



The *Truth* About EMCs...

What Every Georgian Ought to Know!

Just what is an electric membership cooperative? Is it a government agency or private business? Who runs the co-op? Who benefits? Why does it exist in the first place?

Eighty-one years ago, Congress passed the Rural Electrification Act, President Franklin Roosevelt signed the new law, and electric membership cooperatives (EMCs) were born.

Almost before the ink dried on President Roosevelt's signature, critics of the new EMCs emerged, mostly from investor-owned utilities (IOUs) that were unwilling to string electric wire to rural areas because they believed they couldn't earn a profit there. The term "investor-owned utilities" is used here to describe companies like SCANA Energy and Southern Company, and their subsidiaries. Nearly every criticism they make today, they have made since we started supplying electricity.

They say: "Co-ops are quasi-governmental agencies."

False! Anyone who makes that statement does not have a basic understanding of the cooperative form of business. Our members are our owners. They alone decide what products we offer and what prices we charge. Being subject to the democratic control of our members does not make us "quasi-government," it makes us a cooperative.

EMCs are self-reliant, pro-consumer businesses that represent a successful way of doing business that people trust. Over 100 million Americans are members of various cooperatives, and even more are consumers of co-op products every day; Dunkin' Donuts, Ace Hardware and the Associated Press are just three examples. Cooperatives have proven to be a successful form of free enterprise since the days of Ben Franklin.

Throughout our history we survived by adapting and innovating to meet the needs of our customers—our owners. Many of the new services we are offering our founders could never have imagined but would surely approve enthusiastically as the natural evolution of our business.

Our Customers are Our Owners!

From the beginning, electric co-ops made a commitment to serve the small customer in sparsely populated areas, a commitment that investor-owned utilities were not willing to make.

They say: ***“Co-ops have an unfair advantage with their tax exempt status.”***

False Again! Competitors have attempted to use that one against us from our inception. Every year, our Georgia EMCs pay over \$70 million in taxes. Yes, EMCs are exempt from paying Federal income taxes, but the same advantage is available to any electric or gas utility that chooses to operate under cooperative principles—that is, operating on a cost basis and returning revenues that exceed cost to their members rather than themselves or their shareholders.

While we are setting the record straight, let’s be clear about one more thing: *all electric utilities receive federal assistance in one form or another*, as confirmed in a recent report from the Congressional Research Service.

Calculations based on federal government financial reports show that electric cooperatives receive the *least* amount of federal assistance per customer—just \$10 per customer as compared to \$44 for the investor-owned utilities and \$69 for city-owned utilities.

It is particularly disappointing to hear this charge repeated today when many EMCs no longer borrow funds from the government. Many EMCs are borrowing their capital for investment in new plants and services from the private sector at market rates. Even Rural Utilities Service (RUS) borrowers pay interest at rates similar to those paid on municipal bonds.

They say: ***“Co-ops often set up sham corporations using government funds to compete with the private sector for services unrelated to electricity.”***

Absolutely False! This allegation is a blatant attempt to keep EMCs from setting up legally separate businesses to meet customer demand for services other than electricity. In a true cooperative, the member-owners decide—through an elected board—which services to provide and prices to charge. Many EMC members are asking us to deliver a variety of new

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services, including telecommunications and home security. In each case, EMCs take special steps to ensure that funds received from providing electricity are NOT used for the operation of the separate entity. Frankly, we would never use federally subsidized loans from the Rural Utilities Service (RUS) to enter one of these separate business endeavors. We can't. Federal law won't allow it. The RUS provides strict oversight of loans under its jurisdiction and would not hesitate to impose a stiff penalty on any EMC that violated the law.

They say: ***"Co-ops are uncontrolled and unregulated."***

Untrue! An EMC is governed by a board of directors elected from its membership through a democratic process. The directors are as responsive to the concerns and control of the membership as any elected official is to his or her constituents. If the members become dissatisfied with a director's service, the ballot box provides a ready solution. There is no better control than to be owned by those we serve. The reason investor-owned utilities are regulated is because they are profit driven, not member driven.

They say: ***"In Georgia, a business cannot choose who provides its electricity."***

False! Thanks to the vision of the General Assembly over 25 years ago, Georgia law grants utilities the opportunity to compete for new loads greater than 900 kilowatts of connected load in most cases. That's the load that would be required for a business about the size of a large grocery store. There are other restrictions but the basic point remains: Georgia provides "customer choice" for many of its businesses, and that's been good for economic development.

They say: ***"Co-ops are outdated, obsolete, a relic from another time—and definitely not needed today."***

False, False—and False! Just try making that statement to the 100 million Americans who are members of cooperatives all over the country, co-ops that provide products ranging from banking to hardware. As for electric membership cooperatives, nearly 1,000 of them serve 34 million Americans in 46 states. And we're growing! Does that sound like an idea whose time has passed?

Georgia's population grew 26 percent in the past decade, and now exceeds eight million citizens. Nearly four million of those citizens depend on us and the services we deliver, reliably, every day. Because investor-owned utilities were unwilling or unable to serve rural areas in the beginning, EMCs grew and now serve 73 percent of Georgia's land area. Apparently, there just wasn't enough profit for the IOUs in serving rural customers. The job was left to the people who, collectively, decided to form cooperatives and bring electricity to Georgia Farms.

Our Customers are Our Owners!

And yes, it is expensive to install and maintain the wires that deliver electricity to less densely populated areas. But we do it, and by careful management we are able to keep our rates competitive. Can you imagine how much our electricity would cost today if we had depended on investor-owned utilities to string that wire!

Local Offices, Local People, Local Service

At a time when the IOUs are closing down local offices, centralizing customer service in massive call centers, and even dispatching repair crews from far off locations, isn't it great to know that when you call your EMC, you'll be talking with someone in your hometown—probably a neighbor!

Georgia's EMC are integral partners with the communities they serve. Electric co-ops are designing industrial parks, lighting Little League fields and sponsoring community beautification efforts. Some of us are collecting and delivering food for families in need.

There is hardly a civic club in Georgia whose members don't include at least one EMC employee. We partner with local schools to provide scholarships and youth development opportunities such as 4-H and FFA. For 50 years, we have sponsored the highly acclaimed "Washington Youth Tour," offering students from every corner of the State an opportunity to meet their elected leaders and get a first-hand view of how their government works.

Georgia EMCs are working closely with the Georgia Department of Industry, Trade and Tourism; Georgia Department of Community Affairs, and local chambers of commerce and development authorities to bring new jobs and capital investment to our state.

Over the past three years, Georgia's electric cooperatives have coordinated over 150 visits by businesses interested in locating or expanding their operations. More than 40 of these companies chose Georgia, many of them deciding to locate in the heart of EMC service areas. These companies have invested millions of dollars in facilities and equipment, creating thousands of new jobs in the process.

A "relic?" Hardly! But if we were, we'd be the most essential "relic" in the lives of the people we serve.

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