

# The G&T Relationship

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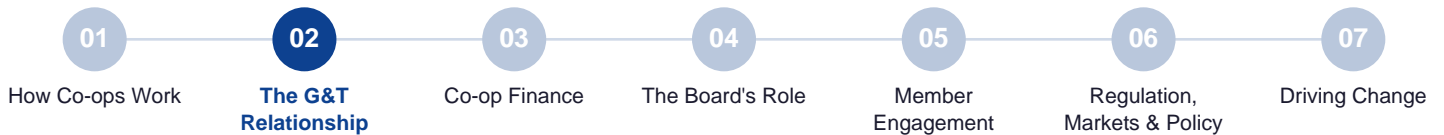
**Understanding power supply, contracts,  
and what they mean for your co-op.**

*For boards and staff of rural electric cooperatives.*

# The G&T Relationship

## ABOUT THIS SERIES

This is the second resource in the Co-op Foundations Series from Co-op Innovation Network. Volume 1 introduced how co-ops are structured and why structure shapes outcomes. Volume 2 goes deeper into one of the most consequential relationships in the co-op system: the connection between a distribution cooperative and its generation and transmission (G&T) cooperative. While not all distribution co-ops are members of a G&T, the vast majority are, and the dynamics described here shape the co-op system broadly.



## Introduction

If you are new to the electric cooperative world, one of the first things you will hear about is the relationship between a local distribution cooperative and its generation and transmission cooperative, or G&T. This relationship is central to the distribution cooperative's operations: how power is sourced, how rates are set, what energy programs are possible, and how much flexibility a co-op has to respond to change.

For many distribution co-ops, the G&T relationship is also one of the least understood. It operates largely in the background. When a co-op wants to add solar, lower rates, or pursue a new member program, the answer often comes back to one question: what does our G&T contract allow?

This resource explains how that relationship works, why it was built the way it was, and what it means for co-op leaders navigating decisions today.

### WHY THIS MATTERS

#### Rates

Power supply from the G&T typically makes up 60–80% of what members pay. Understanding the contract helps you understand the rate.

#### Alternative Energy

Whether a co-op can pursue local solar, wind, or other renewables (including through power purchase agreements) often depends entirely on what the G&T contract permits.

#### Flexibility

The terms of the G&T relationship, and how long they last, determine how quickly a co-op can adapt to new member needs or market opportunities.

# How the G&T System Works

A generation and transmission cooperative (G&T) is a wholesale power provider owned by the distribution co-ops it serves. Today, there are more than 60 G&T co-ops in the United States, each serving a group of distribution co-ops within a defined region.

## Why G&Ts Exist

G&Ts were formed because individual co-ops could not afford to build their own power plants. By pooling resources, they created G&Ts with the financial scale to build generation facilities and high-voltage transmission lines.

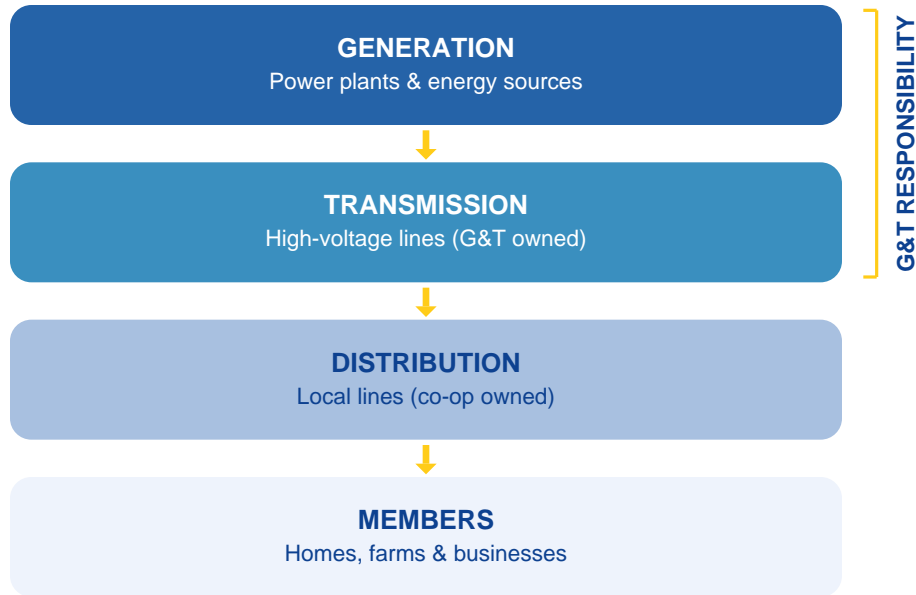
## What G&Ts Do

G&Ts handle the upstream components of the electricity system, everything before power reaches local distribution lines:

- Own and operate power generation plants.
- Purchase wholesale power from other producers.
- Build and maintain high-voltage transmission lines.
- Ensure supply meets member demand.

## How Electricity Gets to Members

*A simplified view of the two-tier system*



*Generation and transmission (top two layers) are handled by the G&T. Distribution is managed by the local co-op, which takes that wholesale power and delivers it the "last mile" to homes, farms, and businesses.*

## Ownership and Contracts

### WHO OWNS THE G&T?

G&Ts are cooperatives too, owned by the distribution co-ops that belong to them. In theory, that means distribution co-ops have a voice in how their G&T operates. In practice, G&T governance is more layered than it might initially appear.

G&T boards are typically composed of representatives from each member distribution co-op. A board member from a distribution co-op will vote on G&T decisions, including power supply planning and wholesale rate changes, that directly affect their home co-op.

This can create tension. When the interests of the G&T as a whole conflict with the interests of an individual member co-op, directors can find themselves in a difficult position. Some G&Ts have formal conflict-of-interest policies that require directors to recuse from votes where their home co-op has a direct stake in the outcome.

### WHY CONTRACTS MATTER

The relationship between a distribution co-op and its G&T is defined by a contract. Understanding this contract (what type it is, what it requires, and how long it lasts) is essential for any co-op leader. The contract shapes nearly every major decision a co-op can make.

Why are these contracts so binding? Because the G&T used them to secure financing. Lenders gave better terms when member co-ops were legally committed to purchasing power over a long period. That made the contracts a foundation of the entire financing structure, which is also why they are very difficult to change or exit.



#### BUILT TO LAST

The wholesale power contract is the basic foundation for G&T financing. That is why it is so difficult to change.

## The Three Main Contract Types

1

### All-Requirements Contracts

*The most common and most restrictive type.*

The distribution co-op must purchase virtually all of its electricity from the G&T and cannot independently build generation or sign contracts with other producers. These contracts are long-term and very difficult to exit, with many running 30 to 50 years or more. While they created stability for decades, they can now limit a co-op's ability to pursue local renewables or respond to members asking for cleaner power.

2

### Partial-Requirements Contracts

*Allows the distribution co-op to self-supply a portion of its electricity.*

Sourcing the rest from the G&T, partial-requirements contracts give co-ops more flexibility to pursue local generation, such as community solar or on-site renewables. Some G&Ts now allow member co-ops to self-supply up to 40% of their own power, a meaningful shift from the all-requirements model.

3

### Power Purchase Agreements (PPAs)

*A contract for electricity at a fixed price over a set period.*

PPAs are signed between a co-op (or G&T) and an energy producer, and are one of the primary tools for procuring renewable energy from independent producers. When a co-op is not locked into an all-requirements contract, a PPA is often the path to securing renewable energy at competitive costs.



## Why Contracts Are Hard to Exit ● ● ● ● ●

All-requirements contracts were not designed to be permanent, but in practice they often feel that way. Several factors make them difficult to change:

- 1 Financing ties**  
Lenders approved G&T loans based on guaranteed revenue from member co-ops. Changing the contract can require lender approval.
- 2 Exit fees**  
Co-ops that want to leave or renegotiate often face significant financial penalties to cover the G&T's stranded costs.
- 3 Duration**  
Many contracts run for decades. Some co-ops are locked in through the 2040s or 2050s.
- 4 Multiple approvers**  
Modifications may require sign-off from lenders, regulators, or trustees, not just the G&T and the distribution co-op.

That said, some co-ops have successfully renegotiated their contracts, exited G&Ts, or worked within their agreements to create more flexibility. Understanding your specific contract is the first step.



## What This Means For You

Knowing how the G&T relationship works changes how you read a situation. Here is what this means in practice.

### Understand Your Position

- Get a copy of your G&T contract and review the key terms.
- Find out how long the contract runs and what exit provisions exist.
- Know what share of your power comes from the G&T vs. other sources.
- Understand what self-generation is permitted, if any.

### Lead Effectively

- Don't assume you can't do something. Ask what the contract says first.
- Build relationships with your G&T counterparts. They are partners.
- Bring contract knowledge into board discussions about energy and rates.
- Advocate within the G&T's governance when needs are not being met.

### Watch for These Pitfalls

- Treating the G&T relationship as fixed when it may have more flexibility than assumed.
- Not knowing your contract terms when making commitments to members.
- Assuming all G&T contracts are the same. They vary significantly.
- Framing the G&T as the obstacle rather than engaging it as a partner.

## COMMON QUESTIONS

### Can our co-op add solar if we have an all-requirements contract?

Sometimes. But it depends on your specific contract. Some allow limited self-generation; others do not. Review your contract and ask your G&T directly.

### Who negotiates with the G&T on our behalf?

Typically your CEO and staff, with board approval for major decisions. Understanding the contract before negotiations begin is essential.

### What does a strong G&T relationship look like?

It goes beyond contract compliance. It means active participation in G&T governance, regular communication between co-op and G&T leadership, and advocating for member needs before decisions are made, not after.

### How do we know if our wholesale rate is fair?

G&T wholesale rates are set to cover the G&T's costs, including debt service on power plants. Comparing rates across G&Ts and monitoring your G&T's financial filings can help contextualize what you pay.

### What if our members want renewable energy our G&T does not offer?

This is one of the most common tensions in co-ops today. Options may include pursuing voluntary renewable power programs, advocating within your G&T's governance, or sourcing some power independently where contracts allow.

# Sources & Acknowledgements

The Co-op Innovation Network (CIN) extends its gratitude to the authors, organizations, and industry leaders whose research, insights, and expertise informed this resource.

- **We Own It**

Overview of G&T cooperatives and all-requirements contracts, including case studies of co-ops that have exited or renegotiated G&T contracts (weown.it).
- **Institute for Local Self-Reliance (ILSR)**

Research on long-term co-op contracts, local utility authority, and the relationship between contract structure and renewable energy access (ilsr.org).
- **University of Wisconsin Cooperative Research**

Background on the structure of rural electric cooperative financing and the quasi-vertically integrated nature of G&T relationships.
- **Utility Dive**

Perspectives on G&T contract equity, exit fees, and the cooperative model from co-op operators and researchers (utilitydive.com).

**SPECIAL RECOGNITION**

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Special thanks for her contribution to the Co-op Foundations Series. Her research helped shape the content of each volume.

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