

**Testimony of**  
**The Michigan Electric Cooperative Association (MECA)**  
**Lansing, Michigan**  
**Before the House Energy Policy Committee**  
**Tuesday, March 28, 2017**  
**Lansing, Michigan**

Good morning. My name is Craig Borr and I am the President & Chief Executive Officer of the Michigan Electric Cooperative Association (MECA). With me today is Mark Kappler, President & Chief Executive Officer of HomeWorks Tri-County Electric Cooperative, based in Portland, Michigan. Our thanks to Chairman Glenn and the Committee for inviting MECA to provide testimony this morning.

**ABOUT MECA:** MECA is a statewide trade association operating for the benefit of Michigan's electric co-ops [1] by providing the following services:

- Representing the legislative and regulatory interests of Michigan's electric co-ops with a unified message that ensures their ability to provide safe, reliable and affordable electricity to member-consumers;
- Empowering the safety culture of Michigan's electric co-ops and utility partners through comprehensive safety and training programs;
- Coordinating emergency mutual aid assistance with Michigan's electric co-ops and municipal utility partners;
- Assisting Michigan's electric co-ops with the development and implementation of strategic communications, including publication of the monthly *Michigan Country Lines* magazine;
- Facilitating the collaborative implementation of Energy Optimization program initiatives on behalf of Michigan's electric co-ops; and
- Coordinating education and training resources for Michigan's electric co-op directors, managers, employees and future leaders.

**CO-OP HISTORY:** To fully understand Michigan's electric co-ops, it's important to first understand our rich history. Imagine for a moment how difficult life must have been just 75 years ago in the farms, homes and small towns of Michigan—when electricity wasn't available in rural areas because there wasn't enough profit to be made by the state's investor-owned electric utilities. That reality changed when a handful of farmers and rural families, united by the common values of honesty, responsibility, equality and solidarity—and armed only with a powerful purpose—banded together to “turn the lights on” in rural Michigan.

The forming of electric co-ops was made possible when President Roosevelt established the Rural Electrification Administration (REA) by executive order in 1935, and the Rural Electrification Act lending program was passed by Congress a year later. Today, REA is the Rural Utilities Service (RUS), part of the U.S. Department of Agriculture, and is considered one of the most successful infrastructure lending programs in U.S. history.

Cooperation created the electric cooperative movement, and that spirit still defines our co-ops today. I would now like to turn our presentation over to Mark Kappler to discuss our electric distribution co-ops, and the vital role they play in delivering electricity at the retail level to approximately 300,000 consumer-members in 59 counties throughout Michigan.

**DISTRIBUTION CO-OPS:** HomeWorks Tri-County Electric Cooperative serves approximately 26,000 farms, homes and businesses across 13 counties in mid-Michigan. One cooperative principle we operate under is “Member Democratic Control.” Like all electric co-ops, HomeWorks is a not-for-profit business governed by those it serves. Every consumer-member that receives electric service from HomeWorks can vote to elect a local director to serve on the board that oversees the co-op. And, like our neighboring municipalities, co-op electric rates are “self-regulated” by our democratically-elected governing boards.

Another cooperative principle is “Member Economic Participation.” Being a not-for-profit utility creates a focus of service rather than one of providing a return to investors. In a co-op, profits are allocated annually and ultimately returned to our member-consumers in the form of patronage capital. HomeWorks will return over \$3 million in patronage capital to its

member-consumers in 2017, adding to the \$16 million returned in the past 10 years. Reliability, affordability and concern for the environment are the hallmarks of electric co-ops.

HomeWorks maintains approximately 3,340 miles of line to serve its 23,000 consumer-members – an average of approximately 8 consumers per mile of line. This is the average density for co-ops, but it's significantly less than the investor-owned utility average of 35 customers per mile, or over 90 customers per mile for some municipal systems.

In addition to low density, the average home served by a Michigan electric co-op uses just 780 kilowatt hours (kWh) of electricity per month – significantly less than the national average of nearly 1,300 kWh per month for homes served by other types of utilities.

Approximately 95 percent of cooperative consumer-members are residential services, with as much as 30 percent at certain of our fellow Michigan co-ops being seasonal homes, cottages or hunting cabins. Annual electricity use at these seasonal locations is very low, but the costs for the co-op to maintain and serve them is considerably high, due to their remote rural locations.

These unique factors of low density, low monthly use and high seasonality create multiple operational and financial challenges for the electric co-ops serving Michigan.

Another cooperative principle is "Cooperation Among Cooperatives." During the recent wind storm, HomeWorks received mutual aid from Wolverine Power Cooperative and the local municipal, the City of Portland. This assistance, along with the use of technologies like our automated metering infrastructure, allowed HomeWorks to restore power to all its members in less than 48 hours.

Electric co-ops practice "Concern for Community," another cooperative principle. Co-op employees are school board members, little league coaches, scout leaders, and advocates for various local and global causes. And member-consumers may choose to "give back" to their communities by voluntarily rounding their electric bill up to the nearest dollar – the extra change is used to support families and organizations in need throughout their co-op service area. Nearly 50 percent of all HomeWorks Tri-County Electric members choose to participate in the "round-up" program, adding up to over \$2 million in grants given since the program began in 1993. Several other co-ops in the state facilitate similar "round-up" programs.

Today, electric co-ops are also pioneers in bringing high speed broadband internet to unserved and underserved rural areas. Midwest Energy Cooperative in Cassopolis, Michigan has been successfully deploying fiber optic internet services for its consumer-members, and several other co-ops, including HomeWorks Tri-County Electric, are actively exploring opportunities to meet consumer demand with high-speed broadband internet services in other rural parts of the state.

Michigan's electric co-ops also do important work beyond our state and national borders. In 2015, our co-ops provided crews and materials to bring electric service to a remote mountainous village in Guatemala. Access to electricity will provide improved healthcare, better education, safer streets and economic growth to the 54 families that live and work in this community. Our co-ops are currently considering opportunities to complete a similar international electrification project in 2018.

**POWER SUPPLY:** Michigan's electric co-ops represent approximately 10 percent of the electric sales in our state and have invested more than \$1.5 billion in generation, transmission and distribution infrastructure in the past decade. The bulk of these larger capital investments have been made through Wolverine Power Cooperative, a generation and transmission (G&T) or wholesale power co-op that is owned and operated for the benefit of its six co-op members.

Several electric distribution co-ops in Michigan's lower peninsula, including HomeWorks Tri-County Electric, banded together to form Wolverine Power Cooperative – their own wholesale power supplier. Today, Wolverine Power Cooperative is one of the leading power suppliers in the Midwest. With a variety of natural gas, coal and renewable energy assets throughout Michigan and the Midwest, Wolverine is well-positioned to meet its members' future power supply needs in a competitive, reliable and environmentally-friendly manner.

Last year, Wolverine completed construction of the 435 megawatt Alpine Generating Plant near Gaylord. This natural gas generating unit was constructed at a cost of approximately \$190 million and will help meet the future capacity needs of Wolverine's member-cooperatives. Wolverine operates in both the Midcontinent Independent System Operator (MISO) and Pennsylvania Jersey Maryland (PJM) wholesale markets.

Finally, Wolverine also owns and maintains more than 1,700 miles of high-voltage transmission lines throughout Michigan – an important part of the transmission grid reliability that is enjoyed by residents of Michigan’s lower peninsula. Wolverine is regulated by the Federal Energy Regulatory Commission (FERC).

Michigan’s electric co-ops also have a member co-op focused on the electric choice market. In 2002, Wolverine Power Marketing Cooperative was formed as an Alternative Electric Supplier (AES) in response to the Michigan Legislature’s action to introduce retail competition in Michigan. The idea behind the new co-op was simple—help Michigan businesses reduce their electricity costs while using the same principles of transparency, member ownership and democratic governance that has served consumer co-ops so effectively across the country, and around the world.

Today, Wolverine Power Marketing Cooperative serves several of Michigan’s most recognizable companies under Michigan’s electric customer choice program, including Amway Corporation, Dow Chemical, General Mills and others. These world-class organizations have chosen to do business with Wolverine Power Marketing Cooperative to reduce their electric costs and obtain the type of service only available as a consumer-owner of an electric cooperative.

**RENEWABLE ENERGY LEADERS:** Michigan’s electric cooperatives are also proud to be leaders in renewable energy. Wolverine Power Cooperative was a partner in Michigan’s first “utility scale” wind project in 2006 when it partnered with John Deere Wind Energy to develop our state’s first wind farm—a full two years prior to Michigan’s implementation of a Renewable Portfolio Standard (RPS). In addition, Cherryland Electric Cooperative, in conjunction with Traverse City Light & Power, developed the state’s first community solar project in 2013. Since that time several other Michigan electric co-ops have developed community solar projects—including the recent “Spartan Solar” project developed by Wolverine near Cadillac just last year. Today, approximately 20 percent of the total energy requirements for Michigan’s electric distribution co-ops is generated by renewable energy resources in Michigan.

I would like to again thank Chairman Glenn and each of the members of the House Energy Policy Committee for the opportunity to testify before you today. We would be happy to answer any questions you may have.

---

[1] MECA member cooperatives include: Alger Delta Cooperative Electric Association (Gladstone), Cherryland Electric Cooperative (Grawn), Great Lakes Energy Cooperative (Boyne City), HomeWorks Tri-County Electric Cooperative (Portland), Midwest Energy Cooperative (Cassopolis), Ontonagon County Rural Electrification Association (Ontonagon), Presque Isle Electric & Gas Co-op (Onaway), Thumb Electric Cooperative (Udly), Wolverine Power Supply Cooperative, Inc. (Cadillac) and Wolverine Power Marketing Cooperative (Cadillac).



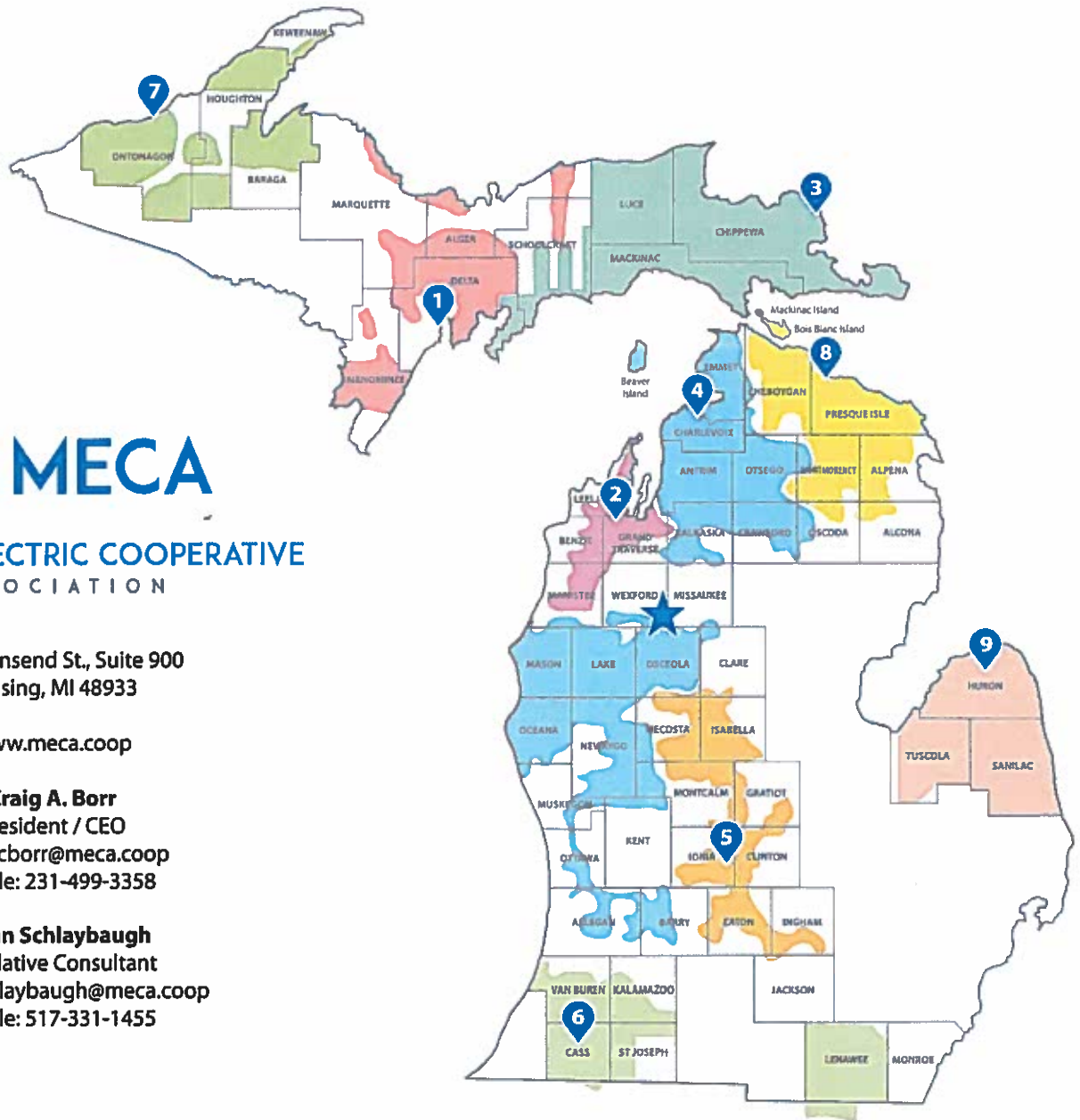
## MICHIGAN ELECTRIC COOPERATIVE ASSOCIATION

201 Townsend St., Suite 900  
Lansing, MI 48933

[www.meca.coop](http://www.meca.coop)

**Craig A. Borr**  
President / CEO  
email: [cborr@meca.coop](mailto:cborr@meca.coop)  
mobile: 231-499-3358

**Susan Schlaybaugh**  
Legislative Consultant  
email: [sschlaybaugh@meca.coop](mailto:sschlaybaugh@meca.coop)  
mobile: 517-331-1455



**1 Alger Delta Cooperative Electric Association**  
426 N. 9th Street  
Gladstone, MI 49837  
906-428-4141  
[algerdelta.com](http://algerdelta.com)

**2 Cherryland Electric Cooperative**  
5930 U.S. 31 South  
P.O. Box 298  
Grawn, MI 49637  
231-486-9200  
[cecelec.com](http://cecelec.com)

**3 Cloverland Electric Cooperative**  
2916 West M-28  
Dafer, MI 49724  
906-635-6800  
[cloverland.com](http://cloverland.com)

**4 Great Lakes Energy Cooperative**  
1323 Boyne Avenue  
P.O. Box 70  
Boyne City, MI 49712-0070  
888-485-2537  
[gtlakes.com](http://gtlakes.com)

**5 HomeWorks Tri-County Electric Cooperative**  
7973 E. Grand River  
Portland, MI 48875  
3681 S. Costabella  
Blanchard, MI 49310  
800-562-8232  
[homeworks.org](http://homeworks.org)

**6 Midwest Energy Cooperative**  
901 E. State Street  
P.O. Box 127  
Cassopolis, MI 49031  
269-445-1000  
[teammidwest.com](http://teammidwest.com)

**7 Ontonagon County REA**  
500 J.K. Paul Street  
Ontonagon, MI 49953  
906-884-4151  
[ontonagon.coop](http://ontonagon.coop)

**8 Presque Isle Electric & Gas Co-op**  
19831 M-68 Highway  
P.O. Box 308  
Onaway, MI 49765  
989-733-8515  
[pieg.com](http://pieg.com)

**9 Thumb Electric Cooperative**  
2231 Main Street  
Udly, MI 48475-0157  
989-658-8571  
[tecml.com](http://tecml.com)

**★ Wolverine Power Cooperative**  
10125 W. Watergate Road  
P.O. Box 229  
Cadillac, MI 49601  
231-775-5700  
[wpsci.com](http://wpsci.com)

**★ Wolverine Power Marketing Cooperative**  
10125 W. Watergate Rd.  
P.O. Box 100  
Cadillac, MI 49601  
231-775-0172

