National Rural Electric Cooperative Association

A Touchstone Energy® Cooperative

Statement of NRECA

To The House of Representatives

Committee on Oversight and Government Reform

Full Committee Hearing on
"Governance and Financial Accountability of Rural Electric Cooperatives:
The Pedernales Experience"

June 26, 2008

Testimony of

The Honorable Glenn English, C.E.O.

National Rural Electric Cooperative Association

4301 Wilson Boulevard
Arlington, VA 22203

Chairman Waxman, Ranking Member Davis, and Members of the Committee:

My name is Glenn English, and I am the Chief Executive Officer of the National Rural Electric Cooperative Association (NRECA). I had the distinct honor of serving on this Committee as a Member of Congress and I appreciate the invitation to appear before you today to discuss the transparency, governance, oversight, and capital credit practices of electric cooperatives.

NRECA is the national service organization dedicated to representing the national interests of cooperative electric utilities and the members they serve. Founded in 1942, NRECA was organized specifically to overcome World War II shortages of electric construction materials, to obtain insurance coverage for newly constructed rural electric cooperatives, and to mitigate wholesale power problems. Since those early days, NRECA has been an advocate for member-owned cooperatives on energy and operational issues as well as rural community and economic development. Over 900 electric cooperatives are members of NRECA. As a trade association with voluntary membership, NRECA is not a regulator, nor do we have enforcement powers over electric cooperatives.

Overview of Cooperatives

A cooperative is a private business. Cooperatives (also referred to as "co-ops") empower people to improve their quality of life and enhance their economic opportunities through self-help. Throughout the world, cooperatives are providing co-op members with financial services, utilities, consumer goods, affordable housing, and other services. In many ways, they are like any other form of business; but in several important ways they are unique and different.

Cooperatives are owned and democratically controlled by their members - the people who use the cooperatives services or buy its goods. They are not controlled by outside investors. In addition, consumer cooperatives are not motivated by profit, but rather by meeting their members' needs for affordable and high quality goods or services. Cooperatives distinguish themselves through the seven cooperative principles. The principles, listed below, serve as the guiding business philosophies for cooperatives across the country.

- Voluntary and Open Membership
- Democratic Member Control
- Member Economic Participation
- Autonomy and Independence
- Education, Training and Information
- Cooperation Among Cooperatives
- Concern for Community

Electric Cooperatives: An Integral Part of the U.S. Electric Utility Industry

As member-owned, not-for-profit organizations, electric cooperatives have an obligation to provide a reliable supply of electricity to all consumers in our service areas at the lowest possible price. Electric cooperatives take their obligation to serve very seriously - the personal and economic health of their members and communities depends on it. Cooperatives play a critical role in our nation's economy and in local communities. Many are unfamiliar with the business structure of electric cooperatives. Some have characterized electric cooperatives as subdivisions of government or quasi-governmental. For that reason, I believe it is important to outline the basics of the electric cooperative business model.

Electric cooperatives are:

- Private independent electric utility businesses,
- Owned by the consumers they serve,
- Incorporated under the laws of the states in which they operate,
- Established to provide at-cost electric service, and
- Governed by a board of directors elected from the membership, which sets policies and procedures implemented by the cooperative's professional staff.

I would like to re-iterate the first bullet point. An electric cooperative is not a state or federal government body, public entity, or administrative agency. It is a private corporation. Federal courts have defined a "cooperative" under federal tax law as an organization operating with subordination of capital, democratic member control, and operation at-cost. Electric cooperatives are "true" cooperatives under federal tax law.

Today, electric cooperatives serve over 41 million consumers in 47 states. Electric co-ops bring electricity to 12 percent of the population but maintain 42 percent of the nation's electricity distribution lines. There are 850 distribution cooperatives in America; the most populous serves over 200,000 member-owners. The least populous serves 112 member-owners. The median distribution cooperative serves 12,467 member-owners.

Covering 75 percent of the nation's land mass means co-ops serve widely diverse communities with sharp economic and geographical differences. Electric cooperatives serve communities ranging from frontier Alaskan villages, to fast-growing suburban areas in Florida, to Native American reservations in Arizona and island communities in Maine and Hawaii. This diversity is a great testament to the cooperative business model and the success of the electric cooperative network. If Members of the Committee have not done so, I urge you to attend an electric cooperative annual meeting where members-owners, often in the thousands, interact about the business of the local co-op. For many communities, it is the largest annual gathering in the entire area. It is hard to describe the enthusiasm and pride member-owners have for their local distribution cooperative.

Democratic Process is Working at Electric Cooperatives

Local ownership makes rural electric systems responsive to the needs of communities they serve. Electric cooperative directors are elected by cooperative members. Most cooperatives permit directors to be nominated by a nominating committee, or by one or more petitions signed by a specific number of member-owners. Many cooperatives divide their service areas into districts and nominate directors by district to ensure equitable, geographic representation on their boards. A growing number of electric cooperatives are enabling their member-owners to vote by mail ballot. This democratic process among electric cooperatives is alive and well. In recent years, more than 3,000 new directors have been elected to electric cooperative boards. There are approximately 7,400 cooperative directors nationwide.

This dramatic level of turnover confirms what we are seeing across the entire electric cooperative network: an active and engaged membership that wants to participate in the local process. Co-op board members bring a wide range of expertise and experience to their local cooperatives. They are farmers, ranchers, small business owners, teachers, bankers and just about every other profession you can name.

These board members serve because they want to contribute to their communities in a meaningful way. Electric cooperative boards typically meet monthly. Board members also devote time outside of meetings, preparing and staying up-to-date with developments in an increasingly complex and changing electric industry. Thousands of board members participate in regional and national meetings of electric cooperatives, linking them to a broader network of electric cooperatives and allowing them to draw upon the knowledge and support of their peers.

Survey information collected by NRECA indicates that the median compensation for distribution cooperative directors is $9,304 annually. Cooperative director compensation continues to be considerably below the norm when compared to director compensation in the for-profit arena, despite having the same corporate fiduciary responsibilities. According to the 2007-2008 National Association of Corporate Directors (NACD) *Director Compensation Report* the median total direct compensation for a director in the for-profit "Utility & Energy Industry" (with revenues of $50 mil. to $500 mil.) is $67,129. The average director compensation for all for-profit industries surveyed in this revenue category is $95,868.

Electric Cooperative Practices are Transparent

Most electric cooperatives are exempt from federal income taxation. As exempt organizations, they annually file IRS Form 990, "Return of Organization Exempt From Income Tax." (Attached). As revised for the 2008 tax year, Form 990 requires even greater disclosures of compensation for current and former directors, key employees and highest compensated employees. These disclosures address, among other things, compensation reported to the IRS, deferred compensation, health benefit plans, retirement plans, travel expenses, and other compensation and benefits.

The revised Form 990 also requires increased governance, management, and transparency disclosures. These disclosures address, among other things, information regarding: (1) loans and grants to directors and key employees, if any; (2) transactions with related organizations; (3) business relationships between a cooperative and its directors and key employees, their family members, and entities with which they are affiliated; (4) family and business relationships among directors and key employees; (5) written conflicts of interest, whistleblower, and document retention and destruction policies; and (6) processes for determining director and key employee compensation. The filed IRS Form 990 is publicly available from the IRS or from the filing organization. NRECA has put considerable resources into educating our membership about the requirements of the IRS Form 990, including its recent changes. For example, NRECA has highlighted the revised Form 990 in its monthly newsletter, *Legal Reporting Service* and discussed it during many conferences, seminars, meetings, conference calls, and webinars.

RUS has Regulatory Authority Over Its Electric Cooperative Borrowers

Established in 1935, the Rural Electrification Administration (REA) - now the Rural Utilities Service (RUS) - is a federal agency that administers electric and telecommunications loan and loan guarantee programs, as well as water and waste-water loan and grant programs.

RUS has a broad range of regulatory authority over its electric cooperative borrowers. RUS regulations applicable to electric program borrowers are found at 7 C.F.R. Parts 1710, 1714, 1715, 1718, 1720, 1721, 1724, 1726, 1728, 1730, 1767, 1773, 1786, 1788, 1789, 1792 and 1794. In addition to regulations specifically related to its insured and guaranteed loan programs, RUS regulations, loan contract and mortgage provisions reach many areas of electric cooperative operations - from accounting requirements to electric engineering, system design, construction, operations and maintenance, as well as environmental reviews.

RUS has the right to audit and inspect borrowers' utility systems, encumbered property and all books and records "of every kind." In addition to its regulations, RUS publishes hundreds of pages of guidance in the form of "bulletins" with a broad range of subject matter, including capital credits, financial planning, internal controls, and sales of capital assets.

Additionally, cooperatives in 44 states are subject to some form of state public utility commission regulation, including regulation of terms and conditions of service, safety, facility siting, territorial issues and financing.

Cooperatives are Responsible Stewards of Member Equity and Capital Credits

I believe it is important for the Committee to understand the basics of capital credits. Hopefully, this will clear up some of the vast misrepresentations that have been made about electric cooperatives' capital credits.

Like other businesses - at least well-run businesses - an electric cooperative annually collects more money than it spends. Unlike other businesses, an electric cooperative annually "allocates" its excess revenue, or its "margins," to its member-owners. This allocation is based upon a member's business with the cooperative during the year. The more business a member does with the cooperative during the year, the more the member contributes to the co-op's margin for the year, and thus, the greater the member's allocation. These allocated margins are called "capital credits."

After the cooperative allocates its capital credits, it uses them as "capital" to expand its electric system and meet other capital needs. Using the capital credits in this manner decreases the funds a cooperative must borrow. By decreasing borrowing, a cooperative decreases interest payments and keeps its electric rates lower than they would be otherwise. At a later date determined by the cooperative's board of directors, the cooperative "retires" - or pays - capital credits. Until the cooperative retires these capital credits, the cooperative owns them and the members have a conditional, or contingent, right to the retirement and payment of them. As recognized by federal courts, capital credits are not securities under federal securities law.

Let me be clear: There is no unused or unneeded "pool of capital" or "pool of cash" available to immediately retire and pay capital credits.

A board's decision when to retire capital credits, and how much to retire, is based, among other things, on the cooperative's financial condition; regulatory and other contractual limitations on retirements; contemplated capital needs for electric system maintenance, repair, and expansion; rate competitiveness; financial market considerations; and member considerations. Generally, in its loan documents and regulations, RUS requires its prior approval of a capital credit retirement if such retirement would lower the co-op's equity below 30 percent of its total assets.

Now, let me establish that electric cooperatives have a proud track record with respect to capital credits. In 2004, NRECA surveyed its members regarding capital credit practices. Of 885 surveys sent, 502, or 57 percent, were completed and returned. Based upon these responses: (1) 95 percent of NRECA electric cooperative members have retired or plan to retire general capital credits; (2) 78 percent retire general capital credits annually; and (3) 77 percent annually notify members of capital credit allocations. It's important to note: some electric cooperatives purchase power from the Tennessee Valley Authority (TVA). As explained in an October 1, 1974 memorandum, TVA interprets its standard power contract with electric cooperatives as prohibiting the retirement of capital credits.

As evident from survey responses, the majority of electric cooperatives which may retire capital credits do, in fact, retire them. Prudent equity management by responsible boards of directors - which are accountable to their members - has yielded an amazing record of financial responsibility, low risk, and high stability for over 70 years. During the last five years, annual capital credit retirements have increased an average of 4.3 percent per year.

In 2007, electric distribution cooperatives retired more than $500 million in capital credits to their members. Cumulatively, electric distribution cooperatives have retired a total of $8 billion of capital credits. (See Attachment).

As of December 31, 2006, electric distribution cooperatives had an average equity as a percent of assets equaling 40.6. The composite equity of distribution cooperatives and generation and transmission cooperatives (G&Ts), entities formed by voluntary associations of distribution cooperatives to generate, transmit and purchase power, is 31 percent. According to Fitch Ratings, one of the leading rating agencies in the country, an electric distribution cooperative with reasonable quality and average credit features needs 30 to 50 percent equity for an investment grade rating.

Capital credits are an important part of electric cooperative operations. In NRECA Member Resolution (05-E-7), entitled "Capital Credits," NRECA's members encourage NRECA to "assist cooperatives in this vitally important matter via equity management and capital management planning and the use of financial forecasting models, training, and other related support activities." As requested by its members, NRECA educates them regarding legal, tax, and financial developments affecting capital credits.

Electric Cooperatives: Leaders in Renewable Energy, Energy Efficiency and Customer Satisfaction

Electric cooperatives lead the industry in the areas of renewable energy and efficiency. Well over 300 cooperatives offer members a separate green power product and over 750 cooperatives own or buy renewable resources for their members. In 2007, co-ops received 11 percent of their power from renewable sources, as compared to 9 percent for the nation's entire utility sector.

The National Renewables Cooperative Organization (NRCO) is a new entity formed by electric cooperatives to develop and deploy renewable energy resources for all cooperatives throughout the United States. NRCO reflects the commitment of cooperatives around the country to the responsible development of cost effective renewable resources in a manner that benefits their members, their communities, and the nation as a whole.

Electric cooperatives are using their energy and business expertise to develop innovative member programs that reduce their electricity usage - providing incentives and technical support for highly efficient appliances and comprehensive weatherization. Over 90 percent of electric cooperatives provide their members with energy efficiency education and 77 percent offer energy audits that help consumers reduce energy costs and waste. Electric cooperatives also employ demand response programs to ensure the efficient use of resources. Electric cooperatives are at the vanguard of technology. For example, the Federal Energy Regulatory Commission (FERC) has recognized electric cooperatives for leading the industry in the deployment of smart meters.

NRECA and the Natural Resources Defense Council (NRDC) recently announced they have signed a memorandum of understanding outlining an array of joint programs that aim to improve energy efficiency in America, including:

- Expanding the involvement of NRECA and its members in regional and national energy efficiency alliances;
- Creating an energy efficiency center within NRECA to help members pool resources and learn about best practices within the electric cooperative community; and
- Supporting the establishment and expansion of academic centers on energy efficiency at colleges and universities nationwide, to help accelerate technology innovation, improve program design and train efficiency experts.

The North American Electric Reliability Corporation - the electric utility watchdog charged in the Energy Policy Act of 2005 with monitoring the bulk power system - has honored several cooperatives with *Examples of Excellence*. This included a cooperative honored for its "restoration efforts after Hurricane Katrina hit the Gulf coast in August 2005."

For all these programs and active involvement in our communities, it is not surprising that electric co-ops enjoy the highest average customer satisfaction rating in the industry, according to the University of Michigan's American Customer Satisfaction Index. (April 2008). This is yet another example of how local control sets cooperatives apart from other utilities.

The financial strength electric cooperatives have carefully built over time has been well documented by the rating agencies on Wall Street. In June 2007, Fitch Ratings noted that *"over the past quarter century, the financial performance of the electric cooperative industry has generally been good. This reflects the cooperative industry's primary role as provider of electric service to retail customers, the risk adverse nature of most cooperative boards, and the overall stability of its largely residential and agrarian loads. As nonprofit organizations, cooperatives are designed by policy to keep rates as low as possible."*

Moody's, another nationally recognized rating agency, said in 2006 that generation and transmission cooperatives *"have conservatively and efficiently managed their business in recent years by tightly controlling operating costs, planning power needs and avoiding investor-owned utility diversification mistakes."*

Electric Cooperatives are Engines for Economic Development

Because electric co-ops are member-owned and controlled, by nature they are integral parts of the communities they serve. Co-ops employ more than 65,000 people and in many cases are the largest employer and economic engine in an area, and provide a ready-made delivery system to get things done. For instance, a recent study among

Iowa's electric cooperatives showed that electric cooperatives and their support network added about $900 million in output to their local economies.

Many electric co-ops respond to community needs beyond just providing safe, reliable, affordable electric power. These additional services are an extension of the rural electrification program's original goal: to improve the quality of life for residents in the areas they serve. Many electric co-ops are involved in community development and revitalization projects, such as small business development and jobs creation, improvement of water and sewer systems, and assistance in delivery of health care and educational services.

Through a 1987 amendment to the Rural Electrification Act of 1936, Congress encouraged RUS electric cooperative borrowers to invest in "rural community infrastructure projects" and "job creation activities."

An electric cooperative's ability to engage in businesses unrelated to providing electric energy, or to own businesses unrelated to providing electric energy, is governed by state law. Under the Internal Revenue Code, however, an exempt electric cooperative must pay tax on all income that is not substantially related to its exempt purposes. This unrelated business income tax is equal to the corporate tax. An exempt electric cooperative may collect up to 15 percent of its income from non-members or from activities unrelated to its exempt purpose. Further, like other exempt organizations, it may own a separate, taxable business unrelated to its exempt purpose.

As noted by the United States Energy Information Administration and industry participants, the electric energy and gas industries were converging in the late 1990's and early 2000's. This trend was widely expected to continue. Further, because many states were restructuring their electric industries, electric energy companies began diversifying into other businesses. Because of this convergence, to better compete in a restructured electric industry, and to meet community needs, some electric cooperatives began providing goods and services unrelated to electric energy.

In March 2000, the U.S. Department of Agriculture Inspector General issued a report citing the changing and complex utility industry and strongly advised that electric cooperatives enter diversified business enterprises. The Inspector General recommended that "RUS coordinate with Congress to develop a strategy to encourage electric borrowers to make discretionary investments in rural areas *as intended by Congress* (emphasis added)."

NRECA Member Resolution (01-D-4), entitled "Meeting Consumer Needs," recognizes that an electric cooperative may be the most capable entity in a community to meet an un-served or underserved need. This resolution encourages electric cooperatives to consider providing additional goods and services, where appropriate, needed and desired by their communities. NRECA Member Resolution (94-E-2), entitled "Legal Basis for Diversification," discusses the potential for revitalizing rural America and maintaining a strong cooperative through diversified activities and directs NRECA to provide analysis of the proper legal basis for any diversified activities by electric cooperatives. NRECA Member Resolution (08-E-4), entitled "Cooperative Business Strategy," advises cooperatives to engage in strategic planning when considering all the possible functions of a cooperative, including subsidiary businesses, and to demonstrate the highest degree of due diligence and transparency by the cooperative's board and management. NRECA Member Resolution (99-G-4), entitled "Separation of Functions," states that a cooperative's electric energy activities should not subsidize its non-electric energy activities, and that costs should be allocated between the activities on the basis of fully allocated costs, and not on the basis of incremental costs.

Electric Cooperatives Receive Less Federal Assistance than Other Utility Sectors

All electric utilities in the United States receive federal assistance, or subsidies. This was the conclusion of University of Pennsylvania economics professor and Nobel Laureate Lawrence R. Klein and has been further substantiated in numerous studies by federal agencies and others.

Calculations based on federal government financial reports show that rural electric cooperatives receive the *least* amount of subsidy per customer: $3 compared to $36 for IOUs and $55 for city-owned utilities. Municipalities are able to issue tax-exempt bonds to finance generation and transmission facilities. Investor-owned utilities (IOUs) benefit from investment tax credits and accelerated depreciation. The difference in federal subsidies for each type of utility becomes even sharper after considering that because most electric cooperatives serve sparsely populated areas across the vast countryside, they have on average only seven customers per mile compared to 35 for IOUs and 47 for city-owned utilities. In addition, the appropriation to finance RUS electric loans has declined over the last ten years from $55 million in fiscal year 1995 to $5 million in fiscal year 2005. Although the RUS subsidy has declined substantially, the federal assistance to the investor-owned and city-owned utilities continues at high levels.

Compared with other electric utilities:

- Co-ops serve an average of 7 consumers per mile of line and collect annual revenue of approximately $10,565 per mile of line,
- Investor-owned utilities average 35 customers per mile of line and collect $62,665 per mile of line,
- City-owned utilities, or municipals, average 46.6 consumers and collect $86,302 per mile of line.

In 2006, electric co-ops paid $1.3 billion in taxes. Federal government and state governments recognize the way that cooperatives operate and tax them accordingly. While cooperatives generally do not pay income tax, they are subject to taxes paid by other utilities. Co-ops pay property tax, sales tax, gross receipts tax, ad valorem tax, unemployment tax, and payroll tax. These taxes support local schools, police and fire departments and roads.

NRECA Supports Informed Co-op Governance Through Education and Training

NRECA offers numerous education, training and certificate programs for co-op CEOs, employees and directors. (See attached lists). NRECA's primary objective is to give our electric cooperative membership the tools to make informed decisions on a wide range of issues. I will highlight some of the specific governance-related programs NRECA offers.

For over 50 years, NRECA has offered education programs to electric cooperative directors, emphasizing fiduciary responsibility and director accountability. In 1998, NRECA introduced a Credentialed Cooperative Director certificate program (CCD) - a multi-part education program for electric cooperative directors. CCD is a classroom-based, instructor-led curriculum of five courses that focus on core knowledge of governance principles, key utility operational and financial issues, and the skills required of cooperative directors. The CCD curriculum provides the important foundation directors require to effectively oversee the business of their cooperative.

Of 7,400 active electric cooperative directors serving on boards today, 58 percent have completed five courses on director fundamentals to earn NRECA's Credentialed Cooperative Director (CCD) certificate. Successful completion of a learning assessment is required before credit for this course is awarded to the director. In 2007, NRECA directors attended 312 classroom-based education programs on the subject of board governance and related topics, up from 260 programs in 2006. These courses are offered at individual cooperatives, statewide offices, and in advance of NRECA's annual Directors' Conference as well as NRECA's annual and regional meetings.

The Board Leadership Certificate (BLC) program is the second component of the director education program. BLC consists of a series of classroom-based courses focusing in greater depth on specific industry and governance issues. BLC courses provide advanced study in areas such as risk management, rate making, and policy development. Additionally, the topics covered in the more intense credentialing courses are covered more generally in annual "Summer" and "Winter" schools for directors.

The third part of NRECA's director education program is the annual NRECA Directors' Conference, which focuses on key industry trends and how they play out in the electric cooperative board room. This annual event provides directors with an opportunity to hear industry experts, work in small-group learning labs, and collaborate with peers.

NRECA also offers training opportunities in advance of the NRECA annual meeting for co-op directors to enhance their knowledge in the areas of fiduciary responsibilities and governance issues. Courses provide an overview of what directors should know about rules and procedures for effective board meetings, appraising and compensating the CEO, strategic planning and more.

NRECA regional meetings include the following events: New Director Orientation, four general sessions on key issues in the energy industry, a business meeting and a CEO breakfast. At the 2007 regional meetings a 90-minute session was presented on electric cooperative transparency expectations. This session, entitled *Achieving Transparency and Preserving Confidentiality*, addressed, among other things, issues of transparency and reporting to members as well as the public on annual filings of IRS Form 990 "Return of Organization Exempt from Income Tax."

For the past 30 years NRECA has offered a university-based Management Internship Program (MIP) that provides management training for CEOs and senior executives throughout the electric cooperative network. This rigorous program consists of six weeks of on-site training annually and coursework in a university setting. The objective of this intense learning environment is to enhance the skills needed to manage various aspects of a modern electric cooperative. Among the key topics addressed in this program are strategic planning, cooperative business planning, process analysis and design, legal compliance issues, project management, capital and financial management, and the role and duties of the board and of management and their mutual relationships. The MIP has graduated more than 1,100 co-op CEOs and staff.

At other forums, including the hundreds of smaller cooperative meetings held throughout the United States each year, NRECA presents or facilitates a wide variety of courses covering topics relevant to transparent and democratic cooperative governance. Following is a list of these courses, taken from the NRECA Education and Training Course Catalog:

- Basic Credentialed Cooperative Director Courses 2600 and 2620. Attendees at these courses receive information on board duties as well as relationships and other transparency issues. Course 2600, *Director Duties and Liabilities*, addresses their fiduciary obligations under the law and bylaws to the co-op and the members. Course 2620, *Board Roles and Relationships*, addresses the board's responsibility for knowing and responding to the membership.
- Course 930, *Ethics and Governance: Implementing the New Accountability*, addresses a board's role to ensure ethics in all that the board and management do, as well as the need of a policy on record keeping and retention. In this course, all attendees are supplied with information that addresses the board's role in risk management, record keeping and whistle-blowing.
- Course 929, *Current Issues in Policy Development*, also disseminates the policy on record keeping and retention. Also included in the appendix to this course are policies on director standards of conduct and delegations to the general manager.

NRECA Member Resolutions have addressed the issue of transparent and democratic governance. Member Resolution (04-I-1), entitled "Member Involvement and Education," sets out the seven cooperative principles and advises that "member involvement is vital to ensure the future direction and success of individual cooperatives and the entire electric cooperative network. This can best be achieved by offering programs and policies that encourage open communication and participation in co-op programs and the governing process."

Local Control Works for Electric Cooperatives

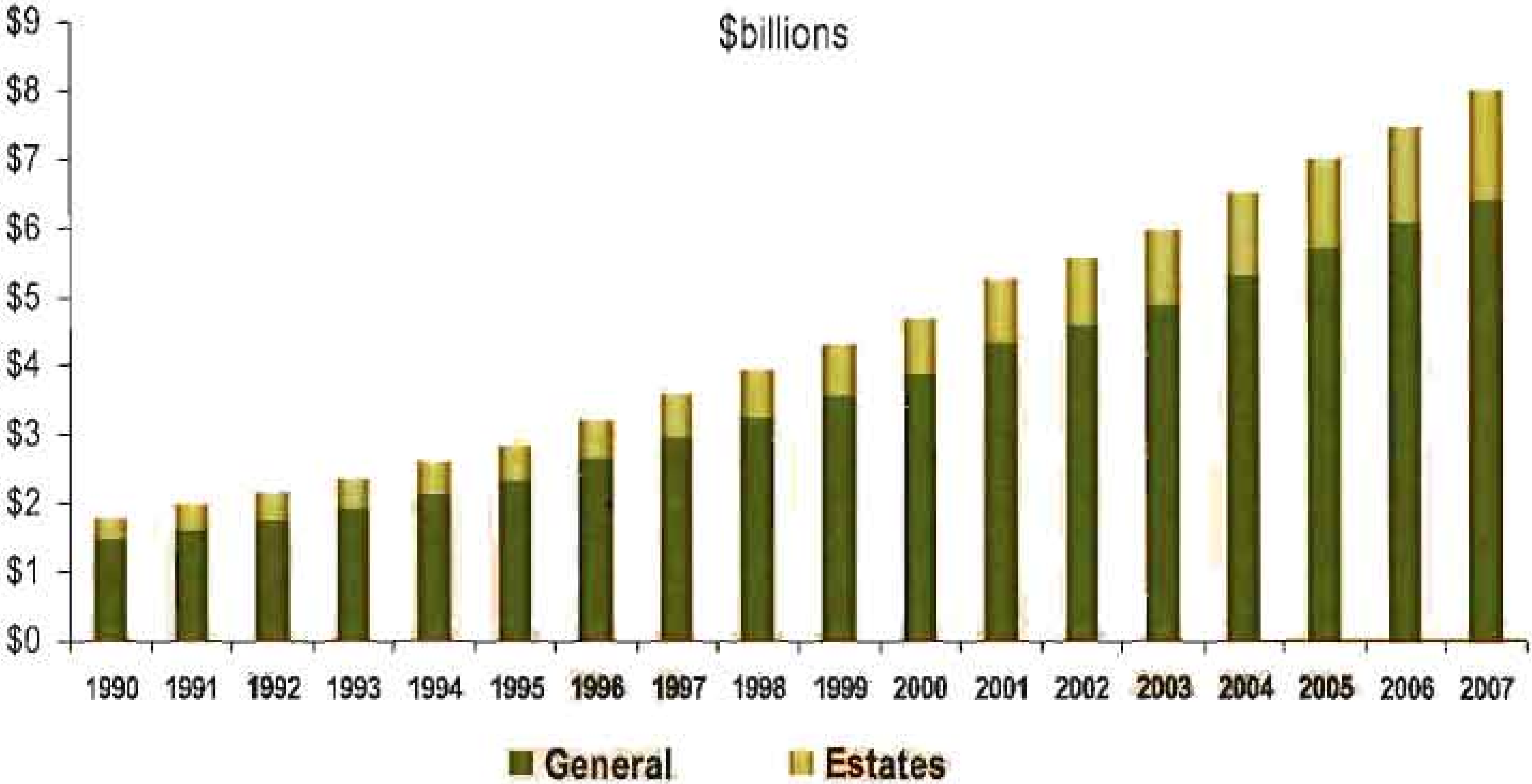
In conclusion, during my 14 years at NRECA, I have had the opportunity to meet scores of cooperative leaders, from directors, to managers and employees. I have found remarkable similarities with these people and the people I was privileged to serve with in Congress. An overwhelming number are dedicated professionals, committed to doing the right thing for their communities and the people they serve.

Mr. Chairman, we have heard many of today's allegations before. They are nothing new. Many of the slings and arrows of 2008 resemble what we heard in the 1930's. Listen to *Business Week*, from July 2, 1936. "Many of REA's projects will struggle along for a time under the burden of weak local management and inefficient maintenance... [and] eventually seek the protection of the nearest strong company." This, of course, has been proven wrong many times over.

If I have learned one thing from my life in public service and representing this nation's electric cooperatives, it is that voters - or member-owners - tend to correct the situation if they do not believe they are being well represented. The checks and balances are in place. We have seen the evidence of this today. The cooperative business model - and local control - worked, just as it has since the inception of the rural electric cooperative program. There are approximately 900 electric cooperatives in the United States. But only one electric cooperative was invited here today.

I would be happy to answer any questions.

Cumulative Retirements of Capital Credits



One of the benefits of being a cooperative member is receiving capital credits. Rural electric co-ops have returned $8 billion of equity to their members over the years.

Source: Form 7 data for distribution systems

Form **990**

Department of the Treasury
Internal Revenue Service (77)

Return of Organization Exempt From Income Tax

Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except black lung benefit trust or private foundation)

▶ The organization may have to use a copy of this return to satisfy state reporting requirements.

OMB No. 1545-0047

2008

Open to Public Inspection

A For the 2008 calendar year, or tax year beginning ______, 2008, and ending ______, 20__

B Check if applicable: ☐ Address change ☐ Name change ☐ Initial return ☐ Termination ☐ Amended return ☐ Application pending	Please use IRS label or print or type. See Specific Instructions. **C** Name of organization Doing Business As Number and street (or P.O. box if mail is not delivered to street address) / Room/suite City or town, state or country, and ZIP + 4	**D** Employer identification number **E** Telephone number ( ) **G** Enter gross receipts $
	F Name and address of Principal Officer:	**H(a)** Is this a group return for affiliates? ☐ Yes ☐ No **H(b)** Are all affiliates included? ☐ Yes ☐ No If "No," attach a list. (See instructions)

I Tax-exempt status: ☐ 501(c) ( ) ◀ (insert no.) ☐ 4947(a)(1) or ☐ 527

J Website: ▶

H(c) Group Exemption Number ▶

K Type of organization: ☐ Corporation ☐ trust ☐ association ☐ Other ▶ **L** Year of Formation: **M** State of legal domicile:

Part I Summary

Activities & Governance

1 Briefly describe the organization's mission or most significant activities: ....

2 Check this box ☐ if the organization discontinued its operations or disposed of more than 25% of its assets.

3	Enter the number of voting members of the governing body (Part VI, line 1a)	3	
4	Enter the number of independent voting members of the governing body (Part VI, line 1b)	4	
5	Enter the total number of employees (Part V, line 2a)	5	
6	Enter the total number of volunteers (estimate if necessary)	6	
7a	Enter total gross unrelated business revenue from Part VIII, line 12, column (C)	7a	
b	Enter net unrelated business taxable income from Form 990-T, line 34	7b	

			Prior Year	Current Year
Revenue	8	Contributions and grants (Part VIII, line 1h)		
	9	Program service revenue (Part VIII, line 2g)		
	10	Investment income (Part VIII, lines 3, 4, and 7d)		
	11	Other revenue (Part VIII, lines 5, 6d, 8c, 9c, and 10c of column (A), and 11e)		
	12	Total revenue—add lines 8 through 11 (must equal Part VIII, line 12, column (A))		
Expenses	13	Grants and similar amounts paid (Part IX, lines 1–3, column (A))		
	14	Benefits paid to or for members (Part IX, line 4, column (A))		
	15	Salaries, other compensation, employee benefits (Part IX, lines 5–10, column (A))		
	16a	Professional fundraising expenses (Part IX, line 11e, column (A))		
	b	(Enter amount from Part IX, line 25, column (D) ________).		
	17	Other expenses (Part IX, lines 11d, 11f–24f)		
	18	Total expenses—add lines 13–17 (must equal Part IX, line 25, column (A))		
	19	Revenue less expenses—line 12 minus line 18		
			Beginning of Year	**End of Year**
Net Assets or Fund Balances	20	Total assets (Part X, line 16)		
	21	Total liabilities (Part X, line 26)		
	22	Net assets or fund balances, line 20 minus line 21		

Part II Signature Block

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.

Please Sign Here

▶ Signature of officer   Date

▶ Type or print name and title

Paid Preparer's Use Only	Preparer's signature ▶	Date	Check if self-employed ▶ ☐	Preparer's PTIN (See Gen. Inst.)
	Firm's name (or yours if self-employed), address, and ZIP + 4 ▶		EIN ▶	
			Phone no. ▶ ( )	

May the IRS discuss this return with the preparer shown above? (See instructions) ☐ Yes ☐ No

Part III Statement of Program Service Accomplishments (See the instructions.)

1 Briefly describe the organization's mission:

2 Did the organization undertake any significant program services during the year which were not listed on the prior Form 990 or 990-EZ? ☐ Yes ☐ No
If "Yes," describe these new services on Schedule O.

3 Did the organization cease conducting or make significant changes in how it conducts any program services? ☐ Yes ☐ No
If "Yes," describe these changes on Schedule O.

4 Describe the exempt purpose achievements for each of the organization's three largest program services by expenses. Section 501(c)(3) and (4) organizations and 4947(a)(1) trusts are required to report the amount of grants and allocations to others, the total expenses, and revenue, if any, for each program service reported.

4a (Code:) (Expenses $ including grants of $) (Revenue $)

4b (Code:) (Expenses $ including grants of $) (Revenue $)

4c (Code:) (Expenses $ including grants of $) (Revenue $)

4d Other program services. (Describe in Schedule O.)
(Expenses $ including grants of $) (Revenue $)

4e Total program service expenses $ *Must equal Part IX, Line 25, column (B).*

Part IV Checklist of Required Schedules

			Yes	No
1	Is the organization described in section 501(c)(3) or 4947(a)(1) (other than a private foundation)? *If "Yes," complete Schedule A*	1		
2	Is the organization required to complete Schedule B, Schedule of Contributors?	2		
3	Did the organization engage in direct or indirect political campaign activities on behalf of or in opposition to candidates for public office? *If "Yes," complete Schedule C, Part I*	3		
4	*501(c)(3) organizations.* Did the organization engage in lobbying activities? *If "Yes," complete Schedule C, Part II*	4		
5	*501(c)(4), 501(c)(5), and 501(c)(6) organizations.* Is the organization subject to the section 6033(e) notice and reporting requirement and proxy tax? *If "Yes," complete Schedule C, Part III*	5		
6	Did the organization maintain any donor advised funds or any accounts where donors have the right to provide advice on the distribution or investment of amounts in such funds or accounts? *If "Yes," complete Schedule D, Part I*	6		
7	Did the organization receive or hold a conservation easement, including easements to preserve open space, the environment, historic land areas or historic structures? *If "Yes," complete Schedule D, Part II*	7		
8	Did the organization maintain collections of works of art, historical treasures, or other similar assets? *If "Yes," complete Schedule D, Part III*	8		
9	Did the organization provide credit counseling, debt management, credit repair, or debt negotiation services, report an amount in Part X, line 21, or serve as a custodian for amounts not listed in Part X? *If "Yes," complete Schedule D, Part IV*	9		
10	Did the organization hold assets in term, permanent, or quasi-endowments? *If "Yes," complete Schedule D, Part V*	10		
11	Did the organization report an amount in Part X, lines 10, 12, 13, 15, or 25? *If "Yes," complete Schedule D, Parts VI, VII, VIII, IX, or X as applicable*	11		
12	Did the organization receive an audited financial statement for the year for which it is completing this return that was prepared in accordance with GAAP? *If "Yes," complete Schedule D, Parts XI, XII, and XIII*	12		
13	Is the organization operating a school as described in section 170(b)(1)(A)(ii)? *If "Yes," complete Schedule E*	13		
14a	Did the organization maintain an office, employees, or agents outside of the U.S.?	14a		
b	Did the organization have aggregate revenues or expenses of more than $10,000 from grantmaking, fundraising, business, and program service activities outside the U.S.? *If "Yes," complete Schedule F, Part I*	14b		
15	Did the organization report on Part IX, line 3, more than $5,000 of grants or assistance to any organization or entity located outside the United States? *If "Yes," complete Schedule F, Part II*	15		
16	Did the organization report on Form 990, Part IX, line 3, more than $5,000 of aggregate grants or assistance to individuals located outside the United States? *If "Yes," complete Schedule F, Part III*	16		
17	Did the organization report more than $15,000 on Part IX, line 11e? *If "Yes," complete Schedule G, Part I*	17		
18	Did the organization report more than $15,000 total on Part VIII, lines 1c and 8a? *If "Yes," complete Schedule G, Part II*	18		
19	Did the organization report more than $15,000 on Part VIII, line 9a? *If "Yes," complete Schedule G, Part III*	19		
20	Did the organization operate one or more hospitals? *If "Yes," complete Schedule H*	20		
21	Did the organization report more than $5,000 on Part IX, line 1? *If "Yes," complete Schedule I, Parts I and II*	21		
22	Did the organization report more than $5,000 on Part IX, line 2? *If "Yes," complete Schedule I, Parts I and III*	22		
23	Did the organization answer "Yes" to questions 3, 4, or 5 of Form 990, Part VII, Section A? *If "Yes," complete Schedule J*	23		
24a	Did the organization have a tax-exempt bond issue with an outstanding principal amount of more than $100,000 as of the last day of the year, and that was issued after December 31, 2002? *If "Yes," answer 24b–24d and complete Schedule K. If "No," go to question 25.*	24a		
b	Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception?	24b		
c	Did the organization maintain an escrow account other than a refunding escrow at any time during the year to defease any tax-exempt bonds?	24c		
d	Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year?	24d		
25a	*501(c)(3) and 501(c)(4) organizations.* Did the organization engage in an excess benefit transaction with a disqualified person during the year? *If "Yes," complete Schedule L, Part I*	25a		
b	Did the organization become aware that it had engaged in an excess benefit transaction with a disqualified person from a prior year? *If "Yes," complete Schedule L, Part I*	25b		
26	Was a loan to or by a current or former officer, director, trustee, key employee, highly compensated employee, or disqualified person outstanding as of the end of the organization's tax year? *If "Yes," complete Schedule L, Part II*	26		
27	Did the organization provide a grant or other assistance to an officer, director, trustee, key employee, or substantial contributor, or to a person related to such an individual? *If "Yes," complete Schedule L, Part III*	27		

Part IV Checklist of Required Schedules *(Continued)*

			Yes	No
28	During the tax year, did any person who is a current or former officer, director, trustee, or key employee:			
a	Have a direct business relationship with the organization (other than as an officer, director, trustee, or employee), or an indirect business relationship through ownership of more than 35% in another entity (individually or collectively with other person(s) listed in Part VII, Section A)? *If "Yes," complete Schedule L, Part IV*	28a		
b	Have a family member who had a direct or indirect business relationship with the organization? *If "Yes," complete Schedule L, Part IV*	28b		
c	Serve as an officer, director, trustee, key employee, partner, or member of an entity (or a shareholder of a professional corporation) doing business with the organization? *If "Yes," complete Schedule L, Part IV*	28c		
29	Did the organization receive more than $25,000 in non-cash contributions? *If "Yes," complete Schedule M*	29		
30	Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? *If "Yes," complete Schedule M*	30		
31	Did the organization liquidate, terminate, or dissolve and cease operations? *If "Yes," complete Schedule N, Part I*	31		
32	Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets or undergo a substantial contraction? *If "Yes," complete Schedule N, Part II*	32		
33	Did the organization own 100% of an entity disregarded as separate from the organization under Regulations section 301.7701-2 and 301.7701-3? *If "Yes," complete Schedule R, Part I*	33		
34	Was the organization related to any tax-exempt or taxable entity? *If "Yes," complete Schedule R, Parts II, III, IV, and V, line 1*	34		
35	Is any related organization a controlled entity within the meaning of section 512(b)(13)? *If "Yes," complete Schedule R, Part V, line 2*	35		
36	*501(c)(3) organizations.* Did the organization make any transfers to an exempt non-charitable related organization? *If "Yes," complete Schedule R, Part V, line 2*	36		
37	Did the organization conduct more than 5 percent of its exempt activities through an entity that is not a related organization and that is taxed as a partnership? *If "Yes," complete Schedule R, Part VI.*	37		

Part V Statements Regarding Other IRS Filings and Tax Compliance

				Yes	No
1a	Enter the number reported in Box 3 of Form 1096, *Annual Summary and Transmittal of U.S. Information Returns. Enter -0- if not applicable*	1a			
b	Enter the number of Forms W-2G included in line 1a. Enter -0- if not applicable	1b			
c	Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?		1c		
2a	Enter the number of employees reported on Form W-3, *Transmittal of Wage and Tax Statements* filed for the calendar year ending with or within the year covered by this return	2a			
b	If at least one is reported in 2a, did the organization file all required federal employment tax returns? **Note:** *If the sum of lines 1a and 2a is greater than 250, you may be required to e-file this return.*		2b		
3a	Did the organization have unrelated business gross income of $1,000 or more during the year covered by this return?		3a		
b	If "Yes," has it filed a Form 990-T for this year? *If "No," provide an explanation in Schedule O*		3b		
4a	At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account, securities account, or other financial account)?		4a		
b	If "Yes," enter the name of the foreign country: ______ See the instructions for exceptions and filing requirements for Form TD F 90-22.1, *Report of Foreign Bank and Financial Accounts.*				
5a	Was the organization a party to a prohibited tax shelter transaction at any time during the tax year?		5a		
b	Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?		5b		
c	If "Yes," to 5a or 5b, did the organization file Form 8886-T, *Disclosure by Tax-Exempt Entity Regarding Prohibited Tax Shelter Transaction?*		5c		
6a	Did the organization solicit any contributions that were not tax deductible?		6a		
b	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?		6b		
7	*Organizations that may receive deductible contributions under section 170(c).*				
a	Did the organization provide goods or services in exchange for any contribution of $75 or more?		7a		
b	If "Yes," did the organization notify the donor of the value of the goods or services provided?		7b		
c	Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it filed Form 8282?		7c		
d	If "Yes," indicate the number of Forms 8282 filed during the year	7d			
e	Did the organization, during the year, receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?		7e		
f	Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract?		7f		
g	For all contributions of qualified intellectual property, did the organization file Form 8899 as required?		7g		
h	For contributions of cars, boats, airplanes, and other vehicles, did the organization file a Form 1098-C as required?		7h		
8	*501(c)(3) and other sponsoring organizations maintaining donor advised funds and 509(a)(3) supporting organizations.* Did the supporting organization, or a fund maintained by a sponsoring organization, have excess business holdings at any time during the year?		8		
9	*501(c)(3) and other sponsoring organizations maintaining donor advised funds.*				
a	Did the organization make any taxable distributions under section 4966?		9a		
b	Did the organization make a distribution to a donor, donor advisor, or related person?		9b		
10	*501(c)(7) organizations.* Enter:				
a	Initiation fees and capital contributions included on Part VIII, line 12	10a			
b	Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities	10b			
11	*501(c)(12) organizations.* Enter:				
a	Gross income from members or shareholders	11a			
b	Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them.)	11b			
12a	*4947(a)(1) non-exempt charitable trusts.* Is the organization filing Form 990 in lieu of Form 1041?		12a		
b	Enter the amount of tax-exempt interest received or accrued during the year	12b			

Part VI Governance, Management, and Disclosure *(Sections A, B, and C request information about policies not required by the Internal Revenue Code.)*

Section A. Governing Body and Management

			Yes	No
	For each "Yes" response to lines 2-7 below, and for a "No" response to lines 8 or 9b below, describe the circumstances, process, or changes in Schedule O. See instructions.			
1a	Enter the number of voting members of the governing body	1a		
b	Enter the number of voting members that are independent	1b		
2	Did any officer, director, trustee, or key employee have a family relationship or a business relationship with any other officer, director, trustee, or key employee?	2		
3	Did the organization delegate control over management duties customarily performed by or under the direct supervision of officers, directors or trustees, or key employees to a management company or other person? . .	3		
4	Did the organization make any significant changes to its organizational documents since the prior Form 990 was filed?	4		
5	Did the organization become aware during the year of a material diversion of the organization's assets?	5		
6	Does the organization have members or stockholders?	6		
7a	Does the organization have members, stockholders, or other persons who may elect one or more members of the governing body?	7a		
b	Are any decisions of the governing body subject to approval by members, stockholders, or other persons? . .	7b		
8	Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following:			
a	the governing body?	8a		
b	each committee with authority to act on behalf of the governing body?	8b		
9a	Does the organization have local chapters, branches, or affiliates?	9a		
b	If "Yes," does the organization have written policies and procedures governing the activities of such chapters, affiliates, and branches to ensure their operations are consistent with those of the organization?	9b		
10	Was a copy of the Form 990 provided to the organization's governing body before it was filed? All organizations must describe in Schedule O the process, if any, the organization uses to review the Form 990	10		
11	Is there any officer, director or trustee, or key employee listed in Part VII, Section A, who cannot be reached at the organization's mailing address? If "Yes," provide the names and addresses in Schedule O	11		

Section B. Policies

			Yes	No
12a	Does the organization have a written conflict of interest policy? *If "Yes":*	12a		
b	Are officers, directors or trustees, and key employees required to disclose annually interests that could give rise to conflicts?	12b		
c	Does the organization regularly and consistently monitor and enforce compliance with the policy? If "Yes," describe in Schedule O how this is done	12c		
13	Does the organization have a written whistleblower policy?	13		
14	Does the organization have a written document retention and destruction policy?	14		
15	Did the process for determining compensation of the following persons include a review and approval by independent persons, comparability data, and contemporaneous substantiation of the deliberation and decision:			
a	The organization's CEO, Executive Director, or top management official?	15a		
b	Other officers or key employees of the organization? . . . . Describe the process in Schedule O.	15b		
16a	Did the organization invest in, contribute assets to, or participate in a joint venture or similar arrangement with a taxable entity during the year?	16a		
b	If "Yes," has the organization adopted a written policy or procedure requiring the organization to evaluate its participation in joint venture arrangements under applicable Federal tax law, and taken steps to safeguard the organization's exempt status with respect to such arrangements?	16b		

Section C. Disclosure

17 List the States with which a copy of this Form 990 is required to be filed. ....

18 IRC Section 6104 requires an organization to make its Form 1023 (or 1024 if applicable), 990, and 990-T (501(c)(3)s only) available for public inspection. Indicate how you make these available. Check all that apply.

☐ own website ☐ another's website ☐ upon request

19 Describe in Schedule O whether (and if so, how), the organization makes its governing documents, conflict of interest policy, and financial statements available to the public.

20 State the name, physical address, and telephone number of the person who possesses the books and records of the organization: ....

Part VII Compensation of Officers, Directors, Trustees, Key Employees, Highest Compensated Employees, and Independent Contractors

Section A Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees

1a Complete this table for all persons required to be listed. Use Schedule J-2 if additional space is needed.

* List all of the organization's **current** officers, directors, trustees (whether individuals or organizations) and key employees regardless of amount of compensation. Enter -0- in columns (D), (E), and (F) if no compensation was paid.

* List the organization's five **current** highest compensated employees (other than an officer, director, trustee or key employee) who received reportable compensation (Box 5 of Form W-2 and/or Box 7 of Form 1099-MISC) of more than $100,000 from the organization and any related organizations.

* List all of the organization's **former** officers, key employees, or highest compensated employees who received more than $100,000 of reportable compensation from the organization and any related organizations.

* List all of the organization's **former directors or trustees** that received, in the capacity as a former director or trustee of the organization, more than $10,000 of reportable compensation from the organization and any related organizations.

List persons in the following order: individual trustees or directors; institutional trustees; officers; key employees; highest compensated employees; and former such persons.

☐ Check this box if the organization did not compensate any officer, director, trustee or key employee.

(A) Name and Title	(B) Average hours per week	(C) Position (check all that apply) Individual trustee or director	Institutional trustee	Officer	Key employee	Highest compensated employee	Former	(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations

Part VII Continued

1b Total ▶									

2 Total number of individuals (including those in 1) who received more than $100,000 in reportable compensation from the organization ▶

		Yes	No
3 Did the organization list any former officer, director or trustee, key employee, or highest compensated employee in Section A? *If "Yes," complete Schedule J for such individual*	3		
4 For any individual listed in Section A, is the sum of reportable compensation and other compensation from the organization and related organizations greater than $150,000? *If "Yes," complete Schedule J for such individual*	4		
5 Did any person listed in Section A receive or accrue compensation from any unrelated organization for services rendered to the organization? *If "Yes," complete Schedule J for such person*	5		

Section B. Independent Contractors

1 Complete this table for your five highest compensated independent contractors that received more than $100,000 of compensation from the organization.

(A) Name and business address	(B) Description of services	(C) Compensation

2 Total number of independent contractors (including those in 1) who received more than $100,000 in compensation from the organization ▶

Part VIII Statement of Revenue

		(A) Total Revenue	(B) Related or Exempt Function Revenue	(C) Unrelated Business Revenue	(D) Revenue Excluded from Tax under IRC 512, 513, or 514
Contributions, gifts, grants and other similar amounts	1a Federated campaigns 1a				
	b Membership dues 1b				
	c Fundraising events 1c				
	d Related organizations 1d				
	e Government grants (contributions) 1e				
	f All other contributions, gifts, grants, and similar amounts not included above . 1f				
	g Noncash $				
	h **Total (lines 1a–1f)** . . . . ▶				
Program Service Revenue	Business Code				
	2a				
	b				
	c				
	d				
	e				
	f				
	g **Total** . . . . ▶ $				
Other Revenue	3 Investment income (including dividends, interest and other similar amounts) . . . . ▶				
	4 Income from investment of tax-exempt bond proceeds ▶				
	5 Royalties . . . . ▶				
	(i) Real / (ii) Personal				
	6a Gross Rents				
	b Less: rental expenses				
	c Rental income or (loss)				
	d Net rental income or (loss) . . . . . ▶				
	(i) Securities / (ii) Other				
	7a Gross amount from sales of assets other than inventory				
	b Less: cost or other basis and sales expenses				
	c Gain or (loss)				
	d Net gain or (loss) . . . . ▶				
	8a Gross income from fundraising events (not including $ ________ of contributions reported on line 1c). *Attach Schedule G if total exceeds $15,000* . . . . a				
	b Less: direct expenses . . . . . b				
	c Net income or (loss) from fundraising events . . ▶				
	9a Gross income from gaming activities. *Complete Schedule G if total exceeds $15,000* a				
	b Less: direct expenses . . . . . b				
	c Net income or (loss) from gaming activities . . ▶				
	10a Gross sales of inventory, less returns and allowances . . . . . a				
	b Less: cost of goods sold . . . . b				
	c Net income or (loss) from sales of inventory . . . ▶				
	Miscellaneous Revenue / Business Code				
	11a				
	b				
	c				
	d All other revenue				
	e **Total** . . . . $				
	12 **Total Revenue.** Add lines 1h, 2g, 3, 4, 5, 6d, 7d, 8c, 9c, 10c, and 11e . . . . ▶				

Part IX Statement of Functional Expenses

501(c)(3) and (4) organizations must complete all columns.

All other organizations must complete column (A) but are not required to complete columns (B), (C), and (D).

Do not include amounts reported on lines 6b, 7b, 8b, 9b, and 10b of Part VIII.	(A) Total expenses	(B) Program service expenses	(C) Management and general expenses	(D) Fundraising expenses
1 Grants and other assistance to governments and organizations in the U.S. *See Part IV, line 21*				
2 Grants and other assistance to individuals in the U.S. *See Part IV, line 22*				
3 Grants and other assistance to governments, organizations and individuals outside the U.S. *See Part IV, lines 15 and 16*				
4 Benefits paid to or for members				
5 Compensation of current officers, directors, trustees, and key employees				
6 Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B)				
7 Other salaries and wages				
8 Pension plan contributions (include section 401(k) and section 403(b) employer contributions)				
9 Other employee benefits				
10 Payroll taxes				
11 Fees for services (non-employees):				
a Management				
b Legal				
c Accounting				
d Lobbying				
e Professional fundraising. *See Part IV, line 17*				
f Investment management fees				
g Other				
12 Advertising and promotion				
13 Office expenses				
14 Information technology				
15 Royalties				
16 Occupancy				
17 Travel				
18 Payments of travel or entertainment expenses for any Federal, state, or local public officials				
19 Conferences, conventions, and meetings				
20 Interest				
21 Payments to affiliates				
22 Depreciation, depletion, and amortization				
23 Insurance				
24 Other expenses—Itemize expenses not covered above (Expenses grouped together and labeled miscellaneous may not exceed 5% of total expenses shown on line 25 below.)				
a				
b				
c				
d				
e				
f All other expenses				
25 **Total functional expenses.** Add lines 1 through 24f				
26 **Joint Costs.** Check ☐ if following SOP 98-2. Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation				

Part X Balance Sheet

			(A) Beginning of year		(B) End of year
Assets	1	Cash—non-interest-bearing		1	
	2	Savings and temporary cash investments		2	
	3	Pledges and grants receivable, net		3	
	4	Accounts receivable, net		4	
	5	Receivables from current and former officers, directors, trustees, key employees or other related parties. *Complete Part II of Schedule L*		5	
	6	Receivables from other disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B). *Complete Part II of Schedule L*		6	
	7	Notes and loans receivable, net		7	
	8	Inventories for sale or use		8	
	9	Prepaid expenses and deferred charges		9	
	10a	Land, buildings, and equipment: cost basis 10a			
	b	Less: accumulated depreciation. *Complete Part VI of Schedule D* 10b		10c	
	11	Investments—publicly traded securities		11	
	12	Investments—other securities. *Complete Part VII of Schedule D*		12	
	13	Investments—program-related. *Complete Part VIII of Schedule D*		13	
	14	Intangible assets		14	
	15	Other assets. *Complete Part IX of Schedule D*		15	
	16	**Total assets.** *Add Columns A and B, lines 1 through 15 (must equal line 34)*		16	
Liabilities	17	Accounts payable and accrued expenses		17	
	18	Grants payable		18	
	19	Deferred revenue		19	
	20	Tax-exempt bond liabilities		20	
	21	Escrow account liability. *Complete Part IV of Schedule D*		21	
	22	Payable to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons. *Complete Part II of Schedule L*		22	
	23	Secured mortgages and notes payable to unrelated third parties		23	
	24	Unsecured notes and loans payable		24	
	25	Other liabilities. *Complete Part X of Schedule D*		25	
	26	**Total liabilities.** *Add lines 17 through 25*		26	
Net Assets or Fund Balances		**Organizations that follow SFAS 117, check here ▶ ☐ and complete lines 27 through 29, and lines 33 and 34.**			
	27	Unrestricted net assets		27	
	28	Temporarily restricted net assets		28	
	29	Permanently restricted net assets		29	
		Organizations that do not follow SFAS 117, check here ▶ ☐ and complete lines 30 through 34.			
	30	Capital stock or trust principal, or current funds		30	
	31	Paid-in or capital surplus, or land, building, or equipment fund		31	
	32	Retained earnings, endowment, accumulated income, or other funds		32	
	33	Total net assets or fund balances		33	
	34	Total liabilities and net assets/fund balances		34	

Part XI Financial Statements and Reporting

				Yes	No
1		Accounting method used to prepare the Form 990: ☐ cash ☐ accrual ☐ other			
2a		Were the organization's financial statements compiled or reviewed by an independent accountant?	2a		
	b	Were the organization's financial statements audited by an independent accountant?	2b		
	c	If "Yes" to 2a or 2b, does the organization have a committee that assumes responsibility for oversight of the audit, review, or compilation of its financial statements and selection of an independent accountant?	2c		
3a		As a result of a federal award, was the organization required to undergo an audit or audits as set forth in the Single Audit Act and OMB Circular A-133?	3a		
	b	If "Yes," did the organization undergo the required audit or audits?	3b		

National Rural Electric
Cooperative Association

4301 Wilson Boulevard
Arlington, VA 22201-1860
www.nreca.coop

Education
Training

Professional Certificate Requirements

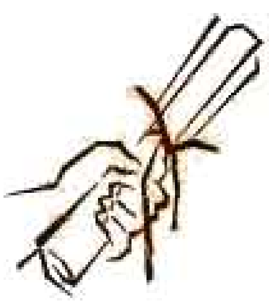
The Supervisory Certificate (SC)

NRECA's curriculum is based on a set of supervisory competencies identified by new cooperative supervisors, experienced supervisors, and CEOs. These courses deliver instruction on core competencies in the areas of leadership, communication, and basic administrative skills.

The Supervisory Certificate is earned by completing nine (9) ½ day required courses.

Required courses

- 380.05 Getting Started as a Supervisor
- 381.05 Personal Time Management
- 382.05 A Supervisor's Role in Managing Change
- 383.05 Maximizing Effectiveness Through Communications
- 384.05 Resolving Conflict Through Negotiation
- 385.05 Motivating Employees
- 386.05 The Supervisor and Human Resources
- 387.05 Tools for Effective Performance Management
- 388.05 Occupational Health and Safety for Supervisors



The credit value is indicated after the decimal point for each course. For example, course 380.05 provides one half day (1/2) credit and course 640.1 provides one (1) credit.

Management Essentials Certificate (MEC)

The Management Essentials Certificate (MEC) program is designed for experienced supervisors and mid-level managers who seek professional development beyond the scope of NRECA's Supervisory Certificate (SC) program. The MEC curriculum builds on the competencies from the SC and introduces additional topics to bolster participants' skills in those areas.

The Management Essentials Certificate is earned by completing four (4) required courses and three (3) credits from a list of elective courses.

Required courses

- 640.1 Essentials of Workplace Communication
- 641.1 Essentials of Organizational Teamwork
- 642.1 Essentials of Performance Management
- 643.1 Essentials of Managing Change

Elective courses are currently under development and will include instructor-led and online courses in such critical areas as cooperative finance and accounting, delegating effectively, project management, contracts and contracting, human resources management, and written communication.

The Robert I. Kabat Management Internship Program (MIP)

MIP is your next step in executive development beyond NRECA's Management Essentials Certificate (MEC). This intensive, six-week program is broken into three two-week units that focus on contemporary management issues. The program provides comprehensive analysis of the functions and processes of management. More importantly, it emphasizes practical applications, strategic understanding and advanced proficiency in critical areas of cooperative management.

The MIP certificate is earned by completing the following requirements:

- 701 Unit A
- 702 Unit B
- 703 Unit C

- Complete and present the results of a personal project that applies MIP skills to issues at your cooperative.

The MIP focuses on cultivating the best talent in the electric cooperative industry.

For more information about events and training programs click on "Conferences & Training" at www.cooperative.com.

4/25/2008

The Certified Key Account Executive (CKAE®) Program

The Certified Key Account Executive (CKAE) Program helps key account executives and their electric co-ops construct and implement a winning key accounts management program, or further strengthen a program already in place.

The CKAE certificate is earned by completing the following requirements:

- Three (3) required courses:
  - 477.2 Key Accounts Management
  - 478.2 Advanced Key Accounts
  - 481.2 The Key Accounts Resource Workshop

  OR

  - 877.5 CKAE Fast Track (all 3 courses combined)
- Submit a Business Plan and a Marketing Plan.
- Pass the CKAE Exam and a sales presentation.

* You have 24 months from the date you pass the CKAE Exam to complete all requirements.

Continuing Education

After becoming a CKAE, you must earn 1.0 continuing education units (CEUs) each calendar year and pay an annual $50 professional fee to maintain the CKAE designation. CEUs can be earned in a variety of ways—courses, conferences, seminars, etc. CKAEs can earn CEUs through events sponsored by NRECA, NRECA member systems, and other organizations, e.g., other associations, universities, organizations, etc.

Look under "My Profile" on cooperative.com to view your attendance record

Certified Loss Control Professional (CLCP) Program

The NRECA Loss Control Program consists of four one-week seminars that are designed to provide up-to-date information and training for loss control professionals.

The Loss Control Certificate is earned by completing the following requirements:

· Attend and complete all loss control seminars in sequence and pass all tests with a cumulative score of 70% or higher.

- 830.5 Seminar I
- 831.5 Seminar II
- 832.5 Seminar III
- 833.5 Seminar IV

· Complete a 30-hour OSHA course.
· Complete an individual comprehensive project that is then approved by the Loss Control Internship Certification Panel.

Continuing Education

After becoming a CLCP, you must complete eight (8) hours of safety and/or loss control training each calendar year and pay an annual $50 professional fee to maintain CLCP status.

Certified Cooperative Communicator (CCC) Program

The Certified Cooperative Communicator (CCC) Program offers professionals in mass communication and marketing communication the opportunity to earn a credential that signifies professional competence in the communication profession.

The CCC certification is earned by completing the following requirements within 24 months of application:

· Complete CCC application. ($100 fee)

· Submit and pass a portfolio of work within nine months of becoming a candidate. ($100 fee)

· Pass CCC Exam. ($100 fee)

Continuing Education

After becoming a CCC, you must complete 1.0 continuing education units (CEUs) each year, and pay an annual $100 professional fee to maintain CCC status. CEUs can be earned in a variety of ways—courses, conferences, seminars, etc. CCCs can earn CEUs through events sponsored by NRECA, NRECA member systems, and other organizations, e.g., other associations, universities, organizations, etc.

Questions?
Corrections to your records?

Contact Angie Hylton, NRECA, ET9-201, 4301 Wilson Blvd., Arlington, VA 22203. (703) 907-5656 or angie.hylton@nreca.coop

For more information about certificates and certifications programs click on "Certificates & Accreditation" under "Conferences & Training" at www.cooperative.com.

The Credentialed Cooperative Director (CCD) Certificate

The Credentialed Cooperative Director (CCD) curriculum consists of five courses designed to provide the basic knowledge and skills required of cooperative directors. Directors have several opportunities during the year to earn their CCD Certificate, including NRECA's Pre-Annual Meeting Training, Pre-Annual Directors' Conference training, Summer Schools, statewide association sponsored programs, and on-site training.

The **Credentialed Cooperative Director (CCD) Certificate** is earned by attending all five required courses and successfully completing a learning assessment for each.

CCD Required Courses:

2600.1 Director Duties and Liabilities
2610.1 Understanding the Electric Business
2620.1 Board Roles and Relationships
2630.1 Strategic Planning
2640.1 Financial Decision Making

The Board Leadership (BLC) Certificate

The **Board Leadership (BLC) Certificate** offers more advance courses and can be attained after earning the Credentialed Cooperative Director Certificate and then completing a total of 10 credits from the 900-level courses. Directors may attend BLC courses at any time but the BLC will not be awarded until the CCD program requirements are completed.

The credit value is indicated after the decimal point for each course. For example, course 951.2, provides two (2) credits.

Current Courses Being Offered:

901.1 Rules and Procedures for Effective Board Meetings
902.1 Understanding the Role of the Board Chair
903.1 The Role of the Board Chair in Conducting Effective Meetings
914.1 Cooperative Communications and Public Opinion - The Director's Perspective
915.1 Advocating the Cooperative Difference
917.05* Creating a Political Action Plan
923.1 New and Emerging Technologies - What Every Director Needs to Know
924.1 When Disaster Strikes - Continuity Management and Emergency Response Planning for Directors
925.1 Co-op Bylaws: Guiding Principles & Current Issues
929.1 Current Issues in Policy Development
930.1 Ethics and Governance: Implementing the New Accountability
933.1 The Duties, Responsibilities and Relationships of Electric CooperativeDirector and Operating Officers
935.1 Appraising and Compensating the CEO
936.05 Management Search Fundamentals
938.1 Effective Boards - Why Some Succeed and Some Fail
951.2 Developing Effective Boardroom Decision Making
966.1 Understanding the New World of Power Supply
967.1 Fundamentals of Energy Risk Management for Directors
968.1* Advanced Rate Decisions: For Experienced Directors
969.1* Advanced Energy Risk Management for Directors Making Power Supply Decisions
970.1 The Role of Renewables in Power Supply
975.1* Capital Credits: Legal and Financial Issues
999.1 Introduction to Computers and the Internet

(* Check course description for any recommended prerequisite courses before attending)

(900-level courses not listed above are no longer offered but they do apply toward the certificate if they were taken after Jan. 1996)

Need more information - Visit Conferences & Training on Cooperative.com

For Program Content, Course Dates and Locations
Contact Janet Bowers at (703) 907-5622 or
janet.bowers@nreca.coop

For Attendance Records/Certificates
Contact Angie Hylton at (703) 907-5656 or
angie.hylton@nreca.coop

National Rural Electric Cooperative Association