

St. Croix Electric Cooperative

Dedicated to exceeding customer expectations
as the provider of choice
for energy products and services.



A Touchstone Energy[®] Cooperative 

HISTORY

Seven decades of perseverance mark St. Croix Electric Cooperative's growth

Decades before American businesses invested time and money developing corporate identities, vision statements, mission statements, and company branding profiles; seven St. Croix County men met at the St. Croix County Oil Cooperative in Baldwin, WI, and put into writing the purpose of their fledgling organization. Martin Dahl, John Huenink, Adolph Madsen, Charles Radunzel, John Ruemmele, William Rutzen, and Charles Slama signed Articles of Incorporation for St. Croix Electric Cooperative on March 21, 1936, noting that the mission was “to serve members with electric energy in St. Croix and adjoining counties.” Their clear vision of enhancing the lives of rural residents with the evolving technology of the day formed a solid foundation for a business that continues to meet the changing needs of its members.

The latent power of electric energy has fascinated people throughout history, eliciting a variety of reactions ranging from the inherent fear of lightning and fire to the lighthearted humor of hair standing on end from a static charge. The potential strength of electricity began being realized in 1752 when Benjamin Franklin conducted a series of experiments, finally coaxing a bolt of lightning to connect with a kite and a key. Scientists around the world quickly began crafting their own experiments and developing methods of harnessing the power of electricity. Well over a century elapsed before Thomas Edison unveiled the first practical generator-powered incandescent light bulb on October 21, 1879. By 1882, Edison had developed and installed the world's first large central electric power station on Pearl Street in New York City. The Pearl Street Station provided electric energy utilizing direct current (DC) methods. Although quickly replaced by the more efficient alternating current (AC) generating plants, the station was instrumental in demonstrating that electric energy could be distributed systemically over a large area.

The burgeoning growth of factories during the ensuing Industrial Revolution demanded reliable electric energy, so by the early 1900's residents of cities and large towns enjoyed the benefits and luxury of electricity. At this time, most rural Americans continued to read by lamplight, do chores by candlelight, and completed housework tasks such as washing clothes and preparing meals by hand using coal or firewood as an energy source.

The boom of the industrial revolution gave way to the Depression and dustbowl years of the 1920's and 1930's, marked by rampant unemployment and poverty. President Franklin D. Roosevelt devised a variety of programs including the Rural Electrification Administration (REA) in an effort to provide jobs for those in need and to augment economic development. The REA, officially authorized by President Roosevelt on May 11, 1935, was established "to initiate, formulate, administer, and supervise a program of approved projects with respect to the generation, transmission, and distribution of electric energy in rural areas." On August 7 of that year, the REA became a lending agency with the ability to loan money to groups organized with the purpose of bringing electricity to rural areas. The majority of these groups were cooperatives, formed at the grassroots level by the same farmers and rural residents who would become consumers once service was established.

William Rutzen, Newt Little, Ben Huenink, and Albert Dahlman agreed to work together to bring electricity to rural St. Croix County residents very early in February of 1936. On February 12, 1936, the committee and a handful of interested citizens met at the Baldwin Opera House and elected the first Board of Directors comprised of Rutzen as President, John Ruummele as Vice President, Charles Slama as Secretary, Martin Dahl as Treasurer, and Charles Radunzel, Adolph Madsen, and John Huenink as Members of the Board. The membership fee to join the co-op was set at \$5, with a minimum commitment of \$.50 or \$1.00. Since no member of the committee or Board had experience

building a utility, A. N. Howalt from Federated Electric Cooperative in Minneapolis was invited to and attended the meeting to offer advice and insight into the mechanics of establishing an electric co-op.

By March 21 of that year, the Board of Directors realized the upstart electric co-op needed to be officially incorporated and held their first board meeting at the oil co-op in Baldwin to undertake the process. Board members agreed at the meeting to retain Federated Electric in Minneapolis for engineering service, support, and office supplies. The Board and a special task force worked to build a strong member base, but their efforts were thwarted by rumors that they were keeping the \$5 membership fee for themselves and the unflattering perception that they were “wild-eyed dreamers” who were ill equipped to carry their plans to fruition. In addition to battling the unfounded gossip, Federated Electric offered no support to their actions and failed to follow up on their commitment to aid in development. Federated billed St. Croix Electric \$100 for four shares of stock on October 13. The Board decided to discontinue working with Federated due to the lack of meaningful assistance and subsequently initiated contact with the Wisconsin coordination office to begin anew the process of setting up an electric cooperative.

The Board of Directors, with guidance from the Wisconsin Coordination Office of the REA, realized over the course of the next year that a complete reorganization of the cooperative would be necessary in order to move forward with development. Many of the steps necessary to start a cooperative business had been taken, but the essential step of enlisting a broad member base had not been successfully achieved. With almost no members; there really was no co-op. Sixty-three applications for membership had been taken during the first year and a half of the co-op’s existence. Those 63 people were invited to a meeting in Baldwin on October 29, 1937 where they spent the day discussing the situation and establishing the course of action for moving forward.

Momentum increased in November of 1937 when the mechanics of the reorganization fell into place: a new Articles of Incorporation document was completed, the name of the organization was changed to St. Croix County Electric Cooperative, membership fees were again set at \$5, and improvements were made to the administrative structure of the cooperative. Thirty-six charter memberships to the reorganized cooperative were granted on November 12, 1937, nearly two years after the process of founding a cooperative started.

With the reorganization came a sense of urgency and the cooperative evolved rapidly in 1938. On a national level, the REA received an important funding boost from \$30,000,000 to \$40,000,000. In 2006 dollars, the change would be equivalent to an increase from \$434,782,608 to \$579,710,144. The REA approved a loan to St. Croix Electric in September for \$186,000, which is equivalent to \$2,695,652 today. SCEC continues to receive federal financial support today, with funds coming through the Rural Utilities Service (RUS), an agency of the U. S. Department of Agriculture. October of 1938 brought several milestones in the development of the co-op. Irene Hawkins was hired as a bookkeeper/stenographer, a commitment was made to lease the C.C. Wiff building in Baldwin for office and garage space for \$25 a month, and the co-op's first truck – a Chevrolet – was purchased for \$550.

The first formal annual meeting took place on March 10, 1939, at the Baldwin Opera House. Sixty-six of the 305 members attended. Although not one volt of electricity had yet been delivered, visible progress had been made: 111 miles of line had been staked, 80 miles of poles had been set, and conductor had been strung along 33 miles. A few short months later, on May 24, Lorents Lortenson's farm became the first member site to receive electricity from St. Croix Electric. Three years and three months had passed between the initial meeting in February of 1936 to the first farm energized in May of 1939. The establishment of St. Croix Electric Cooperative, with all its fits and starts, typifies the universal pitfalls and challenges organizers and early members navigated before they could enjoy the

benefits of electricity. Many cooperatives failed completely or required major reorganization before they would successfully deliver electricity to members between two and three years after the initial discussions.

At last thoroughly established, St. Croix Electric Cooperative continued on its course of healthy growth and evolution, at one point serving 1,500 individual dairy farms. In March of 1941, members approved the establishment of nine equitable director districts at the Annual Meeting with director elections to be held yearly for each district. This system held until the Annual Meeting in May of 1952, when the three year term system we use today was approved by members.

St. Croix Electric headquarters remained in Baldwin at the C. C. Wiff building until November of 1953, when all personnel and equipment moved into a newly constructed headquarters on eight lots purchased from Berseth Brothers for \$4000. On May 3, 1991, members attending the annual meeting voted to change the name of the organization back to the original one from 1936: St. Croix Electric Cooperative. The cooperative headquarters moved to a new facility in Hammond in 1997, after spending nearly sixty years in Baldwin.

No matter the location of the headquarters, St. Croix Electric holds a rich history of community support and involvement that continues today. Young people graduating from high school who will continue their educations compete for continuing education scholarships each year. The Cooperative's Commitment to Community giving program bequeaths grants to organizations focused on meeting humanitarian, social, or educational needs within the general service area. St. Croix Electric members receive direct financial benefit from the cooperative in the form of capital credit payments. After the cooperative meets its financial obligations for each year, any remaining money is allocated on reserve as capital credits. Members of the cooperative may be allocated a capital credit amount based on business placed through the cooperative during that year. The Board of Directors releases capital credits back to

members in the form of a check or a credit to the member account when financial conditions of the cooperative allow, typically at three and/or twenty years.

The cusp of a new millennium brought the spirit of evolution and advancement to St. Croix Electric. Members attending the annual meeting held on April 10, 1999 approved an amendment to the Articles of Incorporation allowing the cooperative to sell and manage additional utility services including electric appliances, propane, wireless or wire line communication service, television, and internet services, among other things. The expanded services offer members the opportunity to place their business with a trusted, local utility provider that serves the best interests of residents in and around St. Croix County instead of serving a corporate conglomerate.

The long-range vision of the Board of Directors was not limited to offering expanded services to members. Along with the development of non-electric services, the cooperative invested into the development of the Hammond ~ St. Croix Business Center on lots adjacent to the cooperative's offices. St. Croix Electric ultimately developed the property into a viable business location serving Hammond Cold Storage, Ristow Trucking, and Dadson's machining. In addition to purchasing the land, the companies of Hammond Business Park also purchase electricity from the cooperative and generate a strong, steady demand for electric power. Projections indicate that the cooperative's initial investment will yield a five-fold return.

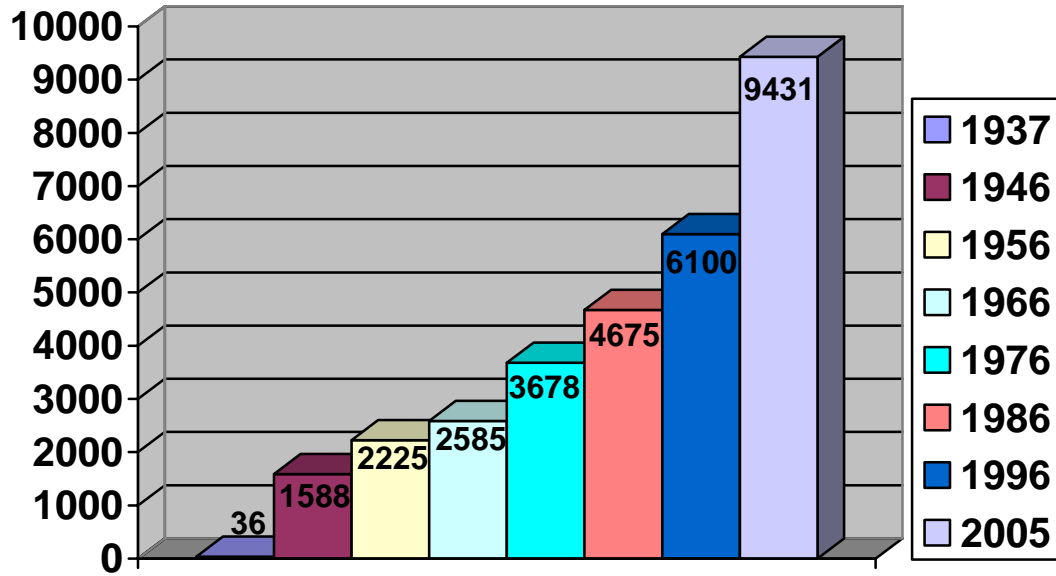
Key to the development of the Hammond ~ St. Croix Business Center and Hammond Cold Storage complex was the joint effort between St. Croix Electric Cooperative and its energy wholesaler Dairyland Power. Dairyland Power, based in La Crosse, provides electric energy to 25 electric distribution cooperatives and 19 municipal utilities in the upper Midwest. Formed in December 1941, Dairyland Power's generating stations feature more than 1,100 megawatts of capacity. In addition to generating electricity from coal, Dairyland generates energy from hydro-electric sources, natural gas,

landfill gas, wind, and animal waste. St. Croix Electric and Dairyland teamed together to develop and build a new substation in Hammond in order to provide an outstanding electric energy supply to Hammond Cold Storage, which heavily relies on its refrigeration capability for its business. St. Croix Electric is a member of the Dairyland Power Cooperative.

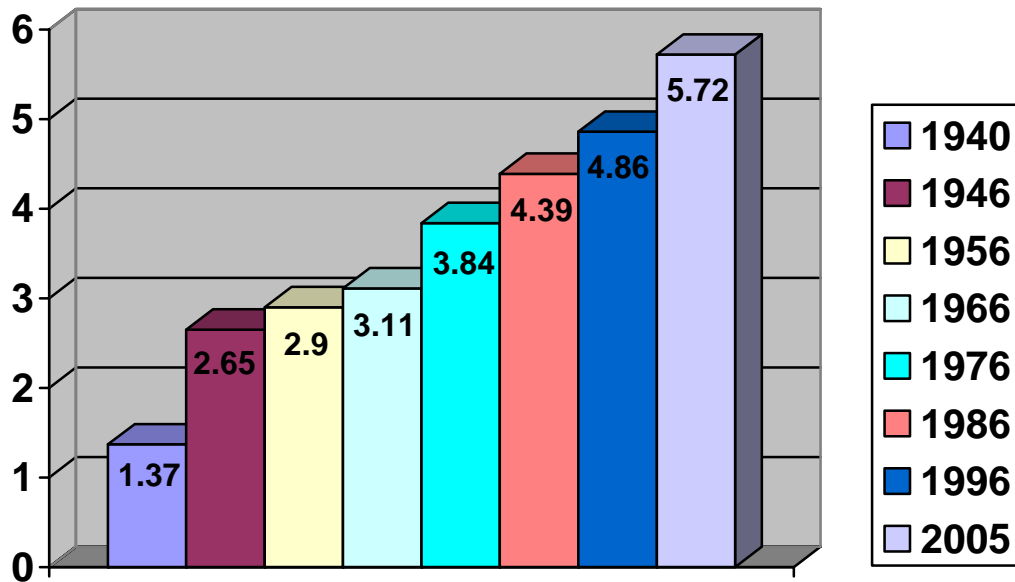
After seventy plus years of growth, St. Croix Electric continues to thrive as an increasingly diverse population spills over from the nearby St. Paul/Minneapolis metropolitan area. Meeting the needs of an exploding population requires expansion and continual improvement to the cooperative's utility service. Fifteen substations serve the members of the cooperative, with an additional new substation planned. Over 1,780 miles of line carried on over 17,000 poles bring electric energy to residents and businesses in the cooperative's service area.

Electric energy continues to be the cornerstone of the cooperative, but an assortment of other products and services tailored to meet the unique needs of members augment the business. Alternative heating options such as in-floor heat, cove heat and electric boilers offer comfort to the homes and businesses of members. Energy management and rebate programs – including the free water heater offer – help conserve electricity and money on a regular basis. DishUp Communications brings high speed internet connections and satellite television to customers who do not have access to cable or DSL.

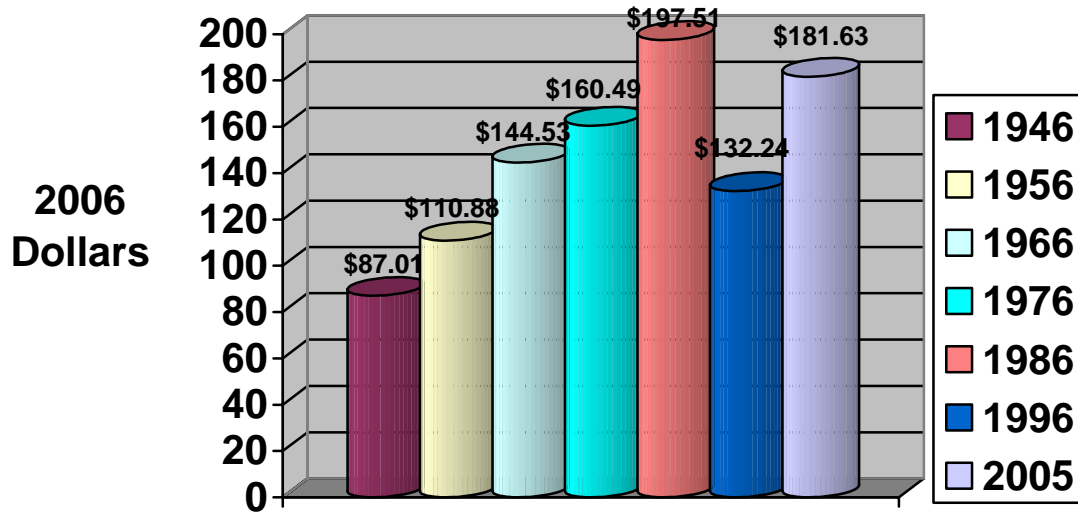
St. Croix Electric Cooperative Account Growth



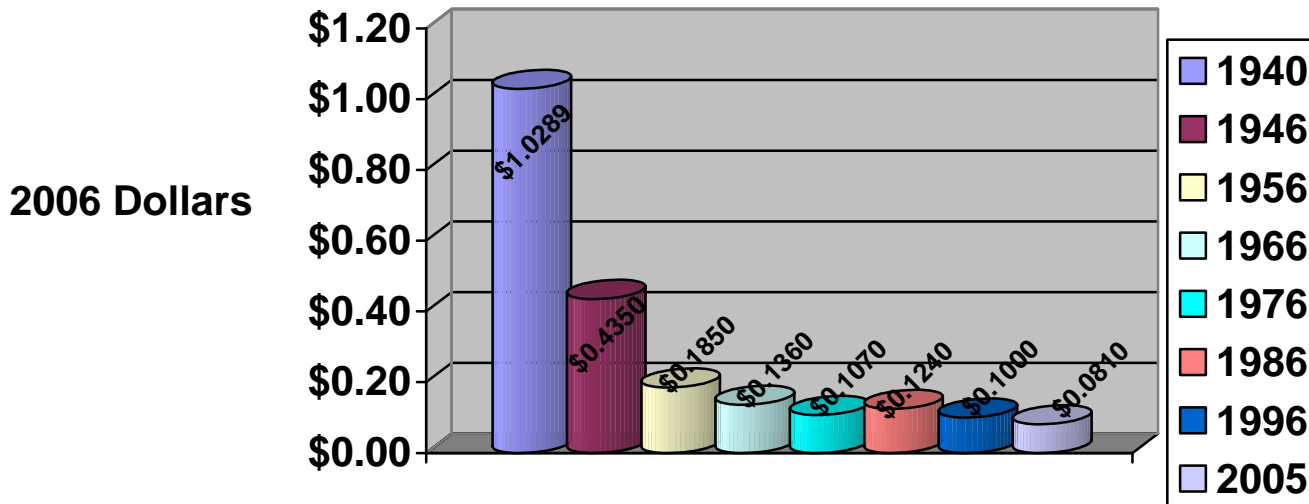
St. Croix Electric Cooperative Members Per Mile of Line



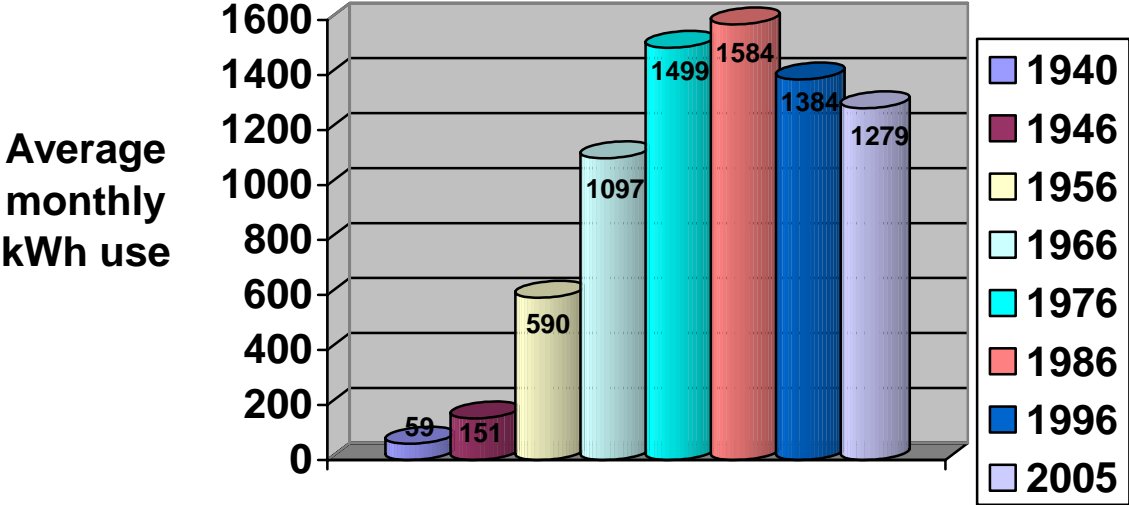
St. Croix Electric Cooperative Average Monthly Bill
(adjusted to 2006 dollars)



St. Croix Electric Cooperative Cost per kilowatt-hour
(adjusted to 2006 dollars)



St. Croix Electric Cooperative Average Monthly Use
(kilowatt-hours)



Information about America's Cooperative Electric Utilities

Electric cooperatives are an integral part of the \$267 billion electric utility industry. They play a critical role in our nation's economy and in local communities.

Electric cooperatives are:

- private independent electric utility businesses,
- owned by the consumers they serve,
- incorporated under the laws of the states in which they operate,
- established to provide at-cost electric service,
- governed by a board of directors elected from the membership

Distribution cooperatives deliver electricity to the consumer. Generation and transmission cooperatives (G&Ts) generate and transmit electricity to distribution co-ops.

In addition to electric service, many electric co-ops are involved in community development and revitalization projects, e.g., small business development and jobs creation, improvement of water and sewer systems, and assistance in delivery of health care and educational services.

Information about America's Cooperative Electric Utilities (cont.)

Facts at a Glance

864 distribution and 66 G&T cooperatives serve:

- 39 million people in 47 states.
- 17 million businesses, homes, schools, churches, farms, irrigation systems, and other establishments in 2,500 of 3,141 counties in the U.S.
- 12 percent of the nation's population.

To perform their mission, electric cooperatives:

- own assets worth \$92 billion,
- own and maintain 2.4 million miles, or 43%, of the nation's electric distribution lines, covering three quarters of the nation's landmass,
- deliver 10 percent of the total kilowatt-hours sold in the U.S. each year,
- generate nearly 5 percent of the total electricity produced in the U.S. each year,
- employ 65,000 people in the United States,
- retire more than \$475 million in capital credits annually.
- pay more than \$1 billion in state and local taxes

Information about America's Cooperative Electric Utilities (cont.)

Compared with other electric utilities:

- **Co-ops** serve an average of 7.0 consumers per mile of line and collect annual revenue of approximately \$10,565 per mile of line,
- **Investor-owned utilities** average 35 customers per mile of line and collect \$62,665 per mile of line,
- **Publicly owned utilities, or municipals**, average 46.6 consumers and collect \$86,302 per mile of line.

	<u>Investor-Owned</u>	<u>Publicly Owned</u>	<u>Co-ops</u>	<u>Total</u>
Number of Organizations	220	2,000	930	3,150
Number of Total Customers	99 m	20 m	17 m	136 m
Size (median number of customers)	395,000	1,900	12,000	
Customers, % of total	73%	15%	12%	
Revenues, % of total	75%	15%	10%	
kWh sales, % of total	75%	15%	10%	

	<u>Investor-Owned</u>	<u>Publicly Owned</u>	<u>Co-ops</u>	<u>Total</u>
Sales (billions kilowatt hours)				
Residential	900	190	200	1,290
Commercial	963	198	69	1,230
Industrial	698	148	77	923
Other	3	3	0	6
Total	2,564	539	346	3,449

	<u>Investor-Owned</u>	<u>Publicly Owned</u>	<u>Co-ops</u>	<u>Total</u>
Miles of Distribution Line	50%	7%	43%	
Customers per mile of line (density)	35	46.6	7.0	33.9
Revenue per mile of line	\$62,665	\$86,302	\$10,565	\$60,827
Distribution plant per Customer	\$2,229	\$2,309	\$2,845	\$2,362
Assets (billions)	\$660	\$162	\$92	\$914
Equity (billions)	\$181	\$50	\$28	\$259

Statewide Associations

In 38 of the 47 states in which electric cooperatives operate, statewide associations provide a unified voice that speaks to the general public, regulatory bodies and state legislatures on behalf of their members. These associations are voluntarily supported, governed by representatives of the member cooperatives and offer commonly desired services. Thirty-two statewide associations publish newspapers or magazines for the co-op consumer-owners, reaching more than eight million readers each month.

National Representation

The National Rural Electric Cooperative Association (NRECA) represents the national interests of cooperative electric utilities. NRECA provides legislative, legal and regulatory representation; medical insurance and financial services; education and training programs; business consulting; a weekly newspaper and a monthly magazine. NRECA and its member cooperatives also support energy and environmental research and administer a program of technical advice and assistance in developing countries around the world.

Source: NRECA (National Rural Electric Cooperative Association)
Last updated: January 2006



St. Croix Electric Cooperative

1925 Ridgeway Street

Hammond, WI 54015

715-796-7000

1-800-924-3407

www.scecnet.net

Dedicated to exceeding customer expectations
as the provider of choice
for energy products and services.