

# THE ABCs OF CO-OP IMPACT



## ELECTRIC COOPERATIVES: A FRAMEWORK FOR MEASURING IMPACT

### ABOUT THE ABCs

This sector report examines how cooperative ownership of electric utilities influences economic activity, community vitality and individual well-being based on a seven-factor framework developed by the Urban Institute in partnership with NCBA CLUSA and the Cooperative Development Foundation. These factors are: Access; Business Sustainability; Community Commitment; Democratic Governance and Empowerment; Equity, Diversity and Inclusion; Financial Security and Advancement; and Growth.

### ABOUT ELECTRIC CO-OPS

Electric cooperatives are not-for-profit businesses owned and controlled by the people who use their services. The two central characteristics of electric cooperatives are:

- Customers—the member-owners—own the business and participate in its financial success through decreased cost of services.
- Member-owners have representation on and vote for the board of directors, adhering to the principle of one person, one vote.

When investor-owned utilities determined that sparsely populated rural communities would not provide investors the returns they could achieve elsewhere, local residents and the federal government worked together to build consumer-owned electric cooperatives that profoundly changed rural communities and agricultural production. The story of rural electrification illustrates the transformative potential cooperative enterprise has when coupled with the policy environment that enables co-op development and, ultimately, advances a more inclusive economy.

### TURNING THE LIGHTS ON IN RURAL AMERICA

In 1930, a time when most cities and towns in the U.S. enjoyed electric power, only about 10 percent of rural households had electricity. The earliest documented electric co-op in the U.S. was established in Granite Falls, Minnesota in 1914. By the time the Rural Electrification Administration was established in 1936, there were about 50 successful electric co-ops nationwide, building confidence in the model among policymakers.<sup>1</sup> By the early 1950s, about 90 percent of rural farms and households had electricity.

Today, America's electric cooperatives—represented by the National Rural Electric Cooperative Association (NRECA)—are engines of economic growth for more than 42 million Americans, sustaining 20 million homes, schools and businesses across 47 states. And NRECA International has been a pioneer in global rural electrification for more than a half-century, bringing improvements in health, education, safety and economic opportunity to communities worldwide.

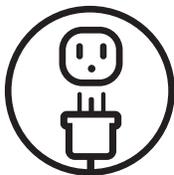


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<sup>1</sup> Lowry, Martin. "A brief history of the global consumer cooperative movement, the cooperative principles, and the successes of U.S. electric cooperatives, NRECA, September 7, 2018; and Tierney, Joseph M. "From Fantasy to Reality: The Impact of Rural Electrification on the Dairy Farms of West-Central Wisconsin, Bachelor of Arts thesis, University of Wisconsin-Eau Claire, May, 2011, p. 28.

# ELECTRIC CO-OP IMPACT BY THE NUMBERS



ELECTRIC CO-OPS  
POWER OVER  
**20 MILLION**  
BUSINESSES, HOMES,  
SCHOOLS AND FARMS IN  
**47**  
STATES<sup>2</sup>



MORE THAN  
**900**  
ELECTRIC CO-OPS  
OWN AND MAINTAIN  
**42%**  
OF U.S. ELECTRIC DISTRIBUTION  
LINES, POWERING  
**56%**  
OF THE NATION'S LANDMASS<sup>3</sup>



ELECTRIC CO-OPS  
CONTRIBUTE  
**\$88.4 BILLION**  
TO THE U.S. GDP  
ANNUALLY<sup>4</sup>



ELECTRIC CO-OPS  
SUPPORT  
**611,600**  
JOBS<sup>5</sup>



ELECTRIC CO-OPS  
INVEST  
**\$12 BILLION**  
ANNUALLY IN LOCAL  
ECONOMIES<sup>6</sup>



**39%**  
OF RURAL AMERICA  
LACKS BROADBAND  
SERVICE  
COMPARED TO 4%  
IN URBAN AREAS<sup>7</sup>



BARC ELECTRIC  
COOPERATIVE BOOSTED  
INTERNET SPEEDS FROM  
**3 MG TO 250 MG**  
AT A FRACTION  
OF THE COST<sup>8</sup>

<sup>2</sup> "The Economic Impact of America's Electric Cooperatives," FTI Consulting, March 2019

<sup>3</sup> "Co-op Facts and Figures," America's Electric Cooperatives, April 2019

<sup>4</sup> "Co-op Facts and Figures," America's Electric Cooperatives, April 2019

<sup>5</sup> "Co-op Facts and Figures," America's Electric Cooperatives, April 2019

<sup>6</sup> "Co-op Facts and Figures," America's Electric Cooperatives, April 2019

<sup>7</sup> Tucker, Russell, Joe Goodenbery and Katherine Loving. "The Digital Divide," *Cooperative Business Journal*, Fall 2018, p. 20

<sup>8</sup> Lund, Margaret. "Plugged In: Connectivity is Transforming Life—and Learning—in Rural Virginia," *Cooperative Business Journal*, Spring 2019, p. 22

## THE ABCs OF ELECTRIC CO-OP IMPACT

### A CCESS

Largely abandoned by investor-owned utilities that were either unwilling or unable to invest in the infrastructure needed to bring electricity to farmers and ranchers, rural Americans formed cooperatives to meet their need for reliable, affordable electricity with loans from the federal Rural Electrification Administration. By the early 1950s, about 90 percent of rural farms and households had electricity.<sup>9</sup>

<sup>9</sup> Joseph G. Knapp. *The Advance of American Cooperative Enterprise*, p. 535-542.

### B USINESS SUSTAINABILITY

In the mid-20th century, reliable electric power transformed the operation of family farms. Almost a century later, electric co-ops efficiently serve both competitive and hard-to-serve markets. On average, electric cooperatives serve 8 customers per mile, compared to 32 for other utilities. And they are beginning to bring high-speed internet access to the 39 percent of rural America ignored by investor-owned firms.

## **C**OMMUNITY COMMITMENT

Rural electric co-ops play a leading role in critical areas of community and civic engagement, such as renewable energy adoption. America's newest electric co-op—Kaua'i Island Electric Cooperative—was established in 2002 when a group of local residents and business leaders purchased the utility when its investor-owners threatened to close. At the time, electric prices on Kaua'i Island were 73 percent higher than on neighboring Oahu, and electric generation was almost totally dependent on petroleum. In its first 15 years, the co-op has lowered costs to within 17 percent of its neighboring island, and shrunk fossil fuel dependence to just over 50 percent, with the rest coming from renewable sources. On a sunny afternoon, 99 percent of the co-op's power is generated from solar.<sup>10</sup>

## **D**EMOCRATIC GOVERNANCE AND EMPOWERMENT

Rural electric co-ops are built by and belong to the communities they serve. They are central to their communities and uniquely positioned to encourage democratic participation among their members. The Co-ops Vote initiative by America's Electric Cooperatives is a non-partisan project designed to inform co-op voters on key issues facing electric co-ops, promote voter registration and encourage them to support their co-ops and the communities they serve when they cast their ballots.

## **E**QUITY, DIVERSITY AND INCLUSION

With their expertise in infrastructure development and deployment, rural electric co-ops are poised—once again—to transform life in rural America by bringing broadband to the estimated 24 million American households that remain disconnected from 21st century economic opportunities.<sup>11</sup> Some rural electric co-ops also offer on-bill financing programs, allowing low-income customers to benefit from immediate updates in energy efficiency, along with long-term cost savings and environmental benefits.

## **F**INANCIAL SECURITY AND ADVANCEMENT

Electric co-ops support more than 611,000 jobs nationwide, offering a significant source of stable employment—particularly in rural counties that

<sup>10</sup> Holly, Derril, "Kaua'i Island Electric Cooperative is making strides in meet its renewable energy goals." NCBA CLUSA blog, February 12, 2019.

<sup>11</sup> "At briefing on Capitol Hill, policymakers learn challenges and opportunities facing the nation's 65,000 cooperatives." NCBA CLUSA blog, December 11, 2019.

are more likely to experience persistent poverty. Widespread electricity and growing access to broadband, too, has allowed countless rural businesses to thrive, adding new jobs to the rural economy.

## **G**ROWTH

A 2017 study found that the economic gains of early electrification lasted for decades afterward. While the direct gain in agricultural productivity happened over a short period of time, growth in area income, property values and non-agricultural employment lasted much longer.<sup>12</sup> Today, electric co-ops invest \$12 billion annually in local economies, and the sector contributes \$88.4 billion to the U.S. GDP annually.<sup>13</sup>

<sup>12</sup> Lewis et al.

<sup>13</sup> "The Economic Impact of America's Electric Cooperatives." FTI Consulting, March 2019. Jointly commissioned by NRECA and NRUCFC.



Photo: NRECA

Rural electric co-ops own and maintain almost half of America's electric distribution lines.



Photo: NRECA

Co-ops lead the electric utility industry in the development of community or shared solar, which is currently offered by 137 co-ops across 30 states.

## CASE STUDY

### BARC ELECTRIC COOPERATIVE: INVESTING IN BROADBAND TO TRANSFORM RURAL LIFE

BARC Electric Cooperative General Manager Mike Keyser says the utility cooperative is “in the quality of life business.” The 2,000 members of the rural Shenandoah Valley, Virginia community served by the cooperative got quite a boost when the co-op board voted to add broadband to its services.

While large electric and cable companies scoop up lucrative populated areas to provide broadband services, rural areas are often left behind, leaving local businesses without the tools they need to stay competitive and students without reliable digital access to information. Federal Communications Commission data indicates that 39 percent of rural Americans do not have access to broadband service, compared to 4 percent of city dwellers.<sup>14</sup> Utility cooperatives like BARC help address inequities in areas deemed “unprofitable” by investors.

Lack of access to broadband affected overall business sustainability in BARC’s service area and hampered educational achievement for area youth. As a utility, BARC knew their business could only grow at the rate of business and household formation, so if these declined, so would the co-op. While the challenges of financing, building and maintaining a whole new communications system was daunting for the small co-op, BARC leaders also realized their future depended on it. As Keyser put it, “It became apparent that this one is on us, no one else is going to do it.” Not only that, but “it was our heritage, it is our mission” to serve the community in this way.

<sup>14</sup> Tucker, Russell, Joe Goodenbery and Katherine Loving. “The Digital Divide,” *Cooperative Business Journal*, Fall 2018, p.20.



In addition to broadband access, BARC Electric Cooperative is making solar energy efficient and affordable for its member-owners.

Motivated by community need and free of investor demands for immediate returns, the cooperative could take a longer view of its broadband investment. While investor-owned utility services aim to recoup investments in three to four years, member-owned cooperatives can finance capital costs over ten years or more.

The community benefits of BARC’s decision to provide broadband services extend far beyond the ability to stream Netflix. Broadband access boosted Rockridge County Elementary School’s internet speed from 3 megabytes to 250 overnight at a fraction of the previous cost. Local businesses now have internet access to meet their business needs.

As the BARC example shows, utility cooperatives are vital to the long-term economic health of rural communities. Their unique ability to succeed without an excessive drive for profits allows for a more community-based model of service, ensuring that when the cooperative succeeds, everyone else does too.