

The Cooperative Difference

OHIO'S ELECTRIC COOPERATIVES

Your Touchstone Energy® Cooperatives 



Electric Cooperatives

The foundations for the success of the rural electric cooperative program in America can be found in the Seven Principles that are the framework of every cooperative.

Seven Cooperative Principles

- Voluntary and Open Membership
- Democratic Member Control
- Members' Economic Participation
- Autonomy and Independence
- Education, Training and Information
- Cooperation Among Cooperatives
- Concern for Community



Touchstone Energy®
The power of human connections

The Cooperative *Difference*

They are doctors. Some are lawyers. Some are teachers. Still others are farmers. But all 400,000 of these people have one thing in common — they're members of the 25 independently owned and operated electric cooperatives serving Ohio.

From their inception, electric cooperatives have been guided by one principle throughout — an emphasis on people, not profit.

It's that principle which allows local people to ensure for themselves the best possible rates and service quality to meet their needs. These self-determined people are in charge of their futures because they have their own interests at heart.

Local people who are committed to serving the electricity needs of themselves and their neighbors: That's the electric cooperatives of Ohio.

***Electric
cooperatives
were born of
the exercise of
self-reliance by
people who wanted
the benefits of
electricity.***



Rural People *Control Their Energy Futures*

It is caring for people that led to the creation of Ohio's electric cooperatives. In the 1930s and '40s, almost no one living in the Ohio countryside had electricity. The big power companies said the distances were too far; serving the rural areas wasn't economical. So rural folks, partnering with Washington through loan guarantees, chose to control their energy future by forming their own power companies — the electric cooperatives.

Today, there are 25 electric cooperatives serving Ohio (one is based in Michigan), with nearly 400,000 members. The power lines and generating plants of electric cooperatives are much like those of other electric utilities.

The electric cooperatives' difference lies in their ownership, which in turn creates a culture unique in the utility industry. Because the members own the cooperative, the goal of the organization is not to maximize profitability but only to cover its costs. Revenues that exceed expenses are returned to the members in the form of capital credits.

But even more important is the local ownership and local control built into the cooperative structure. The members of an electric cooperative are the owners of their utility.

As an owner, you are in a better position than anyone else to determine what you want from your power company. And you can make your wishes known through the democratic process of electing a board of trustees that represents you. The board is composed of local community leaders who are chosen among the members at the cooperative's annual meeting. The board hires the manager who oversees the day-to-day operation of the utility.

All electric cooperative members are invited every year to their cooperative's annual meeting. It is similar to an annual stockholders' meeting. The cooperative notifies all members when the meeting will be held. This is an opportunity for them to participate directly in the affairs of their power company, a privilege only 10 percent of the U.S. population enjoys.

There's another major difference between electric cooperatives and their municipal and investor-owned counterparts. It's a matter of consumer density. This results in a much higher investment per consumer because of the greater distances between consumers — more than double the investment per consumer than Ohio's seven investor-owned utilities (IOUs). Members of electric cooperatives are spread pretty thin, averaging only 7.4

per mile of line, while investor-owned utilities average 34 customers per mile of line.

Their electric use profile also is quite different. Electric cooperatives find that 57 percent of their electricity goes to residences and farms. Only 43 percent of electric use is by commercial and industrial establishments. It's just the opposite for investor-owned and municipal electric utilities; only 36 percent of their electricity use goes to comparatively low-intensity residential and farm accounts. Their big business is done with commercial and industrial accounts.

The revenue generated per mile of line is a good illustration of this difference. Nationally, electric cooperatives average about \$15,000 in annual revenue per mile of line. By contrast, investor-owned utilities take in more than \$75,500 for each mile of line — five times as much.

And without a doubt, electric cooperatives have the toughest service challenge of all the state's electricity providers. They serve nearly 40 percent of the land area of Ohio, including some of the most difficult terrain, yet only 6 percent of Ohio's population live in these areas. The other half of Ohio, the part with 94



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percent of the people and most of the state's commerce and industry, is served by the seven investor-owned and 85 municipal electric systems.

Despite these economic disadvantages, the members of the electric cooperatives in Ohio have realized some remarkable benefits. Several of Ohio's electric cooperatives can boast rates lower than many of the state's investor-owned electric utilities.



Excellent customer service and cost-of-service based rates continue to be the hallmark of your electric cooperative. Customer satisfaction surveys show cooperatives consistently lead the competition. In fact, recent American Customer Satisfaction Index (ACSI) results show Ohio's co-ops outpace the electric industry average by 9 to 10 points.

Why do cooperatives consistently top the competition? One primary reason — the members of the cooperative also are the owners of the cooperative. Also, cooperative employees live and work in their local communities. They often go above and beyond what is expected, not only because they care but also because they see you as their neighbor.

Buckeye Power— *Your Source of Power*

Early leaders had the vision that the Ohio electric cooperatives should have their own generating plants. Through Buckeye Power, a power generating and transmission co-op owned by the local distribution cooperatives (like yours), co-op members own units 2 and 3 at the Cardinal Station, a coal-fired power plant located about seven miles south of Steubenville.

The two units came on line in 1968 and 1977, respectively, and have a combined 1,230 megawatts (MW) of low-cost generating capacity. And, thanks to an investment of nearly \$1 billion in environmental enhancements, the Cardinal units rank among the cleanest in the country.

Through a unique joint ownership and operating arrangement, Buckeye Power contracts with American Electric Power, the owner of Cardinal Unit 1, to operate units 2 and 3.

Additional generation dedicated to serve Ohio's electric co-ops includes the Robert P. Mone Plant, dedicated in 2002. Located in Van Wert County, its 510 megawatts of power, provided by three natural gas or oil-fired combustion turbines, are there to meet peak electric demand periods.

Ohio's Electric Cooperatives' generation mix also includes:

- 55 MW of hydro power from the New York Power Authority.
- 200 MW of coal-fired generation through an ownership interest and associated rights in the Ohio Valley Electric Corporation (OVEC).
- 200 MW of peaking power from single-cycle, natural gas-fired combustion turbines at a plant in Greenville, Ohio.
- 9.6 MW from landfill methane gas at the Suburban Regional Landfill near Mt. Perry, Ohio, and the Hancock County Landfill near Findlay.
- 4.45 MW from agricultural biogas projects in Ohio.

The electric utility industry has three main components:

GENERATION

The cost of generating electricity at the power plant represents about half of your bill. Your power is produced by Buckeye Power, Inc., a generation and transmission cooperative owned by the 25 distribution cooperatives serving Ohio.

TRANSMISSION

A long-distance high-voltage "grid" moves large volumes of bulk power to your local substation. Transmission costs are about 5 percent of your electric bill.

DISTRIBUTION

The local lines you see in your neighborhood distribute power from substations to the meter on your house.

Technology important to the future



Electric cooperatives use cutting-edge technology to serve their members' needs. And Ohio's 25 electric cooperatives are constantly seeking new technology applications to improve their industry-leading service.

Distribution lines use high-tech instruments to monitor the flow of electricity and maintain the power quality necessary to run sophisticated equipment demanded by today's commercial and industrial customers. Honda of America manufacturing plants at Marysville, Russells Point and Anna are among the many high-tech facilities that depend on Ohio electric cooperatives for their electricity.

Computerized mapping systems guide crews quickly

and efficiently. GPS systems are used to pinpoint locations for crews responding to calls. SCADA (Supervisory Control and Data Acquisition) systems are capable of automatic and constant reporting of distribution line conditions, including voltage and amperage, among other things. Computerized switching systems provide instantaneous backup for loop-fed substations.

Advanced metering infrastructure (AMI) is an exciting technology used by many of Ohio's cooperatives. AMI brings special services to individual consumers, including automatic outage reporting, meter reading and, in some cases, the ability to monitor their own energy use.

Grassroots *In Action*

It has long been said that the electric cooperatives, having been born in politics, would die in politics.

Over the years, electric cooperatives have developed an effective grassroots political outreach to convey the rural electric consumer's interests to their governmental representatives. The Ohio Legislature has responded with a public policy of endorsing the cooperatives' rights to self-determination.

A good example of grassroots political advocacy in action was the way electric cooperative consumer voices came together in opposition to plans that would regulate carbon dioxide emissions from power plants.

After the U.S. EPA announced its plans to implement regulations affecting how electricity could be produced, electric cooperatives across the state and the nation asked their members to speak up for affordable, reliable electricity.

The regulations would threaten both of those priorities.

More than 122,000 Ohio electric cooperative members and supporters of affordable electricity sent comments to the EPA asking it to work with electric cooperatives in recrafting the proposals in a way that kept the American consumer in mind. Nationally, more than 1.2 million comments were sent in by electric cooperative members.

Co-op members also have the opportunity to be politically active by joining ACRE Co-op Owners for Political Action®, the political action committee for electric cooperative members. Ohio leads the nations in the number of members who have joined Co-op Owners.





**“Cooperation
among
cooperatives”
is one of
the seven
cooperative
principles**

Ohio’s cooperatives are part of the largest national network of electric utilities in America. Electric cooperatives distribute electricity over 47 states and 75 percent of the geographic territory of the United States.

**Local People,
*Affordable Electricity***

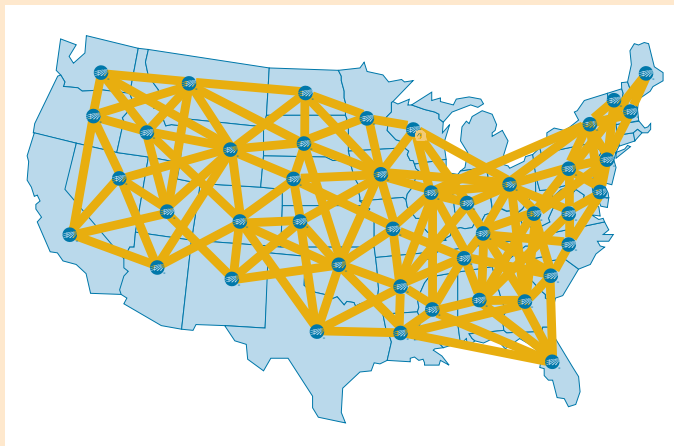
The friendly atmosphere of rural Ohio carries over to the attitudes of electric cooperative employees. A member is seen as an individual with specific needs, and cooperative employees respond to you in a personal way.

The rates of Ohio’s electric cooperatives are, on the average, lower than those of the investor-owned utilities in Ohio.



Buckeye Power and Ohio Rural Electric Cooperatives, Inc., the service association for the state's electric cooperatives, were created by Ohio distribution cooperatives. These two co-ops and your distribution cooperative have links with many national organizations that provide

resources beyond what any one organization might easily do on its own.



The National Rural Electric Cooperative Association (NRECA), headquartered in Arlington, Virginia, provides training and education programs, and legislative, public relations and management services, as well as

other programs that benefit electric cooperative consumers across the country.

But there's another, sometimes unmentioned, characteristic of electric co-ops that has allowed them not only to survive but prosper and be regarded today as industry leaders: our ability to "network," to freely and efficiently share among one another the best ideas, programs and practices that allow us to meet the challenges of serving the members' interests.

Not-for-profit Utilities Put Focus On *Innovation, Cooperation*

Ohio has made many contributions to the cooperative network when it comes to both new ideas and our willingness to share them. From the Cardinal Station agreement in the 1960s to a lineman apprentice training program, we are continuing a tradition of innovation and cooperation that has benefited rural Americans everywhere.



Access to financial resources

The electric utility business is capital intensive, meaning it requires a great deal of expensive equipment, such as power plants, poles, transformers, substations and lines to do business. Because of these costs, electric cooperatives need ready sources of money. Basically, cooperatives have three choices: They can obtain loans from the Federal Financing Bank (FFB), which are guaranteed by the Rural Utilities Service (RUS); from cooperative lenders, such as CFC or CoBank; or from private resources like banks.

The lion's share of borrowing is done through RUS. Here, money is borrowed from the FFB at an interest rate based on the cost to the U.S. Treasury plus one-eighth of 1 percent. Congress has authority to impose ceilings on FFB lending.

CFC is the National Rural Utilities Cooperative Finance Corporation. It is an independent, self-help financing institution created by electric cooperative systems across the country to provide supplemental loans.

CoBank specializes in providing financial solutions and leasing services to cooperatives, agribusinesses, farm credit associations, and rural communications, energy and water companies. The bank also finances agricultural exports.

All funds that electric cooperatives get are loans, and the cooperatives have an excellent track record of paying them back.

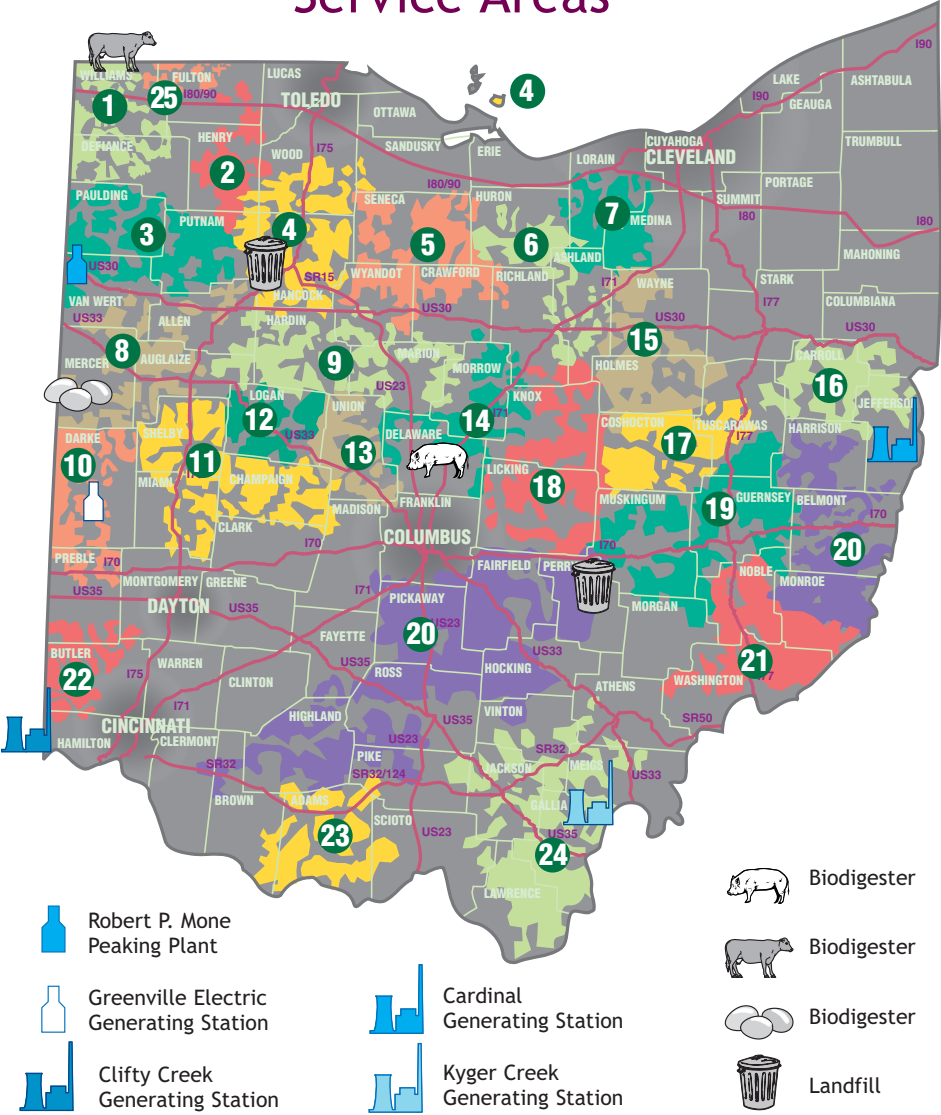


***The future is
bright for
Ohio's electric
cooperatives.***

They are close to their members and always will offer services that enhance their members' lives. You can be sure your cooperative's not-for-profit status helps it keep its focus on your needs. Your cooperative's years of building trust and dependability will continue to reassure you that it has your best interests at heart, even as the electric industry changes.



Ohio's Rural Electric Cooperative Service Areas



- | | | |
|---------------------|------------------------------------|--|
| 1 – North Western | 10 – Darke | 19 – Guernsey-Muskingum |
| 2 – Tricounty | 11 – Pioneer | 20 – South Central |
| 3 – Paulding-Putnam | 12 – Logan | 21 – Washington |
| 4 – Hancock-Wood | 13 – Union | 22 – Butler |
| 5 – North Central | 14 – Consolidated | 23 – Adams |
| 6 – Firelands | 15 – Holmes-Wayne | 24 – Buckeye |
| 7 – Lorain-Medina | 16 – Carroll | 25 – Midwest Energy
(based in Michigan) |
| 8 – Midwest | 17 – Frontier | |
| 9 – Mid-Ohio | 18 – The Energy Co-op
(Licking) | |

Electric cooperatives have created
a national brand image for electric cooperative service.



Touchstone Energy®
The power of human connections

**“Touchstone” is a sign of quality.
The brand name conveys a promise of**

Accountability

Innovation

Integrity

Commitment to community

**OHIO'S ELECTRIC
COOPERATIVES**

Your Touchstone Energy® Cooperatives 

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