

An Electric Cooperative's Approach to
Economic Development

By:

Jody C. Soileau, CKAE

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Submitted to:

Dave Kolzow, Tamerica

With electric cooperatives having accomplished the mission of lighting up rural America and thus sparking economic growth across two-thirds of the nation, some cooperatives now steer toward more proactive roles of community building through dedicated economic development efforts. One cooperative, SLEMCO, after the subsidence of deregulation threats, struggles to move beyond mere business retention and to find its niche in the broader aspects of economic development. Here is a look at this particular electric cooperative and the approach that it could take towards economic development success.

Southwest Louisiana Electric Membership Cooperation (SLEMCO), based in Lafayette, Louisiana, was formed in 1937 and currently serves nearly 97,000 residential, commercial and industrial members in 9 Southwest Louisiana parishes. Their service territory is broadly known as the Acadiana Region. Approximately 93% of SLEMCO's membership is comprised of residential consumers who provide 74% of the company's revenue. Commercial and industrial members account for another 23% of revenue and the remaining 4% of revenue comes from sales for resale to municipalities.

SLEMCO's twenty (20) top accounts, or key accounts, are comprised of 3 municipal loads (sales for resale) and seventeen (17) commercial and industrial accounts that are high revenue and margin generators and usually with high load factors. These primary commercial and industrial customers may have single or multiple locations.

Understanding the needs of key consumers is important to the development of programs from which the customer might benefit. SLEMCO, therefore, provides a dedicated Key Accounts

Representative who is always accessible and who has both the customer's and SLEMCO's best interests in mind. But, instead of working with key customers to hopefully prevent them from switching to an alternate power supplier, as would be the case with open deregulation, SLEMCO representatives now seek to work with these accounts for both economic development reasons and to help protect the residential ratepayer.

Electric rates for residential consumers remain low if SLEMCO can attain a load shape that is as close to a flat line as possible. Commercial and industrial consumers offer the single largest opportunity for load shape modifications. Working with commercial and industrial consumers to improve individual loads not only helps with their bottom line and power factor, it also helps the overall load shape of SLEMCO. This, in the long-term, will help keep electric rates low for all members, particularly the residential consumers.

And, as economic growth can come from existing business, working on economic development with these key consumers makes good business sense. Not only is assisting the growth of consumers who individually bring in large amounts of revenue to SLEMCO the right thing to do, it may help their communities to spur secondary businesses.

So, it is established that SLEMCO's key account representatives primarily provide rate and energy use analysis, as well as business retention and expansion (BRE) efforts. Before discussing these particular efforts further, let's look at what other areas of economic development involvement or achievement can be found at SLEMCO.

In 1991, SLEMCO became a pioneer when it was chosen by the National Rural Electric Cooperative Association (NRECA) to start a business incubator in the Acadiana area. SLEMCO and NRECA jointly paid for a feasibility study to determine the actual need of a business incubator in the region and SLEMCO bought and donated acreage for the site in Carencro, Louisiana. Construction funding of the new \$1,000,000, 30,000-square-foot facility that is now known as the Enterprise Center of Louisiana (ECOL) was raised through federal grants and through contributions from the Louisiana Public Facilities Authority, Lafayette Economic Development Authority and the City of Carencro.

Twenty years later, ECOL is operating at full capacity and it has graduated numerous successful businesses that have remained in the Acadiana area. SLEMCO and the City of Carencro, however, no longer have financial holdings in the Enterprise Center. Their interest in the facility was sold and the business incubator is now proudly owned and operated as an extension of the University of Louisiana at Lafayette campus.

Interesting, is that when ECOL opened its doors for business in 1993, SLEMCO was the only electric cooperative in the state to have a partnership in an incubator center. ECOL was also the first incubator center in Louisiana to be built from the ground up specifically for the purpose of business and job creation.

Another economic development project that SLEMCO played a vital role in was the development of the 148-acre, Saint Martin Parish Business and Industrial Park – also known as the St. Martin Economic Development Authority (SMEDA) Park.

In 2002, SLEMCO secured a \$450,000, zero-interest loan for the park through the USDA Rural Development, Rural Business Cooperative Service. This zero-interest loan provided the matching funds to an EDA loan being applied for by Saint Martin Parish Government. The parish provided an irrevocable letter of credit to SLEMCO with the arrangement that the zero-interest loan could be paid back to SLEMCO through annual payments over a period of ten (10) years. The funding to make these payments came from the sales of the lots in the park. Today, only 5 lots of the original 44 lots remain unsold. The park, a phenomenal success, with occupants such as Maritime International and Universal Manufacturing Services, has been a great source of sales tax revenue to the parish.

Though both the business incubator and the business park were impressive economic development projects, both of these projects were largely reactive responses by SLEMCO to opportunities that arose at the time. Still, credit is due to the vision and fortitude to bring these projects to fruition. And, both of these successes are definite examples of what an electric cooperative can accomplish. So, what economic development effort does SLEMCO currently provide?

On a basic level, SLEMCO maintains memberships in and remains active with all of the chambers of commerce within its service areas. The cooperative also normally provides financial sponsorship of all major chamber events and SLEMCO representatives are usually in attendance of these events. Solid working relationships with the various chamber directors are definitely established.

SLEMCO also maintains membership or involvement with local and state economic development organizations such as Lafayette Economic Development Authority (LEDA), Upper Lafayette Economic Development Foundation (ULEDF), the Carencro Business Association (CBA), Saint Landry Parish Economic and Industrial Development District (SLEIDD), and of course, LED and LIDEA. However, at this time, SLEMCO does not belong to or participate in any economic development organizations, trade shows or networking conferences on a multi-state or national level.

While these basic involvements with the chambers of commerce and local economic developments organizations allow SLEMCO to stay involved and updated on community activity and developments, these associations remain relatively simple. SLEMCO's main economic development effort is found in its key account visitation program with its emphasis on business retention and expansion.

A typical key account visit entails a SLEMCO representative making contact with the targeted customer's primary decision maker – hopefully the company owner, president, general manager or CEO. The SLEMCO representative will already be familiar with the nature of the customer's business structure and their operations prior to the initial contact but he or she will learn more through open-ended questions during interviews. SLEMCO does not use Synchronist or any other reporting software for interview data collection. Instead, extensive handwritten or typed files are kept on each key consumer, which provide details of each visit. Through

continued visitations, if all goes well, a relationship of trust and understanding develops between the key account representative and the targeted company.

Most often, these periodic key account visits will result in a walk-through of the customer's plant or facility by both the SLEMCO key account representative and a SLEMCO energy use specialist. The purpose of the walk-through is to determine if changes can be made to the physical plant or to the customer's methods of operation to improve their energy efficiency. An example of this can be demonstrated by visits in 2009 with Newpark Mats & Integrated Services.

Newpark Mats & Integrated Services in Scott, Louisiana, produces molded plastic mat systems used in temporary roads and walkways for areas around drilling and construction sites. Their production is simply based upon received orders for goods, which mostly follows oilfield trends. With a serious downturn in production in August 2009, Robert Adair, plant manager, contacted SLEMCO in mid-September to see what measures could be taken to reduce power consumption and, thus, hopefully cut overhead. By the time of the visit on September 15, 2009, Mr. Adair had already found it necessary to terminate 7 employees the previous day.

After an extensive inventory of the air conditioning systems, conditioned office space, overhead lighting and various motor sizes throughout the plant, recommendations were given to Mr. Adair, and a plant supervisor, on some immediate measures to reduce power consumption. Some suggestions were as simple as turning off non-essential lighting, computers, computer peripherals and copiers in the main office and raising the temperature on the thermostats after

hours. There were rows of 400-watt overhead lights in the production areas, as well as some air compressors, that could be turned off during down times. More technical, was the possibility of alternating work shifts, as well as the start-up times of large motors to reduce their electric demand and monthly capacity charge. Additionally, the plant supervisor was shown how to read and calculate the demand reading on the electric meters to see first-hand what effect their efforts were making. The end result was that the facility was successful in dropping their power consumption and reducing their next electric bill by one-third. Fortunately, their production picked back up in October and the plant went back to near full production. They were also able to call back some of the previously terminated employees.

Though the situation at Newpark Mats resolved itself fairly quickly, what more should the SLEMCO representative have done to provide better business retention efforts? Certainly, the easiest step would have been to involve local economic development professionals at LEDA. The displaced workers could have been directed to job placement and/or retraining resources, LEDA professionals could have properly documented the situation using Synchronist software and, if the business situation with the company was found to become dire, the company could have received possible assistance and resources through LED.

While business retention efforts by the cooperative are productive, is it wise for the cooperative to focus only on business retention and expansion and not put effort into proactive recruitment of new business? More broadly, what can SLEMCO do to move toward greater economic development achievement? Are other electric cooperatives doing anything differently? Let's take a brief look at the neighboring state of Texas.

CoServ Electric, with 130,000 customers in six counties and headquartered in Corinth, Texas, is the second largest cooperative in that state. According to Paul Virag, Business Accounts Manager, their cooperative also has a key accounts program with no dedicated economic development person on staff. And, aside from Mr. Virag, there is only one other employee that performs key accounts management. So, like SLEMCO, their cooperative is mostly limited to business retention efforts and to rate and power use analysis. The cooperative does not use Synchronist software reporting during their key accounts visitations.

This cooperative, unlike SLEMCO, does take a slightly more proactive stance by attending most of the regional and national trade shows and conferences in hopes of attracting new business. They are also currently providing grants for economic development projects within their service territories. The grant funds are derived from unclaimed capital credit monies of former cooperative members.

Another cooperative, Pedernales Electric Cooperative, headquartered in Johnson City, Texas, has a service territory of 81,000 square miles and serves 236,000 customers. Pedernales is not only the largest electric cooperative in Texas but also the largest in the nation. This cooperative seems to have a slightly more evolved economic development program.

Whereas some electric cooperatives may have only one person, if any, who are dedicated to economic development efforts, Pedernales has an economic development workforce of 5 people. The supervisor and staff of four employees dedicated to economic development seek

IEDC certification and they work closely with outside economic development professionals. They also independently provide community development and grant writing and research. According to Tessa Doehrman, Community Developer for Pedernales, their employees assist local governments, nonprofit groups and other local economic developers in identifying state, federal, corporate and private grant sources. Interestingly, they have abandoned their business retention program after the passing threat of deregulation. They, therefore, do not use Synchronist.

So, considering the examples of these other two cooperatives, what direction could SLEMCO take towards furthering its economic development efforts?

A first step would be having an IEDC certified and/or Louisiana Economic Development certified professional on staff at SLEMCO. This person should then join regional and national economic development organizations such as the International Economic Development Council (IEDC), the Southern Economic Development Council (SEDC) and Business Retention and Expansion International (BREI). In doing so, this individual could take advantage of larger networking opportunities and become proactive in working to bring new business in to the state and specifically, in to the cooperative's service area. This individual should also work more closely with other local and state economic development professionals, learning to be a regional team player, obtaining and using Synchronist software, learning to access public resources and becoming savvy in economic development finance.

A second and much larger step would be greater involvement in local community development. Most communities want to prosper and grow. But, not all communities have the human or financial resources to make concerted efforts. And, without proper community development and quality of life, you will not have strong economic growth.

Having Pedernales Electric Cooperative as an example, and a possible mentor, SLEMCO could expand its staff of economic development practitioners to work directly with the municipalities and rural communities that they serve. Whether it is a city, town or a village, each community has a direct impact on SLEMCO's sustainability and growth within their corporate limits and outlying areas.

Perhaps through introductions from SLEMCO's existing governmental affairs personnel, SLEMCO's new, dedicated community developers could identify and approach local leadership in the various communities for the purpose of strategic planning or the furthering of existing strategic plans. And, by focusing on education, workforce development, housing, community infrastructure, redevelopment of existing buildings, identification of assets and the proper marketing of those community assets, SLEMCO would have a greatly increased chance of creating economic prosperity and achieving economic development success.

So, the SLEMCO of today is a somewhat typical electric cooperative that provides rate and power use analysis for its customers, as well as business retention and expansion efforts through its existing key accounts program. Though working with its key consumers is productive in providing good public relations and revenue sustainability, the cooperative realizes that there

is much more assistance that could be provided in directing growth and in promoting quality of life in the communities that it serves. This, in turn, may promote the continued growth of the cooperative.

Ideally, the SLEMCO of tomorrow would have an expanded department of state certified economic developers. The cooperative would continue its business retention and expansion efforts and incorporate the use of Synchronist software reporting. SLEMCO would also become proactive in attracting new business through increased networking and increased collaboration with local, regional and national economic development organizations. And, its dedicated community developer(s) would reach out to assist local governments, as well as fellow economic developers in the pursuit of organized community and economic growth.

SLEMCO hopes to move forward from its key accounts practices to a fuller economic development program. Its ability to do so depends on its willingness to partner its economic development efforts with the communities it serves and with other economic development organizations – this being true to the cooperative way.