

2016 **NRECA** **ANNUAL** **REPORT**

Our Legacy is the Future



75 Years of Service

NRECA

America's Electric Cooperatives

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Letters from the President & CEO



Friends,

Since 1942, NRECA has been a tireless advocate for America's electric cooperatives and the principles of the cooperative movement.

When politicians aligned with investor-owned utilities falsely accused cooperatives of treason for allegedly hoarding copper during World War II, NRECA proved them wrong and showed how electrified farms helped the war effort by efficiently producing desperately needed supplies.

When President Kennedy wanted to promote democracy and fight the spread of communism in developing nations, he called upon America's electric cooperatives to share their rural development expertise with the world, creating NRECA International.

Whenever co-ops face a challenge, NRECA is there to bring us together, facilitate information sharing and lead our response in Washington. It's a formula that's worked time and again on issues ranging from REA loans to retail electric competition.

Today we face a new set of challenges. As you'll see in the pages of this year's annual report, NRECA is committed to leading our collective efforts to respond to a changing industry and a changing world.

We're fostering innovation through the SUNDA Project, the Community Storage Initiative and many other research endeavors. We're mobilizing members through our various advocacy efforts. And we're taking care of our people through safety programs, excellent benefits packages and continuing education.

Today's challenges are different from those of the past in some respects, but the values that will guide us to a strong and prosperous future remain the same.

That's why we say our legacy is the future. And that's why I'm proud to be a member of NRECA.

Sincerely,

Mel Coleman

*CEO, North Arkansas Electric Cooperative
President, NRECA (2015-2016)*



Members and Valued Partners,

The cooperative movement is powered by people, and in 2016, our members and the professionals at NRECA put America's electric cooperatives in a stronger position to address the rapid changes in technology and consumer expectations facing our industry.

Our relentless advocacy on behalf of members over the past four years contributed to the recent decision by the Trump Administration to review the Clean Power Plan. We lifted up the voice of rural Americans through the Co-ops Vote civic engagement initiative. And we've fostered innovation by leveraging member investments to secure millions more in matching awards to fund the research and development of new energy technologies.

In this year's annual report, you'll learn about more than a dozen projects that are elevating the profile of the cooperative network and making it easier for co-ops to serve their members and be strong community partners. You'll also meet a few of the professionals who make these projects possible, and learn why they love being part of the cooperative family.

This is my first annual report to the membership, and I am proud to tell you that NRECA is a member-focused organization with a healthy balance sheet and a commitment to continuously improve.

In the years ahead, we will build upon this strong foundation to pursue an aggressive policy agenda that includes regulatory relief, cyber and physical security, energy innovation and investment in rural infrastructure. We'll support that agenda with an advocacy strategy that forges stronger connections between the messages we deliver in Washington and the stories we share with members, journalists and other public stakeholders.

In times of uncertainty, we must challenge ourselves to be better while staying true to the core principles that have served us so well for so long. With your continued support, we will honor our legacy while building a prosperous future for the people and places we serve.

Sincerely,

Jim Matheson
CEO, NRECA

Board of Directors

as of Dec. 31, 2016

[officers]



Mel Coleman | Arkansas
President



Phil Carson | Illinois
Vice President



Curtis Wynn | North Carolina
Secretary-Treasurer

[the board]

Tony Anderson **MICHIGAN** | Larry Becker **WISCONSIN** | Mark Brown **LOUISIANA** | Phil Carson **ILLINOIS** | Bryan Case **IDAHO** | Chris Christensen **MONTANA** | Ken Colburn **NEW HAMPSHIRE** | Mel Coleman **ARKANSAS** | Michelle DaVia **VERMONT** | Marion Denger **IOWA** | Kevin Doddridge **MISSISSIPPI** | Danny Dyer **MARYLAND** | Roy Friedersdorf **INDIANA** | Sandra 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 Papenhausen **NEBRASKA** | Mike 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** | Tim Smith **OKLAHOMA** | Kelley Smith **FLORIDA** | David Spradlin **NEW MEXICO** | Steve Walter **WASHINGTON** | Greg White **VIRGINIA** | Mike Williams **KENTUCKY** | Bryan Wolfe **OREGON** | Curtis Wynn **NORTH CAROLINA**

**The electric cooperative community mourns the loss of NRECA Utah Director Mike Peterson who passed away in 2016 after a long battle with cancer. Mr. Peterson, 57, was director of the Utah Rural Electric Association since 1998, and joined the national board in 2012.*

Giving Rural America a Voice



Charged with the mission to re-engage rural voters and increase voter turnout in the 2016 election, NRECA launched the nonpartisan voter engagement campaign Co-ops Vote.

This challenge was significant given rural voter turnout dropped by a staggering 18 percent between 2008 – 2012. However, through social media, digital outreach, grassroots tactics and media relations, NRECA reached millions of rural voters and encouraged them to learn about their local, state and national candidates, and the issues affecting their communities, such as rural broadband and cybersecurity.

Leading up to the Vice-Presidential Debate in Farmville, Virginia, NRECA worked closely with statewide associations, local electric cooperatives and community leaders to promote the important messages of Co-ops Vote on a national stage.

More than 700 co-ops in 47 states participated in the program and thousands pledged to “Become a Co-op Voter.” Of those, more than 100 co-ops received the five-star co-op designation by participating in at least five suggested activities within their communities. Interns played an important role by educating members of Congress about the initiative and engaging youth in our communities about Co-ops Vote. The Co-ops Vote website had nearly 27,000 visitors and 118,800 page views.

Co-ops Vote grew to be more than a voter turnout initiative. It became a national movement that reignited rural citizens of all ages, encouraged them to educate themselves and their neighbors about issues facing rural America, and ultimately, to use their voice on Election Day.

Photo by: NRECA

NRECA EMPLOYEE SPOTLIGHT:



Richard Condello, Senior Director, Information Security and Enterprise Architecture | Years at NRECA: 18
Hometown: San Juan, Puerto Rico

“As a former consumer-member of a cooperative (all while working for an IOU), I know firsthand the value, extraordinary dedication and commitment of the people who work at cooperatives.”

Supporting Veterans

Retired Sergeant Blair Cirulli, a veteran of the Afghanistan War, was seeking a post-military career that would provide the same cultural attributes as her time in the Army.

After completing a tour of duty in Afghanistan and earning a degree from the University of Maryland, Cirulli came across a job opening at Northern Virginia Electric Cooperative (NOVEC) and found the definition of a co-op to be “very similar to that of the military: united to serve; democratic; voluntary.”

Excited to find a culture that aligned so perfectly with her military experience, Cirulli applied for the job and was hired as NOVEC’s communications specialist. The values and principles that are important to her represent the cooperative business model and are the characteristics that set America’s electric cooperatives apart from other employers. The training, experience and knowledge of veterans like

Cirulli translate perfectly into the skills that are needed at electric cooperatives.

Through a new initiative, Serve Our Co-ops; Serve Our Country, NRECA honors the service men and women who work for America’s electric cooperatives and trains co-ops how to employ more veterans. Since the program’s launch in early 2016, 83 co-ops have joined the national coalition and welcomed more than 30 veterans and military spouses into the co-op family. Today, nearly 400 veterans are employed by coalition members.

Co-ops also have a strong dedication to community. Through the Community Care component of Serve Our Co-ops; Serve Our Country, co-ops are engaged with local organizations to enrich veterans’ return home and provide them with resources to ensure a smooth transition. All of these efforts have a collective impact on our military service men and women and illustrate how important community is to America’s electric cooperatives.



©NRECA; Photo by: John Lowrey, Association of Illinois Electric Cooperatives

NRECA EMPLOYEE SPOTLIGHT:



Martha Duggan, Senior Director, Regulatory Affairs
Years at NRECA: 5 | Hometown: Worcester, Mass.

“Working for our members gives me a sense of pride and mission. They are the most dedicated, kind, generous people I have encountered in over 30 years of energy experience.”

Fostering Innovation in Renewables

There was more solar installed in the United States during the last 18 months than in the previous 30 years. As solar markets continue to expand and the demand for solar-derived electricity continues to increase, more cooperatives are considering how to best leverage this technology to serve their members.

NRECA is working to make this decision less daunting. Thanks to a grant from the Department of Energy, we're participating in the Solar Utility Network Deployment Acceleration (SUNDA) project — a four-year, multistate solar installation research project to develop, test and refine a comprehensive toolkit that will enable electric co-ops to implement solar projects more easily.

Since the project began in 2013, 449 co-ops have participated in web events to learn best practices for planning and deploying solar and how solar can benefit the co-op and its members. NRECA worked with 17 co-ops to design, develop and operate utility-scale solar PV systems. We're completing a set of member resources that includes decision guides, engineering designs, financial tools, and training and communications materials for installing solar programs.

Scheduled for completion in October 2017, the SUNDA project supports NRECA's renewables research program and demonstrates the co-op commitment to deliver service excellence and industry leadership in renewables, energy storage and distributed generation adoption and deployment.



Photo courtesy Heartland Power Cooperative

NRECA EMPLOYEE SPOTLIGHT:



Habib Ahmadi, Education and Training Specialist
Years at NRECA: 2 | Hometown: Kabul, Afghanistan

“I love being a part of an organization that’s committed to innovation and encourages and utilizes new ideas to help the electric cooperative community.”

Telling the Cooperative Story

NRECA reinvented its public-facing presence with the launch of Electric.coop in 2016. The redesigned website is a bold presentation of the power and impact of America's electric cooperatives. Coupled with a clear presentation of the policy issues impacting our business, NRECA's content engages policymakers, journalists and other public stakeholders through storytelling and compelling graphics.

The new virtual home of America's electric cooperatives is organized around three content pillars: energy and technology, community development and the cooperative advantage. By focusing on these areas, we highlight the strengths of our business model, celebrate what makes us unique and position our members as leaders in the modern energy economy.

Electric.coop uses the power of photography, infographics and video to communicate about NRECA, its members and the energy landscape. Since its launch, visitors are finding content more easily, returning more often and spending more time looking at our position on issues. All this ensures that NRECA's message and the cooperative story is being heard by the people who matter most.

At NRECA, we're proud to play a role in advancing the mission, vision and values of America's electric cooperatives. As the policy landscape, energy industry and consumer expectations continue to evolve, having a thoughtful, strategic approach to how we engage our external audiences is essential to that effort. This new site is a bold first step.

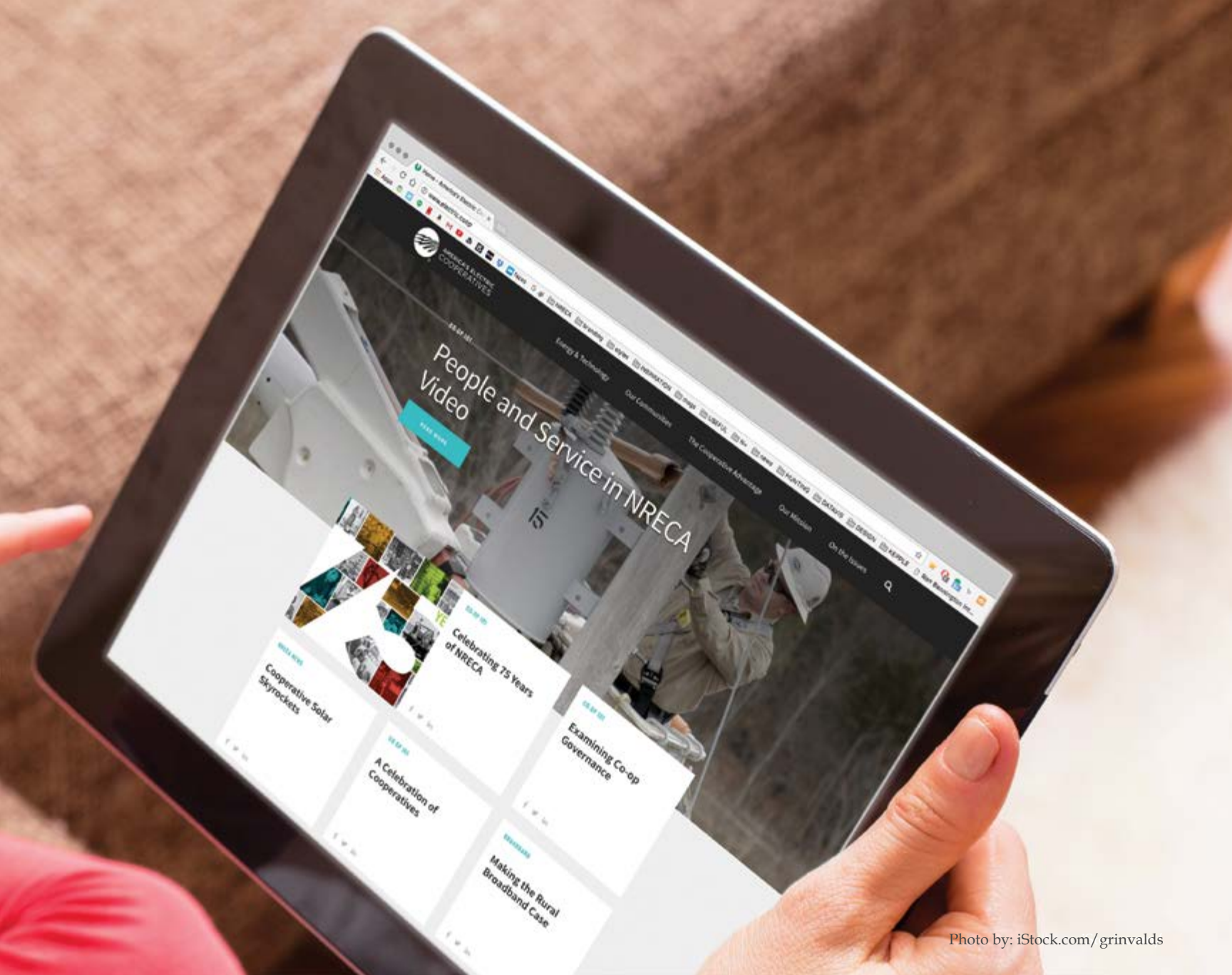


Photo by: iStock.com/grinvalds

NRECA EMPLOYEE SPOTLIGHT:



Kelly Scanlon, Assistant General Counsel, Retirement Plan Services | Years at NRECA: 1 | Hometown: Manassas, Va.

"NRECA feels like working for family. I grew up under an electric cooperative, and the REA dramatically altered my grandparents' lives when the co-op brought electricity to the family farm."

Changing Lives Around the World

NRECA International's global commitment has provided electricity access to more than 126 million people in 43 countries.

In 2016, NRECA International's role in global electrification in developing nations expanded when President Obama signed into law the Electrify Africa Act. The new law aims to bring electricity access to 300 million people in sub-Saharan Africa, laying the groundwork for sustainable economic growth. The law emphasized NRECA International's commitment to bring power to Africa, leading to stronger partnerships with local communities and energy agencies to plan and implement rural electrification programs in six African countries: Liberia, Tanzania, Uganda, Kenya, Ghana and Ethiopia. The power of these partnerships and activities are a manifestation of NRECA International's leadership in electrification dating back to 1962.

"NRECA has the experience, resources, reach and commitment to help Power Africa succeed. We're looking forward to continuing to collaborate with them for years to come," said Andrew Herscowitz, Coordinator of the U.S. Government's multi-agency Power Africa Initiative operating out of the U.S. Agency for International Development.

NRECA International is introducing the cooperative business model by helping African communities understand the power of ownership, independence and helping them achieve the life-changing possibilities that come with reliable electricity.

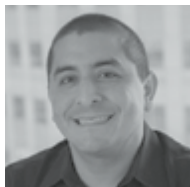
NRECA International's work is supported by more than 300 NRECA-member cooperatives that contribute time, funding and materials to dozens of rural communities around the globe. In 2016 alone, America's electric cooperatives sent 82 highly qualified, passionate volunteers to different parts of the world to help with line construction, training and governance. Many of these volunteers participated in member-financed projects in Bolivia and Guatemala. The advantage is clear: The cooperative spirit motivates electric cooperatives to help communities improve lives, whether at home or abroad.





Photo by: Garrett Hubbard

NRECA EMPLOYEE SPOTLIGHT:



Scott Bialick, Sr. Program Mgr., Business Development, Touchstone Energy® Cooperatives | Years at NRECA: 11 | Hometown: Queens, N.Y.

“America’s electric cooperatives are so much more than just utilities. They have amazing tales of economic development, philanthropy and helping their neighbors when they need them most.”

Shaping the Energy Future

Advanced energy storage technologies could be a game changer as the world adds more clean energy. Electric co-ops across the country are already exploring mutually beneficial ways to combine renewable energy and load control programs that can turn variable resources like wind and solar into 24/7 power.

What does this mean for you?

When the sun shines and the wind blows, you can heat water or charge electric vehicles and then use that stored energy later. Known as “community storage,” this new concept holds great promise.

Last year, NRECA co-founded the Community Storage Initiative (CSI), a collaboration of organizations coordinating efforts in support of wide-scale implementation of energy storage technologies that are commonly used in homes. CSI advocates spent most of 2016 introducing the concept of community storage to policymakers,

members and consumers and communicating the economic, environmental and societal benefits of these storage technologies to electric customers.

The concept was enthusiastically received by more than three dozen supporting organizations that joined the initiative. The CSI formed an advisory council, earned significant media coverage and conducted briefings on Capitol Hill to educate policymakers. Among them, Sens. Amy Klobuchar and Al Franken introduced community storage at a CSI-sponsored Leadership Forum last July.

Like community solar, community storage enables consumers and utilities to share the systemwide benefits. In the race to the future of clean energy, renewable energy solutions must have energy storage, which can help meet peak energy demand, save consumers money, and make our grid cleaner and more reliable. Electric co-ops believe this trend will accelerate in the future, and NRECA will be leading the way.





Photo by: NRECA

NRECA EMPLOYEE SPOTLIGHT:



Abby Berry, Consumer Content Manager, Communications
Years at NRECA: 3 | Hometown: Crystal Springs, Miss.

“The industry is changing, and it’s an exciting time to work for NRECA. We have an amazing staff with diverse expertise. Together, we can help electric co-ops face future challenges.”

Delivering Results through Health Care Partnerships

In 2013, NRECA launched its “National Network Strategy,” putting into production improved provider network discounts, vendor relationships and enhanced benefit programs designed to ensure continued access to affordable, reliable health care for more than 100,000 co-op employees and their families.

NRECA’s expanded network, made available through United Healthcare, has given co-op employees greater access to health care professionals and facilities at a significantly lower cost. During 2013–2016, the in-network utilization rate increased to 92 percent and NRECA realized \$383 million in additional provider network discounts for members.

Members are noticing the effects of these changes. “NRECA’s enhancements within the Group Benefits Program have resulted in immediate cost savings for my co-op’s employees – without sacrificing quality of

care or available options,” said Dan Rodamaker, CEO at Gibson EMC in Trenton, Tennessee.

Concurrently, NRECA and CVS Health created the Exclusive Choice network through which participants can obtain generic prescriptions at zero out-of-pocket cost and take advantage of deeper discounts on many chronic and preventive prescriptions. As a result, the number of member co-ops participating in NRECA group health programs has increased by more than 8 percent during the past four years.

These changes provide NRECA’s membership with the ability to anticipate and adapt to today’s challenges while meeting the future needs of electric cooperative employees.



Photo by: iStock.com/sturti

NRECA EMPLOYEE SPOTLIGHT:



Michael Haase, Senior Adviser, New Business Development & Market Research, I&FS Financial & Field Services
Years at NRECA: 27 | Hometown: Lincoln, Neb.

“It is special to serve the men and women who were the founders and pioneers of rural electrification.”

Growing a Culture of Safety

Safety is a core value at America's electric cooperatives. It's at the foundation of everything we do, and NRECA is committed to providing our members with resources to create a safety culture that is effective in preventing workplace incidents.

NRECA has a 50-year commitment to safety, beginning with the development of the Rural Electric Safety Achievement Program (RESAP) – a voluntary program that provides members with a framework for increasing safety awareness, engaging leadership and participating in peer-to-peer safety reviews. Though NRECA manages the program, it's run by its members, and statewide associations have been critical partners in administering the program to the co-ops within their states.

In 2016, RESAP hit an all-time high in the number of electric cooperatives that participate in the program. Today, more than 500 co-ops have pledged to continue to strengthen their safety standards to meet the demands and challenges of our evolving industry.

America's electric cooperatives approach safety from a holistic perspective. In addition to providing safety training for their employees, RESAP cooperatives have extended the culture of safety into their communities. Many cooperatives perform safety demonstrations at local schools and public events, and partner with first responders to provide safety education. NRECA and RESAP support these grassroots efforts to raise safety awareness and to keep paramount the welfare of our employees, their families and the communities we serve.





Photo by: NRECA

NRECA EMPLOYEE SPOTLIGHT:



Rosi Esra, Benefits Coordinator, Human Resources
Years at NRECA: 1.5 | Hometown: Miami, Fla.

"I don't work directly with members, but I help those who do by administering amazing benefits to our employees and their families. If I can give them peace of mind that they are taken care of, they can perform better."

Improving Reliability through Technology

Imagine that it's spring in Appalachia, and a severe storm with damaging winds has just swept through the area. Roads are impassable, making it difficult even for lineworkers to get through the destruction. But America's electric cooperatives pride themselves on reliability, so it's no surprise that co-ops are implementing new technologies to navigate rough terrain, get to the source of an outage more quickly and continue that tradition of reliability.

Using unmanned aerial systems (UAS), or drones, electric cooperatives can quickly assess the damage from severe weather by showing where, and to what extent, transmission and distribution lines are damaged. The drones smoothly glide over the rugged ground and provide a bird's eye view of the damage, making it easier to inspect hard to reach equipment and allowing co-ops to more safely and quickly restore power.

NRECA has led industrywide lobbying efforts that paved the way for the use of drones. In 2016, Congress and the president listened to electric co-ops' concerns and removed major obstacles to allowing commercial use of drones. Under the law, electric cooperatives are able to use drones with fewer restrictions, providing the potential for enhanced reliability and safety.

For cooperatives exploring UAS technology, NRECA published three reports explaining current and anticipated features, potential uses and relevant Federal Aviation Administration rules.

Drones can also be handy tools in day-to-day uses, such as vegetation management and routine system inspections. Whether there are potential hazards on the ground or in the sky, UAS technology increases visibility and allows lineworkers to get face-to-face with the problem more quickly. Although drones have limitations, enhancements to this technology are under development that could save co-ops additional time and resources.



Photo courtesy Elevation Technologies

NRECA EMPLOYEE SPOTLIGHT:



George Stuteville, Senior Adviser, Education and Training
Years at NRECA: 15 | Hometown: Evansville, Ind.

“America’s electric cooperatives are special because our unique business model turns capitalism upside down — making consumers the same as owners and turning profit motive into member service.”

Modeling Service Excellence



Service Excellence is at the heart of the cooperative advantage, including how NRECA engages with members.

When NRECA wanted to raise the profile of Service Excellence as a strategic priority, it called on a multi-disciplinary employee committee to develop a program that could be embraced at all levels of the organization.

The resulting framework is based on four pillars of Service Excellence: resourcefulness, responsiveness, respectfulness and relationships. These “Four Rs” represent the qualities that each employee should reflect in their interactions with members and colleagues. The framework has since grown into a multifaceted organizational program to keep outstanding service as a top priority among all staff.

In 2016, NRECA continued to develop the Service Excellence culture. More than 500 employees

attended an interactive, half-day Service Excellence employee training course modeled after training offered by Touchstone Energy® Cooperatives.

The Event Support Program (ESP) provides an opportunity for seven employees who don’t have regular connection with members to engage with them by supporting some of NRECA’s key education events across the country.

Other opportunities like Restaurant Roulette drive deeper engagement among employees and help them to better understand the different roles at NRECA, build relationships and discover new opportunities for collaboration.

NRECA also hosted employee events during which employees were asked to think about how service excellence impacts their work and to recognize fellow colleagues for outstanding examples of service excellence.



Photo by: NRECA

NRECA EMPLOYEE SPOTLIGHT:



Eric Commodore, Director, Meeting & Event Planning
Years at NRECA: 9 | Hometown: Oxnard, Calif.

“NRECA’s principles and values are simple and honest. Tell our story, keep the members engaged and provide excellent service.”

Providing Leaders with Tools to Govern

Consumer-members are best served by directors and trustees who are well-versed in governance principles and who understand the changing needs of their membership. NRECA provides training and resources to help the cooperative's elected leaders be effective and responsible stewards of their co-op's resources.

Because education is never one-size-fits-all, NRECA offers a variety of ways to meet directors' education needs based on where they are in their service — whether they are a potential board candidate or have served many years on the board. Director education courses are offered in conjunction with NRECA conferences and meetings, at Winter and Summer School for Directors and onsite at statewide associations, G&Ts and individual co-ops.

These courses can be taken as part of NRECA's Director Certificate Programs — the Credentialed

Cooperative Director (CCD) Certificate and the Board Leadership Certificate (BLC). NRECA also offers the annual Directors Conference, the New Director Orientation, Boardroom Spotlight newsletter and dedicated online resources for directors.

The Director Gold credential, introduced by NRECA in 2016, recognizes electric cooperative directors who have made the commitment to continue their education beyond earning their CCD and BLC. Established after a comprehensive review of NRECA's existing director education programs, this new credential has been well-received by directors who are eager to demonstrate to co-op members, fellow directors, lenders and regulators their commitment to continuous learning. In the first year, more than 18 percent, or 1,300 directors, achieved Director Gold status.



Photo by: NRECA

NRECA EMPLOYEE SPOTLIGHT:



Rajeena Shakya, Business Development Specialist, NRECA International | Years at NRECA: 9 | Hometown: Washington, D.C.

"I am amazed by my coworkers' dedication and I have tremendous admiration for them. They work in tough environments all over the world and remain devoted to improving the quality of life for so many without access to electricity."

Being the Trusted Resource

Electric cooperatives don't always have the time, budget or bandwidth to develop the resources they need, so Touchstone Energy® Cooperatives developed tailor-made materials for co-ops that can be used locally to magnify the cooperative difference and position co-ops as a trusted energy partner.

Through the Your Source campaign, Touchstone Energy developed advertising resources and educational energy programs that are customizable to cooperatives and include messaging that focuses on issues that are most important to their members.

The campaign grew Touchstone Energy's advertising portfolio to include nine themed videos, 11 print advertisements, five radio spots and 1,500 photos. Other resources include fact sheets on a variety of energy technologies, such as electric vehicles. All are available to Touchstone Energy member cooperatives for their use locally. Touchstone Energy also released

the Energy Solutions Kick-Start course, which provides online, self-paced instruction on how to answer basic energy use questions.

The Your Source campaign showcases cooperatives' dedication to service, commitment to energy technologies and pledge to service excellence. It demonstrates the many ways electric cooperatives power their communities with more than electricity.





Photo courtesy Touchstone Energy® Cooperatives

NRECA EMPLOYEE SPOTLIGHT:



TJ Kirk, Associate Analyst, Distributed Energy Resources,
Business & Technology Strategies | Years at NRECA: 4.5
Hometown: Lovettsville, Va.

**“Electric cooperatives embody the best of American ideals;
they’re self-made, governed by their members and work to
improve life in communities nationwide.”**

Delivering Member Value

In 2016, NRECA members received \$1.44 in services for every dollar they paid in dues.

Membership dues support approximately two-thirds of the cost NRECA spends 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)

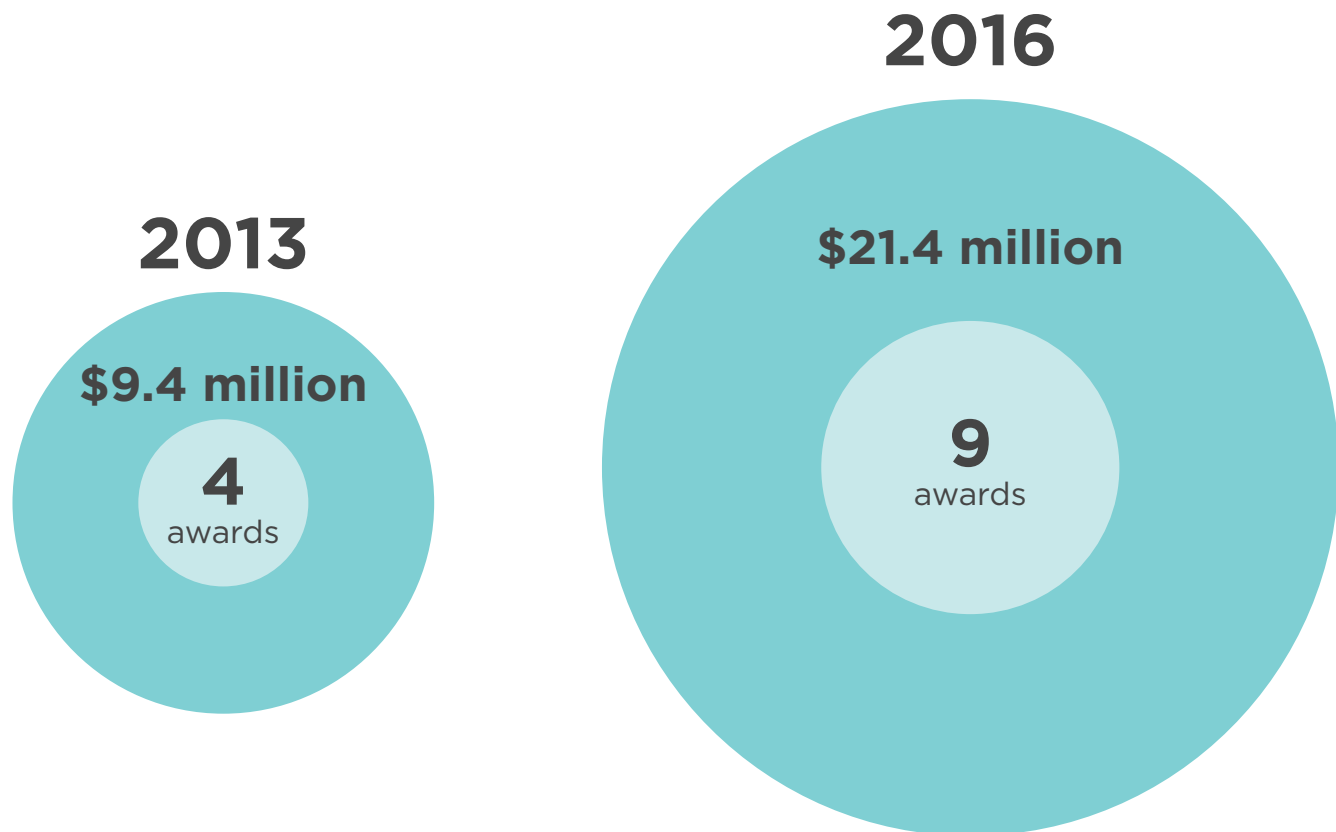
\$.59	Government Relations
\$.23	Communications & Marketing
\$.19	Business & Technology Strategies
\$.09	Cooperative.com Communities & Websites
\$.06	Education & Training
\$.06	Member Counsel
\$.22	Other Member Programs

\$1.44

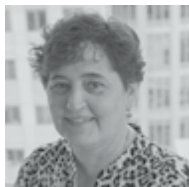
(Actual cost of member programs)

Leveraging Resources to Spur Innovation

NRECA is leveraging government grants and membership dues to add value in critical technology development. In 2016, NRECA leveraged annual Cooperative Research Network (CRN) membership dues to secure nine government grants totaling \$21.4 million through 2020. This is more than double the value of federal research grants received in the previous five years combined. The grants will provide unprecedented research opportunities in cyber and physical security, distribution system operations and integration of distributed energy resources, which will directly benefit NRECA member cooperatives and their member-owners.



NRECA EMPLOYEE SPOTLIGHT:



Jodi Fuller, Vice President of Product Development and Management, I&FS | Years at NRECA: 3
Hometown: Coeur d'Alene, Idaho

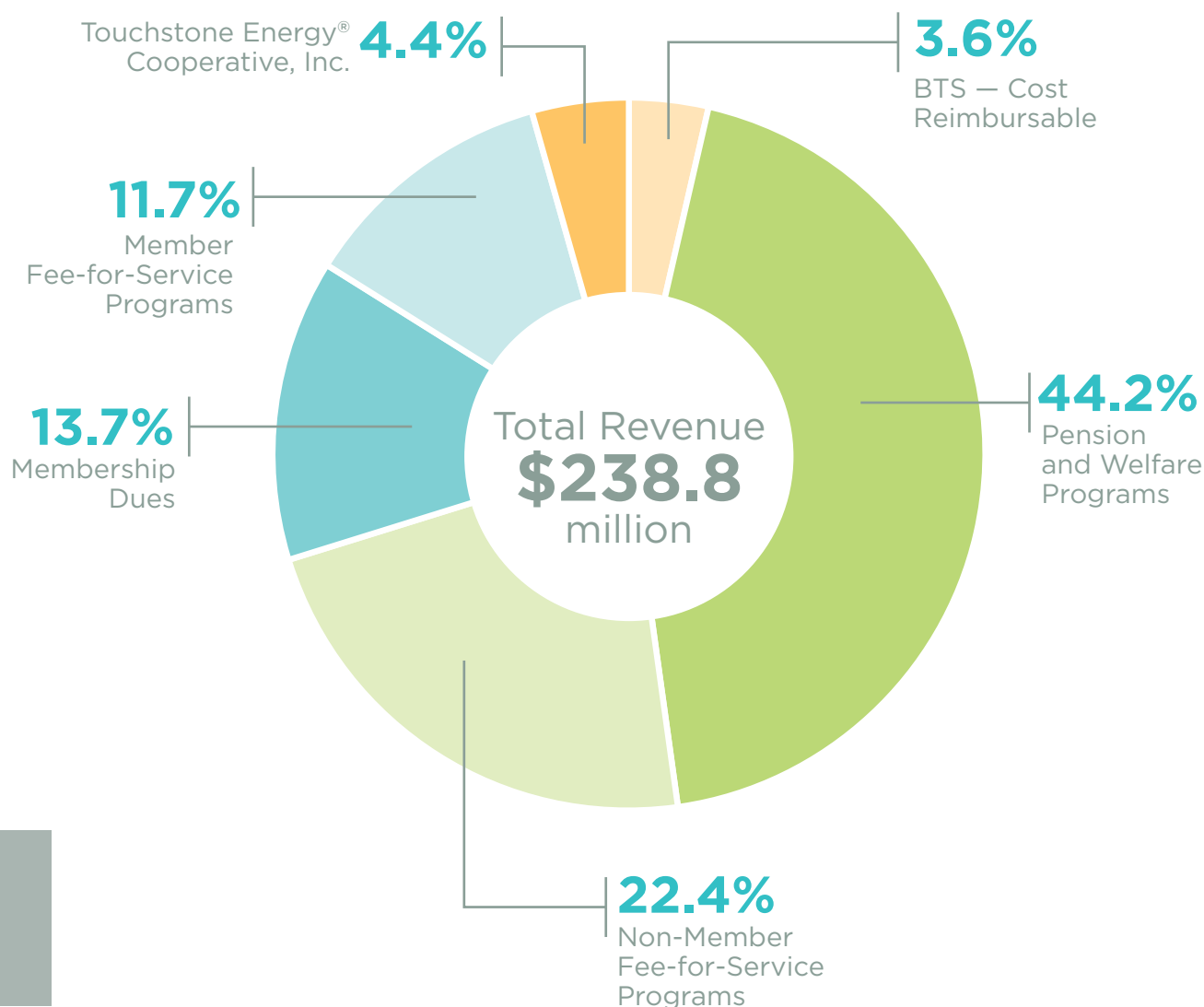
"In the late 1950s, my grandparents were active members of the Kootenai County Electric Cooperative. I try to treat each and every one of our members as if they were family, too."

2016 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 \$238.8 million and a net operating margin of \$3.2 million, before the NRECA board-approved transfer of \$3.1 million to the Political Advocacy, Communications and Education fund.



General
Membership
Programs

Membership
Dues

\$32.7 million

Membership programs consist of government relations, communications, business and technology strategies and other programs. Dues of \$32.7 million partially funded the \$45.8 million cost of these programs. NRECA funded the remaining \$13.1 million from margins earned on fee-for-service programs.

Fee-for-Service
Programs

Member
Programs

\$28.0 million

\$28.0 million in revenue was generated from member fee-for-service programs, including training and conferences, consulting, *RE Magazine*, annual and regional meetings and other programs, for which the members who use them pay a fee. The member fee-for-service programs ended the year with a net margin of \$2.4 million.

Non-Member
Programs

\$53.5 million

\$53.5 million in revenue 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. The non-member fee-for-service programs ended the year with a net margin of \$13.9 million.

Cost Reimbursable
Programs

Pension and
Welfare Programs

\$105.6 million

NRECA is the sponsor and plan administrator of three multiple employer plans. NRECA provides plan administration services on a cost reimbursable basis. This activity totaled \$105.6 million in 2016.

Touchstone Energy®
Cooperative, Inc.

\$10.4 million

NRECA provides administrative services to Touchstone Energy® Cooperative, Inc. on a cost reimbursable basis and received \$10.4 million in reimbursements in 2016.

BTS - Cost Reimbursable

\$8.6 million

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 and totaled \$8.6 million in 2016.

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

2016 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 (collectively, the Plans). During 2016, NRECA continued its commitment to control costs while delivering high quality products and services to member cooperatives and participants.

Plan	Retirement Security Plan	401(k) Pension Plan	Group Benefits Program
Total Assets	\$8.7 Billion	\$8.9 Billion	\$530 Million
Contributions/ Premiums	\$903 Million	\$651 Million	\$592 Million
Benefits Paid	\$1.0 Billion	\$499 Million	\$517 Million
Plan Paid Administrative Expenses	\$56.4* Million	\$30.5 Million	\$29.7 Million

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