
| | Tom Townsend | Term expires in 1979 |

NOMINATING

| | | |
|--------------------|----------------|----------------------|
| Chairman | Clyde Hukills | Term expires in 1977 |
| | R. Andy Bruton | Term expires in 1978 |
| | Mark McNeil | Term expires in 1978 |
| | Richard Seger | Term expires in 1979 |

MEMBERSHIP

| | | |
|--------------------|------------------|----------------------|
| Chairman | Robert Weathers | Term expires in 1977 |
| | Lawrence Moderow | Term expires in 1978 |
| | Marion Athey | Term expires in 1979 |
| | Olaf Sandvick | Term expires in 1977 |

MANAGEMENT RESEARCH

| | | |
|--------------------|-----------------|----------------------|
| Chairman | Ed Gaither | Term expires in 1977 |
| | James Kiley | Term expires in 1978 |
| | Robert Roberts | Term expires in 1979 |
| | Cecil Viverette | Term expires in 1979 |

- A. All committee members and officers elected for a 3-year term.
- B. Chairman of each standing committee named by the Nominating Committee and serve for 3 years when elected.