

DRAFT – Key Messages

Below are key messages, talking points and Q&As related to timely cooperative topics. The following topics are included:

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Recent CWP Activities

Message Tracks:

- Every electric cooperative is governed by its own locally elected board of directors.
- We respect Crow Wing Power's members – and any co-op's members – for being engaged, asking questions, and seeking to ensure cooperative leadership is accountable.
- This is an example of cooperative democracy working as it should and allowing co-op members to have a powerful voice in how their cooperative is operated.
- We encourage ongoing, open and candid discussions among electric cooperative members to ensure there is satisfaction with their co-op's policies and decisions.

Potential Question: The bonuses received at Crow Wing from the sale of Hunt Technologies seem high. Are co-ops looking out for the members' resources? Should the CEO resign?

We can't speak to the financial details of Crow Wing Power's investments or their personnel decisions. That is the role of the board of directors and management team of each cooperative. The bonus was a decision made by the locally elected board of directors. It is a significant amount of money, and we understand why members of the cooperative would raise questions. It is not uncommon for business executives across all types of public and private sector jobs to receive bonuses and additional compensation for reaching positive goals for an organization.

Cooperatives have bylaws, which are available to all cooperative members, to guide legal, ethical and prudent decision-making to ensure co-ops are looking out for members. Minnesota's electric cooperatives have a stellar track record of operating financially successful businesses and being good stewards of member resources. In addition, co-ops actively support their communities through volunteerism, charitable giving, economic development and cause-related efforts.

Electric Cooperative Governance

Message Tracks:

- Cooperative governance is rooted in the accountability of democratic member control. Electric cooperatives are solely intended to continuously provide members with safe, reliable, affordable and increasingly clean power. Cooperative members know they can expect all these elements to be fundamental to the operation of the business.
 - Electric cooperatives consistently rank as the No. 1 electric utility group for customer satisfaction, surpassing investor-owned and municipal-owned utilities. (Source: ACSI)
- Every member of an electric cooperative has a voice in how the co-op does business. Local ownership and democratic member control – one of the seven key cooperative principles – distinguishes cooperatives from other utilities. Member-owners elect directors – who also are cooperative members – to represent their interests when it comes to setting policies or making decisions on issues that impact the co-op and its members.
- Each of Minnesota's electric cooperatives is owned by the area's fellow neighbors, friends and community members. Because of this member-ownership structure, directors are entrusted to make decisions that are in the best interests of the needs of the communities they serve. What works well for a cooperative in one part of Minnesota may not work as well for a cooperative in another region of the state.
- Every electric cooperative member is eligible to run for the board of directors, provided they meet the minimum qualifications as outlined in the respective cooperative's bylaws. Members have the right to vote board members in or out of office based on their satisfaction level with how the cooperative is being governed.
- Self-governance is evident in many forms, such as through schools, church, credit unions and various types of cooperatives. While this structure allows for local decision-making, it's imperative to recognize that self-governed organizations must adhere to all local, state and federal laws.
 - Minnesota's electric cooperatives have considerable oversight through state statutes and comply with local, state and federal laws and policies. The cooperative governance model is proven to work effectively.
 - For example, Minnesota's electric cooperatives are regulated in many areas by the Minnesota Public Utilities Commission and by numerous Minnesota statutes, such as 308A and 216B.
- Electric cooperative directors are expected to bring a diverse and well-rounded background to the boardroom. In order to serve the best interests of members, directors must have financial skills, industry knowledge, an understanding of regulatory and legislative policymaking, and an aptitude for determining the ongoing and future strategic direction of the cooperative.
 - Through Minnesota electric cooperatives' affiliation with the National Rural Electric Cooperative Association, directors attend governance education courses and industry conferences, so they are informed on the latest challenges, trends, regulations and technologies affecting electric cooperatives. In fact, our national association manages an extensive credential program for electric cooperative

directors that includes opportunities to earn a Credentialed Cooperative Director Certificate and a Board Leadership Certificate.

- In the event co-op members are unhappy with the way their cooperative is being managed, they can speak up and vote new directors into place. That's a significant benefit of the cooperative business model – members truly have a say in how their co-op operates. That's not true of most organizations.

CEO Compensation

Message Tracks:

- Cooperative CEOs are charged with managing significant assets in order to deliver power that is safe, reliable, affordable and increasingly clean.
- It's a competitive industry, and it's essential to attract and retain high-caliber talent for these roles. Their salaries are reflective of what other similarly positioned executives make in the industry (via NRECA).
- The average salary of electric cooperative CEOs is far less than executives at investor-owned utilities. Yet, electric cooperatives consistently lead the industry when it comes to consumer satisfaction.
- Each board has the role of considering all these factors, in addition to performance, experience and other relevant information, in setting an appropriate compensation level. Their compensation is readily accessible online in public documents (IRS Form 990).

Director Compensation

Message Tracks:

- Directors are democratically elected by their member-owner peers. Their compensation is readily accessible online in public documents (IRS Form 990).
- The directors of Minnesota's electric cooperatives have a fiduciary duty to the co-op and face potential personal liability for breaching that duty. Board directors are fairly compensated for their leadership role and accepting the risks and responsibilities of governing the cooperative.
- For directors to be most effective, they must be knowledgeable about the industries and issues that could impact cooperatives.
- Directors invest a significant amount of time in education and training to be knowledgeable of issues that affect the operations of their cooperative.
- Compensation covers time for activities, such as board of directors' meetings, committee meetings, budget reviews, strategic planning, training sessions, legislative visits, educational initiatives and other activities to prudently govern the cooperative.
- [Insert local examples as applicable, such as CCDs, etc.]

Business Partnerships | LLCs

Message Tracks:

- Cooperatives may partner with other organizations or invest in business ventures and often do so to pursue opportunities for the benefit of their members.
- Independent business structures or cooperative-led LLCs offer co-op members and local communities innovative and competitive products and services.
- These entities can deliver complementary benefits and generate revenue to offset the retail price of electricity for co-op members. These services, such as high-speed internet, satellite, economic development and security, often wouldn't be available to co-op members at all or at a competitive price without cooperative involvement.
- [Insert examples for your cooperative, as appropriate.]

Business Partnerships and Accountability

Message Tracks:

- To ensure cooperative members are aware of LLCs' overall financial performance, the results are relayed in cooperative annual reports and during annual meetings.
- These businesses are typically audited annually by an independent, third-party CPA firm, and an external firm also reviews internal controls.
- Private businesses, including LLCs managed by cooperatives, are allowed wide latitude in what information they share.
- Cooperatives are generally more transparent than other businesses. Unlike other private businesses, co-ops ultimately answer to their members through the elected board of directors.
- As with any business, cooperatives need to weigh the benefits of information-sharing with other business considerations. These considerations often require some level of confidentiality so that disclosures don't impair the co-op's financial or competitive position or reveal proprietary information.

Cooperative Structure | Business Stewardship

Message Tracks:

- The overwhelming evidence is that Minnesota's electric cooperatives operate financially successful businesses and are good stewards of member resources. In addition, co-ops actively support their communities through volunteerism, charitable giving, economic development and cause-related efforts.
 - For example, from 2013 to 2017, Minnesota's electric cooperatives retired \$237 million in capital credits. Those funds were returned to local cooperative members – as owners of their cooperative they receive any funds available after paying costs through capital credits. *(Source: NRECA contracted study with CFC and FTI Consulting: Electric Cooperatives of Minnesota Economic Impact Analysis)*
 - Through Operation Round Up, a voluntary community support program that helps local organizations and worthy causes, Minnesota's electric cooperatives donated \$22.3 million from 1993 to 2016. Co-op members can choose to round up their monthly electric bill to the nearest dollar and the remaining cents go toward Operation Round Up. *(Source: MREA survey)*
 - [Replace above with examples for your cooperative or add to these points, as appropriate.]
- For more than eight decades, the cooperative business model has been serving its members – and electricity consumers well – adding considerable benefits to the communities they serve. Since first bringing power to underserved areas, electric cooperatives have been active members of their communities. Minnesota's electric cooperatives power homes, businesses, schools, hospitals and other essential services.

Over a 5-year period from 2013 to 2017, electric cooperatives in Minnesota:

- Spent \$14.1 billion on capital investment, operations, and maintenance activities.
- Contributed a total of \$11.9 billion to Minnesota's Gross State Product (GSP).
- Supported an average of 18,612 jobs in Minnesota each year.
- Contributed a total of \$6.1 billion in labor income in Minnesota.
- Generated \$1.4 billion in federal taxes and \$1.5 billion in state/local taxes in Minnesota.

(Source: NRECA contracted study with CFC and FTI Consulting: Electric Cooperatives of Minnesota Economic Impact Analysis)

- [Replace above with examples for your cooperative or add to these points, as appropriate.]

Cooperative Transparency

Message Tracks:

- Minnesota's electric cooperatives share a considerable amount of information with their members about the overall operation of their respective co-op.

- For example, many co-ops share monthly board meeting summaries and other vital details via their newsletters and social media.
- Through the annual meeting and annual report, year-end financial information is included, and some co-ops provide that information more frequently.
- Co-op's vary in the level of detail that is shared on their websites – and are continuously working on adding more information.
- Because cooperatives are local, members can also request these materials in-person directly from their co-op. Members find this in-person, local response to be much more rewarding than dealing with the phone queues typical of today's corporate world.

Voter Turnout at Cooperative Elections

Message Tracks:

- Voting is the bedrock of democracy; however, voter turnout across every sector of our nation is an ongoing challenge.
- Co-ops are diligent in working to attract members to annual meetings by promoting the event in their newsletters, bill stuffers and on their website and social media channels. Most go a step farther and offer free entertainment, food and giveaways as ways to further incent members to attend the annual meeting.
- Electric cooperatives also make it easy to vote by providing for voting ahead of the annual meeting through electronic or mail-in ballots.
- A general rule of thumb is the more people are satisfied, the fewer who vote in elections. It's a common phenomenon in elections of all types.
- *Related to CWP's Annual Meeting: Crow Wing has reported the turnout in this election was similar to levels they have experienced in the past.*

Media Requests

If you are contacted by the media or would like additional assistance preparing for communications-related items, feel free to contact MREA. We will attempt to be of help or can suggest a consultant who can provide further assistance.

General Guidelines and Recommendations

- Designate one key spokesperson for your cooperative and a backup spokesperson to handle all media requests.
- All media requests should be handled in a timely manner.
- Always ask for the reporter's deadline and seek to determine the angle of the interview and what questions will be asked. Sample questions:
 - What is the story angle?

- Give me an idea of some other people you're talking to on this?
 - How much do you know about Minnesota's electric cooperatives – or the name of your cooperative – (or the story subject)?
 - Could I email some background information to you?
 - When is your deadline?
 - Let's agree on the agenda.
 - May I call you back in ... 60 minutes? 30 minutes? 10 minutes?
 - What is your phone number? Email?
- Respond to the reporter within the allotted timeframe to meet the deadline.
 - "No Comment" is not an acceptable response and should not be used.

Advice When Talking to a Reporter or Handling a Difficult Conversation

- Be polite, professional and courteous. Try to be helpful.
- Stay calm. Never lose your temper.
- If you don't know the answer, say so, but offer to find it. Stress to the reporter/person you need information first.
- Tell the truth. If you can't give out information, tell the reporter/person why you can't.
- Stick to your area of responsibility.
- Don't be sarcastic or give smart-aleck responses.
- Don't parrot answers in the negative. Answer questions but return to your message track.
- If you aren't sure of the question, ask the reporter/person to repeat it.
- Put the story or issue into context.
- Stick to the facts. Keep your opinions out of it.
- Don't bring up issues or subjects that you don't want to see in the story.
- Don't speak off the record.
- Avoid jargon.
- Repeat your messages to increase your chances of it emerging in the final news story.
- Keep track of what was said during the interview (take a tape recorder if necessary).
- Monitor media coverage and assess for accuracy.