

# How Electric Cooperatives Came To Be

*This was rediscovered recently among Salem Electric's archival records.*

This statement was given by Lee Wooden, President of the Oregon Rural Electric Cooperative Association (ORECA) to members of the Oregon Legislature on April 5, 1957. It focused on the creation of, the need for and benefits of electric cooperatives. Salem Electric is a longtime member of ORECA and although unlike most co-ops, we serve an urban area, we continue to support the cooperative principals that brought about the electrification of rural America. ■

Salem, Oregon  
April 5, 1957

## "THE REASONS FOR THE ESTABLISHING OF THE RURAL ELECTRIFICATION ACT OF 1935-36"

Reasons for establishing the "Rural Electrification Administration" were that on May 11, 1935 when the agency was created by executive order of the President, only about 10% of the nations farms had central station electric service.

Franklin D. Roosevelt, who was president at that time, had two main objectives in mind. First, the nation was still in the worst depression this country has ever known and, secondly, the President, leaders and members of Congress had felt a great need to bring electric service to the farms and rural homes of America, because the private utilities had, for half a century, denied them this convenience and labor saving help.

The executive order of May 11, 1935 did two things, established the agency and appointed Maurice Cook, as the first administrator of Rural Electrification Administration.

Immediately thereafter, Congress made available 100 million dollars to be loaned to existing power companies, Peoples Utility Districts, Municipal systems, and existing Cooperatives, for the purpose of bringing electricity to farm and rural homes.

At the request of Administrator, Maurice Cook, a committee of fifteen was appointed from among the leading power companies of the nation to study the problem and report to the Administrator. On July 15th the committee met at the Mayflower Hotel in Washington, D.C. and gave their report, which said, in part, "that in their opinion very few of the nations farms needed electricity for development, and they could not afford to pay for it if they had it."

Very little of the low interest money was used by the then existing utilities, and not a single dollar by a private power company for the period of one year.

Thus, an entire year was lost, as far as the functions of the Rural Electric Program was concerned. Not until May 20, 1936, when the REA Act, known as the Rural Electrification Act of 1936, was signed by the President, and thereby became law and gave to the farmers of America the right to form their own Electric Cooperatives so that they, too, could enjoy the many benefits of electric energy.

*Letter continued on next page.*

Immediately thereafter the REA program began to function. Only during the World War II years, when it was necessary to conserve critical material, was the program slowed.

At the present time (1957) approximately 94% of all farms have central station electric service. At the present time more than four million farms and rural people of America, including the Virgin Islands and Alaska, have electric service which has done more to raise the standard of living of the farm and rural dweller than any other commodity.

The use of electricity on the farm has had a far reaching effect in stabilizing the whole economy of the nation. It has created new jobs, new wealth, new industry, and has added materially to a broader tax base of a permanent nature.

The nearly one thousand REA financed Cooperatives have a total membership of over four million farms, rural dwellers, stores and small business establishments, representing more than 14 million people.

It is estimated that for every dollar loaned to the Cooperatives, approximately \$8.00 has been spent by the Co-op members for appliances and farm equipment, such as electric water systems, ranges, washing machines, refrigerators, freezers, clothes dryers, milking machines, motors of all types, irrigation equipment and feed grinders, to mention only a few of the uses which American farmers have found for electricity. Most farms are just as modern and well equipped today as are the city dwellers and can use electricity for many more purposes than the city dwellers. The rural dwellers use not less than twice the electricity than the urban dwellers.

And, last but not least, every dollar of the two billion, eight hundred million dollars loaned to REA financed Cooperatives, is being repaid with interest over a thirty five year period (private power companies never repay principal). Because every dollar loaned to Cooperatives is being repaid with interest, no subsidy is involved.

**UPDATE:** In 2005 there are 930 distribution cooperatives serving over 36 million customers in 47 states. These co-ops serve 75% of the land mass of the United States.