



2017

NRECA ANNUAL REPORT

LEADING THE
ENERGY
FUTURE



NRECA
® America's Electric Cooperatives

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Letters from NRECA's President & CEO



Since its founding in 1942, NRECA has been a member-driven, member-focused organization. NRECA is member-driven in that we all play a role in electing our board representatives and guiding the association's policy agenda via the member resolutions process. But it is NRECA's persistent focus on its members that delivers its greatest value.

At every level of the organization, NRECA is focused not just on earning our dues, but on earning our trust. That trust is all the more important as we continue to navigate the uncertain waters of a transitioning energy sector, evolving workforce and changing member expectations.

Through a relentless commitment to member engagement, NRECA has been able to effectively craft positions that meet its obligation to be a national leader while simultaneously respecting and protecting the autonomy, independence and local control of every NRECA member system. The same can be said for NRECA programs, which are developed in collaboration with members and can be customized to respond to the reality that, in our business, one size certainly does not fit all.

As an officer entrusted to look after your association, I take pride in sharing this 2017 annual report with you. It showcases the fruits of NRECA's partnerships with its members across a spectrum of core value areas. It also offers assurance that the financial health of our association is sound.

While we may differ in opinion on some matters, as a grassroots, member-driven movement, cooperatives are stronger together. NRECA unites us to make an impact far greater than we can have alone and to learn from each other to overcome the challenges facing our communities.

I trust NRECA and the collective power of the cooperative movement to lead us into the future.

Phil Carson
Director, Tri-County Electric Cooperative
President, NRECA

Electric cooperatives remain the stalwarts in rural economies while also powering suburban communities that are spawned by our thriving economy – an economy powered by the energy and innovation of NRECA members.

Today's decisions among co-ops' leadership and members are driving the future of electric co-ops. We see that unfolding with new technologies, broader energy services, new connections with your communities and changes in how we engage with members.

At NRECA, we want to participate in that journey with you and be partners in your future success. We are committed to providing high-quality, competitive health and pension benefits; compelling advocacy on legislative, regulatory and market issues; and strategic business and technology advice, to name a few. Together, we benefit from our ability to leverage innovation and investment among the cooperative family.

In many ways, co-ops are leading the way in the emergence of the electric system. We're building more utility scale solar than anyone. Our microgrids are important proving grounds for others to emulate. And our AMI program is second to none in the industry. Yet, we are woven into the fabric of our communities well beyond energy.

Our mission is rooted in advocacy from the very beginning of the cooperative movement. For every major issue facing our industry, our goal is to empower you with the technical, legal, political, communications and market intelligence you need to determine the best path forward.

NRECA's goal is to help our members turn challenges into opportunities. Working together, we are positioning our co-ops for success through this transformative period in our industry.

Thank you for your continued support of NRECA.

Jim Matheson
CEO, NRECA



Board of Directors

as of Dec. 31, 2017

[officers]



Phil Carson | Illinois
President



Curtis Wynn | North Carolina
Vice President



Chris Christensen | Montana
Secretary-Treasurer

[the board]

Anthony Anderson **MICHIGAN** | Larry Becker **WISCONSIN** | Barry Bernstein **VERMONT** | Mark Brown **LOUISIANA** | Phil Carson **ILLINOIS** | Bryan Case **IDAHO** | Chris Christensen **MONTANA** | Ken Colburn **NEW HAMPSHIRE** | Mel Coleman **ARKANSAS** | Marion Denger **IOWA** | Kevin Doddridge **MISSISSIPPI** | Danny Dyer **MARYLAND** | Roy Friedersdorf **INDIANA** | Sandy Green **NEVADA** | Scott Hallowell **MAINE** | Chris Hamon **MISSOURI** | Bill Hart **SOUTH CAROLINA** | Mark Hofer **SOUTH DAKOTA** | David Iha **HAWAII** | Lynn Jacobson **NORTH DAKOTA** | Kerry Kelton **TEXAS** | Meera Kohler **ALASKA** | Tom Madsen **NEW JERSEY** | Joe Martin **COLORADO** | Tom McQuiston **OHIO** | Galen Mills **GEORGIA** | Jessica Nelson **CALIFORNIA** | Woody Noel **DELAWARE** | Curtis Nolan **ARIZONA** | Randy Pappenhausen **NEBRASKA** | Jeff Peterson **UTAH** | Gary Potter **NEW YORK** | Tom Purkey **TENNESSEE** | Reuben Ritthaler **WYOMING** | Lanny Rodgers **PENNSYLVANIA** | Keith Ross **KANSAS** | Ron Schwartau **MINNESOTA** | CB Sharp **WEST VIRGINIA** | Ed Short **ALABAMA** | Kelley Smith **FLORIDA** | Tim Smith **OKLAHOMA** | David Spradlin **NEW MEXICO** | Steve Walter **WASHINGTON** | Greg White **VIRGINIA** | Mike Williams **KENTUCKY** | Bryan Wolfe **OREGON** | Curtis Wynn **NORTH CAROLINA**



VOICING

your issues in
Washington

Regulatory Relief

Through powerful and effective partnerships with its members, NRECA achieves legislative and regulatory outcomes in Washington that positively impact cooperatives and the communities they serve.

In 2017, NRECA members and staff worked with the Trump administration to pursue several regulatory reform initiatives. Focused on improving processes that members identified as cumbersome or broken, ongoing advocacy required a commitment of resources from NRECA and its members, and significant progress was made on several key issues.

NRECA and member co-op executives held several meetings with administration leaders to help frame regulatory policy enacted in recent decisions to repeal and replace the Clean Power Plan, set reasonable limits under the Migratory Bird Treaty Act, and grant greater access to federal lands for vegetation management. EPA Administrator Scott Pruitt's visits to various co-ops across the country and Energy Secretary Rick Perry's attendance at the Legislative Conference exposed the administration's leadership to co-op issues and the impact NRECA is making as it works with members to advance common policy goals.

Jerry Purvis, vice president of environmental affairs at East Kentucky Power Cooperative, explains the partnership with NRECA. "Following the U.S. Supreme Court's stay of the Clean Power Plan, NRECA enlisted environmental experts from the cooperative family to solicit input and determine the needs of the cooperative system," he said. "This led to the development of a white paper, along with talking points, on the cooperative position to provide to NRECA executives and cooperative G&T managers. East Kentucky

Power Cooperative stands ready to proactively engage in discussions about the future of the Clean Power Plan thanks to a cooperative effort of leadership, environmental and legal professionals."

Partnerships like these directly benefit NRECA members, improve local communities and ensure America's electric cooperatives are heard in Washington and in their states.



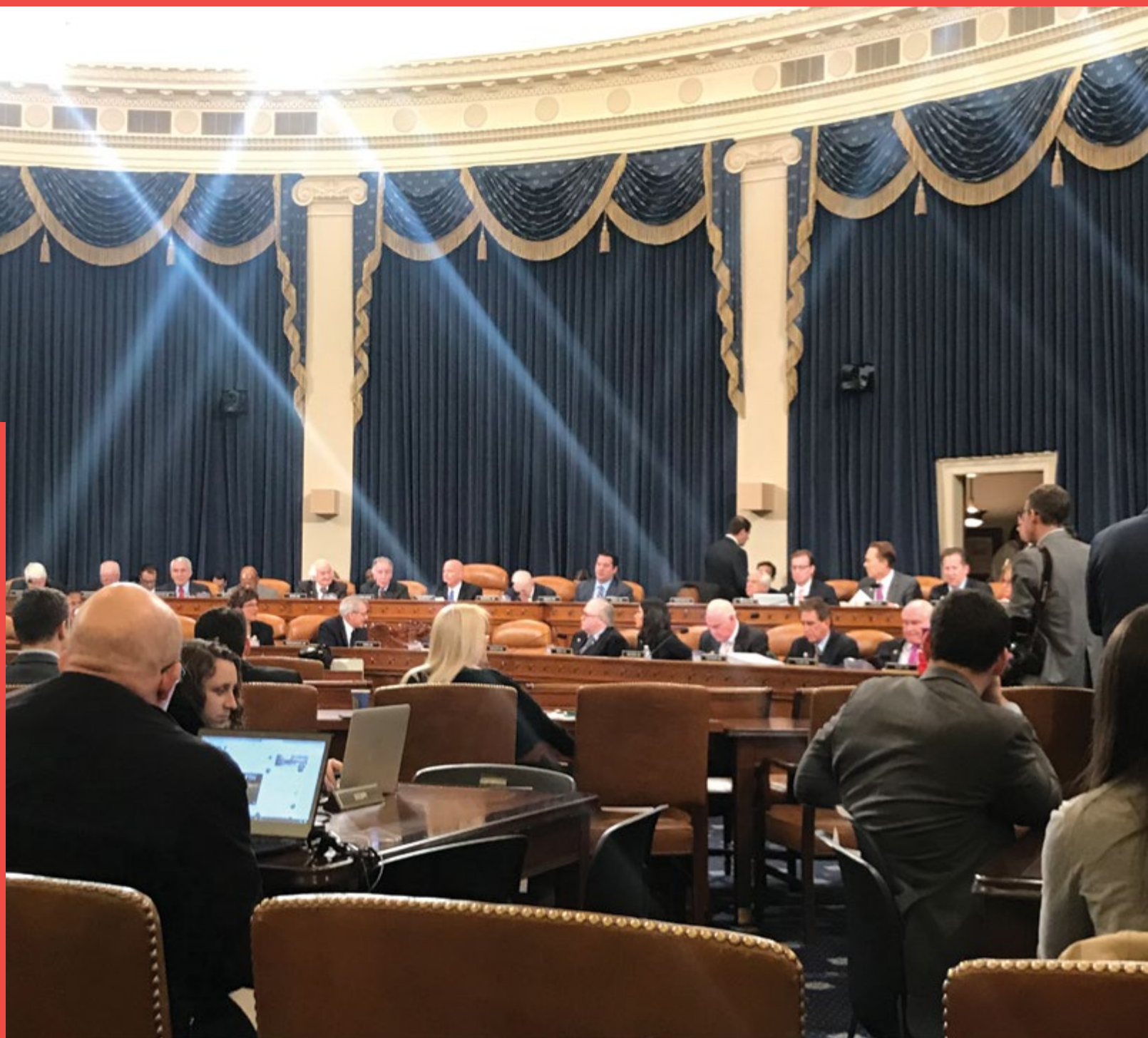
▲ EPA Administrator Scott Pruitt and Sen. Roy Blunt (R-Mo.) visit with leaders from Missouri's electric cooperatives at Thomas Hill Energy Center.

■ OTHER KEY WORK

NRECA has also been an advocate for streamlining the RUS Broadband Loan Program and for dedicated federal funding to bring broadband to the 24 million Americans living in underserved areas.

VOICING

your issues in Washington



Tax Reform

The value of the NRECA network was apparent when NRECA worked with G&T members to amend proposed language in the Tax Cuts and Jobs Act that would limit a G&T's interest expense to 30 percent.

With the cost of the proposed limitation in the millions of dollars, NRECA quickly organized efforts and urged members to contact their elected officials to let them know the importance of this issue and its impact on local communities.

Basin Electric Power Cooperative, Tri-State and Deseret Power were instrumental in these efforts. For example, working with NRECA, Basin Electric engaged members of the Senate Finance Committee who represent the communities it serves. East River Electric and other cooperatives served by Basin also weighed in by contacting their representatives, as did members of other participating G&Ts.

As a result of the outreach, Sen. John Thune (R-S.D.) drafted an amendment that ultimately was adopted during the Finance Committee's consideration of the bill and signed into law. The amendment ensures that taxable G&T co-ops can continue to deduct all of their interest expenses.

"Working with NRECA to engage our senators and representatives was an important effort to ensure that the taxable G&T cooperatives would not be harmed by

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**Working with
NRECA to engage
our senators and
representatives was
an important effort...**

Dale Niezwaag
Vice President, Government Relations
Basin Electric Power Cooperative

this limitation," said Dale Niezwaag, Basin Electric's vice president of government relations. "Losing such an important deduction would have dramatically increased Basin Electric's tax liability and ultimately impacted the rates paid by our member cooperatives."

The success of these legislative efforts depends on NRECA's strong partnership with America's electric cooperatives and the advocates who play a vital role in the political process to protect the interests of their co-op. This example of local voices impacting national legislation embodies the principles of the cooperative model.

◀ *The Senate Finance
Committee markup of the
Tax Cuts and Jobs Act.*



TELLING

our story

Hurricane Response

During a four-week period from August to September, hurricanes Harvey, Irma and Maria dumped record amounts of rain on the southern United States and the Caribbean, damaging cities and rural areas alike and cutting off coastal communities. The catastrophic storms turned streets into rivers, uprooted trees and ripped down power lines.

In preparation for the storms' landfall, NRECA contacted more than 100 cooperatives in the forecast cone to offer communications support. Victoria Electric Cooperative (VEC), located about 130 miles outside Houston and about 50 miles from the Gulf Coast, was one of those co-ops.

VEC was hit directly by Hurricane Harvey, knocking all 22,467 meters offline and leaving the entire membership without power. NRECA immediately began working with VEC to develop messaging, and through Facebook, VEC was able to keep members informed and update them on progress to restore power.

"NRECA was a tremendous asset during this time and was available around the clock for questions and guidance," said Nina Campos, communications manager at VEC. "Their assistance increased our media reach, improved our social media strategy and overall helped us communicate with members in a calm and thoughtful way."

NRECA delivered boots-on-the-ground reporting from dozens of co-ops across seven states to industry and government partners. These efforts provided real-time outage information and situational awareness to the media and decision makers at the local, state and federal level. When restoration efforts began, NRECA coordinated with statewides and co-ops across the country to tell the co-op story of mutual aid.

One of the unique qualities of America's electric cooperatives is the willingness to come together to

◀ *Choctawhatchee Electric Cooperative linemen help restore power to the members of Glades Electric Cooperative in Lake Placid, Florida.*

improve services to the members and communities they serve. It's a characteristic that's represented by one of the seven cooperatives principles—Cooperation Among Cooperatives. These storms challenged co-ops, but they also strengthened and united the co-op family. It's not just extraordinary, it's the cooperative way.

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NRECA was a tremendous asset during this time and was available around the clock for questions and guidance.

Nina Campos
Communications Manager
Victoria Electric Cooperative



VEC updated members through facebook posts like this one

- 1,700 shares
- 1,500 likes
- Grew followers from 1,500 to > 6,000
- 91,000+ people reached



PROMOTING

well-being &
financial security

NRECA Medical Plan — Teladoc

NRECA strives to provide best-in-class benefit programs at cost to its members. These programs play a valuable role in attracting and retaining a cooperative's most important resource—its employees. In order to continue meeting the needs of member co-ops and their employees, NRECA is continuously investing in these programs by leveraging technology and product developments.

In January 2017, the NRECA Medical Plan launched the first phase of the Teladoc service, collaborating with co-ops in Alaska and other parts of the country to use the service and provide feedback. Teladoc provides plan participants experiencing non-emergency illnesses access to a medical professional via a video or telephone call 24 hours a day. In many cases, plan participants who do not have convenient access to medical care facilities end up using emergency room or urgent care centers for treatment of non-emergency illnesses at a substantially higher cost. Teladoc provides an affordable and convenient alternative.

"Having 24/7 access to a medical professional makes a big difference when your family member is sick in the middle of the night and the closest medical facility is over 100 miles away," said Tyler Andrews, vice president of member and employee services at Chugach Electric Association in Anchorage, Alaska. "Teladoc is a game changer for Alaska co-op employees and their families."

At the conclusion of the first phase, more than 1,100 plan participants used the service, resulting in savings of approximately \$308,000 for those who would have otherwise used urgent care or emergency room services. Member feedback was positive, leading to the full rollout this year. Now, Teladoc physicians provide a convenient



and cost-effective treatment option for more than 100,000 members of the co-op family.

The partnership between NRECA and its members, who frequently volunteer to participate in pilots and share feedback, ensures the benefit programs continue to meet the needs of co-op employees well into the future.

Retirement Security Plan

As NRECA looked to the future and evaluated potential regulatory changes and additional plan design options for the Retirement Security Plan, the need for a more flexible plan administration platform became clear. In August, NRECA began using a new Retirement Security Platform, automating many aspects of plan administration and allowing for increased collaboration between NRECA and member co-ops through the evaluation and evolution of the plan.

◀ *A lineman of Alaska Village Electric Cooperative pulls his gear on a sled to a job site in Kivalina, Alaska during a blizzard.*



Cybersecurity

Electric cooperatives large and small are responding to cybersecurity challenges by nurturing a culture of security awareness. Similar to co-op safety programs in the field, robust cybersecurity relies on every employee contributing to the effort.

NRECA is playing a leading role in helping co-ops develop a culture of security awareness through cybersecurity programs that help members across various job roles understand how they can help protect their co-op. One example is NRECA's Rural Cooperative Cybersecurity Capabilities Program (RC3), launched with funding from the U.S. Department of Energy. RC3 focuses on small- and mid-sized distribution co-ops and emphasizes collaboration, assessment and personalized training.

NRECA held six RC3 Cybersecurity Summits in 2017, which provided nearly 200 employees from more than 150 co-ops with cybersecurity training. This valuable member resource was an opportunity for members to come together to discuss their cybersecurity challenges and exchange ideas and leading practices.

"When electric cooperatives come together as part of NRECA's RC3 program, we have an opportunity to share the steps we all can take to safeguard member data, secure our grid operations and strengthen the cooperative network," said Ed VanHoose, executive vice president and general manager at Clay Electric Cooperative in Flora, Illinois.

An additional component of this initiative is NRECA's RC3 Self-Assessment Research Program, which provided intensive, two-day training to more than 200 executive



level staff at 36 co-ops. “If you put your hands on a keyboard, you should sit in on this kind of training. So many people do not have a clue about the repercussions of what they might do online, the effect it might have on their co-op, on their business,” said Brian Bell, line foreman at Oneida-Madison Electric Cooperative in Bouckville, New York.

As a result of the RC3 program and co-ops’ broader efforts to increase cybersecurity awareness and capabilities, NRECA has a strong message to take to Capitol Hill, regulatory agencies and other stakeholders: Cooperatives are doing their part to protect our nation’s electric grid and our members’ data.

▲ *Protecting the complex systems at Clay Electric Cooperative in Keystone Heights, Florida requires vigilance on the part of every employee.*

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We have an opportunity to share the steps we all can take to safeguard member data, secure our grid operations and strengthen the cooperative network.

Ed VanHoose
Executive Vice President & General Manager
Clay Electric Cooperative, Flora, Illinois



SHAPING

the energy
revolution

COMMUNITY SOLAR

Evolution of the solar market has been faster and more expansive than anticipated, and America's electric cooperatives are playing a key role.

NRECA managed the Solar Utility Network Deployment Acceleration (SUNDA) project—a four-year, regional solar installation research project to reduce costs and lower barriers to photovoltaic (PV) deployment at cooperative utilities. The SUNDA project brought together 17 cooperative partners and experts to install more than 30 megawatts of PV solar, converting research and lessons learned into practical guides for co-ops.

NRECA created a suite of solar resources to help co-ops at every stage of the deployment process. Designed to help co-ops with everything from analyzing financing options to operating and maintaining the completed array, resources included standardized engineering designs, cost and financial screening tools, a communications toolkit, and online and in-person training. These resources facilitated collaborative problem-solving within the cooperative network and reduced implementation barriers for co-ops.

"We wanted our next community solar project to be an owner/operator model, but lacked the expertise," said Jeff Wadsworth, president and CEO at Poudre Valley Rural Electric Association (PVREA) in Fort Collins, Colorado. "SUNDA provided an opportunity for us to acquire knowledge in areas such as design, financing, procurement and marketing. SUNDA played a significant part in the success of our third community solar project, and the lessons learned should be invaluable to other cooperatives wanting to build and own their solar farm."

By providing resources based on experience, the Department of Energy-supported project has increased the number of co-ops that have some solar or who are actively planning systems to more than 50 percent. The SUNDA project established co-ops and NRECA as valuable partners and helped cement the co-ops' leadership in community solar.

▲ PVREA members and area residents volunteered to help install solar panels for the Coyote Ridge Community Solar Farm.



SUNDA PARTICIPATING CO-OPS

- Anza Electric Cooperative, Calif.
- Appalachian Electric Cooperative, Tenn.
- Brunswick EMC, N.C.
- CoServ Electric, Texas
- Eau Claire Electric Cooperative, Wis.
- Great River Energy/Wright-Hennepin Cooperative Electric Association, Minn.
- Green Power EMC/Oglethorpe Power Corporation, Ga.
- Kansas Electric Power Cooperative, Kan.
- Middle Tennessee EMC, Tenn.
- North Arkansas Electric Cooperative, Ark.
- Oneida Madison Electric Cooperative, N.Y.
- Owen Electric Cooperative, Ky.
- Pedernales Electric Cooperative, Texas
- Sandhills Utility Services, N.C.
- Sussex Rural Electric Cooperative, N.J.
- Tri-State G&T Assoc. / Poudre Valley REA, Colo. with options in Utah, Wyo., N.M. and Nev.
- Vermont Electric Cooperative, Vt.



BUILDING

the next
generation
workforce

Education and Training

NRECA's competency-based education programs and events are designed to equip members with knowledge and skills that are relevant to today's business challenges while preparing them for the future.

With more than 500 electric cooperative CEOs and 15,000 co-op employees eligible to retire within the next five years, NRECA expanded its education portfolio in 2017 to include two new leadership programs designed to teach electric co-op managers how to influence and inspire colleagues and increase effectiveness and accountability within their co-op.

MIP Select is a two-week program modeled after the Management Internship Program that focuses on strategy execution and risk, implementing change, cultivating an organization-wide mindset, and creating a culture of excellence. The Supervisor and Manager Development Program (SMDP) is a competency-based program for managers of all experience levels that strengthens the leadership skills needed to improve a team's performance in the mission-critical areas of safety, member satisfaction, reliability and cost control.

Central Alabama Electric Cooperative CEO Tom Stackhouse believes that an investment in continuous learning is an investment in the co-op's future. Trustees and employees at Central Alabama participated in more than 150 NRECA education programs in 2017, including MIP Select and the SMDP courses, which were delivered on-site through their statewide association.

"Training requirements for electric utility jobs change so frequently that we have to stay attentive," Stackhouse said. "NRECA plays a key role in helping us stay on track. Although each co-op is individual in how it operates, NRECA provides the latest and most relevant training for everyone."

NRECA strives to set the industry standard in education by creating programming that is co-op specific and readily transferable in the boardroom and on the job. Whether in the classroom, online or at an NRECA event, NRECA's convening role provides members the opportunity to learn from a nationwide network of industry experts and peers.

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Hearing from experts on topics that cooperatives deal with everyday...helped us understand what it requires to run a cooperative.

Scott Lee
Manager of Information Systems
Central Alabama Electric Cooperative



▲ Programs like NRECA's Management Internship Program provide leadership training for co-ops.

BUILDING the next generation workforce



Meet Jeremiah Sloan

Serve Our Co-ops; Serve Our Country is connecting veterans with America's electric cooperatives.

Jonesboro, Arkansas-based Craighead Electric Cooperative hired the first veteran under the program when it welcomed aboard Air Force Capt. Jeremiah Sloan as an electrical engineer.

★ ★ ★ ★ ★
SERVE OUR CO-OPS
SERVE OUR COUNTRY

Serve Our Co-ops; Serve Our Country

Serve Our Co-ops; Serve Our Country is a nationwide coalition of cooperatives created by NRECA in collaboration with its members to honor and employ veterans, active military and their spouses.

The growing coalition is made up of more than 100 electric cooperatives and is engaging local veteran communities across the country. Seventy veterans have been hired and welcomed into the co-op family since the program's launch in 2016.

The success of Serve Our Co-ops; Serve Our Country depends on the dedication of members like Charlie Dunn, CEO of Farmers Electric Cooperative in Greenfield, Iowa. Dunn is a veteran of Operation Desert Storm and the Iraq War, and finding the community of America's electric cooperatives was just what he needed when he left active duty as an Army sergeant. "I felt right at home when I came off active duty and into the co-op community," Dunn said. "Co-ops are very mission-oriented, have a strong work ethic and want to get the job done right."

Dunn is helping to raise awareness of Serve Our Co-ops; Serve Our Country by educating his peers on the value of hiring veterans. The Iowa coalition has grown from five to 14 co-ops. "We want to step up recruitment efforts for vets and their spouses, and we want this to be the tool to find qualified employees," he said.

Hiring managers and CEOs alike know that veterans offer many of the technical, leadership and safety skills that the next-generation utility industry demands.

Rita Harris, human resources manager at GreyStone Power Corporation in Douglasville, Georgia, works with NRECA to honor veterans in her community. "Veterans are such a good fit for electric cooperatives. NRECA has helped me to raise the awareness of co-op careers with our local veteran community and find creative ways to honor our veteran employees." GreyStone has hired five veterans under the Serve Our Co-ops; Serve Our Country program.



▲ Charlie Dunn served in the U.S. Army in Ramadi, Iraq.

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I felt right at home when I came off active duty and into the co-op community.

Charlie Dunn
Chief Executive Officer
Farmers Electric Cooperative



CHANGING

lives around the world

Global Impact

Liberia has had little power generation capacity since the 1990s when war destroyed much of the country's infrastructure.

The United States Agency for International Development estimates that only 2 percent of Liberia's 4.7 million citizens have access to electricity.

Totota is a rural community not far from the Liberian capital of Monrovia where most households rely on batteries, lanterns and candles for light. NRECA International recognized this community's need and launched a self-funded electrification project to provide the 6,400 residents of Totota with affordable and reliable electricity. Engineers were examining innovative technology solutions that would meet the needs of

the remote town when Texas-based Bandera Electric Cooperative (BEC) CEO Bill Hetherington offered his co-op's renewables expertise to develop a microgrid. BEC joined the team and designed a system that uses a combination of solar, energy storage and high-efficiency generators that fit inside a standard 20-foot shipping container, making it easy to install and secure in this remote area.

"We believe that by partnering with NRECA International and supporting rural electrification in the developing world, we are opening new opportunities for our co-op and creating value for Totota," Hetherington said. "It's a mutually beneficial partnership. I am very proud that Bandera is playing a key role to help this community reach its potential."

The project will be complete this year and will be maintained and operated by a newly formed electric



cooperative that will serve 400 homes and businesses in Totota. It will be at least 10 years before the construction of Liberia's national grid can reach this town, so NRECA International is committed to filling this gap.

"Our partnership with Bandera and shared expertise will provide reliable and affordable power to Totota and create a foundation for economic growth in that community," said Dan Waddle, senior vice president for NRECA International.

For NRECA International and BEC, the communities they serve are not limited to the boundaries of co-op service areas. America's electric cooperatives work for the sustainable development of global communities like Totota, and sometimes those needs require a creative and innovative approach.

▲ *Two women selling spices in Totota pose for a picture.*



Miguel Rivera, manager of BEC's renewable energy program, checks equipment inside the 20-foot shipping container that will be used for Liberia's new microgrid system.



GROWING

a culture
of safety

Commitment to Zero Contacts

America's electric cooperatives are committed to a culture of safety and continue to serve as an example of safety practices for their communities. The partnership between NRECA, its members and statewide associations is critical to providing cooperatives with tools and resources to enhance their safety programs.

NRECA's voluntary Rural Electric Safety Achievement Program provides members with a framework for increasing safety awareness and strengthening safety practices. An increased focus on safety has reduced workplace injuries by more than 50 percent. However, serious injuries and fatalities have not followed this trend.

NRECA partnered with Federated Rural Electric Exchange and safety professionals from the statewide and cooperative levels to analyze the data, research the causes and create ideas for co-op leaders that, if implemented effectively, may help prevent these life-altering incidents.

"Our partnership with NRECA has allowed our sharing of experience, insights and resources to help meet this important challenge head on with the overriding objective of saving lives," stated Corey Parr, vice president of safety and loss prevention for Federated.

Through the Commitment to Zero Contacts initiative, NRECA is working with Federated to engage senior

leaders and develop training and job planning resources such as the S.A.F.E. mobile app, which reinforces the commitment to safety with field personnel. If successful, these tools will get co-ops closer to the ultimate goal of sending every member of the co-op family home safe to their families at the end of every day. Full implementation of this initiative will continue this year.

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Our partnership with NRECA has...help[ed] meet this important challenge head on...

Corey Parr
Vice President
Safety and Loss Prevention
Federated Rural Electric Exchange



◀ *A lineman from Clay Electric Cooperative in Keystone Heights, Florida.*

LOOKING

The nature of the electric utility industry is changing, and as the future of energy takes shape, NRECA remains committed to promoting, supporting and protecting the community and business interests of electric cooperatives. As the industry evolves, so too will NRECA. NRECA recently updated its strategic plan to adapt to a changing industry and capture the breadth and depth of the products and services we provide in partnership with America's electric cooperatives.

NRECA's updated strategic plan is driven by seven key priorities:

- Influential leadership
- Next-generation workforce
- Member engagement
- Service excellence
- Telling our story
- Operational effectiveness
- Global commitment

NRECA will continue to engage members and use their feedback to provide political and public policy leadership in Washington, D.C. and across the country. We are dedicated to building national partnerships in safety programs and

energy workforce development that empower leaders within the electric co-op community and prepare them for the next-generation industry.

We will continue to develop and implement new technologies and business strategies that position electric cooperatives to anticipate, shape and respond to what consumers want and need. And, through NRECA International, we will continue to demonstrate our commitment to powering global rural economic development.

Strong member relationships will continue to guide our understanding of electric cooperatives' changing needs. These include competitive retirement and health benefits and ever-evolving strategies for communications, business and technology development, and education and training. NRECA has undertaken projects in these areas to help our members succeed as community partners, employers, political advocates and ambassadors of the cooperative model. To do so, we have aligned our shared goals to NRECA's strategic plan, which will allow us to harness the power of our partnerships and increase the value of your membership. Together, we are preparing for the future of electric cooperatives.

AHEAD



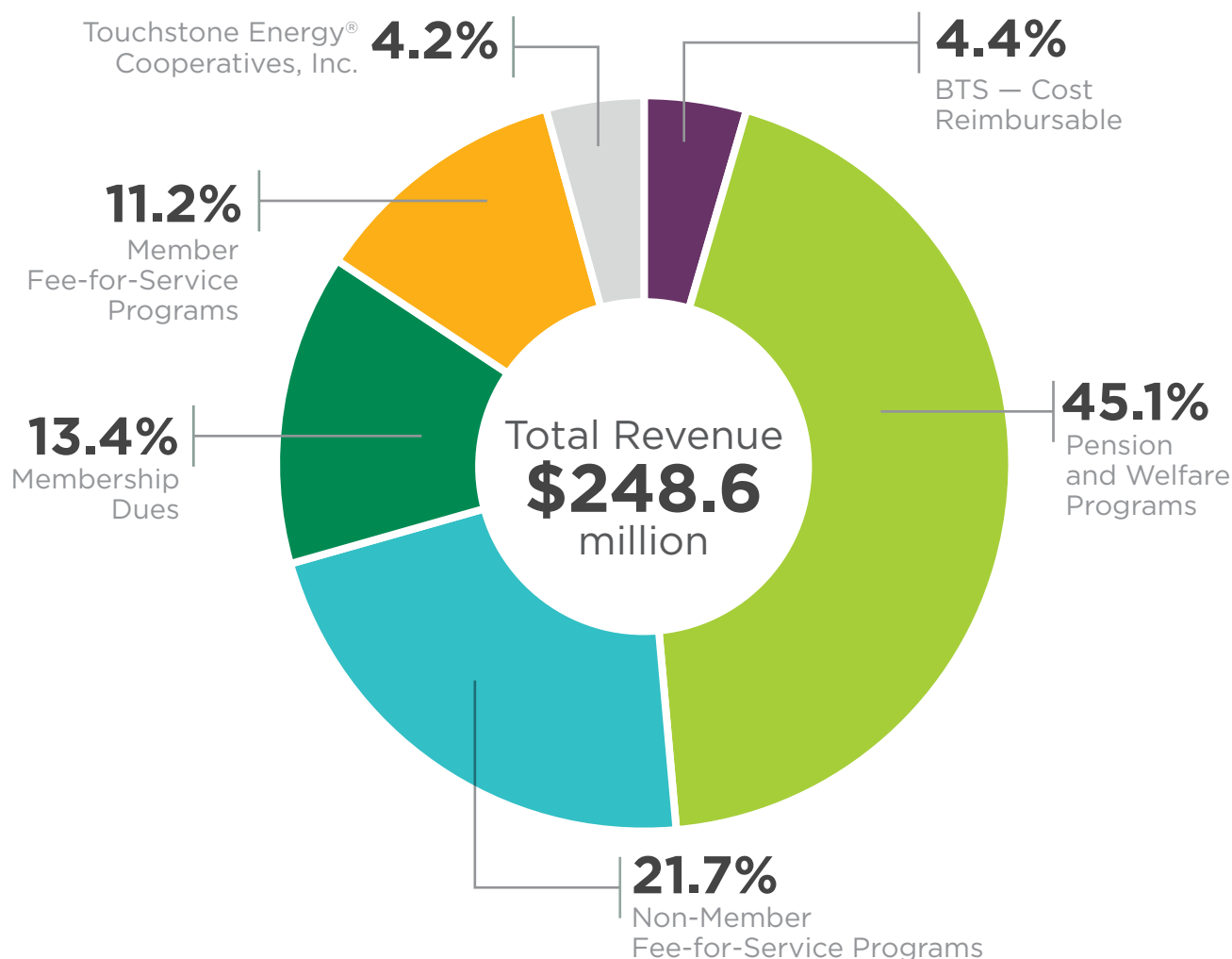
2017 Financial Highlights

[the association]

SUMMARY OF OPERATIONS (REVENUE BY SOURCE)

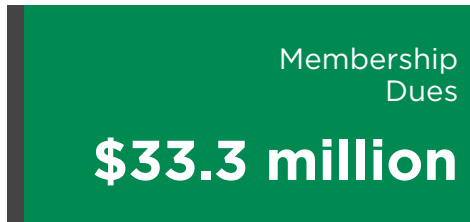
NRECA's operations include general membership, fee-for-service and cost-reimbursable programs. NRECA ended the year with total revenue of \$248.6 million and a \$5.4 million net operating margin before two payments authorized by the board of directors. The board of directors in December approved a \$2.9 million contribution to the Cooperative Research Network

fund and a one-time, non-recurring RS Plan Voluntary Contribution Acceleration Program (VCAP) payment of \$6.9 million. Since \$4.4 million of the latter payment was charged to cost-reimbursable programs, the net financial impact of the RS Plan VCAP payment was \$2.5 million. NRECA's net margin for 2017 after these two board-authorized payments was zero.



Revenue

General Membership Programs



Membership programs consist of government relations, communications, business & technology strategies and other programs. Dues for the year of \$33.3 million partially funded the \$46.9 million cost of these programs. NRECA funded the remaining \$13.6 million from margins earned on fee-for-service programs.

Fee-for-Service Programs



Revenue of \$27.9 million was generated from member fee-for-service programs, including annual and regional meetings, TechAdvantage, training and conferences, consulting, and *RE Magazine*, for which the members who use them pay a fee. These programs ended the year with a net margin of \$2.3 million.

Revenue of \$53.8 million was generated from non-member fee-for-service programs, including the buildings owned by NRECA, fees for managing the Homestead Funds, and the International programs. These programs ended the year with a net margin of \$13.8 million.

Cost Reimbursable Programs



NRECA is the sponsor and plan administrator of three multiple employer plans. NRECA provides plan administration services on a cost reimbursable basis.

NRECA provides administrative services to Touchstone Energy® Cooperatives, Inc. on a cost reimbursable basis.

Business & Technology Strategies (BTS) conducts research to accelerate technological innovation, which is primarily funded by member research dues and government grants. BTS revenue is recognized to the extent program expenses are incurred.

Financial information is preliminary and may change. Expanded financial information is available at electric.coop/annualreport.

2017 Financial Highlights

[NRECA multiple employer plans]

The pension and welfare programs administered by NRECA consist of three multiple employer plans: the Retirement Security Plan, the 401(k) Pension Plan and the Group Benefits Program. During 2017, NRECA remained committed to controlling costs while delivering high-quality products and services to member cooperatives and participants.

	Retirement Security Plan	401(k) Pension Plan	Group Benefits Program	Totals
Net Assets	\$9.6 Billion	\$10.4 Billion	\$552.0 Million	\$20.6 Billion
Contributions/ Premiums	\$925.4 Million	\$750.0 Million	\$629.9 Million	\$2.3 Billion
Benefits Paid	\$1.2 Billion	\$545.1 Million	\$592.6** Million	\$2.3 Billion
Plan Paid Administrative Expenses	\$62.0* Million	\$33.5 Million	\$29.8 Million	\$125.3 Million

*Includes \$39.0 million in PBGC Premiums

**Includes \$35.9 million in Insurance Premium Payments

*Financial information is preliminary and may change.
Expanded financial information is available at electric.coop/annualreport.*

Delivering Exceptional Value

In 2017, NRECA members received \$1.45 in services for every dollar they paid in dues.

Membership dues support approximately two-thirds of the cost for providing general membership programs. The association funds the remaining cost through its fee-for-service programs as described in the Financial Highlights section.



\$1.00

(Dues)

\$.57

Government Relations

\$.23

Communications & Marketing

\$.19

Business & Technology Strategies

\$.10

Cooperative.com Communities & Websites

\$.09

CRN Fund Contribution

\$.06

CEO Special Projects & IT Prioritization

\$.06

Education & Training

\$.06

Member Counsel

\$.09

Other Member Programs

\$1.45

(Actual cost of member programs)

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This document summarizes the consolidated financials and general activities of NRECA and its related companies. It is intended to be informational only. For ease of use, references to NRECA may include entities owned by or affiliated with NRECA; and references to NRECA programs, events, or activities may include NRECA-owned or affiliated entity programs, events or activities.

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2017

