



Electric Cooperatives Were Created to Serve Rural America, and They Do

If you live in a large metropolitan area, you may not know what an electric cooperative is. But if you live in a rural area, electric coops are why you have safe, reliable power at the lowest possible cost.

It wasn't always that way.

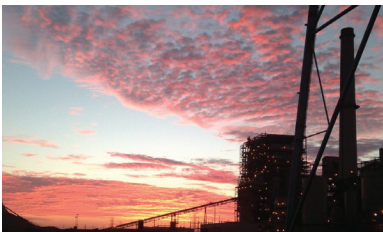
Because of low population density, rural residents and businesses were unable to enjoy the electrification taken for granted in

America's cities and suburban towns. In fact, as late as the mid-1930s, nine out of 10 rural homes were without electric service. This kept their economies entirely dependent on agriculture, suppressing wages and increasing the outflow of labor and capital to the cities.

That's why on May 11, 1935, President Franklin Roosevelt signed Executive Order No. 7037, which established the Rural Electrification Administration (REA). It quickly became evident, however, that established investor-owned utilities were not interested in securing federal loans to extend electrification to rural areas. What did happen was that farmer-based cooperatives began to apply for those loans. In 1937, REA facilitated this movement by drafting the Electric Cooperative Corporation Act, which enabled the formation and operation of not-for-profit, consumer-owned electric cooperatives.

The cooperative model was so successful that by 1953, more than 90 percent of U.S. farms had electricity. Today, about 99 percent of the nation's farms have electric services, most from locally owned electric cooperatives, such as San Miguel Electric Cooperative (SMEC).

What about electrifying South Texas?



Created on Feb. 17, 1977 under the Rural Electric Cooperative Act of the State of Texas, San Miguel is a generation and transmission cooperative providing safe, reliable power to 47 South

Texas counties. It does this through a Wholesale Power Contract with its member customer, South Texas Electric Cooperative. South Texas redistributes that power at wholesale prices to its eight distribution cooperatives. And then on to the consumer — rural South Texans, who receive power at the lowest possible cost. In the true spirit of the law, and President Roosevelt's intentions, San Miguel has one simple goal: reliable power.

Without San Miguel, and the more than 900 electric cooperatives across the nation, homes and businesses in rural areas would be unable to access the affordable, reliable electricity that fuels everyday life.


Jobs for rural Texans

In addition to delivering electric power to residents and businesses, electric cooperatives provide steady, well-paying jobs. San Miguel, for example, employs more than 350 plant and mine employees and supports 1,420 indirect jobs in rural South Texas. Many of these employees have been with San Miguel their entire careers.




Electric cooperatives:

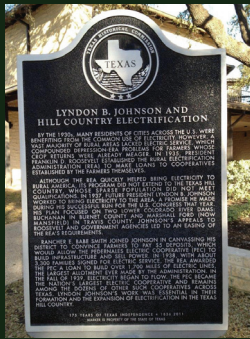
 Serve 75 percent of the nation's landmass across **47 states**

 Provide electricity to about **37 million people** and **1 in 8 homes and businesses**

 Invest **\$12 billion** locally every year

 Provide **71,000 American jobs*****

LBJ helps bring electricity to South Texas



What was rural life like in Texas before electrification? In the morning, a farmer might spend two hours milking his cows in the dark; he needed the daylight for

working the fields, and kerosene lanterns were perilous in hay barns, according to a past exhibit at the LBJ Library and Museum. A family of five used 200 gallons of water a day, which had to be hauled up in buckets from a well. Many residents had never even seen indoor plumbing. In the evening, there was little light to read by. The lack of radio availability contributed to the region's isolation. Citizens were unable to listen to President Roosevelt's radio talks. "We kept reading about those wonderful fireside chats," one woman remembered, "but we never got to hear them."

Elected to Congress in 1937 to represent the Hill Country, Lyndon Johnson (later elected president of the U.S.) was instrumental in arranging financing and authority for construction of four dams on the nearby Lower Colorado River (Buchanan and Marshall Ford, now Mansfield). But he still had to get the power to the people. As private power companies were unresponsive to rural needs, FDR's Rural Electrification Administration was formed in 1935 to provide low-interest loans to electric cooperatives to service sparsely developed areas, which had little or no capital. LBJ and others formed the Pedernales Electric Cooperative (PEC) and worked hard to get enough farmers and ranchers to join. It wasn't easy and only happened after Johnson convinced the REA to arrange a loan to the PEC, and eventually, the very sparsely populated Hill Country was electrified. Over the next few decades, through the power of electric cooperatives, rural Texans were able to enjoy the same electrification benefits of their city brethren.**

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The 7 Principles of Electric Cooperatives

Cooperatives around the world operate according to the same set of core principles and values, adopted by the International Co-operative Alliance. Cooperatives trace the roots of these principles to the first modern cooperative founded in Rochdale, England in 1844. These principles are a key reason that America's electric cooperatives operate differently from other electric utilities, putting the needs of their members first.

1. Open and Voluntary 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 the membership 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.*



Caring for its neighbors, who are often its customers, is important to San Miguel. Through its charitable giving programs, the Cooperative awards contributions to qualifying organizations in Atascosa and McMullen Counties.

*Source: National Rural Electric Cooperative Association (NRECA). NRECA was established in 1942 to provide a unified voice for cooperatives

**Source: American Heritage, Travel: Seeing How LBJ Brought Power to the People

***Source: Pedernales Electric Cooperative Inc., The Cooperative Story

About Us

San Miguel Electric Cooperative, Inc. is a member-owned mining and power generation cooperative that serves the people of Texas' rural communities, working and living in partnership with its members. Through integrity, hard work and a commitment to safety, San Miguel maintains a dependable power supply at the lowest possible and competitive cost.