

**Testimony of**  
**The Michigan Electric Cooperative Association (MECA)**  
**Lansing, Michigan**  
**Before the Senate Energy & Technology Committee**  
**Tuesday, March 5, 2019**  
**Lansing, Michigan**

Good morning. My name is Craig Borr and I am the President & Chief Executive Officer of the Michigan Electric Cooperative Association (MECA). My thanks to Chairman Lauwers for inviting MECA to testify before the Senate Energy & Technology Committee this afternoon.

MECA is the statewide trade association for Michigan's 10 electric cooperatives who collectively serve more than 300,000 homes, farms and businesses in 59 of Michigan's 83 counties [1]. Electric cooperatives are not-for-profit member-owned and controlled utilities governed by boards of directors that are elected by the membership.

This afternoon I would like to help you understand a bit more about Michigan's electric cooperatives as well the role MECA plays in supporting the efforts of our member cooperatives.

**ABOUT MECA:** As a statewide trade association, MECA operates for the benefit of Michigan's electric co-ops 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 ensuring they meet and exceed the statutory obligations of PA 295 and its successor PA 342; 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 because there wasn’t enough profit to be made by the state’s investor-owned electric utilities. That reality only 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. In fact, several of Michigan’s electric cooperatives still rely on RUS today for financing their electric and broadband infrastructure needs throughout rural Michigan.

Cooperation created the electric cooperative movement, and that spirit still defines our co-ops today. I would now like to focus my comments on MECA’s electric distribution co-op members, and the vital role they play in delivering electricity at the retail level to approximately 300,000 consumer-members in 59 counties throughout both the Upper and Lower Peninsulas of Michigan.

**DISTRIBUTION CO-OPS:** Like their fellow electric cooperatives throughout the country, Michigan’s electric distribution cooperatives were formed 75+ years ago by local, community leaders in partnership with the USDA/Rural Electrification Administration to bring electricity at retail to rural portions of our state that the state’s investor-owned utilities would not serve. The big, for profit electric utilities claimed, at that time, they simply could not make a profit serving many of the rural areas of our state. Every consumer that receives electric service from one of our state’s electric cooperatives is a “member-owner” of that cooperative and therefore can participate in the cooperative’s annual meeting of members and cast a vote on bylaw matters or for a local director to serve on the board that oversees the co-op’s business. And, like our neighboring municipalities, co-op electric rates are “self-regulated” by

democratically-elected governing boards and not by the Michigan Public Service Commission (MPSC).

Being a not-for-profit utility creates a focus of service rather than one of providing a return to investors. In a cooperative, profits are returned to our member-consumers in the form of patronage capital. Michigan's electric cooperatives have returned more than \$75 million in patronage capital "dividends" to their member-consumers in the past decade. Electric cooperatives focus on what's important to their member-consumers--reliability, affordability and concern for the environment.

Electric cooperatives in our state also have some other unique characteristics that go along with providing electricity to some of the most rural and sparsely populated areas of our state. Michigan's electric cooperatives serve an average of 8 consumers per mile of electric distribution line. By comparison, our investor-owned utility counterparts like DTE Energy and Consumers Energy serve an average of 35 customers per mile, while our municipal electric colleagues such as the City of Lansing often serve more than 90 customers per mile of distribution line. Simply stated, electric cooperatives have far more trees in their service areas than member-customers!

In addition to low density, the average home served by a Michigan electric co-op uses far less electricity than the national average—an average of just 780 kilowatt hours (kWh) of electricity per month. By comparison, the national average consumption for a residential customer approaches nearly 1,300 kWh of electricity per month.

Another challenge for Michigan's electric cooperatives, that is largely a result of our rural footprint, is the high number of seasonal member consumers that we service. At Alger Delta Cooperative Electric Association headquartered near Escanaba in Michigan's Upper Peninsula, seasonal members comprise more than ½ of the total membership with an extremely high concentration of seasonal homes, cottages and hunting cabins. Annual electricity use at these seasonal sites is often very low, but the costs for the co-op to maintain and serve those locations is often considerably higher due to their remoteness.

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.

**MUTUAL AID:** Neighbors helping neighbors is also something Michigan's electric cooperatives do very well. During the late February winter storm, that principle was never more evident. Michigan's electric cooperatives and their municipal electric neighbors worked together under "mutual aid" agreements to help each other when adverse weather conditions required additional manpower and equipment to "get the lights" back on safely and quickly.

It is important to point out that the concept of electric cooperatives and municipal electrics working together under "mutual aid" arrangements is NOT the norm throughout our country. In our state, this "mutual aid" network includes nearly 30 electric cooperative and municipal electric utilities who work collaboratively when weather conditions cause problems for our electric systems. Our ability to quickly mobilize additional manpower and equipment during difficult weather conditions results in prompt and safe service restoration.

**HIGH SPEED BROADBAND:** Multiple Michigan electric distribution co-ops are also pioneers in bringing high speed broadband to unserved and underserved rural areas of our state. Today, Midwest Energy & Communications (Cassopolis), Homeworks Tri-County Electric Cooperative (Portland) and Great Lakes Energy (Boyne City) are collectively investing nearly \$200 million to bring the benefits of high-speed Fiber to the Home (FTH) to tens of thousands of their electric member consumers in rural Michigan. Electric co-ops have stepped up to provide high speed fiber in rural areas because existing telecommunications companies simply have not done so or provide inferior technologies for high-speed internet service in today's world.

Electric co-op fiber internet service is now bringing speeds of up to One Gigabit to rural areas of our state that were previously unserved or served with low-speed and often unreliable satellite internet service. In addition, two other Michigan electric cooperatives, Presque Isle Electric and Gas Co-op (Onaway) and Thumb Electric Cooperative (Ubyly) are currently exploring whether they too want to deploy fiber internet networks in their service areas.

**INTERNATIONAL SERVICE:** 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 is providing improved healthcare, better education, safer streets and economic growth to the families that live and work in this community.

**POWER SUPPLY:** Michigan's electric co-ops represent less than 10 percent of the electric sales in our state, but 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, banded together to form Wolverine – 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.

In 2016, 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 is meeting the future capacity needs of Wolverine's member-cooperatives as well as strengthening electric reliability in the northern portions of Michigan's Lower Peninsula. 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).

**ELECTRIC CHOICE:** Michigan's electric cooperatives 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 cooperative 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 several of Michigan's state universities such as Michigan Tech, Grand Valley State and others. These organizations have chosen to do business with Wolverine Power Marketing Cooperative to reduce their electric costs and obtain the type

of service and democratic participation 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.

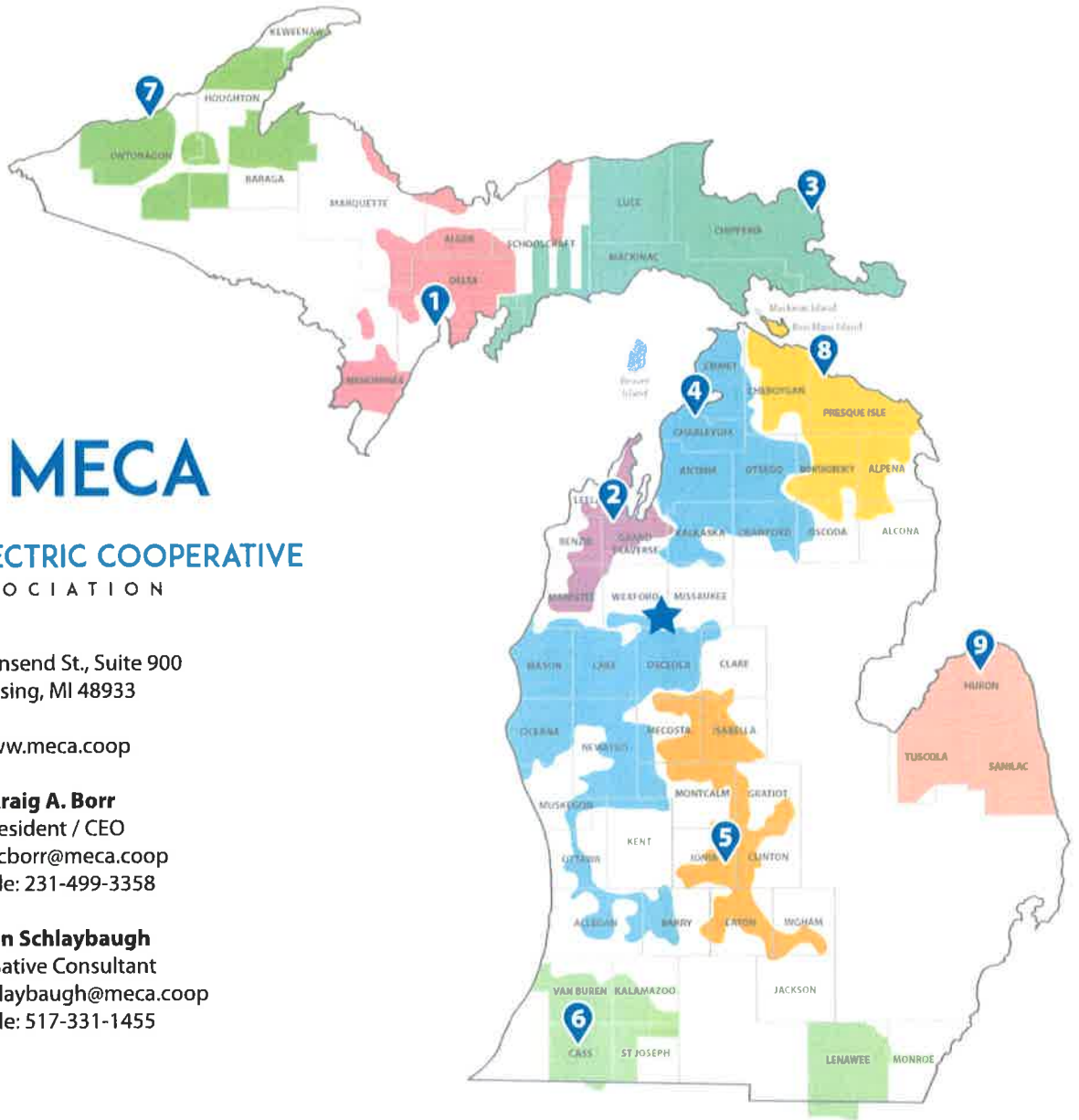
Since that time several other Michigan electric co-ops have developed community solar projects—including the recent one developed by Midwest Energy & Communications in Cassopolis. Today, approximately 20+% of the total energy requirements for Michigan's electric distribution cooperatives is generated by renewable energy resources in Michigan.

In addition, for those electric distribution cooperatives that comprise Wolverine Power Cooperative, they can also claim that nearly 60% of their total energy requirements comes from carbon free resources such as wind, solar and nuclear power.

I would like to again thank Chairman Lauwers and each of the members of the Senate Energy & Technology Committee for the opportunity to testify before you today in an attempt to help each of you understand a bit more about Michigan's electric cooperatives. On behalf of our member cooperatives, MECA looks forward to working with the Committee. I would now be happy to answer any questions you may have.

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[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 (Ubyly), Wolverine Power Supply Cooperative, Inc. (Cadillac) and Wolverine Power Marketing Cooperative (Cadillac).



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