COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF FARMERS RURAL ELECTRIC COOPERATIVE CORPORATION FOR GENERAL ADJUSTMENT OF RATES AND OTHER GENERAL RELIEF	))))	CASE NO. 2025-00107

REBUTTAL TESTIMONY OF

JOHN WOLFRAM

PRINCIPAL, CATALYST CONSULTING LLC

ON BEHALF OF

FARMERS RURAL ELECTRIC COOPERATIVE CORPORATION

Filed: September 10, 2025

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VERIFICATION OF JOHN WOLFRAM

COMMONWEALTH OF KENTUCKY)
)
COUNTY OF JEFFERSON)

John Wolfram, being duly sworn, states that he has supervised the preparation of his Rebuttal Testimony in the above-referenced case and that the matters and things set forth therein are true and accurate to the best of his knowledge, information and belief, formed after reasonable inquiry.

John Wolfram

The foregoing Verification was signed, acknowledged and sworn to before me this ____ day of September, 2025, by John Wolfram.

Heather S. Temple

Notary ID: KYN98715

Commission expiration: April 9, 2029

REBUTTAL TESTIMONY
OF
JOHN WOLFRAM

Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS, AND POSITION.

A. My name is John Wolfram. I am the Principal of Catalyst Consulting LLC. My business address is 3308 Haddon Road, Louisville, Kentucky, 40241.

Q. ON WHOSE BEHALF ARE YOU TESTIFYING?

A. I am testifying on behalf of Farmers R.E.C.C. ("Farmers").

Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?

A. The purpose of my testimony is to respond to the recommendations of Witness Mr. Greg R. Meyer on behalf of the Office of the Attorney General of the Commonwealth of Kentucky ("AG"), as provided in Mr. Meyer's direct testimony ("Meyer Direct").

Q. ARE YOU THE SAME INDIVIDUAL THAT PROVIDED DIRECT TESTIMONY IN THIS CASE?

A. Yes.

Q. ARE YOU SPONSORING ANY EXHIBITS?

A. Yes. I have prepared the following exhibits to support my testimony:

Rebuttal Exhibit JW-1 – Seven Cooperative Principles Documents

Q. DID THE AG MAKE RECOMMENDATIONS REGARDING FARMERS' OVERALL REVENUE REQUIREMENT?

A. Yes. The AG made recommendations regarding several different items affecting the proposed revenue requirement in this case. I will respond to each item and recommendation in turn.

Q. WHAT DID THE AG RECOMMEND REGARDING TIER VS. OTIER?

A. The AG indicates that he thinks the Commission should establish rates based on a TIER of 2.0 instead of the requested OTIER of 1.85.[1]

Q. HOW DO YOU RESPOND?

A. I disagree with this recommendation, for several reasons.

First, the lender requirement that Farmers does not meet is OTIER, not TIER. The best way to address this shortcoming is to award the requested increase based on the OTIER of 1.85 and not some other metric.

Second, there is no basis for awarding an OTIER less than 1.85, which is what basing rates on a TIER of 2.0 would do. Ms. Phelps provided the TIER and OTIER data for the last few years in the Application, Exhibit 10, Direct Testimony of John Wolfram, Exhibit JP-1. The table shows that for every year since 2018, the OTIER has not exceeded 1.59, and in the last three years has not exceeded 1.14. During this time Farmers was awarded a rate increase based on a TIER of 2.0, yet the OTIER problem persists. This is a problem that must be fixed, and using TIER instead of OTIER to try to fix it is misplaced.

One could argue that a TIER of 2.0 seems insufficient since the achieved TIER falls short of the awarded TIER in every year since the last rate order. Neither Farmers nor any other distribution cooperative has expended the additional resources for hiring an outside expert to quantify the appropriate TIER metric for ratemaking (as investor-owned utilities ordinarily due in rate cases to determine the proposed Return on Equity), instead relying on qualitative information and

[1] Direct Testimony of Greg R. Meyer with Exhibits and Affidavit ("Meyer Direct") at 9 (filed August 4, 2025).

Commission precedent to support the proposed 2.00 TIER. Either way, the fact that Farmers is failing to meet the lender requirements for OTIER indicates that revenues are simply insufficient, and the best way to rectify that is to adjust rates based on OTIER not TIER.

For these reasons, it is not reasonable to make the AG's proposed TIER adjustment, and the Commission should not accept this recommendation.

Q. WHAT DID THE AG RECOMMEND REGARDING THE COSTS OF DONATIONS, PROMOTIONAL ADVERTISING, AND DUES?

A. The AG noted that Farmers removed expenses for donations, promotional advertising and dues from the revenue requirement but still expects to incur these expenses going forward. The AG "believes it is appropriate to reduce margins by the amount of donations, promotional advertising and dues in order to incentivize Farmers to discontinue these unnecessary outlays of cash."[2]

Q. HOW DO YOU RESPOND?

A. I very strongly disagree with this recommendation for several reasons.

First, Farmers already removed these costs from the revenue requirement determination. This is consistent with long-standing Commission ratemaking practices. But the AG recommendation amounts to removing them *twice*, which is inappropriate, unconventional, and punitive.

Second, the recommendation highlights the AG's fundamental lack of understanding of electric cooperatives, as explained below.

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[2] Meyer Direct at 9.

Electric cooperatives are different from Investor-Owned Utilities ("IOUs") in that IOUs have both ratepayers and shareholders; the Commission must balance the interests of ratepayers and shareholders in IOU rate cases. However, electric cooperatives are public power entities in which the ratepayers (or "members") are also the owners (akin to "shareholders"). For cooperatives, there are no separate ratepayer and shareholder interests; they are the same people.

The basic difference between the IOUs and the electric cooperatives is the profit motive. An electric cooperative is a not-for-profit entity. Thus the cooperative's primary motive is not to make a profit, but to deliver electricity to the members safely, reliably, and at the most reasonable cost. In other words, their first objective is service. Compare that to IOUs, which are owned by investors. Those investors hold shares of stock in the utility. Fundamentally, the goal of the IOU is to earn profits to raise the value of the stock and provide income to the shareholders in the form of dividends. Even though many IOUs make customer satisfaction and safe, reliable service a priority, the IOUs have a goal to maximize profits for their owners. This creates a funding tension between ratepayers and shareholders that the electric cooperatives do not have.

Cooperative operations are managed by a board of directors made up of members. Those directors represent their neighbors and have an obligation to consider other members' concerns and preferences. A co-op member who has questions about their rates or concerns about their service can turn to their local director for answers.

In broad terms, a cooperative is a self-governing association of people united voluntarily to meet their common economic needs or goals through an enterprise that is both jointly owned and democratically controlled. Cooperatives have existed for many years and are not limited to electric utilities. In the business model, the cooperative is governed by a set of key precepts known as The Seven Cooperative Principles.

The Seven Cooperative Principles are:

1) Open and Voluntary Membership
2) Democratic Member Control
3) Members' Economic Participation
4) Autonomy and Independence
5) Education, Training, and Information
6) Cooperation Among Cooperatives
7) Concern for Community

This is described more fully in the attachments in Rebuttal Exhibit JW-1. The seventh cooperative principle is Concern for Community. This means that Cooperatives work for the sustainable development of their communities through policies supported by the membership. This includes sponsorship of charitable events, youth groups, educational outings, or other outreach.

The most relevant point here is that cooperatives by definition have an interest in supporting their community not only through the provision of safe, reliable and economic electric service but also in other ways, including financial contributions.

The AG recommends that Farmers be penalized for adhering to the Seven Cooperative Principles that serve as the very foundation of its business structure. In reality, Farmers should not be discouraged from spending money on these activities; they should be encouraged to continue to do so consistent with the aims and policies of Farmers' Board of Directors, acting on behalf of the membership.

The AG is correct that removing these expenses from the revenue requirement while continuing to expend them each year creates a problem – a perpetual shortfall so to speak since rates presume no expenditure where in reality the expenditure will occur. However, the solution to that problem is not to remove those expenses twice; the real solution is to not remove them at all, to recognize that the utility is a cooperative aiming to adhere to the cooperative principles rather than treating Farmers like an IOU whose shareholders should bear such costs instead of ratepayers.

For these reasons the Commission should reject the AG's recommendation to remove these expenses from the revenue requirement twice.

Q. WHAT DID THE AG RECOMMEND REGARDING RATE REVENUES?

A. The AG basically stated that the revenues used to determine the revenue requirement in Exhibit JW-2 should exactly match those used to develop proposed rates in Exhibit JW-9.[3] He concludes that the revenue requirement net revenues have been understated by $558.284.[4]

Q. CAN YOU EXPLAIN WHAT THIS MEANS?

[3] Meyer Direct at 11.

[4] Meyer Direct at 12.

A. The revenue requirement is determined in Exhibit JW-2. This exhibit resembles an income statement, or statement of operations, listing first the revenues, then expense, then margins, then financial metrics. There are columns for the actual test year expense, then for pro forma adjustments, then for adjusted amounts (the sum of the actuals and adjustments). This is essentially a "top down" exhibit consisting of total values reported by the cooperative in its financial statements, plus the pro forma adjustments outlined individually in the Reference Schedules in Exhibit JW-2.

The proposed rates are determined in Exhibit JW-9. This exhibit is a reproduction of the test year billings, and thus is more of a "bottom up" exhibit, consisting of individual rate class annual billing determinants (number of members, total kWh, total billed demand, etc.) with the present and also the proposed rates applied to those amounts in order to calculate total revenues.

The AG argument is that the revenue totals in these two exhibits should match exactly, and that because they do not in this case, the revenues are understated, and thus the proposed increase is overstated.

Q. HOW DO YOU RESPOND?

A. I disagree with this recommendation.

First, I note that Mr. Meyer is correct in stating that there were changes to the test year, in that the Fuel Adjustment Clause ("FAC") roll-in became effective after the test year, and that the modeling of the FAC Roll-in in Exhibit JW-9 does not affect the overall revenues in the filing.[5] The FAC Roll-in is revenue neutral

[5] Meyer Direct at 12.

because it merely shifts revenue from the FAC to base energy rates, or from one line on the bill to another. I believe Mr. Meyer and I agree on this point.

Second, it is true that theoretically one could expect the revenue amounts in the adjusted revenue requirement to match the total revenues in the proposed rates analysis. However, in actuality they do not, for several reasons.

a. The unadjusted revenue requirement in Exhibit JW-2 uses actual reported annual revenues, i.e. "top down" amounts, but the test year rate analysis in Exhibit JW-9 is a test year billing *reproduction* in which certain simplifying assumptions are made that will make the totals differ from those in Exhibit JW-2. Exhibit JW-9 is not a perfect reproduction of test year billings; it is a theoretical reproduction using test year billing determinants and tariff rates. It is not a "revenue proof" for the test year. It does not account for prorated bills, unbilled revenues, billing corrections from prior periods. It also does not account for the fact that some customers did not actually pay the amounts they were billed – they overpaid, or underpaid, or did not pay at all. That is all factored into Exhibit JW-2 but none of that is factored into Exhibit JW-9. The latter simply takes the usage amounts and applies the tariff rate to determine what the revenues ideally would be at those levels of usage. It will not match the exact amounts because of these differences.

b. The pro forma adjustments in Exhibit JW-2 for year-end customers is also a "top down" adjustment, which does not yield the exact same revenue it might if it were calculated from the "bottom up" as it is in

Exhibit JW-9. Consider the year end customer adjustment in Exhibit JW-2, Reference Schedule 1.06. In this adjustment the revenue associated with normalizing the customer count and usage for each of the listed rate classes is estimated by multiplying the adjustment to kWh by the average revenue per kWh for that rate class. This method has been accepted by the Commission in rate cases for decades and is a reasonable proxy for the revenue adjustment related to changing customer counts. But this approach differs from the revenue that would stem from a "bottom up" calculation by rate class, where instead of applying an average $/kWh to the incremental usage, one would separately calculate the change to the customer charge, energy charge, and demand charge to determine overall incremental revenue. The two are not identical. In Exhibit JW-2, the long-standing method using averages was employed. In Exhibit JW-9, for the rate classes with a year-end customer adjustment, the customer count and kWh were adjusted in the "Present/Proposed Billing Units" column to reflect the incremental amounts.

Third, the two exhibits serve different purposes. The revenue requirement analysis in Exhibit JW-2 is used to calculate the revenue deficiency given the test year actual amounts, the pro forma adjustments proposed, and the margins based on a margin target OTIER of 1.85. All of this is consistent with the approach accepted by the Commission in cooperative rate cases for many years. The present and proposed rate analysis in Exhibit JW-9 is used to show that the proposed rates generate the target revenue increase, when applied to the adjusted annual billing determinants.

Another way of explaining this is to note that the revenue requirement in Exhibit JW-2 is an absolute analysis, but the proposed rates in Exhibit JW-9 is a relative or incremental analysis. By this I mean that the revenue requirement is determined for the test period based on test year adjusted amounts; the revenue deficiency stems from the adjusted annual revenues and expenses and target margins. In this case the proposed increase is $2.4 million, but Exhibit JW-9 is an *incremental* analysis, in which we assess what rate changes are needed in order to yield the target increase. While Exhibit JW-9 does show a billing reproduction for all rate classes, it is only needed for the rate classes which Farmers proposes to revise. The revisions to base rates should yield the target increase (with rounding). Farmers is only proposing to increase rates for the residential classes. A complete billing reproduction for lighting is not needed in order to show that the residential rate increases yield incremental revenues of $2.4 million. The lighting data is included in Exhibit JW-9 so that overall percentages can be determined, but strictly speaking it is only the residential data that is needed to demonstrate that the proposed rates yield the target revenue increase.

Fourth, the AG's approach to correcting the alleged problem effectively replaces the year-end customer adjustment amounts calculated in Exhibit JW-2 Reference Schedule 1.06 and replaces those amounts with different numbers, which include both a year-end customer adjustment and the FAC Roll-in. But the year-end customer adjustment as proposed has been accepted by the Commission in every distribution cooperative rate filing with which I have been involved, as well as other investor-owned utility rate cases going back decades.

Fifth, it is not necessary for the revenue amounts in Exhibit JW-2 and Exhibit JW-9 to match. Exhibit JW-9 is not intended to serve as a "proof of revenue" for the adjusted test year but instead only verifies that the proposed rate changes yield the target revenue increase (with rounding) supported in Exhibit JW-2 – which it does. The assumption is that the change in base rates – customer charge and energy charge – from the 'present rates' to the 'proposed rates' with all other kinds of billing items held constant, will yield the new rates. The total amount of revenue from energy sales does not enter into this determination of "how much base rate change will be needed to produce the desired revenue increase using the adjusted annualized billing determinants" in Exhibit JW-9. This need not be a full proof of revenue; it is only a validation of the incremental revenue stemming from the proposed rate change. This scenario has been the case in every recent cooperative rate case of which I am aware.

For these reasons the Commission should reject this recommendation.

Q. WHAT DID THE AG RECOMMEND REGARDING PAYROLL - PROPANE?

A. The AG stated that certain employees of Farmers "must be doing support work" for Farmers Energy Propane Plus ("FEPP") and that 5 percent of Farmers' management / administrative team salaries be assigned to FEPP and Farmers Rural Connect Inc.[6]

Q. HOW DO YOU RESPOND?

[6] Meyer Direct at 16.

A. I disagree with this recommendation. First, Farmers already allocated the appropriate portion of its employees' time to FEPP and removed that from the revenue requirement. Second, the AG assumes that Farmers "must" have understated that portion, apparently based on the AG's simple review of the organizational chart for FEPP and his presumptions about the work required to operate that business. These assumptions are unsupported, as described in the rebuttal testimony of Ms. Phelps. Third, the use of the 5 percent allocator is entirely arbitrary; the AG offers neither evidence nor analysis in support of that value. This entire recommendation is based on unfounded assumptions about FEPP which are not correct; it is arbitrary and unsupported. For these reasons the Commission should reject it.

Q. WHAT DID THE AG RECOMMEND REGARDING PAYROLL – OVERTIME WAGES?

A. The AG recommends that overtime costs should be set using the three-year average of overtime hours instead of test period overtime hours, because a multi-year average period will capture a mix of factors for normalizing overtime.[7]

Q. HOW DO YOU RESPOND?

A. I disagree with this recommendation. First, there is no evidence that the test year overtime costs are unreasonable; they are simply higher than the three-year average amount. Second, the AG does not recommend any kind of normalizing for other types of costs that vary over time. Overtime does vary year to year, but so do many other costs incurred by the cooperative. The AG does not show why overtime might

[7] Meyer Direct at 20.

differ from all other types of expenses not otherwise adjusted by Farmers in this application. In my experience the Commission ordinarily accepts the use of actual overtime hours in pro forma adjustments for labor expense in distribution cooperative rate cases unless a headcount change is involved, which in this case it is not. Since there is no reason to do otherwise, in this instance the Commission should rely on the test period overtime hours as the basis for setting the revenue requirement and reject the AG's recommendation.

Q. WHAT DID THE AG RECOMMEND REGARDING RIGHT OF WAY ("ROW") EXPENSES?

A. The AG recommended that the Commission reject the proposed pro forma adjustment for ROW expense and just use the test year amount for setting rates.[8]

Q. HOW DO YOU RESPOND?

A. I disagree with this recommendation, for several reasons.

First, the AG's recommendation to use the historical ROW maintenance cost for setting rates ensures that Farmers will never achieve the target trimming cycle. The AG's states that Famers' highest level of miles trimmed over the last three years is lower than any of the quotes provided to Farmers by the vendors. This is correct but bears no relation to the level of ROW expenditure that is appropriate for the future.

The idea that Farmers does not have the capacity to trim enough mileage per year to achieve the target cycle will be true *if* Farmers cannot afford the costs of trimming the target mileage per year. Over the recent years, Farmers has had

[8] Meyer Direct at 22.

insufficient margins to permit the cooperative to manage the ROW to the target cycle. Setting rates based on a history in which Farmers fell short of the ROW maintenance target will ensure that in the future, Farmers will continue to fall short of the ROW maintenance target.

Farmers calculated its pro forma adjustment for ROW by using a vendor-supplied bid. The miles trimmed should not be limited to what Farmers has achieved in the past but instead should be based on target cycle mileage.

For these reasons, and those provided by the other witnesses, the Commission should reject the AG's recommendations and instead should accept Farmers' adjustment to ROW maintenance expense as filed.

Q. WHAT DID THE AG RECOMMEND REGARDING HEALTH CARE COSTS?

A. The AG recommended that health care costs be adjusted to the Bureau of Labor and Statistics ("BLS") average since non-union employees paid less than 12% of the health insurance premiums during the test year.[9]

Q. HOW DO YOU RESPOND?

A. I disagree with this recommendation, for the simple reason that while Farmers' policy during the test year was to require employees to contribute 10 percent of health insurance premiums, Farmers increased that contribution to 12 percent after the test year. This means that Farmers *does* align with the Commission finding cited by Mr. Meyer from Farmers' last rate case that "employee contribution rates of less than 12 percent will be adjusted" to the BLS average. In Exhibit JW-2,

[9] Meyer Direct at 24.

Reference Schedule 1.07, Farmers adjusted the test year contributions of 10 percent to the post-test-year amount of 12 percent to properly account for this policy change. Thus, Farmers employees do not currently pay less than the "Commission standard" of 12 percent, and an adjustment to reflect that is already taken into account in the proposed rates. For this reason, the AG's recommendation is moot and should be rejected.

Q. BASED ON THE RESPONSES DESCRIBED HEREIN, AND THOSE NOTED IN DISCOVERY, DOES FARMERS PROPOSE ANY REVISIONS TO ITS FILED REVENUE REQUIREMENT, COST OF SERVICE STUDY, OR PROPOSED RATES IN THIS CASE?

A. No. Farmers did not acknowledge the need to make any revisions to these amounts in the responses to data requests in this case, nor does Farmers agree with the AG on any of its recommendations. For these reasons, Farmer's rebuttal position remains the same as its filed position with respect to the overall requested increase, the cost of service study, and the proposed rates, as reflected in Exhibits JW-2 through JW-9 and other documents provided in the Application.

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes, it does.

REBUTTAL EXHIBIT JW-1

CATALYST
CONSULTING LLC

THE SEVEN COOPERATIVE PRINCIPLES

By John Wolfram

Utility cooperatives operate all over the U.S., but many people outside of the cooperative community do not really understand how a cooperative works. This is especially true of customers familiar only with the investor-owned utility ("IOU") model. The utility cooperative is founded on principles that are unique to the cooperative business model. This model is quite different from that of the IOU. While the IOU has both customers and shareholders, the cooperative has customers who are also the owners. In other words, in the cooperative model, the customer and the shareholder are one and the same.

In broad terms, a cooperative is a self-governing association of people united voluntarily to meet their common economic needs or goals through an enterprise that is both jointly-owned and democratically-controlled.

Cooperatives have existed for many years and are not limited to electric utilities. In the business model, the cooperative is governed by a set of key precepts known as *The Seven Cooperative Principles*. The Seven Cooperative Principles were originally compiled by Charles Howarth, one of the founders of the Rochdale Society of Equitable Pioneers in Rochdale, England in 1844.

The Seven Cooperative Principles are:

1) Open and Voluntary Membership
2) Democratic Member Control
3) Members' Economic Participation
4) Autonomy and Independence
5) Education, Training, and Information
6) Cooperation Among Cooperatives
7) Concern for Community

These principles were introduced into the United States in 1874 and were documented by the International Co-operative Alliance ("ICA") in 1937.

The National Rural Electric Cooperative Association ("NRECA") reports that in the United States, as late as the mid-1930s, nine out of 10 rural homes were without electric service. The unavailability of electricity in rural areas kept rural economies almost entirely and exclusively dependent on agriculture. Factories and businesses chose to locate in urban areas where electric power was easily acquired. This remained the case for many years.

Then, in 1933, the U.S. Congress passed the Tennessee Valley Authority ("TVA") Act. This law authorized the TVA Board to construct transmission lines to serve "farms and small villages that are not otherwise supplied with electricity at reasonable rates." [1] In 1935, President Franklin D. Roosevelt established the Rural Electrification Administration. From this point forward, the number of electric cooperatives grew dramatically. By 1953, more than 90 percent of U.S. farms had electric service. That number is now close to 99 percent.[2]

Today, the cooperative model is embraced by utilities throughout the United States. Most provide electricity, water, or telephone services, but a small number of cooperatives also provide natural gas, propane, or sewer services.

The Seven Cooperative Principles apply to all cooperatives, including cooperative utilities. The section that follows describes each principle in further detail.

The Seven Cooperative Principles [3]

1. Voluntary and Open Membership

> Cooperatives are voluntary organizations, open to all people able to use its services and willing to accept the responsibilities of membership, without gender, social, racial, political or religious discrimination.
>
> Note that this principle does not prohibit the cooperative from setting reasonable and relevant ground rules for membership, such as residing in a specific geographic area or paying a membership fee to join, so long as all persons meeting such criteria are able to participate if they so choose. The cooperative must not prevent anyone willing to participate from doing so on the basis of social discrimination, including gender, social, racial, political or religious differences.

2. Democratic Member Control

> According to the ICA's Statement on the Cooperative Identity, cooperatives are democratic organizations controlled by their members, who actively participate in setting their policies and making decisions. Men and women serving as elected representatives are accountable to the membership. These individuals serve on the Board of Directors of the cooperative and are ordinarily elected by the members (often on the basis of geographic region, commercial sector, or other subsets of representation). Directors usually serve defined terms. In addition to holding routine meetings of the Board of Directors, many cooperatives also host an annual meeting open to all members, for presenting relevant information to the membership and for building community. The latter objective is addressed in several other cooperative principles discussed below.

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[1] "Tennessee Valley Authority Act of 1933." [48 Stat. 58-59, 16 U.S.C. 831h-1]
[2] "History of Electric Co-ops." NRECA. *nreca.coop*. Web 30 Jul. 2014.
[3] "Co-operative Identity, Values & Principles." International Co-operative Alliance. *ica.coop*. Web 30 Jul. 2014.

3. Members' Economic Participation

Members contribute equitably to, and democratically control, the capital of their cooperative. At least part of that capital remains the common property of the cooperative. Members allocate surpluses for any or all of the following purposes: developing the cooperative; setting up reserves; benefiting members in proportion to their transactions with the cooperative; and supporting other activities approved by the membership.

4. Autonomy and Independence

Cooperatives are autonomous, self-help organizations controlled by their members. If the cooperative enters into agreements with other organizations or raises capital from external sources, it is done so based on terms that ensure democratic control by the members and maintains the cooperative's autonomy and identity.

5. Education, Training and Information

Cooperatives provide education and training for members, elected representatives, managers and employees so they can contribute effectively to the development of their cooperative. Members also inform the general public about the nature and benefits of cooperatives.

6. Cooperation among Cooperatives

Cooperatives serve their members most effectively and strengthen the cooperative movement by working together through local, national, regional and international structures.

7. Concern for Community

While focusing on member needs, cooperatives work for the sustainable development of communities through policies and programs accepted by the members.

These principles are underpinned by six ideals, referred to as the cooperative values of Self-Help, Self-Responsibility, Democracy, Equality, Equity, and Solidarity. Additionally, the ICA lists cooperative "ethical values" of Honesty, Openness, Social Responsibility, and Caring for Others.

The Seven Cooperative Principles have served cooperatives well for decades and will continue to function as the cornerstone for the utility cooperative model in the United States in the years to come.

John Wolfram is the founder of Catalyst Consulting LLC, a consulting firm specializing in rate and regulatory matters for utilities. Contact the author by phone at 502.599.1739 or by e-mail at johnwolfram@catalystcllc.com. See other articles at www.catalystcllc.com

UNDERSTANDING THE SEVEN COOPERATIVE PRINCIPLES

Cooperatives around the world operate according to the same set of core principles and values, adopted by the International Co-operative Alliance. These principles are a key reason why America's electric cooperatives operate differently from other electric utilities, putting the needs of our members first.

1 VOLUNTARY AND OPEN MEMBERSHIP

Membership in a cooperative is open to all people who can reasonably use its services and stand willing to accept the responsibilities of membership, regardless of race, religion, gender or economic circumstances.

2 DEMOCRATIC MEMBER CONTROL

Cooperatives are democratic organizations controlled by their members, who actively participate in setting policies and making decisions. Representatives (directors/trustees) are elected among members and are accountable to them. In primary cooperatives, members have equal voting rights (one member, one vote); cooperatives at other levels are organized in a democratic manner.

3 MEMBERS' ECONOMIC PARTICIPATION

Members contribute equitably to, and democratically control, the capital of their cooperative. At least part of that capital remains the common property of the cooperative. Members allocate surpluses for any or all of the following purposes: developing the cooperative; setting up reserves; benefiting members in proportion to their transactions with the cooperative; and supporting other activities approved by the membership.

4 AUTONOMY AND INDEPENDENCE

Cooperatives are autonomous, self-help organizations controlled by their members. If they enter into agreements with other organizations, including governments, or raise capital from external sources, they do so on terms that ensure democratic control as well as their unique identity.

5 EDUCATION, TRAINING AND INFORMATION

Education and training for members, elected representatives (directors/trustees), CEOs and employees help them effectively contribute to the development of their cooperatives. Communications about the nature and benefits of cooperatives, particularly with the general public and opinion leaders, help boost cooperative understanding.

6 COOPERATION AMONG COOPERATIVES

By working together through local, national, regional and international structures, cooperatives improve services, bolster local economies and deal more effectively with social and community needs.

7 CONCERN FOR COMMUNITY

Cooperatives work for the sustainable development of their communities through policies supported by the membership.

THESE ARE THE WORDS WE LIVE BY.

NRECA
America's Electric Cooperatives

The National Rural Electric Cooperative Association (NRECA) is the national service organization for more than 900 not-for-profit rural electric cooperatives and public power districts providing retail electric service to more than 42 million consumers in 48 states and whose retail sales account for approximately 12 percent of total electricity sales in the United States. Learn more at electric.coop