

THE LASTING IMPACT OF ELECTRIC COOPERATIVES

More than 700 million people in the world do not have access to electricity. Without reliable and affordable electric service, income generation, expansion of small business, and support for education and health cannot progress.



The electric cooperative business model is often overlooked as a viable option to provide lasting electric service to rural communities. However, history has shown that electric cooperatives can become engines of community economic development; thousands of very successful electric cooperatives provide service to more than 250 million people in Latin America, the United States, Asia and Sub-Saharan Africa.

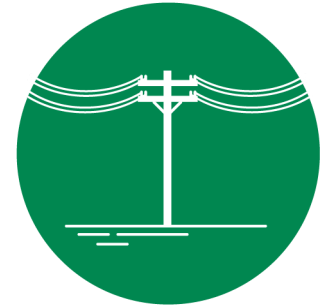
Worldwide, there are roughly 2,000 electric cooperatives, of which about 900 are in the United States. Other countries where electric cooperatives exist in significant numbers include Argentina, Bangladesh, Bolivia, Brazil, Chile, Costa Rica, India, Italy, the Philippines, and Spain. Most of these electric cooperatives were formed to distribute electricity generated on the periphery of national grid systems, or as independent utilities powered by local generators in more rural isolated areas.



- **What is an electric cooperative?**
- **The cooperative advantage**
- **Key factors that enable long term success**
- **Five steps to create an electric cooperative**
- **Seven cooperative principles**

What is an electric cooperative?

Electric cooperatives are private, not-for-profit utilities owned by their customers and operated as a business. **Each cooperative member owns an equal share in the business** regardless of their connection type or how much electricity they purchase. Rural electric cooperatives are typically established when:



- Access to electricity is recognized as imperative to improving the quality of life for a given community; and/or as an alternative to private or public service providers who may be unwilling or unable to invest to meet their electric service needs.
- Electrification programs funded by governments or international development agencies, collaborate with community members to enable access to electric service that would otherwise be unavailable.

Electric cooperatives are typically formed when communities organize themselves to pool resources, raise capital, and engage engineering and training expertise needed to establish electricity generation and distribution service.

Like all cooperative businesses, the electric cooperative model is rooted in the Seven Cooperative Principles which reflect the values of equality, democracy, self-help and solidarity. When successful, electric cooperatives can be the building blocks for autonomy, independence, self-reliance and democracy in the communities where they operate.

Seven cooperative principles

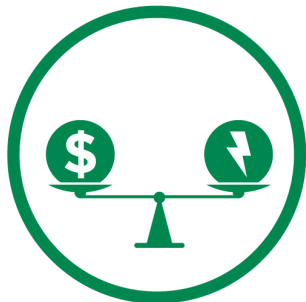
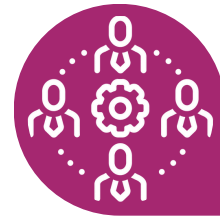


The cooperative advantage



Electric cooperatives are owned by their consumer-members who elect board members to hire a general manager and staff to manage electric distribution business activities.

While electric cooperatives are businesses that must recover their costs, they are not driven by investors, and prioritize community economic growth over profit. Electric co-ops have a direct interest to fully align with the community's wellbeing, and if successful, electric cooperatives can be the building blocks for autonomy, independence, self-reliance and democracy in the communities they operate.



In addition to reaching electrification goals that will ultimately improve the quality of life of the lives they touch, all financial returns on investments remain in the communities they serve. This cultivates a sense of responsibility among community members, ensuring higher standards for operations and customer satisfaction.

Key factors for long-term success

National laws and regulations that are supportive of cooperatives ensure that rural electric cooperatives can operate independently as private entities.

Strong internal governance and operating rules in the cooperative bylaws solidify the sole business purpose of meeting the members' interests.

Strong buy-in from the community where the rural electric cooperative is located is critical to its long-term success.

Structure of a rural electric cooperative: Community elects board members, determines tariff, and grid expansion.

Access to finance in the form of grants or long-term, low interest loans is essential to compensate for the lack of capital in most rural communities for construction, and the unwillingness of commercial lenders to provide financing.

Access to technical assistance to build capacity in local, community-based staff to perform specialized technical, managerial, and administrative activities.



Five steps to create an electric cooperative

1

IT STARTS WITH PEOPLE



Begin conversations with community members to understand who they are, their energy needs, their interest in creating an electric co-op. Convene a general meeting to teach them about the electric co-op model and member benefits. Then, everyone votes on whether to proceed with starting an electric co-op.

2

IT'S A BUSINESS



Form a steering committee to oversee co-op development activities and contact relevant government and regulatory agencies. Conduct a feasibility study to evaluate the long-term technical and financial viability of the co-op. This will be the foundation for a business plan that will map the path to sustained success.

3

IT TAKES A COMMUNITY



Launch a member awareness and registration campaign, encourage community members to run for elections to serve on the board of directors, and cultivate a culture of ownership, democratic member control. Convene the inaugural general assembly to approve the articles of incorporation and elect the co-op's board of directors.

4

TURNING THE LIGHTS ON



Apply for a license and permit to construct and operate a power utility, and create a capitalization plan to secure sufficient funds to operate and construct this new electric co-op. The board of directors will hire a general manager who will hire a core team to manage the construction and initiate commercial operations. Training for co-op governance, operations, and customer service will proceed. Once construction is complete, the lights will be turned on.

5

KEEPING THE LIGHTS ON



History has shown that electric co-ops can become engines of community economic development. Keeping the lights on will require ongoing financial support and long-term commitment from the government, those involved in national electrification programs and the international development community.