

Advancing Energy Access for All

Case Study: North Dakota Association of Rural Electric Cooperatives



The Advancing Energy Access for All Initiative

NRECA's Advancing Energy Access for All initiative spotlights cooperatives' support for the communities they serve, explores the innovative ways they do it, and uncovers new directions community assistance programs are taking. Many co-ops have played a vital role in community development and revitalization efforts, particularly within persistent poverty communities. The cooperative principle of "concern for community" is ingrained in who cooperatives are and the core values they uphold. Whether for the unemployed or underemployed, veterans, chronically ill, or elderly, co-ops have long offered programs focused on managing energy costs, advancing technology, and supporting next generation development to help ensure that rural communities are not left behind. NRECA and our member cooperatives take a leadership role in routinely identifying specific membership challenges and reaching out with solutions. Our Advancing Energy Access for All initiative focuses on leveraging the experiences, successes, and lessons learned of these programs, to bring light to the traditional and innovative ways co-ops are making a difference, including work on low/moderate income programs, energy education, and community development, among others.

This case study focuses on rural, low-density areas of North Dakota, places threatened by ongoing population decline, closure of local grocery stores, pockets of chronic poverty, and lack of access to basic services such as health care and child care. The state's electric cooperatives have stepped in to address these pressing challenges. The North Dakota Association of Electric Cooperatives is spearheading the drive on behalf of its member cooperatives and sister telecommunication cooperatives, offering financial resources and hosting a rural development center that help spur rural economic development and create opportunities for improved community well-being.

Profile of North Dakota Association of Rural Electric Cooperatives

The North Dakota Association of Rural Electric Cooperatives (NDAREC for short) is a statewide association comprised of sixteen electric distribution cooperatives and five generation and transmission co-ops (G&Ts). Together, NDAREC's members provide electricity to nearly 250,000 people across North Dakota, as shown in Figure 1. Providing electricity, as well as a range of other essential community services, is particularly challenging in North Dakota, as two-thirds of the state's land area is such low density as to be considered "super rural" or "frontier." A *frontier area* is generally defined as having a

population density of six or fewer people per square mile. The term is often found in legislation and regulations related to the provision of rural health care.¹ Areas served by co-ops in North Dakota average about one consumer for every three miles of electric line, compared with the nationwide average of 7.4 consumers per mile for NRECA member cooperatives.

The challenge of very low population density has been deepening over time, with 47 of North Dakota’s 53 counties experiencing net population declines over the past three decades. Access to fresh and nutritious food has also become difficult for many North Dakotans. Today, only 97 grocery stores remain in rural North Dakota, meaning parts of the state can rightly be called a “food desert.” Affordable, high-quality child care is equally scarce. Affordability of basic services is an underlying issue — many of North Dakota’s rural households fall below the federal poverty level. Three of the state’s counties — Rolette, Sioux and Benson — have been classified as [persistent poverty counties](#) (PPCs, generally defined as having 20% or more of households with income below the federal poverty level).² Electric co-ops serve customers in all three PPCs. Serving rural communities with these characteristics places added responsibilities on North Dakota electric cooperatives and NDAREC, especially in rural health and community well-being. Energy access and affordability, while important, are not the only consideration where communities are in danger of collapse.

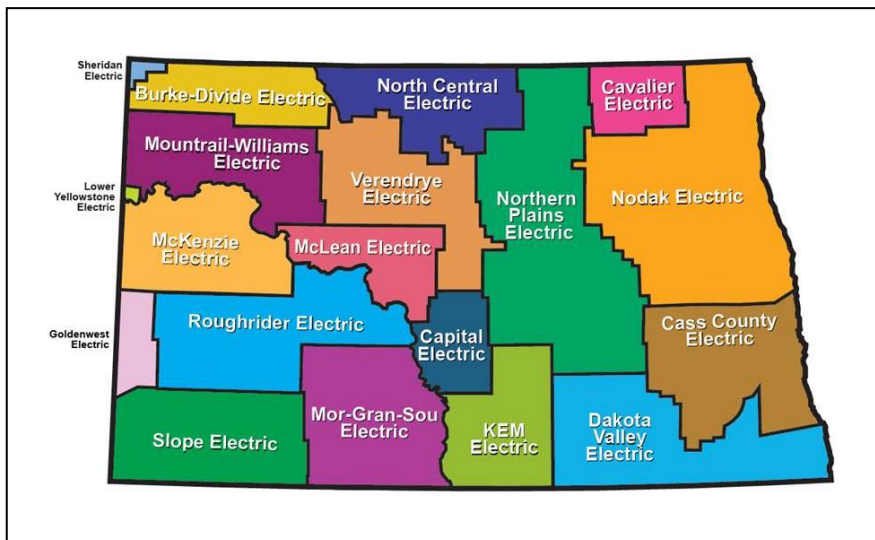


Figure 1. North Dakota electric distribution cooperatives.

Map courtesy of NDAREC.

Background to the Program

North Dakota electric cooperatives have long recognized the importance of their role in rural development. For example, one of NDAREC’s 2019 policy statements, under the organization’s Economic Development Policy, addresses health care in rural communities as follows:

“Rural electric systems have a vital stake in the health care systems of their communities. Both the well-being of individual members and employees and the economic viability of the total community depend upon rural families having access to affordable and high-quality health care

¹ See for example: <https://www.ruralhealthinfo.org/topics/frontier>

² <http://www.rupri.org/Forms/NorthDakota.pdf>

and emergency medical services within their rural communities. Often the largest employer, healthcare organizations are vital to the social and economic wellbeing of rural North Dakota. From responding to emergencies to providing preventative and supportive services close to home, rural healthcare entities play an important part in the state's health care delivery system. We support rural health care programs and encourage innovative approaches to health care delivery in rural areas.”³

Lori Capouch, the point person for statewide action by electric and telecommunications cooperatives as NDAREC's Rural Development Director, puts it simply, “We believe in quality of life as a key component of our rural development program.” Capouch leads the Rural Electric and Telecommunications Development Center. Since 1990, the Center has been operating under the umbrella of NDAREC with the support of dues, along with contributions from the electric and telecommunications cooperatives and a federal grant. The Center has come to be recognized as a major development player in North Dakota.

Working in close coordination with the Rural Development Center is the Rural Development Finance Corporation (RDFC), a North Dakota nonprofit finance and development corporation whose member-owners include NDAREC, the Broadband Association of North Dakota (BAND, formerly known as the North Dakota Association of Telecommunications Cooperatives), and all of North Dakota's electric and telecommunications cooperatives (Figure 2).

The cooperatives' two-pronged approach of providing technical support and assistance in landing grants for rural development (through the Rural Development Center) and low-interest loan programs (through RDFC) is a strategy that may be directly applicable to other states in which electric cooperatives play a central role in supporting rural communities facing intense pressure.

Figure 2.
Rural development in North Dakota is a team approach involving NDAREC, RDFC, financial institutions and public agencies.

Photo courtesy of NDAREC.



³ North Dakota Association of Rural Electric Cooperatives 2019 Resolutions.
<https://www.ndarec.com/sites/ndarec/files/Public%20Affairs/NDAREC%202019%20Resolutions.pdf>

How Is NDAREC's Rural Development Program Structured?

There are several elements to NDAREC's overall program for facilitating rural development and helping to finance critically needed community facilities. These include technical assistance, grant-writing assistance, and loan financing. Delivery of these elements is shared between the two entities previously mentioned and described in further detail below.

- **NDAREC's Rural Electric and Telecommunications Development Center**

The Center works with 16 electric cooperatives and 11 telecommunications co-ops in a statewide effort focused on sustaining and growing rural areas. The local cooperatives assist the Center with rural development activities and community outreach and have been providing matching funds for the Center since its creation in 1990. In fact, half of the Center's annual budget comes from NDAREC and BAND cooperative members. The other half is generally made up by a \$200,000 U.S. Department of Agriculture (USDA) Development grant, which NDAREC reapplies for annually. The Center employs two full-time people and receives administrative support from NDAREC. Rural development services available from the Center include the following:

- Organizational and business development guidance
- Business development analysis
- Cooperative development strategies
- Assistance in obtaining start-up funds for research and development activities
- Start-up administrative services
- Professional referrals
- Board of director training for business cooperative directors and managers
- Liaison between emerging and expanding businesses and local and state rural development programs

The Center is organized in a way that lends itself to effective, statewide intervention — the rural development focus of all North Dakota electric and telecommunications cooperatives is concentrated here under leadership provided by Capouch, a twenty-plus-year veteran. This allows all available resources to be brought to bear in a coordinated manner and makes the Center a major partner in a consortium of public and private entities with similar objectives.⁴

One of the primary ways the Center pursues its mission is by leveraging loans and grants through the U.S. Department of Agriculture's Rural Economic Development Loans and Grants (REDLG)

⁴ For a list of consortium partners, see: <https://www.ndarec.com/content/rural-electric-and-telecommunications-development-center-0>

program.⁵ The REDLG program provides funding for rural projects channeled through local utilities. According to the program's web site,

*“USDA provides zero-interest loans to local utilities which they, in turn, pass through to local businesses (ultimate recipients) for projects that will create and retain employment in rural areas. The ultimate recipients repay the lending utility directly. The utility then is responsible for repayment to USDA.”*⁶

Capouch reports that this program has helped rural North Dakota businesses build or expand health care facilities and emergency services, as well as agricultural processing facilities and other rural-based businesses. The low-interest financing is critical given the smaller customer base to generate revenue, high construction costs, and transportation distances. She emphasizes that the financial risk associated with REDLG, e.g., a rural business receiving a loan fails to repay, is minimized by NDAREC receiving an irrevocable letter of credit from banks participating in the program. This guarantees repayment in the event that a business defaults on its loan.

- **The Rural Development Finance Corporation**

RDFC, a 501(c)(4) nonprofit development corporation, plays a complementary, and equally important, role in helping the cooperatives address the urgent needs of rural North Dakota areas. Its mission statement reads as follows: *“RDFC encourages economic diversification and community vitality through the generation of funding that supports sustainable asset building.”*

The Mission is Personal for RDFC and Its Cooperative Sponsors:

“Directors of Rural Development Finance Corporation (RDFC) live and work in these communities. They work for cooperatives and live in rural areas themselves. They see and experience their community's diversity. They know first-hand how difficult it is to secure financing for rural businesses. They know there are gaps between the value of the business and the financing needs. And, they recognize this is often due to the business' rural location. Along with these challenges, these communities have many infrastructure and business needs. Other issues include limited funding options and limited staff time to access those options.”

David Sigloh, RDFC's President

⁵ <https://www.rd.usda.gov/programs-services/rural-economic-development-loan-grant-program>

⁶ Ibid.

RDFC has assets totaling \$6.5 million, which came in the form of revenue from placement of New Market Tax Credits through Dakotas America, of which RDFC is a co-owner.⁷ RDFC's primary activity is operating a revolving loan fund that offers low-interest financing to projects throughout North Dakota.⁸ Its loan program is aimed at rural development and is operated by member cooperatives. Since 2010, \$5.2 million has been invested in North Dakota communities through eighty loans. These loans have been used to finance the succession of local grocery stores, new cooperative daycare centers, improvements to community owned healthcare services, and make local swimming pools ADA-accessible so that all residents can enjoy a healthy activity.⁹ In addition to low-interest loans, RDFC awards grants to nonprofits and community-owned entities. These grants totaled \$52,000 in 2018 alone.

Proof of Concept: Success Stories

The combined forces of NDAREC's Rural Development Center and RDFC effectively tackle pressing needs in rural North Dakota. Here are two, typical success stories:

- **Energy Capital Cooperative Child Care (ECCCC)**

North Dakota's 2014 Housing and Community Development Survey, and the 2015–2019 North Dakota Consolidated Plan for Housing and Community Development that followed, identified childcare facilities as North Dakota's single, most pressing community need not related to housing.¹⁰ In response to this, and spurred on by a similar study undertaken by Mercer County Economic Development in 2015, community leaders proposed creation of a child care cooperative as a means for retaining skilled workers in the area. NDAREC member Basin Electric Power Cooperative spearheaded a group of eight area businesses garnering support for the project, which incorporated as a nonprofit in late 2016. NDAREC's Rural Development Center provided research, facilitation, and financial support. A local church then sold its building to the group at a below-market, charitable-gift price. The result



Figure 3. Energy Capital Cooperative Child Care (ECCCC) in Hazen, North Dakota.

Photo courtesy of Basin Electric Cooperative.

⁷ For additional information on this structure, see: <http://www.dakotasamerica.com>

⁸ Programs operated under the revolving loan fund include: Community Capital Loan Fund, Participation Loan Fund and PACE-Flex Revolving Loan Fund as described at: <https://www.ndarec.com/content/rdc-rural-development-finance-corporation>

⁹ Complying with standards established under the Americans with Disabilities Act of 1990.

¹⁰ <https://www.communityservices.nd.gov/uploads/25/20152019ConPlan9.15.pdf>

of a remarkable team effort that involved community schools and health centers, electric cooperatives, a coal corporation, an investor-owned power plant, and a local bank, Energy Capital Cooperative Child Care (ECCCC) opened in May of 2017, offering places to 77 children. ECCCC was the first employer-assisted cooperative child care center in the state. Parents became members of the newly formed cooperative.

- **Prairie Roots Food Cooperative**

An age-old dilemma in the state has been distribution for locally-produced foods and products. A food cooperative in a more populated area is a perfect solution. Prairie Roots Food Cooperative received a low-interest loan through RDFC's Participation Loan Fund. The loan of up to \$200,000 at 2% for ten years was used for the renovation of a leased building for a new co-op store in Fargo. The new co-op opened its doors in mid-2017, offering locally-grown and sustainably sourced foods. Prairie Roots has been offering farmers and ranchers a much-needed outlet to sell their products locally for the past two and a half years. The co-op has 1,250 members, 50 of whom produce food for the co-op's shelves and cold cabinets.

Rural Food Access

NDAREC's Rural Development Center has been closely tracking grocery in rural North Dakota for the last five years and is concerned by the underlying trend in the data. According to Capouch, there were 137 full-service grocery stores in North Dakota cities with a population of 2,100 or fewer. By late 2019, that number was down to 97. She observes, "Our volumes are low, our distances are high. Our stores are failing to thrive in a marketplace that competes based on volume sold and, subsequently, we are losing our access to fresh, healthy foods in rural places." The combination of services offered by the Center and RDFC have been used to provide affordable financing, to secure grants for energy efficiency upgrades like new coolers and HVAC systems, and to organize a statewide effort that brings together grocers and concerned organizations to actively address the issue and engage policymakers.

CoBank Supports Rural Grocer Development Project in North Dakota

MANDAN, N.D. — An economic development project targeting rural grocery and retail food distribution in northeast North Dakota is receiving significant support from CoBank, a national cooperative bank serving vital industries across rural America. CoBank is committing \$190,000 to the North Dakota Rural Electric & Telecommunications Development Center, operated by the North Dakota Association of Rural Electric Cooperatives (NDAREC).

Over the last four years, the center has been working with rural grocers in North Dakota on ways to strengthen rural grocery enterprise. The center and rural grocers are assessing the challenging economics of operating grocery stores in communities of 2,100 or less. These challenges include high costs of transporting grocery inventory to retail outlets, capital improvements needed at rural grocery facilities, and the lure of rural shoppers to low cost metro area grocery retailers.

continued...

...continued

The pilot project will cover the counties of Cavalier, Pembina, Walsh, and Ramsey in northeastern North Dakota and the Spirit Lake Reservation. This is a 5,618-square mile area with a population of 37,881, roughly 6.7 people per square mile. Researchers will work to identify strategies to improve prices, access, variety, and quality of grocery products for stakeholders, such as rural grocery stores, restaurants, convenience stores, schools, hospitals, nursing homes, local food producers, and suppliers. Comprehensive data will be used to engage stakeholders in the development of these strategies. Once viable opportunities are identified, the project will provide stakeholders with assistance to capitalize on them. Ultimately, the project hopes to change the way food is purchased and/or distributed in rural areas.

--NDAREC news release

For the full text, go to: <https://www.ndarec.com/cobanksupportsruralgrocerproject>

Why This Case Study is Important

NDAREC's approach for promoting rural development and addressing the critical needs of super-rural areas of North Dakota draws on many key strengths of the general cooperative model. The approach embodies Cooperation Among Cooperatives, with close coordination of efforts across both electric and telecommunications cooperatives throughout the state of North Dakota. The two entities that play key roles — NDAREC's Rural Development Center and RDFC are sponsored, funded, and operated by cooperative people. Concern for the Community, Cooperative Principle #7, drives the entire process. In a frontier area such as North Dakota, where communities are in danger of collapse due to declining population, grocery store closures, lack of childcare facilities, and scant health care options, cooperatives are in a unique position to both understand the challenges and bring innovative solutions to bear. NDAREC's model holds promise for other low-density areas across America faced with similar pressures.

For additional information:

Lori Capouch

Rural Development Director
Rural Electric and Telecommunications
Development Center
North Dakota Association of Rural Electric
Cooperatives
lcapouch@ndarec.com
Ph: 701.667.6444

Adaora Ifebigh

Senior Manager, R&D Engagements
NRECA Business and Technology Strategies
Adaora.Ifebigh@nreca.coop
Ph: 703.907.5849

This case was researched and written by Eric Cody, Cody Energy Group: CodyEnergyGroup@gmail.com