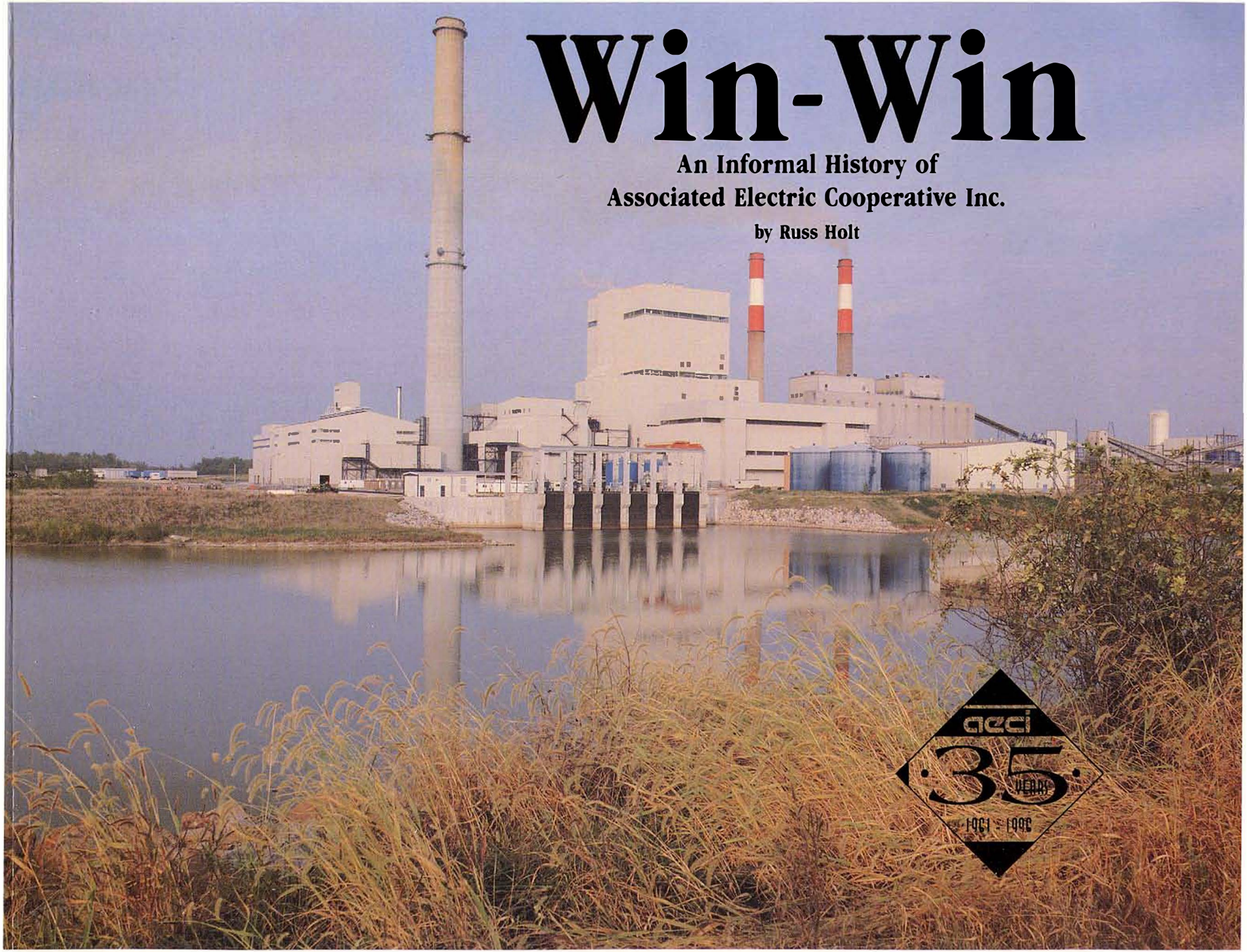

Win-Win

An Informal History of Associated Electric Cooperative Inc.

by Russ Holt

aeci 35 YEARS 1961 - 1996

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An Informal History of Associated Electric Cooperative Inc.

by Russ Holt

This publication was commissioned by the Board of Directors of Associated Electric Cooperative Inc. (AECI).

Jim Jura
General Manager

O.B. Clark
President

AECI is owned by and provides wholesale power to six regional generation and transmission cooperatives. These electric utility systems supply wholesale power to 40 distribution cooperatives in Missouri and three in southeast Iowa serving more than 1.2 million retail consumers. Associated also makes power transactions with other utilities in and outside Missouri for the benefit of its members.

The cooperative is headquartered in Springfield, Mo., and operates power plants in north-central and southeast Missouri.

"Win-Win"
An Informal History of Associated Electric Cooperative Inc.

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Foreword

If you like jigsaw puzzles, I recommend this book. It puts together all the pieces of the rural electric power supply puzzle in Missouri – who did what, to and for whom, why and how.

In the strictest sense, this is a book about Associated Electric Cooperative Inc., the third tier in a unique three-tier system of cooperatives that bring affordable and reliable electricity to the state's rural consumers. From a broader perspective, it is about utility cooperation and finding out, success by success, how much better to go it together than to try to go it alone.

It also is a book about heroes. About the giants of the Missouri rural electric cooperative movement, who sacrificed ego and personal power – with some reluctance, to be sure – to build the better mousetrap called Associated. About their pragmatic counterparts on the private power side who were willing to set aside philosophical differences for mutual gain. About the attitude on both sides that made possible joint planning and shared use of power plants and transmission lines to avoid duplication and to save money for everybody. That's a win-win situation in anybody's language. It explains the title of this book.

So, consider it a book about winners – their vision and imagination, their courage and risk-taking, their determination and skill, their luck, good and bad, their individual foibles and their collective wisdom.

While its subject matter is very important, even vital, to the lives of Missouri's rural citizens, the book is filled with anecdotes and tales told out of school. That makes for easy reading. And, while it deals with important decisions and actions relative to electric power supply in Missouri, it deals equally with the human drama behind the deeds.

I wish this book had been written before I became general manager of Associated in 1991, for it answers so many of the questions I had as a newcomer. Perhaps you will find it as informative and entertaining as I do.

Jim Jura
General Manager
Associated Electric Cooperative Inc.

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Preface

They just did it.

There was no law that said they could.

But neither was there a law that said they couldn't.

So in 1961, the rural electric cooperatives of Missouri just did it. They pooled their resources to create the huge power supply organization called Associated Electric Cooperative Inc. (AECI).

AECI, or Associated as it's also commonly known, thus became the top tier of a three-tier system for serving the electricity needs of rural Missouri. Called a "super G&T," it supplies the full power requirements of the six G&Ts (generation and transmission cooperatives, also known as "super cooperatives"), which in turn supply 43 distribution cooperatives – 40 of the 41 in Missouri, and three in southern Iowa. The distribution cooperatives serve the farms and other rural residential and commercial loads – thousands of individual customers who are member-owners of these cooperatives. Missouri's distribution cooperatives range in size from 2,500 meters to 35,000 meters. By 1995, AECI was second in total megawatt-hour sales among the nation's G&Ts. Only Oglethorpe Power Corp. in Georgia had greater sales. In all, nearly 500,000 rural electric cooperative members in Missouri and nearby parts of Iowa, in households totaling 1.2 million consumers, were receiving their electricity through Associated.

The need for a giant G&T such as Associated was hard to imagine in the early days of rural electrification. Farmers and other rural folks had long gone without electric service. Private power companies found it too costly to serve – at their regulated rates – those rural areas where use was low and there were only two or three

We're never going to be able to pay this off.

customers per mile of line. The companies offered rural service only where line costs were not prohibitive, measured against the rates they were allowed to charge, or in cases where the farmers agreed to pay special charges for the necessary lines. Few farmers were willing or able to pay the special charges. Even after President Franklin D. Roosevelt signed an executive order creating the Rural Electrification Administration (REA) in 1935, and after Congress a year later passed the 1936 Act putting its stamp of approval on the program, electric demand on the farm continued for some time to be low. America was in the midst of the Great Depression. Few if anybody could foresee the power demand that would develop once electricity became available in the countryside.

With the REA in place, rural folks were encouraged to form cooperatives and borrow low-interest federal money to build necessary distribution lines. But it took five bucks to buy a cooperative membership, and five bucks was hard to come by in those days. Some felt joining a cooperative amounted to mortgaging their farms. They feared money their cooperatives would have to borrow would lead them to bankruptcy.

Before he died in 1992, Gregory Stockard, an attorney who chartered many of the early distribution cooperatives, liked to tell the story of spending 12 hours to get one board member to sign the first loan document for his cooperative. Every time the poor fellow raised the pen to sign, he would start shaking and mutter over and again, "We're never going to be able to pay this off." But the promise of less drudgery for the women of the house and the hope of a whole new life on the farm led rural Missourians collectively to take a deep breath – and the deep plunge. By 1940, 120,000 had signed up. In 1995, Missouri and parts of Iowa that receive power from Associated had nearly 500,000 cooperative member-owners. Nationwide, there are 10.2 million. In 1935, only 6.4 percent of Missouri farms had electricity, 25 years later, virtually 100 percent.

That is how it all started – with $5 memberships. And that answers an oft-asked question, who owns Associated? The members of the 40 rural cooperatives in Missouri and three in southeast Iowa do. They own Associated because they had faith in themselves and one another to risk five Great-Depression-era dollars and – cheap as 2 percent interest seems today – take on the scary financial burden of REA loans. The $5 memberships got each cooperative organized. The cooperative could then borrow from REA the money it took to build the distribution lines – but not power plants to produce the necessary supply or the transmission system to deliver bulk power to delivery points where the distribution cooperatives took over.

At the outset of rural electrification, lines cost $1,500 to $2,000 a mile. Only after the Rural Electrification Act and formation of cooperatives did the Missouri countryside get electricity.

Initially, the distribution cooperatives were able to buy wholesale power from municipals and private power companies. These bulk power suppliers also built the small transmission lines necessary to deliver the juice to each distribution cooperative. From the substations that served as

delivery points, the distribution cooperatives did the rest. Individual customer use was as little as a refrigerator and a single light bulb. But it wasn't long before the farmers were buying washing machines, milking machines, electric irons, vacuum cleaners and – very importantly – the pumps Associated attorney Gene Andereck speaks of so passionately on page 8. By the end of World War II, the bulk power supply available from the municipals and private companies had tightened. Shortages of materials during the war had prevented the owners of generation from upgrading their power plants and lines or building new ones. For some time after the war, supply was tight for everybody.

The distribution cooperatives decided to help themselves by forming generation and transmission cooperatives called G&Ts or "super cooperatives." Two had been formed just before World War II and four more in 1948 and 1949, each responsible for supplying several distribution cooperatives.

In Missouri, no G&T serves fewer than four or more than nine distribution cooperatives. The six G&Ts could qualify for bigger REA loans to build bigger power facilities than could distribution cooperatives. No longer did private companies have to build lines to distribution cooperatives to sell bulk power – G&Ts took on that job.

Municipals and investor-owned utilities continued to provide much of the bulk power needs of distribution cooperatives, but now they could deal with just six G&Ts rather than so many cooperatives individually. The G&Ts also built the first transmission lines enabling federal hydropower sold by Southwestern Power Adminis-tration (SWPA) to be brought into Missouri. The G&Ts also built power plants, tiny by today's standards, but big enough to help meet distribution cooperatives' growing demands for a time. To tell more here would steal from the body of the book. Suffice to say, by the mid-1950s, rural Missouri needed a bigger and better power supply than the six G&Ts could finance individually. So they just did it. They created the super G&T called Associated. That had the effect of pooling their resources and their borrowing capability and, with the cooperation of the investor-owned utilities, benefiting not just rural consumers but all electricity users of Missouri.

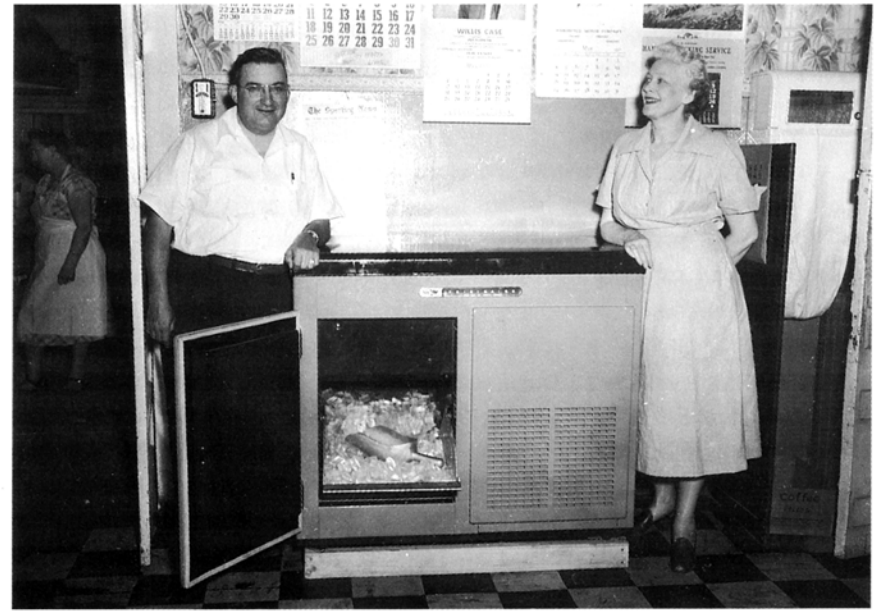
This book tells how they did it, who did what and more about why it was done the way it was. The book reflects the dedication and determination of people who were motivated to give rural Missouri electric power service second to none. It describes the good things that happened by design, some that happened by accident and at least one that happened by prayer.

It tells about the squabbles and infighting – and how the federal government's SWPA, the cooperatives and the private power companies put aside old animosities and grievances to permit the creation of Associated, with win-win benefits, leading ultimately to public power-private power cooperation on a scale unmatched in the nation.

It tells how turf battles among powerful leaders of the six Missouri G&Ts led Associated to take on some things it never intended, most notably building the first big power plant to serve the six G&Ts that serve the 43 distribution cooperatives. It tells how a strong Associated and a recognition of the win-win possibilities – something for everybody – caused Associated and Missouri private power companies to partner in building one of the nation's strongest transmission systems.

It tells about the answered prayer to St. Jude to bring big Noranda Aluminum to the tiny Missouri bootheel town, New Madrid, along with the big power plant needed to serve Noranda. It tells how getting into the coal-mining business in 1978 was the best decision Associated could have made at the time and getting out in 1993 was an even better decision.

And, reporting on probably the most important fact of all, it tells how Associated has worked at controlling power costs so as to provide by 1995 the second-lowest wholesale power rate among the 56 G&Ts nationwide.



Mr. and Mrs. John Andrews proudly display their new electric ice cube machine purchased in 1952 for the Andrews Cafe in Marshfield.

We need to be careful when we talk about a life of a cooperative like Associated, which in turn is built upon the life of the G&T cooperatives, which in turn is built upon the life of the distribution cooperatives. The danger is getting so caught up in the details that we forget basically what we have done. What is it that we really did for the people of Missouri?

What we did was to make less drudgery for our mothers and daughters.

The reason I say that is when you stop to think about it, the one thing we need – absolutely have to have – every day and cannot live without is water. We have to get rid of waste; otherwise we will die of our own disease. Now, we don't need electricity to read; we can wait until daylight. We don't need electricity to cook our food or to heat our homes – we can use wood; we can use gas. The thing we need every doggone day is water brought into the house and the slop taken out. Today in so many countries of the world, in this country until 60 years ago and in Missouri even after World War II, who did that? The women brought the water from the well in the buckets, and they carried out the slop. The thing that put an end to that was the electric pump. The electric pump is the thing we have brought to rural Missouri.

Nobody talks about that anymore. The old-timers did. We would sit around in meeting houses – schoolhouses or wherever we were trying to sign up the farmers for $5 a membership – and that's what the old-timers talked about: "By God, my mother isn't going to have to carry any more water up from the well. And somebody else is going to take the slop out – it's gonna be an electric pump."

Nowadays, I drive through the country and see all those lights at night. I feel good about that, but I know that in the morning the people inside could read without electricity. What makes me feel really good is knowing that where those lights are, there are electric pumps. So when we sit back and say we have created a 600-MW generating plant, it all sounds impressive, but let's remember the only reason we even had an excuse to do that was to run those goshdarn electric pumps.

Gene Andereck, outside counsel for AECI, 1994

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Cities throughout the United States were being powered by electricity as early as the 1880s. But by 1935, electricity is still unavailable to 90 percent of rural homes. Without the convenience of indoor plumbing, women shoulder much of the burden by lugging water from a nearby stream or outdoor well for laundry, bathing and cooking.

Race to the Statehouse

You might say attorney Gene Andereck was in a hurry that frigid February day in 1961. The speed limit did not slow him down as the young lawyer raced his rented Chevy from his law office at Trenton to the Missouri state capitol in Jefferson City. His hasty purpose was to file with the secretary of state articles of incorporation and obtain a charter for Associated Electric Cooperative Inc. (AECI). Big things were happening in the world of rural electric cooperatives in Missouri, and obtaining a charter for Associated – more than a mere formality – was an important next step.

AECI – or simply Associated as it is commonly called – is the super G&T created in the early 1960s by Missouri's six generation and transmission cooperatives for the sake of a better power supply for rural

Satisfying rural Missouri's demand for electricity by the late 1950s requires large power plants and complex transmission systems that individual cooperatives cannot afford. Creating a "super G&T" cooperative would solve this problem. But it has never been done – not in Missouri or anywhere else. Regardless, in February 1961, the cooperatives file articles of incorporation with the Office of Secretary of State in Jefferson City.

Missouri. The six G&Ts, themselves called "super cooperatives," had been created by 40 of Missouri's 41 rural electric distribution cooperatives a few years earlier to do the power supply job the distribution cooperatives no longer could do for themselves.

As he blurred the Chevy past the telephone poles, Andereck reflected on how there was no law authorizing Missouri's G&Ts to form a super G&T. The only cooperatives authorized by state law were the traditional member-owned, nonprofit distribution systems. The Rural Electrification Act of 1936 had paved the way for such cooperatives all across the nation. Andereck's firm, headed by Russell Pickett, and another headed by Gregory Stockard had – long before the firms merged in 1972 – put all of Missouri's distribution cooperatives into business. Such cooperatives do not generate power or transmit it at high voltage over long distances. But they do the very important job of building the lower-voltage distribution lines that carry the juice on the last leg of its journey to the individual customer's home or farm or business.

For power supply, at first, the distribution cooperatives purchased what they could from municipal systems and private power companies – anybody who would sell it to them – under whatever terms they could get. Many, but not all, of these power-supply contracts allowed the supplier to cut off power any time the juice was needed for its own customers. Since such occasions usually came at dinner time or other periods of peak use, this left the cooperative cupboards bare at the most inconvenient times. Andereck remembered the first power contract he wrote for a distribution cooperative. It was in 1948 between Grundy Electric Cooperative of Trenton and Missouri Public Service Co. (now called UtiliCorp) of Raytown.

"The contract provided that between 6 and 8 p.m. on Saturday nights the company could cut off all the lights and other service to the cooperative," Andereck recalled. "That was because everybody went to town on Saturday night and between 6 and 8 they all took baths and shaved and got dressed up. And, still, we thought this was the best damn contract you could get in those days."

An evening at home, 1942

Many power-supply contracts allowed the supplier to cut off power any time the juice was needed for its own customers.

Art Doyle, retired chief executive officer of Kansas City Power & Light Co., provided a rationale for such contract provisions. Doyle, who served as KCP&L's outside counsel from 1949 until becoming an officer of that company in 1973, pointed out that wartime shortages of materials in the early '40s had made it impossible for generating utilities to enlarge their plants or build new ones, except for war production purposes. The utilities who owned the plants were obliged to serve their own customers before selling any bulk power to the cooperatives. But Doyle also pointed out that in exchange for the interruption rights in the contracts, the cooperatives received power at lower-than-standard wholesale rates. It wasn't very long after the war, he said, before suppliers were able to offer the cooperatives bulk power without such restrictions.

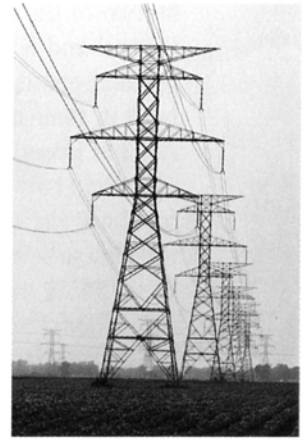
But by then the distribution cooperatives had felt it necessary to do something to improve their supply. In 1948 and 1949 they formed four new G&Ts in addition to the two that had been established just before World War II. While their lawyers had found no law authorizing super cooperatives, neither had they found a law prohibiting such organizations. So they simply filed under Missouri's Rural Electrification Act, and nobody objected. All six Missouri G&Ts (KAMO headquartered at Vinita, Okla., and the five with headquarters in Missouri – Central at Jefferson City, M&A at Poplar Bluff, Northeast at Palmyra, NW at Cameron and Sho-Me at Marshfield) came into being without legal challenge – although, as detailed in Chapter 12, Sho-Me's special circumstances kept it classified as something other than a cooperative for nearly 50 years.

Each of the six separate G&Ts built at least one power plant – most, tiny by today's standards, but as large as load growth and available financing would justify. The G&Ts also built the relatively small transmission lines necessary to deliver power to the substations where the distribution cooperatives took over. Two of the G&Ts built

transmission lines to bring into Missouri some of the federal hydropower available from the Southwestern Power Administration (SWPA). The G&Ts also took on the responsibility for purchasing power from municipals and investor-owned utilities (IOUs) for the distribution cooperatives. That simplified things. It gave the suppliers a handful of G&Ts to deal with rather than all those distribution cooperatives individually.

Still, by the late '50s, the supply job was getting too big and too complex for the six G&Ts. It required building bigger power plants and bigger transmission lines, and that meant financing on a scale the G&Ts individually could not handle. It called for some new arrangements with the IOUs which, happily, saw it to their advantage to integrate operations. So, the G&T managers set about creating a new organization – one capable of taking on the financial and other obligations necessary to better serve rural Missouri.

On Feb. 6, 1961, just two days before Andereck's hurried trip to the statehouse, 15 incorporators had put their signatures on the articles of incorporation (see Appendix C). There were three incorporators each from five of the six G&Ts; KAMO did not join until two years later. For two years or more the 15 incorporators had deliberated among themselves as to what type organization would best serve their needs. They had talked at length with SWPA and several of the Missouri IOUs, and they had considered more than one alternative. Without having yet taken the formal step of incorporating Associated, but in anticipation of that step and using the name and the concept of Associated, the incorporators had already negotiated several draft contracts. One was between the would-be Associated and each of the six G&Ts, another between Associated-to-be and SWPA, and another between the not-yet-incorporated Associated and the three western Missouri IOUs – Kansas City Power & Light Co., The Empire District Electric Co. and Mo-Pub (Missouri Public Service Co. now called UtiliCorp). These draft contracts were to take effect as soon as approved by the Department of the Interior



345-kV transmission line west of New Madrid Power Plant

What was about to happen in Missouri had not happened on such a large scale in the power industry anywhere.

and signed by all the parties. Approval had been delayed several months in late 1960 and early 1961 because the outgoing Republican Assistant Secretary for Water and Power thought it proper to defer to his Democratic successor, and that person had not yet taken office. But early approval was anticipated. The new entity called Associated was ready for the legal step that would permit election of officers empowered to sign the draft contracts. So now, on Feb. 8, with the incorporation papers freshly signed, Andereck was in a hurry to get the charter – more of a hurry, it turned out, than necessary. For, as related in Chapter 3, Interior Department approval was slower and more difficult to obtain than anybody expected.

What was about to happen in Missouri – a federal power agency, several private companies and a group of cooperatives getting together like this for mutual benefits – had not happened on such a large scale in the power industry anywhere. Andereck and some of the distribution cooperative clients he had represented in past power-supply dealings still found it hard to believe it really would happen. Doyle said that while there may have been some justification for doubts because of conflicts between the cooperatives and the companies at the distribution level – "for example, fights over who would serve when Farmer Jones converted to a dairy and became a commercial customer" – there never was a significant amount of friction at the bulk power-supply level.

In fact, Doyle thinks he may have been the first to suggest an Associated-type organization. He saw it as a way to further simplify the IOUs' dealings with the cooperatives, as well as a good way to simplify the cooperatives' dealings with SWPA. Doyle called it not a "super G&T," but a "super-duper" cooperative. Nevertheless, as seen in Chapter 2, many participants in the negotiations had reason to believe that they had fathered Associated. One who could make that claim was Neil Adams, who, before becoming Associated's first general manager, was assistant to SWPA Administrator Doug Wright. Another was Fay Martz, who, from his position as manager of NW G&T, had become the

The IOUs saw a strong Associated as the way not just to keep SWPA out of Missouri, but also for themselves to benefit from contracts giving them use of the cheap federal power until Associated, over time, would need it all.

Missouri cooperative movement's "strongman," and who, along with Central G&T's manager Truman Green and Northeast G&T's Mike Boudreaux, formed a leadership triumvirate for the cooperatives. On the IOU side, KCP&L Vice President Warren Porter was the principal negotiator in all matters related to Associated.

Fatherhood aside, Porter liked the idea of an Associated for reasons his then-lawyer Doyle candidly called self-interest. Associated was to become not just a powerful arm for the cooperatives, but for the IOUs a way to keep SWPA and cheap federal power from competing in their service territories.

Truman Green, 1975

Public bodies and cooperatives by law have first call on hydropower from federal dams and thus are called "preference customers." Missouri's G&Ts are preference customers, and three of them (Central, NW and KAMO) had contracts with SWPA for their total requirements. Sho-Me and M&A also received SWPA power. Northeast G&T, lying entirely outside the SWPA service territory, got no SWPA power at that time. SWPA power available to Missouri then was a mixture of federal hydropower marketed by SWPA and the thermal power produced by two of the G&Ts, Central and NW, in small thermal plants they had built in their own territories but leased to SWPA. The same two G&Ts also had built the transmission lines then being used to bring SWPA hydropower from Table Rock and Bull Shoals into Missouri and had leased these lines to SWPA. But when the entire 540-megawatt (MW) output of Bull Shoals Dam in northern Arkansas and Table Rock Dam in southern Missouri was allocated exclusively to the state of Missouri, neither the G&T transmission lines nor the G&T loads were big enough to make use of all the available SWPA peaking hydropower (see "Some Definitions" on page 15). Associated would eventually need it all. But until that time, the IOUs were the only ones who could make effective use of it all – unless Doug Wright could succeed with his announced goal of turning SWPA into a little Tennessee Valley Authority (TVA) (see Chapter 2). The IOUs saw a strong Associated as the way not just to keep SWPA out of Missouri, but also for themselves to benefit from contracts giving them use of the cheap federal power until Associated, over time, would need it all.

Neil Adams, 1965

Art Doyle explained the IOU side of the story: "Our dispute was basically with the federal government, not with the cooperatives. The investor-owned utilities even supported the Rural Electrification Act of 1936 in order to help finance service to customers in rural areas – 'The Committee of 100,' we were called. We fully expected to be able to get loans to do that. The door was slammed in our faces. The Rural Electrification Administration decided its duty was to 'protect' the cooperatives and give them preference. So they actually sent people into the field and set up cooperatives rather than let us use that low-cost money to serve rural areas at regulated rates. Also, you must understand that the reason we could not serve rural areas at the same rates as the incorporated areas was not just because of low density. We were regulated, and our rates had to reflect the cost of service, which of course was higher in those areas. We could not build three miles of line to serve one customer without insisting on a contribution toward the cost of construction. It wasn't unwillingness but inability. Remember, we supported the REA

Fay Martz, 1970s

'We know you can't use all that hydro ... we need to put it on peak, ... we'll preserve your damn preference, and you'll be able to recapture the federal power when you can use it on a realistic and economic basis.'

Art Doyle

concept so that we might get low-cost money to serve those areas."

Doyle went on to further explain the willingness of the private companies to participate – at the time Associated was created – in some new solution to the needs of rural Missouri: "Our concern now was that the federal government, through the Department of Interior, would lease lines built by the cooperatives and thus have the ability to serve firm loads such as small municipals in our area, then urge these customers to not renew our franchises but to become public systems, buy our distribution lines, take this cheap subsidized federal power and thus destroy our service territories." The IOUs saw in Associated a win-win escape from that danger.

Art Doyle, 1980s

So serious was the concern from the IOU point of view that KCP&L offered to enter into a three-party contract with Associated and SWPA to itself supply the cooperatives in ways consistent with preference laws. Those laws allow IOUs to purchase federal hydropower at any time the available supply might be excess to needs of the public bodies. Doyle recalled that KCP&L and 14 other IOUs had been through a series of negotiations with SWPA in the early '50s, dealing with the concept of integrating the federal hydropower on the region's peak loads. "At that time," Doyle said, "we were talking about all the dams in the SWPA watershed. So, by the time Associated was being formed, there was really nothing new to the concept of integrating the SWPA hydro on peak. Then when SWPA made the allocation of 540 MW to Missouri, alone, we – meaning KCP&L – were able to sit down with Fay Martz and some of the other principals and talk about a lesser integration plan involving just the Missouri cooperatives and the three western Missouri companies. And that's exactly what we did. We said, 'We know you can't use all that hydro; it's valueless to you except as energy; we need to put it on peak, and we can do that because we are the operators of the peak pool. We'll take it and we'll preserve your damn preference, and you'll be able to recapture the federal power when you can use it on a realistic and economic basis.' Mo-Pub said they'd go along with us on such a contract, and Empire did too. But the two Kansas companies (Kansas Power & Light and Kansas Gas & Electric) said, 'No, we'll stay in the background.'

Mike Boudreaux, 1975

That did not mean they would not take part of the SWPA hydro off our hands. In other words, even though they had no intention of being on the contracts, we were able to put some of this hydro on their peak to get an areawide peak. From that time on, we just went forward with developing the contractual relationships to implement this concept."

Under the KCP&L plan, the Bull Shoals and Table Rock federal hydropower would have flowed to the company which was to schedule it on the region's peak load, meanwhile combining some of the hydropower with a mix of its own thermal power sufficient to supply the full requirements of Associated. The cooperative leaders preferred going the other way around the triangle. They wanted all the SWPA power to go to Associated, with Associated giving the IOUs the excess in exchange for base-load power. Andereck and his boss, Pickett, saw the issue as being whether the companies or the cooperatives would control the SWPA power. Doyle and his client, Porter, said it really didn't make any difference; the result would be the same.

The very day Andereck was racing to the secretary of state's office, KCP&L's Porter and Doyle were meeting in Kansas City with Martz and other cooperative leaders of Missouri to resolve that question. At the Capitol,

Andereck found a reluctant secretary of state, who was concerned about the absence of a specific authorizing law. "I'm going to stand here until you issue our charter," Andereck said, successfully arguing that if somebody wanted to challenge the charter in court, that would be one thing, but the secretary of state did not have the right to decide on the legality of the G&T application. Meanwhile, at the KCP&L headquarters across from the President Hotel in Kansas City, the negotiators were nailing down the deal that on paper would route the SWPA power to Associated and thence to the IOUs.

Looking back in 1995, Neil Adams says flatly, "The companies did not have to do this. If the companies had not been willing to work with us, to be supportive, there would not have been any Associated."

With the charter now in hand, the Missouri cooperatives had their Associated. And a year later, on March 28, 1962, all the draft contracts were in fact signed, and KCP&L and the other two western Missouri IOUs became recipients of Bull Shoals and Table Rock generation excess to Associated's needs, with KCP&L doing the scheduling.

Simultaneous with, but separate from the contract negotiations involving Associated, KCP&L and the other two western Missouri companies were negotiating with the two Kansas companies to form the Mo-Kan Power Pool. Although Associated never chose to be a member, the pool maximized integration of those five systems and Associated, providing backup for greater reliability while reducing the requirements of each for its own reserves. Even though the Mo-Kan Pool contracts were signed March 28, 1962, the same day as the Associated contracts, the western Missouri companies needed to build additional transmission lines before the pool became fully operational and fully integrated with Associated in mid-1965.

"It's one thing to talk about philosophy – public power vs. private power – but it's the dollars that count."

Gene Andereck

Between early 1962 and 1965, KCP&L took all the excess Bull Shoals and Table Rock hydropower capacity it could handle alone – about 75 MW. In 1965, with complete integration of the pool with Associated, the IOUs started taking all 298 MW surplus to preference customer needs at that time from the 540-MW Missouri allocation. The IOU "take" declined steadily as the cooperatives' needs grew and Associated exercised its recapture rights. Twenty years later, Associated was using all 478 MW that it had been allocated from the start.

On all sides of the many conference tables, participants viewed the results of the Associated negotiations as a win-win situation. Andereck summed it up: "It's one thing to talk about philosophy – public power vs. private power – but it's the dollars that count. The IOUs wouldn't have done this if there hadn't been something in it for their customers. The cooperatives wouldn't have sat still for it if there hadn't been benefits that made their leaders swallow their pride or anger or whatever. And that's why you could sit down opposite an Art Doyle, or him opposite an old-line cooperative guy, and say, 'I don't give a damn whether you like me or not; I don't care whether you like my organization or our philosophy or not; this is going to make $100 for you and $100 for us, or maybe just $100 for one of us and $150 for the other, and the only question is, do you want that or nothing?' When the other guy finally says, 'What the hell, OK,' you go out and have a drink together. That's what you do when you negotiate – I don't care whether you're buying a house, a cow or a kilowatt."

Some Definitions

The terms **"base load"** and **"peak load"** relate to the varying levels of total use of electricity at different times of the day and different seasons of the year. The level below which total demand never dips is called base load. Usage above that minimum is called peak load. Peak load can and does vary from minute to minute. The highest momentary demand during a day is recorded as the **"instantaneous peak"**; records also are kept of the hourly peaks. Peaks on several systems add up to regional peaks.

The term **"capacity"** refers to the size of a generating plant, measured in kilowatts, while the term **"energy"** refers to the actual output of the generators, measured in kilowatt-hours (kWh). There are 8,760 hours in a year. With enough fuel, a power plant can produce 8,760 kWh per year for each kilowatt of capacity. Thermal power plants commonly are operated closer to that level than hydropower stations, which are limited by the amount of water available in the river feeding their generators. Since rivers do not flow evenly over the course of the year, enough generator capacity typically is built into a dam to make use of the maximum flow whenever it occurs and the water storage capability of the reservoir behind the dam as well. At other times, some of the generators stand idle. In the reservoir system from which SWPA markets hydropower and energy, it is much more valuable to use the generation on peak. At times, there is abundant rainfall and the streams flowing into the reservoirs permit production of a lot of energy. However, during periods of low stream flow, energy is available only part of the time. At Bull Shoals and Table Rock, this may amount to only 1,200 hours per year.

New Madrid Power Plant

Each electric utility must be able to deliver to customers the exact amount they require at any given moment. Since electricity cannot be stored – at least not at today's level of technology – it must be generated at the very moment it is needed, whether for base load, highest peak or any level between. Now. Not five minutes from now, but now! In Missouri this is done with a combination of hydropower and thermal power. Timely exchanges of power among several systems with different peaks also helps, as does spreading the available hydropower over the broadest possible base load.

"Hydroelectricity," because of its quick-start capability, is especially valuable for meeting peak loads. In a hydroelectric plant, power production is instantaneous, or nearly so. Water in the river behind the dam is dropped through tubes to spin turbine-generators at the base of the dam. Open the valves and, immediately, the generators respond. While this makes hydropower highly desirable and efficient for serving the ever-changing level of customer demand, it seldom can be used to supply base load. The total amount of stream flow, and especially variations in the level of stream flow, seldom allow hydrostations to be operated around-the-clock for base load. But a lot of hydropower can be produced reliably in short bursts on peak.

"Thermal plants," burning coal or oil or some other combustible fuel, can be operated around-the-clock for base load, and they run most efficiently in this mode. They also can be used to meet the ever-changing levels of customer demand, but usually not as economically as a mix of thermal power and hydropower. This is because they require from eight hours to 12 hours to heat up to boil the water to make the steam to spin the turbine-generators. Thus, only if they are operating at less than full capacity or if some are kept in a fully heated, "**spinning reserve**" status, can thermal power plants respond quickly to changes in peak demand. In most cases, the economics strongly favor a combination of thermal power for base load with hydropower for peaking.

Where conditions permit, storage dams can be built to hold back high stream flows and release the water at times of best possible use. Stream flow thus regulated can be used more effectively for peaking and, in some places, storage dams – or stream flow that is more constant than in the Southwest – even permit hydropower to supply a good amount of base load as well as peaking.

People often wonder why Associated located its Headquarters in Springfield when it operates power plants in north-central and southeast Missouri. Long before Associated built its first generating unit, it obtained power for its members from Southwestern Power Administration, which initially did all Associated's dispatching. The original Headquarters building, completed in 1964, is conveniently located next door to SWPA.

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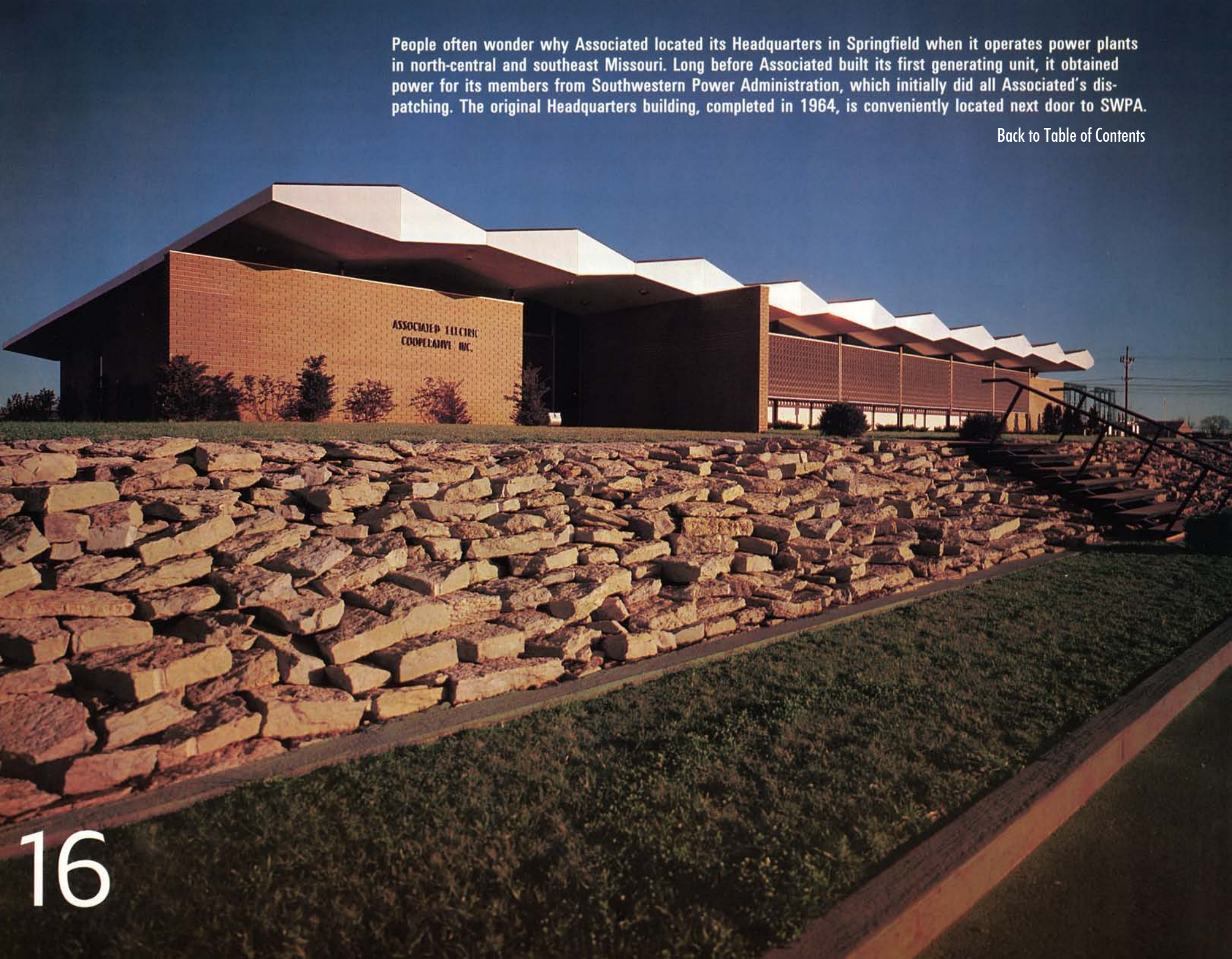
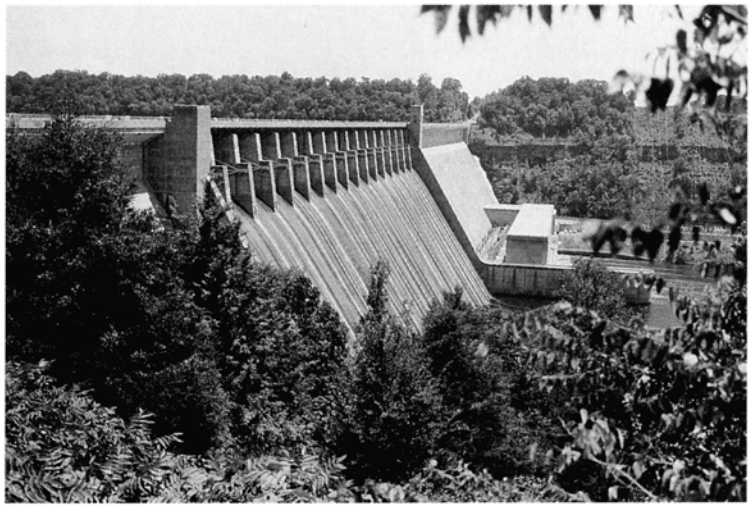


Window of Opportunity

Depending on who tells the story, the investor-owned utilities were either (1) panting to get their hands on some of the SWPA power, which is the way Andereck recollects; or (2) so eager to keep SWPA out of Missouri and Kansas they were willing to take all the federal hydropower available to Missouri and themselves use what was left over after blending some of it with enough of their own thermal power to supply the full requirements of the cooperatives, thus also providing a market for hydrocapacity SWPA could not at that time sell anywhere else, as KCP&L's Doyle remembers it; or (3) persuaded by SWPA to play the combination self interest-good guys role, as Neil Adams, first general manager for Associated and before that top SWPA negotiator, recalls. Whichever view is correct – and there seems to be ample evidence to support all three – everybody involved in the



Federal dams like Table Rock Dam south of Branson serve the primary purpose of flood control. Sales of hydropower generated by the dams, though, offset the cost of building and maintaining them and provide Missouri's rural electric cooperatives and municipal utilities an abundant source of low-cost electricity.

The Missouri cooperatives needed a better power supply. SWPA had been their primary supplier, but SWPA resources were primarily peaking, and the cooperatives needed their load served around-the-clock.

creation of Associated agrees that a momentary window of opportunity made Associated possible. In fact, most observers think that if it had not happened when it did, it might never have happened.

The Missouri cooperatives needed a better power supply. SWPA had been their primary supplier, but SWPA resources were primarily peaking, and the cooperatives needed their load served around-the-clock. SWPA needed a market for the big blocks of federal peaking hydropower coming on-line from the new Bull Shoals and Table Rock dams and more revenues to meet its repayment obligations to the U.S. Treasury. There was a crisis atmosphere among the cooperatives and at SWPA. REA officials in Washington feared that an SWPA that couldn't pay its bills might collapse and leave the cooperatives in a terrible spot.

John E. Buck, 1970

Meanwhile, the private companies were in a position to make good use of the peaking hydropower for which SWPA did not have other outlets. Further, the companies wanted to keep SWPA out of Missouri and, especially, out of Kansas where IOUs supplied much of the bulk power requirements of the municipals and cooperatives at rates attractive enough to keep SWPA from competing there. The situation in Kansas was quite different from in Missouri. Kansas had lots of cheap natural gas for boiler fuel, so its utilities could sell bulk power to the cooperatives at rates considerably lower than the Missouri utilities that had to burn coal to run their thermal plants. If there was going to be any change, the Kansas companies preferred an Associated to a federal presence in their region. All of these considerations made the time right. That and the win-win economics – something for everybody.

R.D. Pennewell, 1965

That still does not answer the question, who actually came up with the idea for Associated? Jim McNabb, Associated's director of engineering and operations, and its oldest employee in terms of seniority, says: "I've probably had 10 people tell me over the years that Associated was his idea and, you know, every single one of them was telling the truth. Art Doyle probably has as good a reason as Neil Adams or Fay Martz or Truman Green to think it was his idea. Every one of these people, when Associated was born, said, 'This is my baby – I had a lot to do with this.'"

Gene Andereck doesn't really quarrel with McNabb, but adds, "The short answer is that no single person did. The long answer is that Associated evolved out of a need that pragmatic cooperative farmer-members and managers and engineers, along with government officials, businessmen and lawyers, were compelled to fulfill."

Each group of players had its own perception of what kind of business vehicle was required. Cooperative grass-roots leaders such as John E. Buck and R.D. Pennewell thought that whatever corporate animal was created, it must be owned and controlled by cooperative member-owners. The cooperative engineers and operational people, such as Martz, Green and Boudreaux, insisted that the organization be lean and flexible, capable of moving swiftly to deal with the changes that were coming with such rapidity in the electric industry. Also, realizing that each of the six managers would have to give up much of his individual power for the sake of the greater good, all six nonetheless were concerned with keeping as much autonomy as possible. The key government officials, such as SWPA Administrator Doug Wright and REA Administrator David Hamil and his able assistant R.E.

Gene Andereck, 1963

"I've probably had 10 people tell me over the years that Associated was his idea and, you know, every single one of them was telling the truth."

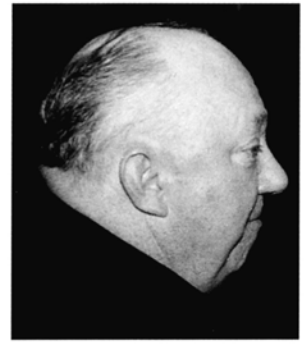
Jim McNabb

(Reggie) Cole, argued that the entity to be created must be able to carry out the mandate Congress had given to their agencies and ensure repayment of government loans. Warren Porter, the KCP&L vice president who spoke for the IOUs, thought that the private companies could administer the SWPA power-supply contracts for the cooperatives and supply all the power and energy they would ever need, but that, in any event, the private companies far preferred to contract and deal with one entity rather than six different G&Ts. And when the cooperative and company lawyers, and a host of government lawyers in Washington, D.C., – Henry Freedman, most notable among them – were given the job of preparing the legal documents that would meet all these interests and concerns, it was the vagaries of Missouri cooperative law and the terms of government loan documents that dictated the corporate and contractual structure of Associated (see Appendix B).

David Hamil, 1975

Wright, SWPA's first administrator, was a man used to getting his own way, and his marketing chief, Neil Adams, was the one who got it for him in most of the negotiations involving the creation of Associated. Adams was highly regarded in the Missouri power industry as a promoter without parallel, one who could make a deal with something in it for everybody. He later was chosen to be Associated's first general manager, and most observers agree that Associated never would have gotten off the ground but for Adams' early leadership. Martz, Green and Boudreaux were the big hitters among the G&T managers – Martz, from NW, whom many viewed as the strongest and smartest of the bunch; Green, from Central, quieter but smart, too, and forceful to the point some called him a bully; and Boudreaux, the flamboyant Alfred Hitchcock look-alike who fought unfairly as often as fairly for the little G&T, Northeast, that he headed. These three disagreed with one another as often as not, but things that at least two of them agreed upon usually got done. Jim McNabb, Associated's fifth employee, walked away from a career with Westinghouse in Pittsburgh at age 31 to come home to Missouri to serve as Associated's first chief engineer, a title he still held in 1995 along with that of operations chief. He is the mastermind behind AECI's superb transmission system. As the years passed and the tensions diminished and the spirit of cooperation grew, two new names took on prominence: Gerry Diddle and O.B. Clark. Diddle left a major REA post in 1973 to serve 18 years as general manager; he was the persuasive negotiator and healer. Clark tossed his college degree in banking into a pile with other souvenirs, turned rancher and became president of Associated in 1981 after being elected to the board in 1974; he set the tone for ever-more harmony within the board and in its outside dealings.

Jim McNabb, 1965



Mike Boudreaux, 1969

Porter, a scholarly looking man with an electrical engineering degree from Iowa State University, joined KCP&L in 1946, serving as vice president for rates and regulation until his retirement in 1957. But because he was so respected for his financial analysis ability – particularly when it came to valuing capacity and energy – he was persuaded to stay on as a consultant until the Associated contract negotiations had been completed.

All were powerful in their own right, but one tale tells it all in Doug Wright's case. It is a story told by John Davis, manager of Sho-Me G&T since 1975,

who at the time this occurred was an SWPA employee. The story involves Ken Holum, who was a leader of the cooperative movement in South Dakota when the Kennedy administration chose him to be assistant secretary for Water and Power, reporting to Secretary of the Interior Stewart Udall. It was a job Wright, himself, had wanted and, with strong political connections, almost got. Wright and the administrators of the other federal power-marketing administrations reported to Holum. Wright and Holum tangled often, but Wright did pretty much as he willed.

One morning a rumor traveled the SWPA halls in Tulsa that Wright had been fired. Then the rumor went away. Years later, Davis ran into Holum at a power meeting and asked him about it. "I don't mind telling you," Holum said to Davis, "that that guy Doug Wright gave me more trouble than the other four administrators combined." Wright, Holum said, wouldn't follow orders and sometimes wouldn't even take Holum's telephone calls or return them. Holum was frustrated, losing sleep lying awake nights puzzling what to do about Wright. One sleepless night Holum reached a decision and could hardly wait to tell his wife over breakfast, "I know what I've got to do – I've got to get rid of that so-and-so, and I'm going to do it today."

Holum, with great resolve, hurried to his office early, got Wright on the phone and thundered, "You're fired!" He ordered Wright to clear out his desk and be out of his office before 8 o'clock that morning. Holum told Davis that as he hung up the phone he could not remember ever having felt more at peace with himself. He put his feet on his desk and lighted a cigar. A short time later, Holum's phone rang. A familiar voice with a southern drawl spoke: "Mr. Holum, Ah understand you've been having some differences with mah old friend Doug Wright. Ah just wanted to let you know that Ah would consider it a deep personal favor if you would reconsider your order." The voice belonged to Lyndon Johnson. "What could I do?" Holum shrugged.

Doug Wright

'Doug, I think you're trying to swap a rabbit for a horse, and you've got no rabbit to start with.'

Art Doyle quoting Warren Porter

How did Wright get friends of that caliber? Although he graduated with an engineering degree from the Naval Academy in 1932 and had the features, the build and the bearing to model for a "Future Admiral" poster, he eschewed a naval career for one in the power business. During World War II he was hired to run Pensacola Dam for defense production. The dam had been started by the State of Oklahoma's Grand River Dam Authority (GRDA) but taken over and completed by the federal government. "The government ordered me to capture the dam," Wright once laughed, "so I captured it." That assignment brought him to the attention of two young congressmen named Lyndon Johnson and Sam Rayburn and others who would be future friends and powerful allies. When SWPA was established – created in 1943 by administrative order of Secretary of the Interior Harold L. Ickes as a war measure, and a year later given statutory standing by the Flood Control Act of 1944 – Wright was named administrator. He was only 34. But it is unlikely any federal power-marketing appointee ever packed more power on takeoff. And, indeed, Missouri cooperatives were fortunate to have a Doug Wright in their corner. For it required a combination of engineering and political skills such as his to succeed in making federal hydropower a vital part of the power-supply mix of the Missouri cooperatives. The technical problems were troublesome enough. Then there was the early-on, determined opposition from the IOUs.

Art Doyle still remembers well what it was like to negotiate with Doug Wright. "I recall one meeting with Doug which I attended as outside counsel along with (KCP&L vice president) Warren Porter. Doug, in his usual animated style, was proposing something rather outrageous. Warren listened attentively and, in his quiet way, when Doug finished, said: 'Doug, I think you're trying to swap a rabbit for a horse, and you've got no rabbit to start with.'"

Doyle remembers that people on the private power side of the street began openly to refer to Wright as a "sumbitch." First it was "Wright, that sumbitch," Doyle chuckled, then it became one word, that "sumbitchWright." During a break

in one session with Wright, Doyle recalls that Ham Moses, CEO of Arkansas Power & Light, a soft-spoken, white-haired, older man who once ran for governor of Arkansas, heard someone refer to Wright in the usual fashion. Moses stood up and started parading up and down the room in an agitated manner and said, "Gentlemen, I want you to know, I knew Doug Wright's father, and he was a fine church-going, Bible-reading man – one of the finest men I ever knew. And I knew Doug Wright's mother, and she was a lovely, lovely charming woman." The younger members of the assemblage braced for a chastisement as Moses went on: "I want you to know that Doug Wright is a sumbitch, but he's a self-made sumbitch!"

A word about SWPA and the federal power program: Missouri is one of just six states that make up the SWPA service territory. The others are Oklahoma, Kansas, Texas, Louisiana and Arkansas. SWPA is one of five federal power-marketing agencies (PMAs), each with a well-defined marketing area. The other four are Southeastern Power Administration, operating in 10 states east of Mississippi and generally south of the Ohio; Western Area Power Administration, which serves 15 states from North Dakota to California; Bonneville Power Administration (BPA), which serves mainly Washington, Oregon, Idaho and western Montana; and Alaska Power Administration, the smallest and youngest. Unlike TVA, the sixth federal power agency, these five agencies do not build thermal power plants, nor do they have formal responsibilities for regional development. Their job is to build the transmission lines and sell the hydropower produced at multipurpose dams built in their geographical service areas by either the U.S. Army Corps of Engineers or the Bureau of Reclamation.

Federal dams are built for the primary purpose of flood control, navigation or irrigation, or some combination. Because the dams are expensive, and because so many of the sites are suitable for power production, Congress in 1906 began authorizing the installation of generators in federal dams built primarily for other purposes. As it turned out, power sales have always paid the lion's share of the cost of the federal dams. And because public monies paid the original cost of construction, public bodies and nonprofit cooperatives get first call on the power.

ACME Photo

Sam Rayburn, 1949

Wright wanted more than just federal lines to market power from Norfork and Denison and the additional federal dams that were coming rapidly under the sponsorship of powerful congressional leaders such as House Speaker Sam Rayburn ... what he wanted was a little TVA.

In the beginning, there was no SWPA power available for Missouri cooperatives and little for preference customers anywhere else. By 1944, when Wright was still new on the SWPA job, only two of the 23 dams from which SWPA markets power had been completed, and their output was small. They were Denison, which Sam Rayburn, the real father of SWPA, in modesty declined to have named for him, and Norfork. Denison is near the Texas town of that name; Norfork is in northern Arkansas. Each had just two generators totaling 80,000-kW and 70,000-kW respectively. There were no federal transmission lines to deliver the power to the preference customers in SWPA's six-state service territory, and the private companies successfully opposed federal lines. Congress denied SWPA funds to build lines and thermal plants except as specifically and individually authorized.

Still, there was that mandate given all the power marketing agencies to deliver low-cost federal hydropower to public preference customers – cooperatives and municipals. The persuasive and imaginative Wright worked out one deal using private lines to deliver Denison hydropower to Texas preference customers. He sold all of the capacity from one of the Denison units to Texas Power & Light in exchange for the right to deliver power and energy off the company's lines at any point needed to serve preference customers. He negotiated another deal called an Oklahoma companies' contract with two Oklahoma IOUs for delivering power from the second Denison unit to preference customers in Oklahoma. These arrangements were the forerunners to what eventually happened in Missouri after the entire 540-MW output of 2 of the 23 dams, Bull Shoals and Table Rock, was delivered to Missouri preference customers.

One should understand, first, that Wright wanted more than just federal lines to market power from Norfork and Denison and the additional federal dams that were coming

rapidly under the sponsorship of powerful congressional leaders such as House Speaker Sam Rayburn, Sen. George Norris of Nebraska, and Congressman Clyde Ellis (later head of the National Rural Electric Cooperative Association). Wright wanted federal thermal plants as well; he wanted them in order to produce base-load power to integrate with the federal hydropower which, by itself, could produce very little firm power. Firm power is that which consumers can count on in the amounts needed *when* needed (again, see "Some Definitions" on page 15).

In short, Wright wanted a little TVA for the Southwest. In 1946 he wrote a comprehensive plan for the region calling for federal lines and federal thermal plants. That was anathema to the private power companies. And for all Wright's clout in Congress, the IOUs had theirs too. They stopped him in Congress – where money for federal transmission lines into Missouri was voted down repeatedly, as were funds for federal thermal plants (although Congress did provide funds for SWPA transmission lines in other parts of the SWPA service territory). Congress kept saying OK to federal hydropower, which had greater value for peaking power than for energy, and which was salable basically only to utilities – "preference" or not – that had base-load thermal power plants. But Congress kept saying no to government-owned thermal plants that would have given the federal power-marketing agencies their own energy supply to combine with federal peaking hydropower and which would have enabled SWPA and the others to sell firm power in competition with the investor-owned utilities.

Undaunted, Wright found another way to carry out much of his grand plan. His solution was to use the Missouri cooperatives' ability to borrow money from REA with SWPA backing, through lease arrangements, to do the very thing SWPA could not do directly. That is, SWPA persuaded some of the cooperatives to build transmission lines big enough to carry some of the SWPA hydroelectricity north and to expand their limited thermal capacity in order to provide energy with which to mix the federal peaking power. The lease arrangements gave the participating cooperatives credits on their SWPA power bills equivalent to the annual maintenance and debt service for the lines and thermal plants.

Associated would become the vehicle for pooling the cooperatives' resources and building the facilities required for greater use of the Bull Shoals and Table Rock hydropower by Missouri cooperatives.

But the G&T leases were only a temporary solution. The individual G&Ts simply did not have the financial strength to build the bigger thermal power plants and bigger transmission lines necessary to keep up with cooperative load growth, let alone make use of all the available SWPA hydropower. Then, as explained in Chapter 3, some twists and turns in policy led the Department of the Interior to restrict SWPA to its original purpose – the sale of peaking hydropower only. The line leases continued to be permitted but no more thermal power plant leases and no more firm power sales by SWPA. More than ever before, SWPA needed an entity such as Associated to do business with. And, more than ever before, SWPA needed the cooperation of the investor-owned utilities.

Associated would become the vehicle for pooling the cooperatives' resources and building the facilities required for greater use of the Bull Shoals and Table Rock hydropower by Missouri cooperatives. And until Associated could use all of the SWPA hydropower to which it was entitled, the investor-owned utilities would benefit from its availability and cheap price while at the same time adding to SWPA's revenues. Win-win.

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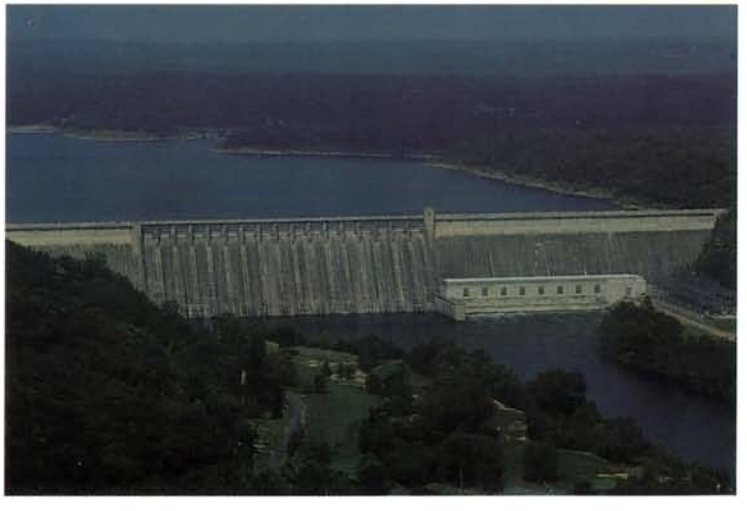
Have I Got a Deal for You!

The first Bull Shoals units totaling 160 MW were scheduled to be completed in 1952. There sat Wright in the late '40s with all that power soon to come on-line and no way to get it to preference customers. There sat the Missouri G&Ts with need for some of it but with no transmission lines either. The G&Ts had only 69-kV subtransmission lines that enabled each to serve the handful of distribution cooperatives within its territory but which did not even tie the G&Ts one to another. Wright observed the seeming ease with which the G&Ts were able to borrow REA money and sent Adams on the road to sell the lease idea.

"Have we got a deal for you," Adams would tell the G&Ts. "You've got 40 distribution cooperatives that can use some of this power."



When Bull Shoals Dam comes on-line with 160 megawatts of capacity, it offers Missouri's generation and transmission cooperatives a great opportunity to obtain low-cost electricity for their members. The challenge is getting it from Arkansas into Missouri because the G&Ts have only 69-kV subtransmission lines. Availing themselves of REA loans, Central and NW are the first to build the needed 161-kV lines.

(Note: a 41st distribution cooperative in Missouri, Citizens' Electric Corp. in Ste. Genevieve, is served by Union Electric Co., and three Iowa cooperatives signed up with Northeast in the mid-'70s, bringing to 43 the total that get their juice from Associated by way of the six G&Ts.) "We can't get any money from Congress to build transmission lines to deliver the power to you," Adams would continue, "but you seem to be able to get all the money you want from REA for any purpose. Why don't you borrow the money to build the lines to the dams, and while you're at it, why not build some more thermal power plants? Then you can get more of our hydro to mix with your thermal power, and you'll have more firm power."

Adams and Wright realized that for the relatively small amount of SWPA hydropower the G&Ts could make use of then, they really could not justify building transmission lines big enough to carry all the Bull Shoals power into Missouri. So Adams made this further offer: build transmission lines big enough to serve some municipals and others in Missouri – and provide the necessary subtransmission – and SWPA would lease all the facilities of the participating G&Ts, giving billing credits equivalent to the costs of maintenance and debt service. Once the lines were fully amortized, SWPA proposed to buy them from the G&Ts for the nominal sum of $1.

Central and NW, the two G&Ts with enough thermal power base-load capacity to make it feasible, leaped at the opportunity to build transmission lines. Trying to forestall this development, KCP&L offered NW to supply all its needs on a long-term contract at 8 mills per kilowatt-hour. NW's Fay Martz and his board declined and instead built a 161-kV line from Bull Shoals to Table Rock to its Missouri City thermal power plant while Central built a 161-kV line from Bull Shoals to its Chamois thermal power plant. Central added capacity to its Chamois plant and NW to its Missouri City plant. Central and NW bought power at SWPA's standard rates, but SWPA received very little net revenue after giving the two G&Ts the agreed-upon credits. Credits for the 161-kV lines were called "primary credits,"

NW's Missouri City Power Plant

Central and NW, the two G&Ts with enough thermal power base-load capacity to make it feasible, leaped at the opportunity to build transmission lines.

referring to the size of the lines. Similarly, credits for the smaller (69-kV) REA-financed lines and substations were called "secondary credits."

Congress, which would not appropriate funds for SWPA to build its own lines into Missouri, did not exercise its right to disapprove the lease arrangement. "Foul," cried the IOUs, arguing in a court challenge that this was just a way of getting around congressional refusal to provide money for federal lines. A long court battle ended with victory for SWPA and the G&Ts when the court eventually ruled on a technicality that the private power plaintiffs did not have standing to sue.

That still left SWPA with the need for increased revenue. Sales over the Missouri lines were sufficient to pay debt service on the G&T facilities but fell far short of the additional sums required to make full annual payments for the cost of the dams. The 1952 election brought a new national administration headed by Dwight D. Eisenhower. With it came a quite different attitude about public and private ownership of power facilities and a stronger insistence that SWPA do better with its payments to the U.S. Treasury. The real solution would not come until Associated was in full operation. As an interim solution, SWPA proposed a rate hike, opposed vigorously by the cooperatives.

SWPA had set its original rate in competition with thermal energy that could be generated with gas at 11 cents per million British thermal unit (Btu), compared with $3 per million Btu in 1995. The SWPA rate was 5.4 mills per kWh (slightly more than half a cent) for capacity and energy. The proposed rate increase would have raised the rate to 7.5 mills per kWh.

Meanwhile, as a result of the 1952 elections, Congressman Ben Jensen, R-Iowa, took over from Clarence Cannon as chairman of the House Appropriations Committee. Jensen never had liked the SWPA lease arrangement. He used his new power to cut off, by the simple means of language in a committee report, the revolving fund of $300,000 that

SWPA had been using to make lease payments. That left Doug Wright and the G&Ts in a terrible pickle. Wright could no longer make the lease payments. And no longer were the cooperatives to receive SWPA power delivered in Missouri at the low, low SWPA rate further reduced by the credits. The cooperatives now had to operate their own lines and buy their preference power at the SWPA end of the lines – that is, at the dams. And, making it hurt more, SWPA was now proposing to raise its rates.

"We got mad and went to Senator (Robert) Kerr, the Oklahoma Democrat," Truman Green recounts. Kerr held hearings that led to Wright's withdrawing the proposed rate increase. "He restudied the thing and just extended the payout period." Next, Green said his G&T (Central) and Martz's NW G&T went to court and won their suit, contending the SWPA revolving fund could not be terminated by a mere committee report. Meanwhile, the next election restored the Democrats to control of the House and the committee chairmanships. "Clarence Cannon simply reversed Ben Jensen's committee report and Doug was back in business – with one major exception," Green remembered. "Jensen had not only cut off funds that Cannon restored, but he had prohibited SWPA from operating any of these facilities. Frankly, we liked that. We had staffed up and were doing a pretty good job."

When Jensen cut off the SWPA money, Green and Martz formed what they called "The Agency," a forerunner of sorts to Associated. "We had the lines to bring in the hydro, and we had our little thermal power plants (Chamois and Missouri City) to firm it up. Fay and I would deliver firm power to all the distribution points, and at the end of the month we'd just divvy up the costs." The Agency lasted a year, more or less. "After that," Green said, "each of the G&Ts had its own arrangement with SWPA again." Those were the contracts put to sleep when Associated commenced operations.

Wright had been kept on as administrator but with a new assistant administrator and policy chief named Slew Hewitt. Hewitt told Adams, still the marketing chief: "We've got to get rid of those G&T contracts – we're just losing too much money." Adams developed his concept for the organization that became Associated – a single entity to deal with SWPA. Adams figured that a new organization would enable Missouri cooperatives to make effective and greater use of SWPA hydropower, and in exchange for an assured future power supply, the G&Ts would gladly give up their individual SWPA contracts. But Adams also concluded that to really improve revenues, SWPA had to get the power companies involved, especially those in Missouri.

SWPA Springfield substation

A new organization would enable Missouri cooperatives to make effective and greater use of SWPA hydropower, and in exchange for an assured future power supply, the G&Ts would gladly give up their individual SWPA contracts.

Hewitt said, "Do it." Adams replied, "Doug isn't going to be very happy about this." Hewitt said, "Well, Doug may be going to take a trip." Sure enough, a few days later Wright received a telephone call from the Department of the Interior in Washington, D.C., asking him to visit the Bonneville Power Administration (BPA) in Oregon and report on its operations.

Adams and Hewitt jumped into a car and drove from SWPA headquarters in Tulsa to Jefferson City to meet with the G&T managers. Adams took out of his pocket a legal-sized envelope on the back of which he had written his plan for an Associated-type organization. The managers liked the idea of having their own joint-operating agency, building their own power plants and, in effect, taking over the SWPA operations in Missouri. At the time, each G&T had its own separate contract with SWPA. Although they did not know it until later, some had a better deal than others.

Martz, Green and Boudreaux, along with Charlie Boulson of Sho-Me, Jimmy Owen of M&A and Rex Dewey of KAMO, already had been talking about a pooling arrangement of some type. Green said, "Any time two G&T managers got together, the first thing that came up was future power supply. A lot of this was probably developed in a car riding down a highway." Boulson said the major problem confronting them was how to increase their limited, coal-fired thermal generation and integrate it with the available

SWPA hydrogeneration. Now, here was their chance to grab more SWPA hydropower and, with their combined borrowing power, build more of their own base-load plants – not only that, but to be able to build thermal plants large enough to achieve the "economies of scale" that go with size. The managers concluded that Adams was on the right track and agreed to do some more work on the Adams plan.

"OK," Hewitt said to Adams, "you've got the G&Ts; now what are you going to do about the companies?"

Adams called on an old friend at Missouri Public Service Co., Carl Mason, who had been his supervisor when Adams worked briefly for that company before joining SWPA. Mason was now a Mo-Pub vice president. "Carl," Adams said, "you're making a helluva mistake not trying to get some of this SWPA hydro. I can put a deal together that will make you some money." Power companies, Adams thought to himself, are always interested in money. The resultant arrangement called for Mo-Pub to interconnect with SWPA at the Clinton substation and take surplus hydropower whenever available.

Doug Wright, back from Bonneville, was not put off by what had happened in his absence. He saw some virtue to the entire plan. One day he called Adams into his office: "I have here on the line the vice president of Kansas City Power and Light, and he wants to know what the hell is going on between SWPA and Missouri Public Service." Adams said he would be glad to go to Kansas City and tell him. KCP&L's Warren Porter liked what Adams had to say. And that was how the Missouri private power companies' part of the integrated operation got started, eventually being spelled out in the contracts signed in Springfield on March 28, 1962.

The G&Ts, even with the new Associated-to-be, wouldn't have the necessary thermal capacity for many years; nobody in the Southwest had that kind of generation except the IOUs.

Part of the government's plan was to put additional units into Bull Shoals Dam. That would have decreased the amount of firm power the dam could produce but would enable SWPA to collect substantial new capacity charges and perhaps come out whole if the project were to be marketed as peaking power. Adams explained, "If you're going to reduce the number of firm kilowatt-hours coming out of that plant, you've got to pick up those kilowatt-hours from coal-fired or other base-load plants (see "Some Definitions," page 15)." The G&Ts, even with the new Associated-to-be, wouldn't have the necessary thermal capacity for many years; nobody in the Southwest had that kind of generation except the IOUs.

Boulson remembers Fay Martz as being instrumental, along with Adams, in bringing the Missouri companies into the equation. Eventually, as noted earlier, KCP&L was able to bring the Kansas companies along "through the back door." But some arm-twisting from Doug Wright probably helped. "SWPA had never been successful making inroads into Kansas," Adams remembers. "Hell, if we had offered it to them free, they would have said no. I think they would have paid us to keep it out. But we really needed them to make this thing work, and eventually they saw that an integrated operation would be to their benefit too." After 1961, Adams explained, with a Democratic administration again in power, Wright could take a bargaining stance that helped the Kansas companies see their self-interest. "It's your choice," Wright told them. "Either work out your contracts with the Missouri companies (the Mo-Kan Pool) and come in with Associated, or we're going to build transmission and sell the rest of this power in Kansas ourselves."

To make it legal under the preference laws, of

course, there had to be pull-back provisions to assure Associated could have the hydropower when it needed it some years down the road. But the fact remains, in the interim nobody else could have used all that federal hydropower, and having a place to "lay it off" made the IOUs indispensable partners.

As for the G&Ts' part of the many-sided deal Adams and Wright were putting together, Associated was to take over not only the G&T contracts with SWPA, but financial responsibilities for operation of the G&T lines to the dams and for all the G&T-owned high-voltage facilities. Associated would be reimbursed the G&T line costs through a "primary credit" on its power purchases from SWPA. The primary credits were later renegotiated. As for the G&T debt totaling $4,160,000 for their investment in the smaller 69-kV transmission system, the G&Ts received "secondary credits" to pay it off.

Associated was to take over not only the G&T contracts with SWPA, but financial responsibilities for operation of the G&T lines to the dams and for all the G&T-owned high-voltage facilities.

But the amount and division of the credits among the G&Ts were not easily arrived at. The smallest and most remote of the G&Ts, Northeast – located in that geographical corner of the state, and totally outside the SWPA watershed – had no interconnections with SWPA and none with the other G&Ts that would entitle it to secondary credits. That threatened further rate disparity for a G&T already operating in the red – the only one in the red in Missouri. REA insisted that Northeast be given some secondary credits. Neil Adams and an REA representative met with all the G&T managers individually then called them together and laid out the numbers. Sho-Me, which, due to its status as a corporation rather than a cooperative (see Chapter 12), no longer had direct ties to SWPA that would have entitled it to secondary credits. Adams' computations provided credits for Sho-Me too. Story has it that the managers remained in a locked room for a long time before they agreed to Adams' formula. "The formula didn't take anything away from any of the G&Ts already entitled to secondary credits," Adams said, "it just added to the pot – but, of course, the added secondary payments had to be recovered from all six G&Ts through Associated's rates."

To say merely that the credits were controversial for many years would be understatement. The issue led to one of the longest and most bitter lawsuits in Associated's history – Associated on one side, the U.S. government on the other. The issue never did get resolved in the courts, instead being settled by a combination of legislation known as the "Eagleton Amendment" and hard-headed business negotiations among the parties.

Prior to 1962, when Associated took over the G&T contracts with SWPA, payments by SWPA for the use of the G&T lines went directly to the G&Ts. The G&Ts did not want to lose any of the benefits of their existing contracts with SWPA. While other parts of the draft contracts establishing Associated's role were changed before final Department of the Interior approval in July 1962, the provisions assuring the G&Ts the same financial benefits were retained. The benefits took the form of credits to Associated on its power purchases from SWPA. In its contracts with the G&Ts, Associated gave them credits, totaling $4.6 million, according to the formula worked out with Adams.

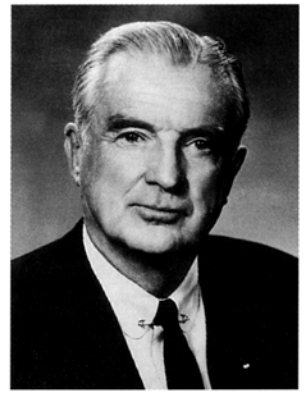
Some officials of the Department of the Interior and SWPA felt the credits far exceeded the value of services provided to SWPA by the cooperatives' transmission system. In 1965, the General Accounting Office (GAO) was critical of the credits for the same reason, and in 1967 the staff of the Federal Power Commission (FPC) filed a critical report with that

regulatory agency's chief. In 1970 a new SWPA administrator, Peter King, initiated, and the FPC approved, a transmission service charge that had the effect of increasing rates to Associated but nobody else. It was based on the theory that whenever SWPA found it necessary to use transmission lines other than its own to serve a customer, that customer should pay those wheeling charges rather than SWPA having to spread the costs among all customers through general rates. The transmission service charge was written in language that applied uniformly to all of SWPA's customers. But, of course, the credits were unique to the Missouri cooperatives, and the special charge in fact applied to no one but Associated. It was no coincidence either that the transmission charge exactly, or almost exactly, matched the amount of the credits each year.

Associated's chief engineer, Jim McNabb, observed dryly, "To honor its contracts with us, the government was giving us credits for agreed-upon services, then trying to take the credits away through a new transmission service charge."

Now the fur was flying. Associated refused to pay the new charge and filed suit in federal court against the Department of the Interior, SWPA and the FPC. Associated retained the noted attorney Northcutt (Mike) Ely, himself a former top Interior official. Ely won a summary judgment in Associated's favor. The court voided the disputed charge and enjoined SWPA from further efforts to collect it. But the victory was short-lived. Government lawyers appealed. In November 1974 the Court of Appeals of the District of Columbia reversed the lower court's order and approved the transmission charge in principle but sent the case back to the district court to settle a continuing dispute over the amount of the charge. The case dragged on and on. Pending final disposition, the court in August 1977 ordered Associated to pay half the then past-due amount and to pay current charges as they fell due.

Now Associated turned to its strong friends in the U.S. Senate, Stu Symington and Tom Eagleton (see Chapter 16). Eagleton became principal sponsor of legislation that said



Missouri State Archives

Sen. Stuart Symington

"To honor its contracts with us, the government was giving us credits for agreed-upon services, then trying to take the credits away through a new transmission service charge."

Jim McNabb

to SWPA, in effect, "you can't do that" – that is, SWPA could no longer make a distinction between charges for delivery of power over lines it owned and lines it did not own. The House of Representatives agreed but added a proviso that the law would not become effective until the parties negotiated a new contract. By now SWPA and the other federal power marketing agencies had been transferred from Interior to the Department of Energy (DOE).

Prodded by the House language, the parties found a way out of the legal quagmire. McNabb said, "You must understand this system was built by the government – they decided what would be built and when, and the cooperatives did it for them. You couldn't unscramble this omelet. You couldn't say Associated did not provide services to SWPA or that SWPA did not supply services to Associated – we were just too interwoven. I guess the credit thing was bad business, but it is what we had to deal with."

McNabb went on: "Lo and behold, when sensible people got in charge at DOE – and by 'sensible' people I mean Dr. Dan Ogden in particular – we were able to negotiate a new contract (effective in May 1981). It is vastly different. It contains no credits but provides a reasonable way for the cooperatives to be compensated without paying the transmission charge. We solved some flexibility issues and cleaned up some nasty things. When the negotiations were over, the new contract gave SWPA the services it needed, and Associated was better off than before and there were no credits."

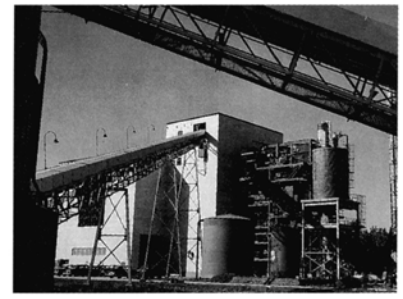
Dan Ogden, in 1978 the newly appointed director of DOE's Office of Power Marketing Coordination, said, "My job was to be a peacemaker. Dick Pelz (a DOE lawyer who had been especially troubled by the credits arrangement) was a lot of help. My impression, very strong, was that the SWPA people were more than ready to come up with a new deal, the Associated people realized there needed to be a new deal, and after the way this had dragged on there was a readiness on everybody's part to bring about peace."

Ogden concluded: "I guess the best way to say what happened is that this was a case of two wrongs finally being made into one right."

By the fall of 1960, as noted, Associated had not yet been incorporated or chartered, but its principals were engaged in multiple negotiations that had produced draft contracts between the would-be Associated and SWPA, between the would-be Associated and the companies, between the companies and SWPA and between the would-be Associated and each of the G&Ts. Andereck tips his hat to Henry Freedman, Lou Gorin, Bill Wise and other government lawyers assigned by the Office of General Counsel to the Agriculture Department and, in turn, to REA. "They had everything to do with these contracts. Under our mortgages, there was no way this thing was going to go unless we had the consent of the government. So you'd pick up the phone and say, 'Hey, with a provision like this, are you guys going to approve, because if you're not, we're not going to fool with it.'"

The contracts between Associated and the G&Ts were in the form of coordination agreements that Andereck calls "the glue that holds Associated together." The agreements did not terminate the G&T contracts with SWPA but merely "put them to sleep." If Associated were to have gone under, the old G&T-SWPA contracts would automatically have been brought back to life.

By these agreements between and among the six G&Ts and Associated, the G&Ts "brought all their assets to table." They turned over use of all their 161-kV lines and small thermal power plants to Associated but retained ownership. Associated in turn agreed to pay full maintenance and debt service on these facilities and accepted responsibility for providing the full requirements of the G&Ts and their member cooperatives through the year 2040. In this unusual arrangement, the G&Ts continued to own the power facilities they had already built or might build in the future but were not allowed to operate them, while Associated got the full and exclusive use of facilities it did not own.



Central's Chamois Power Plant, 1950s

The contracts between Associated and the G&Ts were in the form of coordination agreements that Andereck calls "the glue that holds Associated together."

Associated was allowed to use these facilities not just to serve the member systems, but for other business opportunities. For example, Associated had the right to buy power from or sell to any of the IOUs.

Gerry Diddle suggests the end result is that "we are not that much different from any power company that has generation people, transmission people and distribution people, except that we do it as three tiers of separate but closely tied entities. We're all part of the same family."

From time to time, Andereck reports, somebody suggests that the coordination agreements be changed in some way. "Don't do it," Andereck tells them, "not any more than you would call another constitutional convention to rewrite our nation's basic document. You might get more than you bargained for." Except for some minor technical changes, the original agreements remain intact.

There remained two hurdles. First, Associated had to be made more than a phantom. That issue was resolved by Andereck's dash to the secretary of state's office Feb. 8, 1961. Second, the draft contracts had to be approved by the REA and the Department of the Interior. There was no problem at REA, whose lawyers had been deeply involved in the drafting. But at Interior, Ken Holum, the new assistant secretary for Water and Power, had his heels dug in. He especially did not like those parts of the draft contracts which he felt gave the private companies more than necessary.

To overcome Holum's objections, and consistent with the public power philosophy of the Kennedy administration, Adams spent days and weeks and months modifying the contracts "to take the elephant off and put the donkey on." To be more specific, that meant adding amounts of SWPA hydropower earmarked for the municipals and strengthening the pull-back provisions governing sales of SWPA hydroelectricity to the IOUs.

Now let's see if you're all men enough to get the job done.

Holum remained reluctant to approve the contracts, even as modified, for the longest time. Nobody, not even Holum in 1995, seems certain as to what held up final approval so long, although Holum thinks it may have been differences between the cooperatives and the municipals that were slow getting resolved. Adams recalls that as the months of 1961 slipped by without Holum's approval, Wright made trip after trip to Washington. "He would camp outside the assistant secretary's door for days at a time," Adams recounted. "Holum would brush by without so much as a nod." One day in March 1962, from his SWPA headquarters in Tulsa, Wright sent a telegram to Holum. It said in words to the effect, "I have hereby approved the Associated contracts, and if I do not hear differently from you I assume that you have too." Holum did not respond. Holum in 1995 said he did not remember the telegram but that "Wright was the kind of guy who would try something like that, even if he couldn't get away with it." Nevertheless, on March 28, 1962, Wright assembled all the Missouri parties at the Holiday Inn in Springfield. Adams passed the contracts around the room for literally hundreds of signatures. It would be another four months before the necessary departmental approval came on July 25, 1962. At last, on Aug. 1, 1962, Associated opened for business.

After the March 28 signing ceremony, Art Doyle was entrusted with custody of the contracts, to hold them in escrow until that elusive Department of the Interior approval would make them operative. Doyle and a colleague, Bill McCarthy, who had taken Warren Porter's position at KCP&L, loaded the documents into a car and headed toward Kansas City with McCarthy at the wheel. "Bill had a heavy foot," Doyle recollected. "Suddenly, at the crest of a hill, a car in the wrong lane headed straight at us. There was no time to brake. Bill swung his car off the road surface, onto the shoulder, down into a ditch and back up onto the road. I was shaking. Neither of us said a word for the longest time. Then Bill spoke up, 'You know, if anything had happened to those papers, Mr. Olson (CEO of KCP&L at the time) would have killed us.'"

Doyle, Andereck, Adams and others also remember that as the March 28 signing party broke up, Doug Wright stood up and said: "In my judgment, this is a good arrangement for all the parties – the federal government, the cooperatives, the companies. Associated will be taking over responsibility for the power supply for the rural electric cooperatives in Missouri. You private companies have your contracts. Now let's see if you're all men enough to get the job done."

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STATE OF MISSOURI

Certificate of Incorporation

WHEREAS, An association organized under the name of

ASSOCIATED ELECTRIC COOPERATIVE, INC.

has filed in the office of the Secretary of State Articles of Association or Agreement in writing, as provided by law, and has in all respects complied with the requirements of law governing the formation of Rural Electric Co-operative Associations for

RURAL ELECTRIC CO-OPERATIVE PURPOSES:

NOW, THEREFORE, I, WARREN E. HEARNES, Secretary of State of the State of Missouri, in virtue and by authority of law, do hereby certify that said association has, on the date hereof, become a body corporate, duly organized under the name of

ASSOCIATED ELECTRIC COOPERATIVE, INC.

located at Springfield, Missouri and is entitled to all the rights and privileges granted to Rural Electric Co-operative Associations under the laws of this State for a term of

years.

IN TESTIMONY WHEREOF, I hereunto set my hand and affix the GREAT SEAL of the State of Missouri. Done at the City of Jefferson, this

14th day of February A. D., Nineteen Hundred and Sixty-one

Warren E. Hearnes
SECRETARY OF STATE

Austin Hill
CHIEF CLERK

Filed for record this 14 day of Feb 1961
at 8:40 A.M. J. E. "TED" SIMS MILLER, Recorder

THE 1960S IN PHOTOGRAPHS

The 1960s was a decade of birth, establishment and growth for Associated as it strove to meet the need for which it was created.

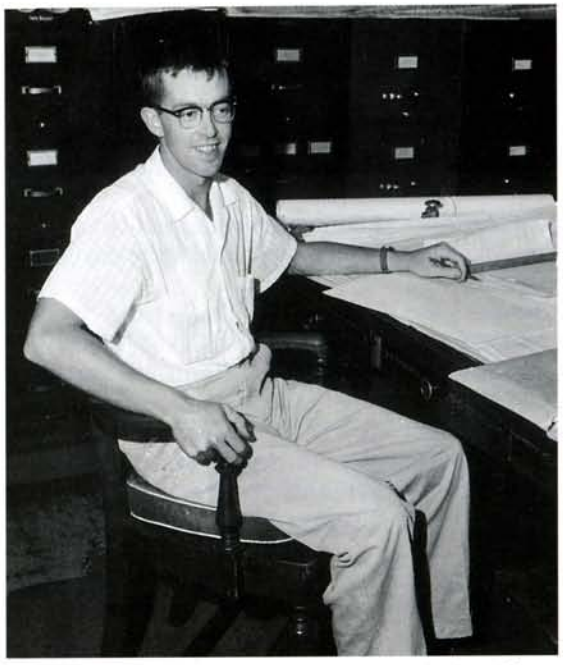
It obtained success early. In 1964, Associated President John Buck said Associated's first full year of operation "shows that through Associated the rural electric cooperatives of Missouri now have an abundant supply of low-cost wholesale electricity. In 1961, not so long ago, this was not true."

Associated continued that trend, and the 1960s was marked by construction and cooperation. The following photographs show the changes, events and people of that time.

The following statistics also provide a glimpse of the growth.

- Associated began operations with five employees in 1962, adding more employees as Thomas Hill Power Plant came on-line. There were 48 employees in 1966, 102 in 1970.
- To plan for an adequate supply of electricity for future needs, extensive engineering and economic studies were carried out with the six G&T members. REA loans obtained for a five-year power system expansion program approached $50 million, with $30 million designated to build Thomas Hill Power Plant.
- Total assets jumped from $949,240 in 1963 to $25.9 million in 1966 when the Thomas Hill Power Plant went on-line. Assets totaled $63.7 million in 1969 with the addition of Thomas Hill Unit 2.
- Annual peak demand grew from 322,631 kilowatts in 1963 to 523,000 kilowatts in 1969, when an all-time record was set. A total delivery of 2,535,508,457 kilowatt-hours for the year also set a new record. The bulk of this power was generated at Thomas Hill.
- Investment in facilities (original cost) began at $100,755 in 1963 and grew to $60,435,345 in 1969. Along with that, long-term debt increased from $24,896 in 1963 to $57,657,755 in 1969.
- Associated's generating capacity began in 1967 at 180,000 kW when Thomas Hill came on-line. In 1969, capacity increased to 470,000 kW.
- The cost to customers went down each year in the 1960s, starting at 7.48 mills per kWh in 1963 and ending at 6.15 mills per kWh in 1969.
- The kilowatt-hours of energy sold increased 56 percent from 1964 to 1968. Kilowatt-hour sales grew from 1,186,019,780 in 1963 to 3,058,820,457 in 1969.
- Construction of 286 miles of 161-kV transmission lines by Associated's member G&Ts got under way during 1969. In 1970 Associated owned about 724 miles of transmission line. About 568 miles were already in service in 1962.

The 1960s



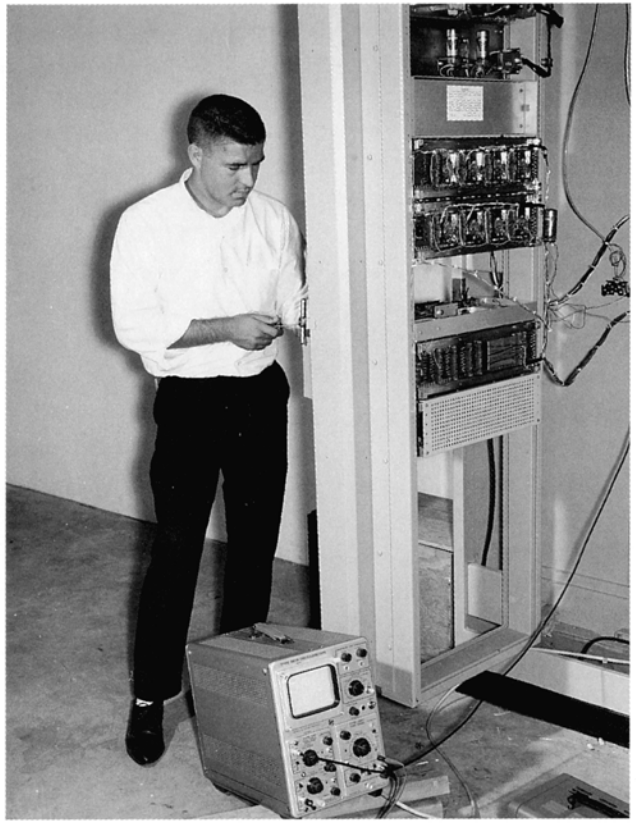
You could say Jim McNabb's first relationship with Associated begins when he works as a summer student for Charlie Boulson and Howard Fillmer at Sho-Me during the summer of 1956.

The earliest photograph found of Associated's board of directors was made between March 1962 and May 1966. Counterclockwise from right are Elon Proffer and James W. Owens Jr., M&A; Eugene Smith and Rex Dewey, KAMO; staff members Neil Adams, Ed Jehle and Jim McNabb; Fay Martz and John Buck, NW; R.D. Pennewell and Mike Boudreaux, Northeast; Albert Schindler and Truman Green, Central; and Luther Riddle and Charlie Boulson, Sho-Me.

Associated puts into operation its first dispatch control center Dec. 1, 1965, after almost a year installing electronic telemetering and control equipment. Previously, Associated contracted with western Missouri private power companies and Southwestern Power Administration to dispatch power to its members. Pictured in the dispatch center are, standing from left, Keith Bacon and Ken Ownby, and seated, Bob Wingo.

Hired in 1963 by Ed Jehle, Jean Kahle is Associated's sixth employee. As bookkeeper, she sets up the general ledger for the accounting department, handles payroll and opens mail. Jean recalls spending several noon breaks eating her sack lunch at the site of the new headquarters building, watching construction progress. In 1996, Jean is benefits administrator in the Human Resources and Information Services Division. She admits interacting with people is the primary reason for staying at her job more than 33 years. "I love the kind of work I do, mostly because I enjoy the people I work with."

Associated marks the closing of high-voltage interconnections with its generation and transmission cooperatives and five private power companies Nov. 5, 1965. In Springfield, from left, are Sen. Edward V. Long; Kansas City Power & Light Co. President Robert A. Olson; Neil Adams; Fay Martz; Mike Boudreaux; Charlie Boulson; and Barrett Carothers, Union Electric Co. vice president. Also present are Richard Green, president of Missouri Public Service Co.; Ed Call, Missouri Utilities Co. president; and J.T. Jones, president of The Empire District Electric Co. As special guests flip a substation switch replica, the audience observes green bulbs on the map lighting up and a dial climbing. What they don't observe are Jim McNabb onstage cueing Ken Ownby, hidden behind a curtain, to turn the rheostat.



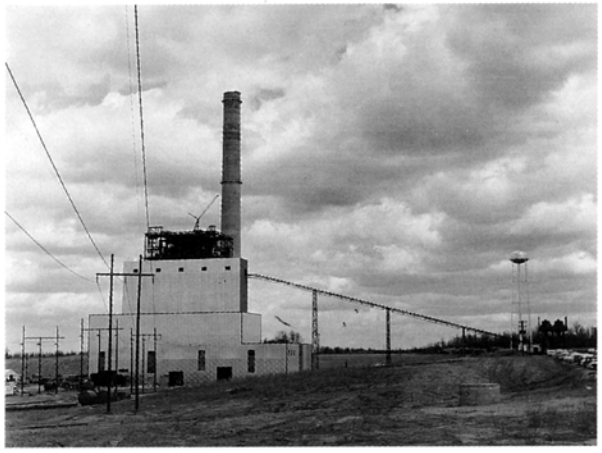
Ken Ownby starts work in 1965 as communications department supervisor and faces the daunting task of installing Associated's telemetry equipment for all substations and Associated's load control system. "When I came here all we had was an empty room and a concept," Ownby explains today. In 1982, Ownby transfers to New Madrid where he works as instrumentation superintendent for 10 years before returning to work at Headquarters.

The Associated board of directors, photographed between September 1966 and July 1968, includes, from left, Luther Riddle, Truman Green, Ray Buresh, Mike Boudreaux, R.D. Pennewell, John Buck, Fay Martz, Rex Dewey, Eugene Smith, Bruce Ellis, Everett Priggel and Charlie Boulson.

The Thomas Hill reservoir is completed and impoundment of water begins in January 1966. After the lake fills, Stinking Creek arm becomes a favorite spot for family outings like this one July 10, 1966.

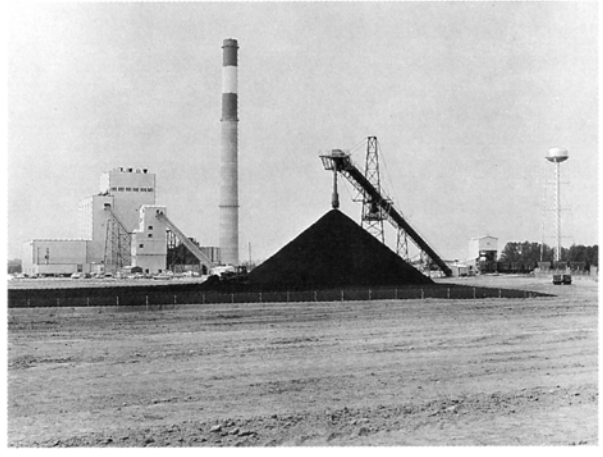
In 1964 the site of the Thomas Hill Power Plant is being readied for construction.

Unit 1 at Thomas Hill is placed in commercial operation Dec. 1, 1966, and provides Associated adequate capacity to meet winter peak loads.



Construction continues in April 1966 on the Thomas Hill Power Plant, viewed from inside the fence at the parking lot entrance. Construction, under way in 1964, reaches a peak during 1965 with about 400 construction workers on site.

In December 1966 construction crew members mount a large Christmas tree that can be seen for miles on the Thomas Hill Power Plant roof.



Viewed from the east in September 1966, the 180-MW Thomas Hill Unit 1 nears completion as coal is stockpiled in preparation for operation.

Peabody Coal Co.'s Big David shovel removes dirt and rock covering the coal seam in the Bee Veer Mine near Bevier which supplies coal, delivered by rail, to Thomas Hill Power Plant in 1966.

A front-end loader dumps coal from the new Prairie Hill Mine into a temporary coal hopper at Thomas Hill set up to handle coal from Peabody brought over in trucks and dumped in piles.

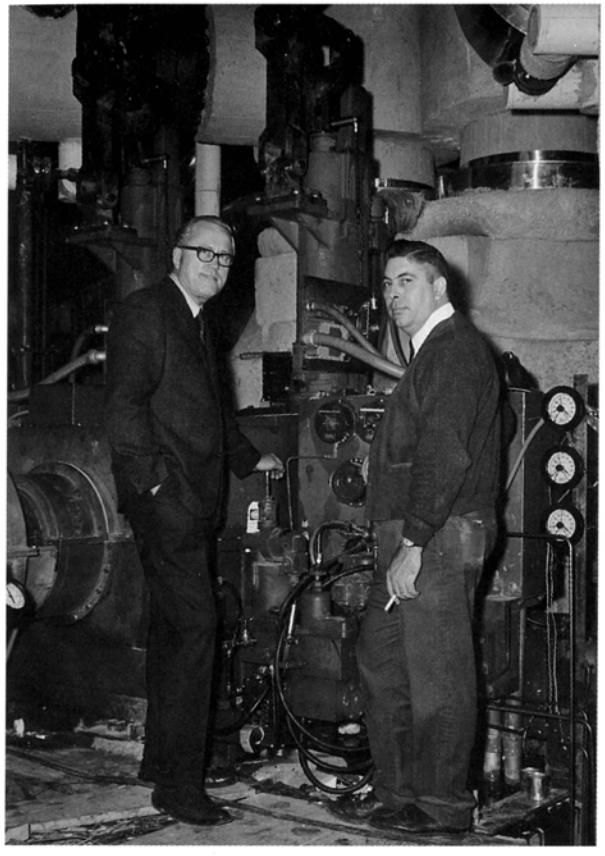
Trucks haul coal from a new Peabody mine, Prairie Hill, adjacent to Thomas Hill Power Plant, and dump it near a temporary conveyor set up beside the car shaker. A front-end loader fills the hopper on the left which diverts coal to the conveyor, right. The conveyor enters the top of the car shaker on this north side and a chute transfers coal into the track hopper where bottom-dump train cars ordinarily unload coal for units 1 and 2.

Ushering in the era of power plant operation, from left, Lt. Col. William G. Kratz, Associated President John Buck, General Manager Neil Adams and Missouri Sen. Ed Long dedicate Thomas Hill Unit 1.

General Manager Neil Adams addresses the audience – which includes Missouri Sen. Ed Long – that gathers to dedicate Thomas Hill, Associated's first power plant. President John Buck calls it the "most important event of the year" when Unit 1 goes on-line in late 1966 and is dedicated July 1967 during ceremonies that draw hundreds of people.

The Missouri Society of Professional Engineers gives Associated its "Engineering Wonder of 1967" award for the Thomas Hill Power Plant. B.V. Williams, society president, presents the award to Associated General Manager Neil Adams, center, and R.H. McDonnell, right, president, Burns & McDonnell Engineering Co., in February 1968. Truman Green, Ernie Baker, Bill Muckelrath and Bill Grobmeyer also represent Associated at the event.

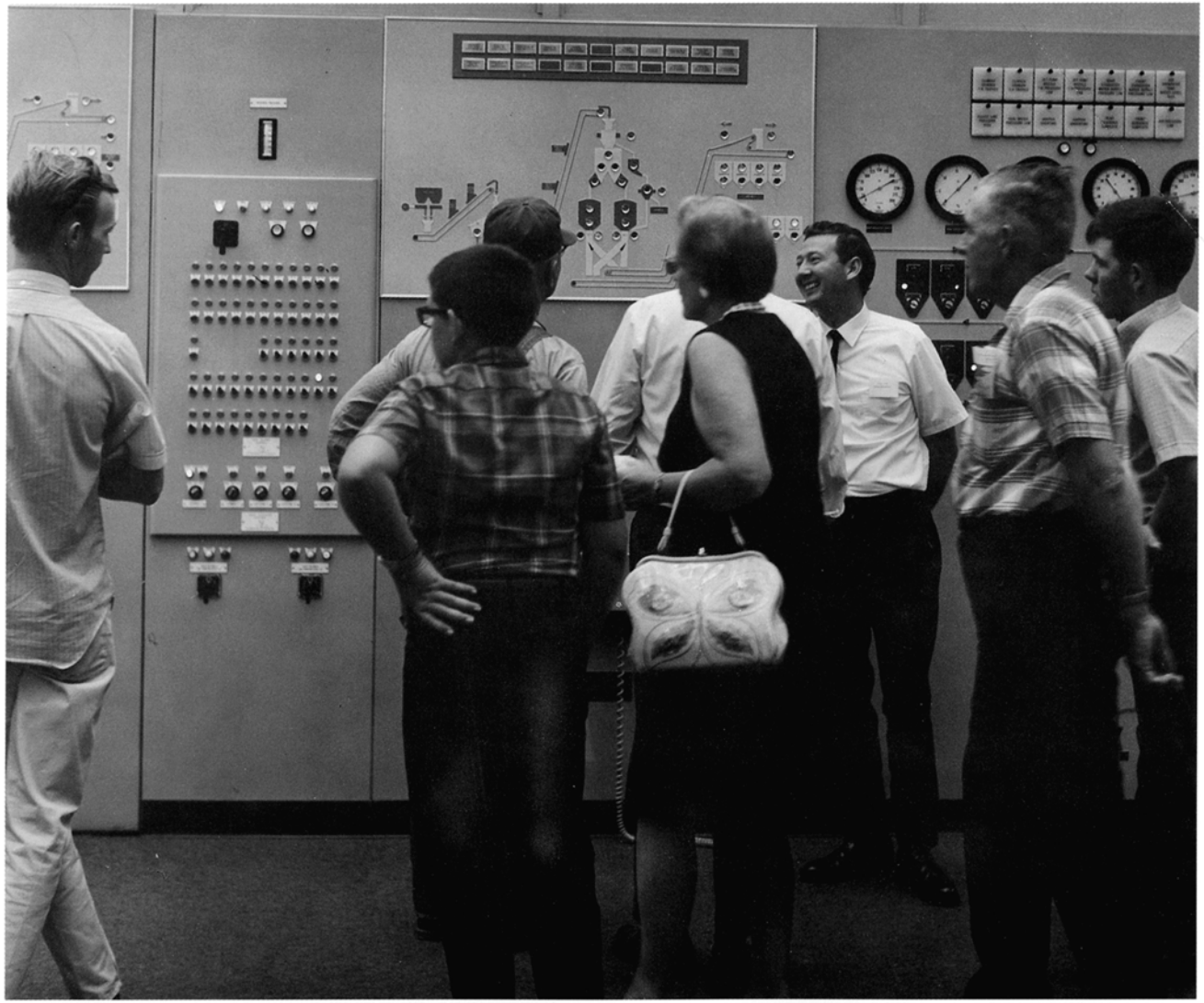
Crude by today's standards, these computers in Thomas Hill Unit 1's control room help to operate the plant in 1966. Two IBM typewriters connect to the computer unit in the middle which processes information from points throughout the plant. The computer transmits alarms to the typewriters which print a list for control room operators.



March 1, 1969, Associated General Manager Neil Adams, left, and Thomas Hill Plant Manager Ernie Baker pose beside the high-pressure end of Unit 2's turbine about the time the unit "goes commercial." Baker came from the Memphis, Tenn., power plant in 1965 to become superintendent of Thomas Hill and hire and train the staff.

The first group to tour Thomas Hill Power Plant Sept. 13, 1969, during Unit 2 dedication events enters the plant.

Visitors the second day of the Thomas Hill Unit 2 dedication in September 1969 begin a tour at the parking lot, continue around the stacks, past the weir and up the hill to the coal yard. Now, with two units, Associated's maximum annual generation capability reaches 3.5 billion kilowatt-hours.



Curiosity motivates crowds of people to visit Thomas Hill for the dedication of Unit 2 in September 1969. Ron Mason, assistant operations superintendent in 1996, explains to a tour group how the control room functions. Jerry Pinegar and Ken Switzer, still working at Associated in 1996, are among other tour guides that day.

General Manager Neil Adams has the honor of firing Thomas Hill Unit 2's boiler for its first day of operation March 1, 1969. The dials and switches on these bench control boards are used to operate units 1 and 2 until 1994 when the control room is modified with a computerized control system.

As Thomas Hill Unit 2's turbine rolls for the first time March 1, 1969, Associated employees and contractor's employees gather to monitor its performance. Second from left is Bill Grobmeyer, plant chemist, and fourth from left is D.C. Davis (in sweater), assistant plant manager.

Missouri Gov. Warren Hearnes visits Associated Headquarters in Springfield March 26, 1969, to persuade the board of directors to supply power to the Noranda Aluminum Inc. plant that is coming to southeast Missouri. From left are R.D. Pennewell, Hearnes, John Buck and Kathy Cantrell.

This future site of Noranda Aluminum Inc., which plans to build in the St. Jude Industrial Park, lies outside New Madrid. Associated also locate its power plant in the industrial park but supplies electricity to Noranda and the park even before New Madrid Unit 1 is completed.

Gathering for what probably is the New Madrid Power Plant groundbreaking in the late 1960s are, from left, front, John Buck, Associated president; R.D. Pennewell, board secretary-treasurer; General Manager Neil Adams; and in rear, accountant Keith Bacon, right.

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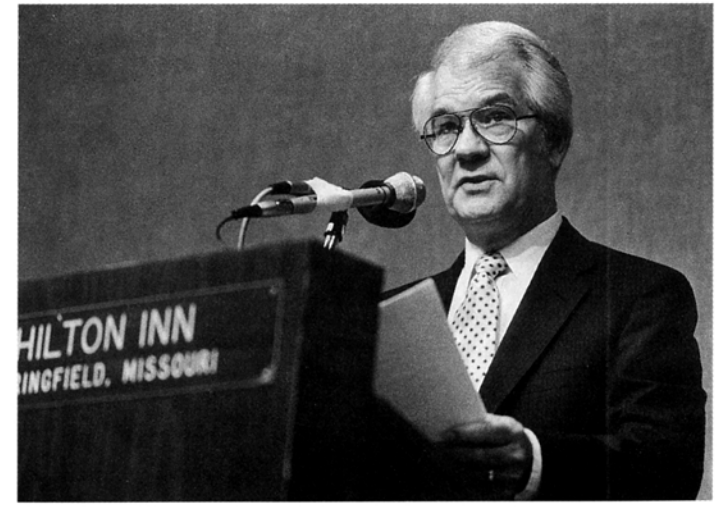
All for One, One for All

Men enough to get the job done, they were. Out of the negotiations and intrigue there emerged a strong Associated capable of serving the full requirements of Missouri cooperatives for as far ahead as anyone could foresee. More than that, there also emerged a new pattern of cooperation between public and private power that continues to benefit the people of Missouri.

Gerry Diddle, who served longest as general manager, to this day doesn't believe the original incorporators of Associated saw the far-reaching benefits their efforts would produce. He also is not sure they all would have stepped up and signed had they understood at the beginning that the G&Ts would become mainly just transmitters of electricity



When Gerry Diddle joins Associated as general manager in 1973, the cooperative is under the burdens of constructing a new generating unit and labor conflicts. Many people credit Diddle's talents for communicating and cooperating with setting Associated on the right track and keeping it there during his 18-year tenure.

and would not themselves build and own power plants.

"Here were these six independent G&T systems not interconnected with one another, each doing its own little thing and all running into a major supply problem at the same time," he mused. "What they put together was a tool that enabled them to build one of the finest power networks in the nation. What they got were all the benefits of a merger without the loss of autonomy that usually goes with a merger."

Even so, Associated could not have done the remarkable things it accomplished without a large degree of cooperation from the private companies.

The new super G&T soon became a major player in the nation's electric power game. By 1995, the year this book was written, in the entire nation only one supplier of bulk power to cooperatives offered lower wholesale rates than Associated. Well before 1995, Associated had developed one of the strongest transmission systems in the nation, some 2,350 miles with 76 ties to 31 other utilities inside and outside the state. That made it the hub for the nation's east-west power flows. "Our main goal," Diddle says, "had been to serve our loads efficiently and then to develop the capability to exchange power with our immediate neighbors for the two purposes of economy and reliability; it was a natural extension of that growth to go outside the state of Missouri."

One success built on another and in 1995 it could be fairly said that Associated and the IOUs had raised cooperation between private power and cooperatives in Missouri to a level as high or higher than anyplace else. Over and again, Associated had joined with willing private-power partners to plan and build lines and power plants for shared use, thus sparing all the power consumers of Missouri the high costs of unnecessary duplication of facilities.

In 1995, Associated itself owned and operated two major coal-fired generating stations: one at Thomas Hill, near Moberly, with three units totaling 1,153 MW; the other at New Madrid in the bootheel of Missouri, with two units totaling 1,200 MW. Taking into account 45 MW of gas combustion turbines near Unionville and other lesser resources, Associated in 1995 owned or controlled 2,466 MW of generating capacity. It also contracted for all the electric output generated at SWPA's Table Rock and Bull Shoals dams and took part of the output from two other federally owned hydrogeneration projects, the 45-MW Stockton Dam near Springfield and the 58-MW Clarence Cannon Dam near Hannibal. For a time, Associated took the output of the Harry S Truman Dam built as a pumped storage project by the Corps of Engineers in central Missouri near Warsaw. A problem with fish reduced the 160-MW nameplate rating of the plant, and in 1994 Associated turned that dam's lesser and highly variable output back to SWPA.

345-kV Morgan-to-Flint Creek line construction

Well before 1995, Associated had developed one of the strongest transmission systems in the nation, some 2,350 miles with 76 ties to 31 other utilities inside and outside the state.

Associated blends its own coal-fired, thermal power with the federal hydropower to provide an economical mix of base-load and peaking power that enables it to offer the distribution cooperatives, through the G&Ts, all the firm power they require. And in 1995, as from its beginnings, Associated continued to exchange power with other utilities, public or private, whenever opportunities presented themselves for mutual benefit.

Since 1970, Associated has served directly the largest single industrial load in the entire state of Missouri, Noranda Aluminum Inc. at New Madrid. Associated also provides its member systems with such services as insurance, marketing, economic development, environmental consulting and labor relations. Associated has been, from its inception, a member of the Association of Missouri Electric Cooperatives, a statewide organization (usually called just "Statewide") that is the political arm for Missouri cooperatives. Statewide, as described more fully in Chapter 16, also provides technical training and other services.

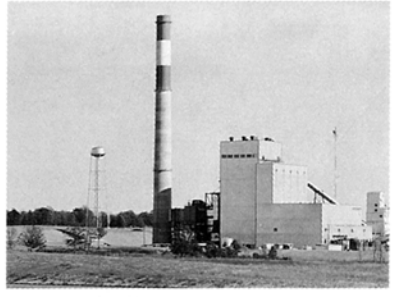
There had to be a period of transition for the new Associated, of course, and the western Missouri IOUs made

it possible. Initially, Associated was no better equipped to serve the needs of the distribution cooperatives than had been the six G&Ts whose small plants and transmission network Associated acquired when it took over the SWPA contracts. As Associated struggled to build the big power plants and transmission lines necesssary to make full use of the SWPA hydropower, the private companies stepped in both to firm up more of the SWPA power and help transmit it to cooperative load centers.

KCP&L, Mo-Pub and Empire joined with Associated to substantially integrate operations. KCP&L scheduled thermal production and use of SWPA hydropower and available transmission capacity, regardless of ownership. That lowered costs for all the participants. By 1965 the two big Kansas IOUs, Kansas Power & Light and Kansas Gas & Electric, were full partners in the Mo-Kan Power Pool, thus fully integrating operations of all five and Associated.

By late 1966, Associated's first big power plant, Thomas Hill Unit l, was operating. Associated, lacking transmission "outlet capacity" for its new plant, struck a pioneering transmission deal with Union Electric Co. of St. Louis. Associated was allowed to feed Thomas Hill generation into a nearby Union Electric transmission line and take power off that line at or near delivery points for Associated customers without regard to whether the power had been generated by UE or Associated. The company likewise took power off that line for its customers without regard for whether it had originated at Thomas Hill or one of its own plants. Associated had to build only 18 miles of line from Thomas Hill to a point near Moberly, where UE took over, plus small connections at a number of places around the state that permitted Associated to take off the UE system power in the amounts needed and where needed.

Years later, Jim McNabb, who worked out the deal with UE's Earl Dille, would say, "That set the pattern for many joint transmission ventures between Associated and the IOUs, especially UE, ever after." Diddle said Dille, who later became president of UE, could see the benefit of another generator (Thomas Hill) in that area and an integrated transmission system and how it would help them in the way of added reliability. "Win-win!" Diddle exclaimed. "Instead of fighting and duplicating systems, everybody saved money." Still, McNabb called the arrangements for carrying initial Thomas Hill power on Union Electric lines "quite a challenge." He explained, "We had to convince them we wouldn't be siphoning all the power out of their system and that we could perform as responsible partners in an integrated, interconnected system. Earl Dille believed we could perform."



Thomas Hill Power Plant, 1966

By late 1966, Associated's first big power plant, Thomas Hill Unit l, was operating. Associated, lacking transmission capacity, was allowed to feed Thomas Hill generation into a nearby Union Electric transmission line.

McNabb liked to kid Dille that Associated got him his advancement within UE. "When Dille was just a young engineer," McNabb said, "the things he was working on with Associated got him into the front office just about every week and brought him to the attention of upper management." McNabb added, "I'm sure that's not how it happened, but it's the way I like to tell the story."

O.B. Clark, president of Associated's board of directors since 1981, remembers there was a time when every utility wanted to have its own transmission lines and its own generation facilities because they wanted to control their "destiny." Clark thinks it "very unwise" for any utility today to think it can literally stand on its own. "Cooperatives certainly couldn't do that," he said. "They realized early on that they had to cooperate and pool resources. The philosophy of cooperation has been strengthened with every joint transmission project and generation project we worked on with the IOUs. And that continues – every day in Springfield we get inquiries asking whether we are interested in going into this project or that project."

Chapter 10 describes many of the transmission ventures that make Associated vital to the movement of bulk power within Missouri, as well as for the region and the nation. Meanwhile, Diddle cites several major examples of cooperation.

One relates to the period in the '70s when the Arkansas-

Missouri Power Co. (Ark-Mo) was buying 116 MW of power from one of Associated's units at New Madrid. Ark-Mo had plenty of oil-fired capacity itself but found it cheaper to buy Associated's excess coal-fired energy. Suddenly, the New Madrid unit had to be shut down for a prolonged period. Even so, Associated had enough capacity from its other plants to continue serving its own loads with some to spare. Diddle got on the phone to Ark-Mo's chief, Frank Smith, and said: "Our New Madrid unit is down and, rightfully, under the contract, you don't have anything coming from us until it is back. But we have some excess up at Thomas Hill and we'll let you have it at the same price." Diddle recalls that the Ark-Mo CEO "almost fell out of his chair." According to Diddle, "Smith became a real friend and helped bring Associated a lot of business after that. He contributed to an understanding throughout the industry that, 'Hey, Associated's a good partner who won't squeeze every last penny out of you.'"

On another occasion, in 1974, Associated was buying some capacity from Public Service of Oklahoma when one day Martin Fate, who later became president and CEO of that company, called on McNabb to say "this agreement is eating us alive." He said operations and maintenance were costing his company more than Associated was paying and brought along figures to prove it. "We agreed to pay a little more," Diddle said. "Our attitude was not to hold them to the contract and take the last dollar off the table. We could have done that, but we knew we'd be dealing with these people for a long time, and we wanted to establish good working relationships with them for the long run."

On still another occasion, in 1970, Missouri Public Service Co. (Mo-Pub) lost the step-up transformer on its 400-MW unit. "For a single-unit plant," Diddle explained, "that's a real disaster. They didn't call me, but Jim (McNabb) came in and said: 'Gerry, it'll take them months, maybe a whole year, to replace that generator and, you know, we've got that spare transformer at Thomas Hill.'" Diddle called Mo-Pub and offered to let them use the spare transformer. He asked them to pay Associated only the mid-range of costs for principal, interest and the like, with the understanding that if Associated needed it, Mo-Pub would return the capacity of the transformer. "If we don't run into trouble, ourselves," Diddle told Mo-Pub, "you have it for a minimum cost." Diddle also recalls, "They never forgot. We saved them from financial disaster. It was the kind of thing that has given Associated a reputation as somebody who will work with you." The president of Mo-Pub made a special trip to Springfield to thank Diddle, personally.

From left, David Hamil, Gerry Diddle, Howard Fillmer, Luther Riddle and Charlie Boulson inspect the Franks substation in June 1974.

"The philosophy of cooperation has been strengthened with every joint transmission project and generation project we worked on with the IOUs."

O.B. Clark

Diddle emphasizes that it works the other way, too. He says Associated has been "bailed out" on more than one occasion, citing, for example, the times when Associated lost the whole 1,200 MW at New Madrid for short periods. "Consumers never even saw their lights flicker because private companies stepped up and sold us capacity." McNabb caps Diddle's examples of cooperation with this observation:

"The distribution cooperatives that own us and the G&Ts that own us are competing every day head to head with the very companies with which we are doing joint projects. The challenge we always had was to allow these folks to compete and to keep the frictions that result from that competition from getting to the bulk power level. So, we would be working with these companies on an important transmission line that would save everybody a lot of money, while at the same time their district managers were in a life-and-death struggle with a cooperative manager over some load they both wanted to serve. On the private side, you'd have some district manager telling his CEO, 'If you let these guys use our system in this area they're going to be better able to compete with us.' On our side, we had to sell members on the idea that there was more in it for them than going it alone, that what we're doing is best for everybody although it may not look that way at the moment. Both sides had to have the integrity to do what they said they'd do."

The Country Boy and the Rock Picker

Immediately following Doug Wright's ringing "are-you-men-enough" challenge that ended the signing ceremony at Springfield March 28, 1962, he and Adams returned to SWPA's Tulsa headquarters to ponder the future. Adams soon decided he should move on for the sake of his own personal advancement. He talked with BPA's Chuck Luce about a marketing director opening at BPA and pretty well made up his mind to go to Portland, Ore., as soon as loose ends of the Associated project had been tied together. Then Wright got a call from Fay Martz.

"This is a quite involved arrangement and we desperately need Neil Adams to help us out," Martz said. Wright called in Adams and said, "I think you're the man if there's no conflict of interest – I'll check it out." After doing just that, Wright told Adams there didn't appear to

Few employees recall the days when Associated conducted its operations from a storefront office in a Springfield strip shopping center. In 1963, Associated broke ground for a modern office building which would accommodate its administrative operations and its five or six employees. Today, after three additions, Headquarters houses 125 employees and a newly upgraded dispatch control center.

Adams' first office was a hotel room in downtown Springfield. He was there by himself with one room and one telephone.

In summer 1965, Associated's work force numbers eight employees. Seated from left are Judy Potter, Jim McNabb, Neil Adams, Ed Jehle and Jean Kahle. Standing from left are Ken Ownby, Keith Bacon and Richard Fisher. Thirty-one years later, Kahle, McNabb and Ownby still work at Headquarters.

be any conflict. "If you want to go up there you have my blessing."

Adams went to Springfield for talks with the six G&T managers and agreed to take the job. Board minutes show he was hired May 28, 1962, and reported for work on Sept. 3. He was the logical candidate, having had all that experience at SWPA helping put Associated together. Before that, he had had wide utility experience on both the public and private sides of the street. Starting at the bottom – fresh out of Kansas State University with a degree in electrical engineering – he had staked out rural distribution lines in the Kansas countryside. That was in the early stages of rural electrification. At SWPA, his first job had been designing lines and substations, including the Springfield substation adjacent to Associated Headquarters.

Adams remembers his humble start at Associated. His first office was a hotel room in downtown Springfield. He was there by himself with one room and one telephone.

Immediately, he made arrangements with the power companies to do all the scheduling for Associated. Associated had a little dab of thermal generation taken over from the G&Ts, about 140 MW in all, and a block of SWPA peaking power which had a limited amount of energy available with it. But Associated also had its new contract with the Missouri companies by which they would supply all the energy Associated needed to make effective use of the SWPA hydropower. So at the start, the Missouri companies made all the dispatching decisions for Associated – they had to choose every hour whether to schedule hydropower to meet Associated's loads or schedule thermal power from their own resources.

Associated's complete reliance on the Missouri companies for scheduling went on for a few weeks before Adams could hire someone to enable Associated to do some of its own and make scheduling a joint effort. "I called a guy who had just retired from Oklahoma Public Service Company," Adams said.

Everyone called him Huff – his last name. Nobody seems to remember his first name, but his initials were L.E. "I had known him when I was at SWPA," Adams continued, "a real character. He scheduled on the back of an envelope, but he knew his business. He would call KCP&L and say 'this is what we're gonna do.' And it worked."

After a few weeks in his solitary hotel room office, Adams managed to get a small storefront office on Sunshine Street in Springfield and told the board he needed some help – an auditor-accountant for one, an engineer for another and a bookkeeper. The board approved the hiring of all three. The auditor, Ed Jehle (pronounced "Yale-ee") became Adams' first hire, lured from the Kansas City office of the U.S. government's General Accounting Office.

Adams had known Jehle as the GAO auditor of SWPA's books. The engineer, Jim McNabb, a self-proclaimed country boy born 40 miles down the road at Marshfield, was hired on the strong recommendation of Sho-Me's Charlie Boulson. The bookkeeper was Jean Kahle. Jehle, not Adams, hired her. She had quit a hospital job, answered an Associated ad and in her own words "hounded" Jehle until he hired her. Today she is Associated's benefits administrator who takes care of retirement settlements, insurance claims, medical benefits and the like. She described her early Associated career as more of a girl Friday who stopped at the post office on the way to work, opened the mail, deposited the checks and, in the afternoon, did the bookkeeping. She said it was three or four years before the young Associated's payroll reached 25 and the jobs shook down to their true specialties. Jean was the sixth hire; the third hire also was a woman, Sharon Robinson, receptionist.

McNabb was an admirer of Huff. "It's not quite true that he dispatched off the back of an envelope," McNabb jousts with his good friend Adams. "Huff carried in his shirt pocket a little black book that contained 'the history of the world' – everything that had ever happened in the interconnected power system that worked off the SWPA dams. He'd write down every day what our operations looked like. If you wanted to know what happened on May 3 three years ago, he probably could tell you off the top of his head, but if he had any doubts he'd refer to his little book. He was an amazing guy."

In those early days when SWPA and a combination of Missouri companies, mainly KCP&L, dispatched the Associated system, McNabb noted, "We didn't have a lot of control over our system – it was more a matter of us just keeping track and maybe suggesting ways they might do it differently." McNabb thinks the incorporators may have expected SWPA to always dispatch Associated's resources. Sometime after the first three or four years, SWPA decided not to do it any longer. "For reasons I will never understand," McNabb says, "and in my opinion a big mistake on their part, they gave up."

McNabb assigns responsibility for the SWPA decision to an SWPA engineer named George Simpson, to whom he refers in expletives. McNabb explains that the M&A territory in southeast Missouri was served by an SWPA radial line carrying power from Norfork Dam.

A radial line is fed from just one end and not connected to other lines. If this particular line went out – as it did frequently – a wide area was left in the dark. In order to provide emergency assistance, Associated built a 1.5-mile interconnection between the radial line and Union Electric Co.'s 161-kV nearby line. Simpson would not allow Associated to close the switch, rendering the interconnection useless for a year or longer until Associated had set up its own control area. Ostensibly, Simpson was concerned that SWPA would be expanding its control area and in danger of having to spend money they didn't want to spend. But McNabb doubts that was the reason, openly expressing his opinion that Simpson had some mysterious hostility toward Neil Adams or Associated generally that caused him to want to do more harm than good.

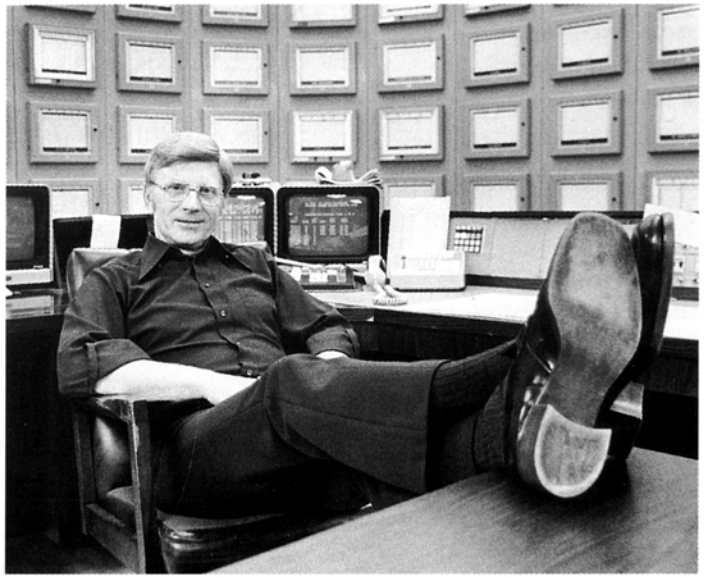
"No two ways about it," McNabb says, "he wanted to hurt us, but it forced us to set up our own control area and that was the best thing that ever happened to Associated. So that George Simpson should get some credit for the success of Associated."

In any event, McNabb said, Associated found itself with a very short timetable to get out from under SWPA control. The plan was for Associated to dispatch only 40 hours per week and then transfer control to KCP&L. Huff was organizing the changeover when a member of his family became seriously ill and he had to leave, never to return. "He left one Friday," McNabb recounts. "We had to take over control the next Monday, and we didn't have anybody to do it."

Associated had just moved into the first stage of its new building that in 1995, much enlarged, still housed the

In those early days ... "We didn't have a lot of control over our system – it was more a matter of us just keeping track and maybe suggesting ways they might do it differently." Jim McNabb

We were all doing something we had never done before, and we were making up the rules as we went.



A job as rock picker landscaping the lawn at Associated's new headquarters launches Bob Wingo into a 15-year career as dispatcher. When its original dispatcher quit unexpectedly, Associated was left in a bind until Jim McNabb approached the man picking rock outside his office window. "This story may sound crazy," McNabb explained, "but I went outside and asked him if he would like to be a power dispatcher. He said he didn't know anything about electricity, but he thought he might like to try." In 1980, Wingo becomes Associated's first retiree.

entire Headquarters staff and an upgraded control center. McNabb gazed out a window puzzling what to do. Idly, he noticed a man who had been hired as a temporary employee to pick up rocks and put in a lawn. "This story may sound crazy," McNabb went on, "but I went outside and asked him if he would like to be a power dispatcher. He said he didn't know anything about electricity, but he thought he might like to try. His name was Bob Wingo, and, would you believe it, he became Associated's power dispatcher and held the job for nearly 15 years before he retired."

What is there about power dispatching that allows a landscaper picking up rocks to be able to walk into a control room and become a dispatcher? "It had something to do with necessity," McNabb laughs, "and with intelligence. We spent a lot of time with him, of course, but you've also got to remember we were all doing something we had never done before, and we were making up the rules as we went." McNabb explained the simple steps of dispatching: 1) estimate what your load will be; 2) try to gather up enough resources to meet that load; 3) call the generating plants and tell the operators how much power you think you'll be needing at different hours the next day.

Wingo retired in 1980 after what McNabb called "a highly successful career" with AECI. "I should explain," McNabb added, "that Bob had had a responsible job in Kansas City working in government, managing a whole lot of people. He was down here looking for a job without a lot of stress when he took a part-time job helping a friend landscape our site. He wasn't a professional rock picker. He was an educated person. His education and background just didn't happen to be in electricity. But he had a good mind and was quick with numbers; that's why he was successful."

McNabb viewed the dispatching problem as a metaphor for the entire Associated liftoff. "Every question we dealt with was a brand new one ... a brand new set of very complicated contracts ... involved arrangements between Associated and its members, between Associated and SWPA, between Associated and the companies. Making all those contracts work together was quite a challenge. If there had not been a strong desire on everybody's part to make this work, it really would have been an impossible job."

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