

Responsible. Reliable. Affordable.

Environmental, Social & Governance Report

2021 • ASSOCIATED ELECTRIC COOPERATIVE INC.



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On the cover:
Construction on 111 turbines at the 235-MW Tenaska Clear Creek Energy Center began in spring 2019, and the farm was declared commercial in May 2020.

Note:
Archive photos may have been taken pre-pandemic.

Associated transformed once-mined land at Thomas Hill Energy Center into productive pastures, wetlands and forests.

Our commitment: A message from Associated Electric’s board president

From its inception in 1961, Associated Electric Cooperative has been on a mission to serve member-owners of our wholesale power generation cooperative with responsible, reliable and affordable electricity and related services. Associated’s accountability for safeguarding the environment and well-being of the communities we serve has remained steadfast throughout a 60-year journey marked by evolving regulations, shifting political and cultural landscapes and changing member expectations.



Given that clean air, water and land resources mean so much to the rural electric cooperative members we serve, our commitment to environmental, social and governance responsibilities is characterized not only in words but also in deeds. Significant investments to protect these resources as we generate electricity for 2.1 million people are delivering meaningful environmental results. The model of member-ownership and leadership of our cooperative ensures our values reflect those who use our electricity.

Balancing reliability and affordability with clean air, land and water resources is important to our members and continues to be our focus. Our unique member-led governance means the needs of the communities we serve are prioritized first in our decision-making.

Sincerely,

Emery O. Geisendorfer, president Associated Electric Cooperative Board of Directors



**Our responsibility: A message from
Associated Electric's CEO and general manager**

As an electric cooperative owned by and accountable to our members, Associated Electric creates value by generating electricity responsibly, reliably and affordably. This is not a new objective of the cooperative; it has been our long-term focus. This report details some of our many accomplishments and the ongoing work underway to make good on our commitment to deliver responsible value to Associated's six G&T owners and the 51 member distribution cooperatives they serve, ultimately providing electricity to 2.1 million consumers.

As we plan for an energy future that is constantly evolving, we know three things for certain:

Responsibly generating electricity isn't optional, it is a way of life for our cooperative. Making the right decisions for the right reasons ensures effective stewardship of the environment and safeguards our members' quality of life.

Reliability cannot be sacrificed in today's energy dependent world. Businesses throughout our three-state system depend on electricity for their livelihoods. Now as much as ever before, members require reliable power for their communities and lives at work and home in rural Missouri, Oklahoma and Iowa.

Affordability for members through low-cost power is essential. The economic well-being of our members is top priority for us every day. At Associated, we never forget who pays the bills.

We understand member expectations will evolve over time. Our pledge is to build on our rich heritage, carefully evaluate the present and continuously prepare to serve members responsibly and with exceptional value into the future.

Sincerely,



David J. Tudor, CEO and general manager



EnvironmentalEnergy

Planning helps reduce carbon footprint

Associated's long-range environmental planning is key to responsible stewardship of the air, land and water on which our rural communities depend. When forming our long-term investment and development plans, a range of scenarios undergo evaluation, which includes carbon emissions.

Certainty on the regulation of carbon emissions remains elusive. The Environmental Protection Agency put forth a new plan, the Affordable Clean Energy (ACE) rule, under the Trump administration. It was released in August 2018, replacing the Clean Power Plan, which was introduced in 2014. In January 2021, the D.C. Circuit Court vacated the ACE rule, sending it back to EPA to develop a new rule. Even so, Associated continues to responsibly improve and manage its carbon footprint.

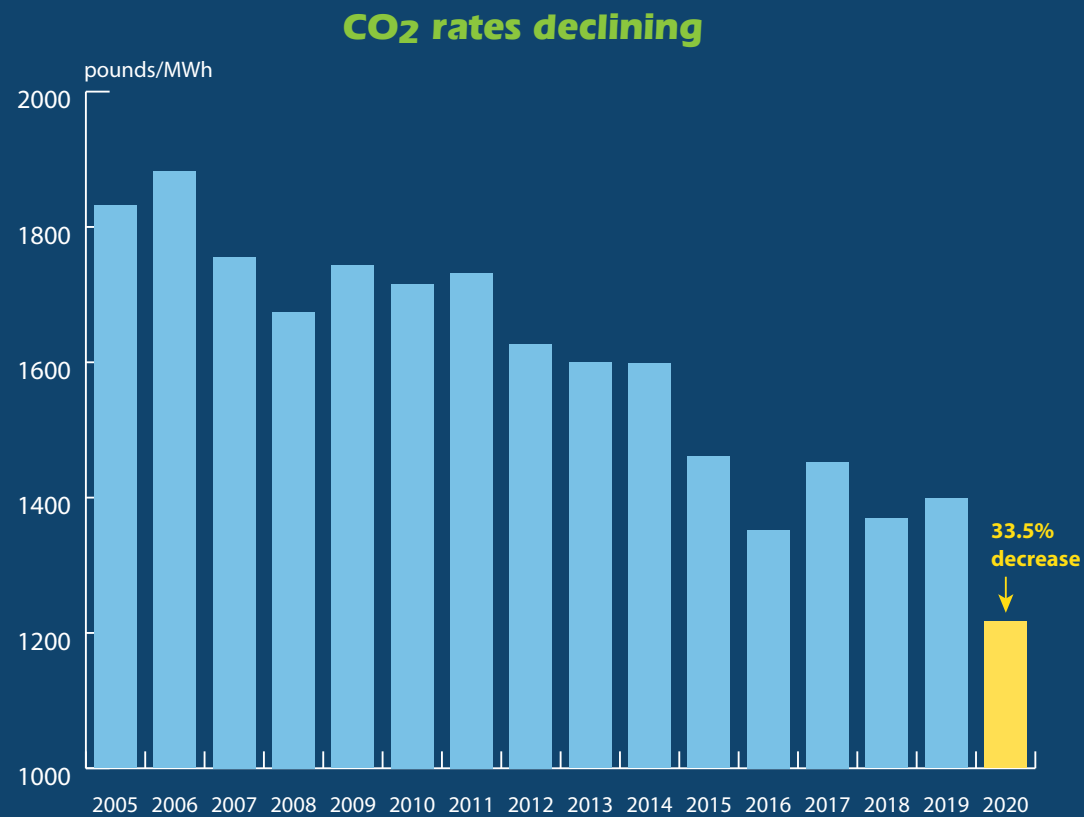
Associated's goal is to always remain compliant with all environmental regulations.



Clear Creek Wind Farm began delivering electricity to Associated in 2020.

Generation diversification means carbon emissions rate declines

Associated's diversification of its resource mix has positively impacted carbon emissions. Overall, the cooperative's carbon dioxide (CO₂) emissions per megawatt-hour produced has continued to decline. For 2020, carbon emissions were 1,217 lbs/megawatt-hour – a 33.5% decline since 2005. This 15-year downward trend in the CO₂ emissions rate has been achieved through additional renewables, plant heat rate improvements and increased natural gas generation.



Since Associated's first wind farm was complete in 2006-07, Associated had reduced its carbon emissions rate 33.5% for total generation, including member and nonmember energy sales.

Coal power sources change over time

An important source of 24/7/365 reliability, coal power sources in the Associated system have changed over time. Maintaining adequate coal power resources ensures reliability while allowing developing technologies time to mature. But as Associated diversifies its generation resources, coal capacity has been reduced.

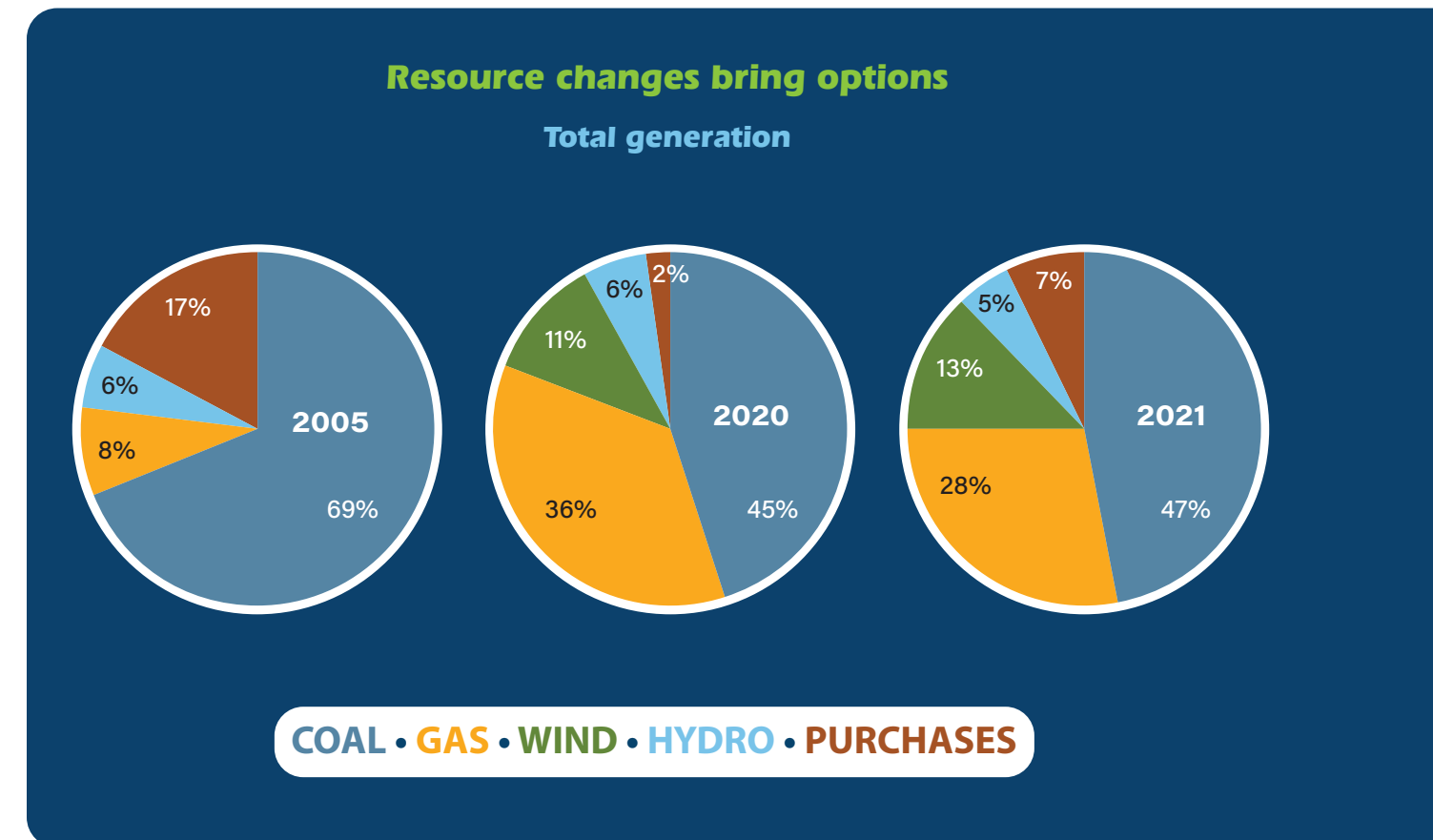
- Chamois Power Plant decommissioned in 2013 (-68 megawatts).
- Grand River Dam Authority Unit 2 contract vacated in 2016 (-198 megawatts).

Recognizing the need to accommodate an increasing level of intermittent and renewable power on the system, Associated made significant investments in the technology and equipment required to improve coal unit lower minimum operating levels while maintaining emissions compliance, improved ramp-up times enable the system to better manage increasing amounts of renewable, intermittent power.

Natural gas generation additions mean less carbon

Our additions of efficient combined-cycle natural gas generating units emit about half the CO₂ of a coal unit. Having a diverse fleet also provides reliable power to the members we serve.

- Dell Power Plant built in 2007 (+580 megawatts).
- Chouteau Power Plant 2 added in 2011 (+540 megawatts).



Past and present: wind energy leaders

Associated's signing of long-term purchase agreements, as well as the cooperatives' strong high-voltage transmission system, helped bring the first utility-scale wind farm to Missouri in 2007. Today, Associated buys all the output from eight wind farms located in Missouri, Kansas and Oklahoma. Although wind energy is an intermittent source, Associated's wind contracts provide price certainty for up to 25 years.

Newest wind power additions add to alternative energy

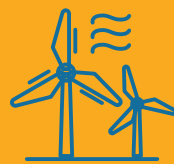
Associated added about 470 MW of wind energy in 2020, taking its contracted wind energy resources to 1,240 MW of nameplate capacity that led to multiple new wind production records. Construction on 111 turbines at the 235-MW Tenaska Clear Creek Energy Center began in spring 2019, and the farm was declared commercial in May 2020. In December 2020, the 236-MW White Cloud wind farm, operated by Enel Green Power North America, began commercial operations with 89 turbines. These two farms in northwest Missouri advance Associated's strategy to deliver reliable, affordable, responsible power to member systems and contribute to the cooperative's diverse and balanced energy mix.

2007: First utility-scale wind generation in Missouri
Today: 1,240 MW from eight farms in three states



Clear Creek Wind Farm

2007-2008



150 MW

2010



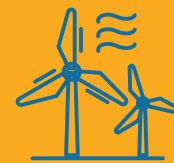
150 MW

2012



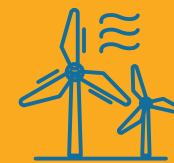
300 MW

2015



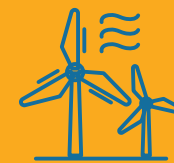
168 MW

May-2020



235 MW

Dec-2020



237 MW

Hydropower – a longtime part of a diverse generation mix

At Associated’s formation in 1961, hydropower was the key source of power. Today, the hydropower from federal dams in Missouri, Oklahoma and Arkansas continues as a reliable resource Associated uses to supply electricity to members. While hydropower is our least expensive resource, it is a limited commodity dependent on rainfall and the capacity of lakes and dams to store the water, as well as a federal allocation to multiple power companies.



Table Rock dam

A historic first: wind and hydropower supply full member load

Associated Electric Cooperative experienced a generation milestone April 6, 2021, by serving 100% of member load with wind energy and hydropower. Member load for the first hour was 1,425 megawatt-hours and it was served with 400 MWh of hydropower and 1,025 MWh of wind energy.

While not typical, other wind production milestones included:

- Achieving 95% capacity factor during the hour ending at 8 p.m. on Dec. 22, 2020, serving 45% of member load during that hour.
- Serving 72% of member load with only wind April 6, 2021.
- Marking 74%, the largest for serving member load up to that time, with wind energy and hydropower, on April 8, 2021, for the hour ending at midnight. This included 698 MWh of wind and 460 MWh of hydropower.

EnvironmentalAir

Investments in air quality mean real results

Associated has been about the business of reducing air emissions for a long time. Associated has invested more than \$1 billion to improve air quality – and achieved significant results. The cooperative continues to invest in air quality; environmental controls to improve air quality cost Associated about \$45 million annually, including fixed and operating costs.



Thomas Hill Energy Center

Associated was one of the first to convert to cleaner fuel, install environmental equipment

Achievements include low NO_x burners, “over-fire air” technologies implemented at coal units and converting all coal units to low-sulfur coal, which has reduced sulfur dioxide emissions more than 90% since 1994. And Associated was one of the first utilities to construct selective catalytic reduction equipment on large cyclone units, reducing nitrogen oxide emissions about 80% since 1994.

- Sulfur dioxide pounds emitted per million Btu dropped 93% from 3.72 in 1994 to 0.25 in 2020.
- Nitrogen oxides pounds emitted per million Btu dropped 78% from 1.23 in 1994 to 0.28 in 2020.

Invested in clean air

Low-sulfur coal also is lower in mercury. Associated further reduced mercury emissions with use of a refined coal additive, equipment improvements and construction of activated carbon injection systems.

Mercury declined 89% from more than 800 pounds in 2010 to 88 pounds in 2020, about 60% below the Mercury Air Toxics Standards (MATS) limit.

Associated also has gained “Low Emitting Generating Unit” status on some of its coal units, meaning they emit less than 50% of the MATS limit on particulate matter.

Using a boiler additive, to help reduce mercury emissions. Mercury emissions dropped nearly 90% from 2008 levels.

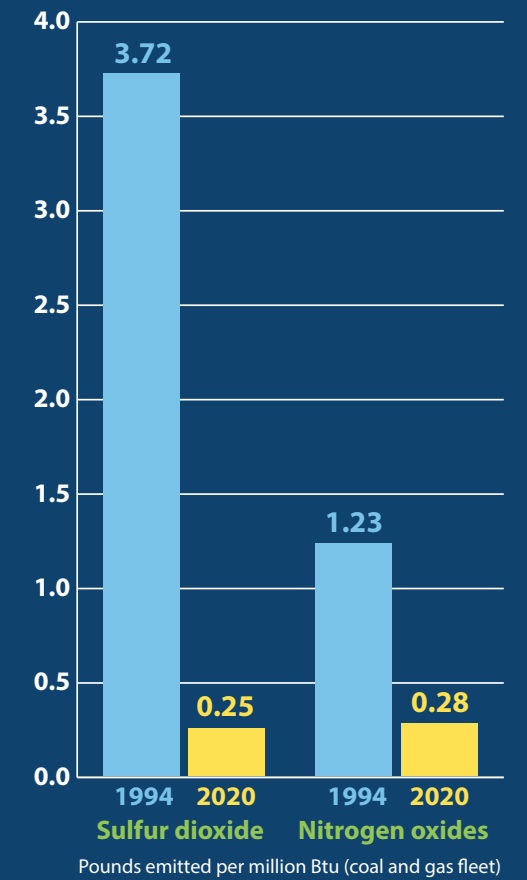


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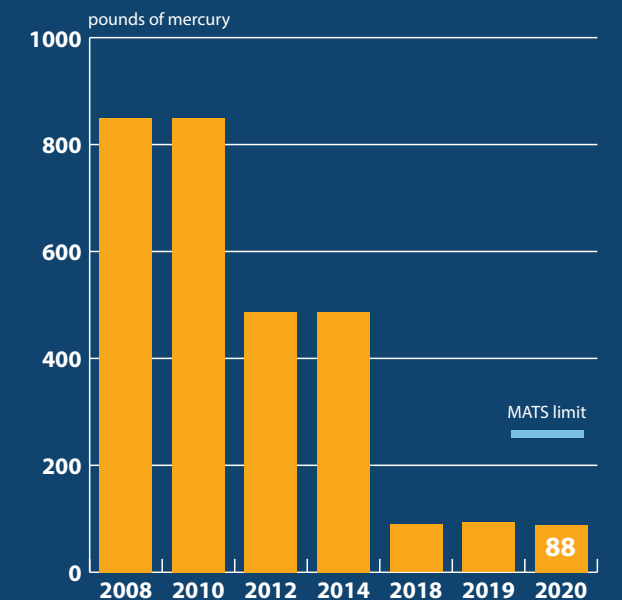
Not to care for that upon which we depend for our living, for the resources entrusted to us, is simply ridiculous. The best environmentalists are the people out there depending on that land.

– O.B. Clark,
retired Associated Electric board president

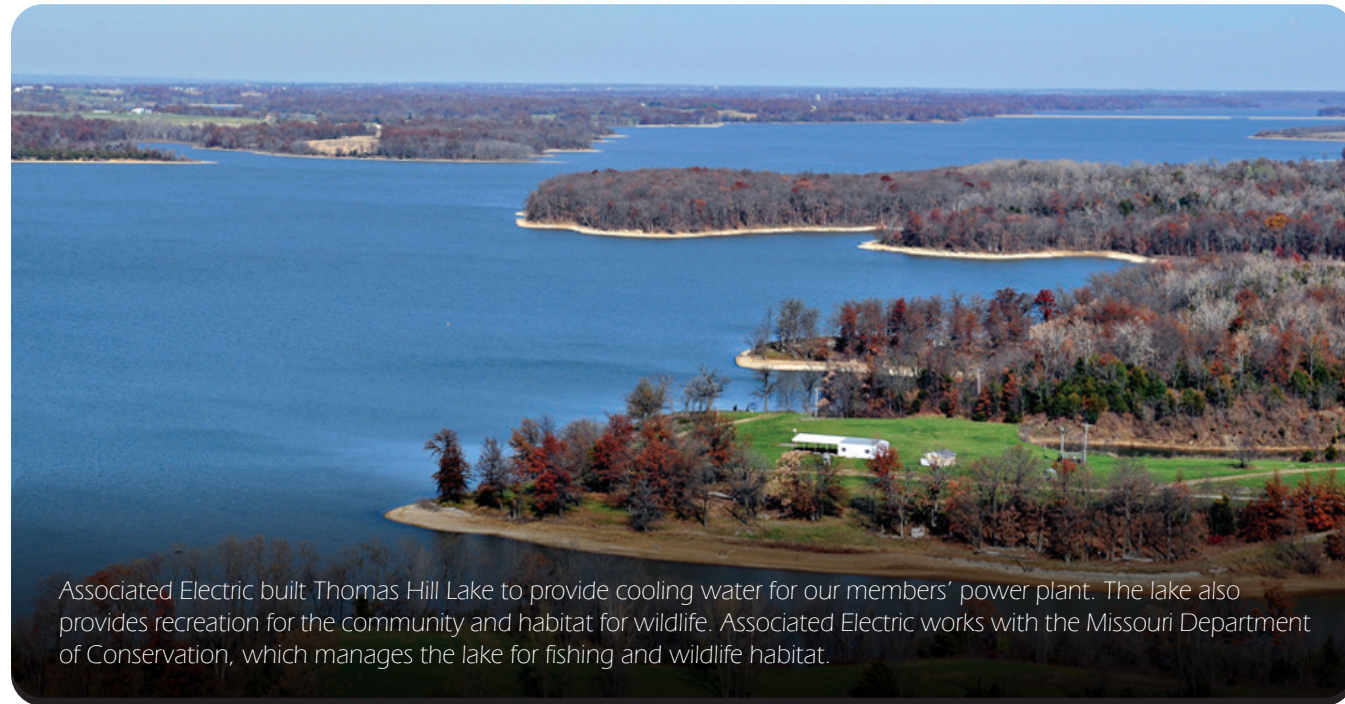
AECI reduces emissions



Mercury declines



Environmental Water



Associated Electric built Thomas Hill Lake to provide cooling water for our members' power plant. The lake also provides recreation for the community and habitat for wildlife. Associated Electric works with the Missouri Department of Conservation, which manages the lake for fishing and wildlife habitat.

Associated uses water to generate electricity

Associated has won national recognition for its innovative water practices, care of resources and improved water quality.

One of Associated Electric's largest generating units can use about 330,000 gallons of water per minute on a hot day, returning 99% of that water to the source after its use. That water is returned in as clean or better condition than when it was withdrawn from the river or lake.

Water is a vital resource for power plant operations and Associated is committed to ensuring the quality of the water we use. At all of our plants, Associated fully complies with the Clean Water Act, which requires water and discharge permits, and Effluent Limitation Guidelines, which regulates the use and discharge of water in industrial and commercial facilities.

Primarily a cooling source, water used for generating electricity for our members comes from the Mississippi River; groundwater wells; purchased water supplies; and the Thomas Hill Lake, which we built for our power plant.

From a portion of the water, we remove corrosive minerals that could damage equipment. This purified water runs through a closed loop of boiler tubes and is used to make steam that turns turbines, which then turn the generator to produce electricity. But the bulk of the water is used to cool and condense that steam, and then returned to the source. This water, as well as all water that travels from Associated Electric's plants and grounds, receives ongoing monitoring to ensure its quality and compliance with environmental regulations.

Environmental Land



The cooperative has restored thousands of acres of once-mined land to productive pasture, forests and wetlands and received national awards for its "exemplary reclamation," which exceeds the state's bond release requirements in terms of revegetation and post-mining land use.

Land stewardship protects habitats and wildlife

Associated was nationally recognized by the U.S. Department of Interior for innovative and successful mine reclamation and restoration of the Bee Veer Mine near Macon, Missouri, twice earning their prestigious surface mining award.

The cooperative partners with the Missouri Department of Conservation to manage its acreage and lake at Thomas Hill Energy Center for fisheries and wildlife, including quarterly lake management meetings.

Member cooperatives have long partnered to protect habitat and species while ensuring reliable electricity for members. Missouri cooperatives received the Conservation Federation of Missouri's esteemed Conservation Organization of the Year award in 2017 for their work with the U.S. Fish and Wildlife Service on an agreement to protect endangered species.



Peregrines take flight from power plant

Associated has successfully hatched peregrine falcon chicks from a nest box on the Thomas Hill Unit 3 emissions stack. Four chicks were hatched in 2017 – the fruition of a program that began in 2004 at the cooperative’s New Madrid Power Plant to help restore the once endangered peregrine falcon. The falcon program was later expanded to Thomas Hill, where a nestling pair is established.

2017 – Chief Operations Officer Ken Wilmot holds one of the falcon chicks at Thomas Hill Energy Center being banded by conservation officials.

- Associated works with Regional Conservation Partnership Program for soil improvement, erosion prevention and habitat development.
- Associated received a \$45,000 grant in 2017 from the Missouri Conservation Heritage Foundation for monarch butterfly habitat. Matching the grant with funds and in-kind labor, Associated has developed a habitat on 32 acres at Thomas Hill Energy Center that it continues to cultivate and improve.
- Monarch butterfly populations have declined 90% in the last 20 years, putting them at risk for listing as an endangered species. Cooperatives have allied to protect pollinators, which are important to agriculture, natural landscapes and quality of life. Staff continue to serve on the Missourians for Monarchs steering committee and improve the pollinator habitat on Associated property.
- As a member of the national Avian Powerline Interaction Committee since 2018, Associated and its owner G&Ts have access to educational sources, meetings and more on best management practices for construction and maintenance of transmission facilities, as well as electrical equipment. The goal is to prevent avian electrocutions that contribute to avian mortality and unplanned outages. As a member, Associated also comments on proposed avian regulations to ensure a win-win: avian protection and grid reliability.



Collaboration is part of the co-op’s culture and extends to other environmental projects. Associated staff serves on the steering committee of “Missourians for Monarchs,” a collaborative group, and Associated has allocated 32 acres and funds to develop pollinator habitat. In spring 2018, staff plant more than 2,400 milkweed plugs. Photo courtesy of Rural Missouri.



Members – those families, business owners and industries at the end of their local co-op’s distribution lines – are what we’re all about. Those members drive this three-tiered system of cooperatives.

– Joe Wilkinson,
Senior vice president & chief member relations officer

Proactive, evolving coal-ash handling ensures safety

Associated has a strong, proactive record of compliance with local, state and federal environmental regulations. Efforts to continue to safely dispose of coal ash at its New Madrid and Thomas Hill power plants means all power plant operation ash ponds – controlled reservoirs for disposing of ash that is the byproduct of generation – will close by 2023. These plants are converting to dry handling and disposal of this ash in accordance with federal and state regulations. Associated maintains a public website with coal ash data and information that provides information and transparency on our ash-handling facilities at <https://aeci.org/clean/ccr/>.

In addition to disposal, New Madrid and Thomas Hill plants sell ash for beneficial reuse in construction materials, which reduces carbon and construction costs while improving the quality of materials.

Associated also has:

- Partnered with a University of Missouri scientist to create a super-strong “green” brick licensed for manufacturing.
- Voluntarily removed polyfluorinated substances from firefighting foam.
- Changed ozone-depleting refrigerants to non-ozone depleting refrigeration.
- Maintained small-quantity waste generator status.

SocialCommunity

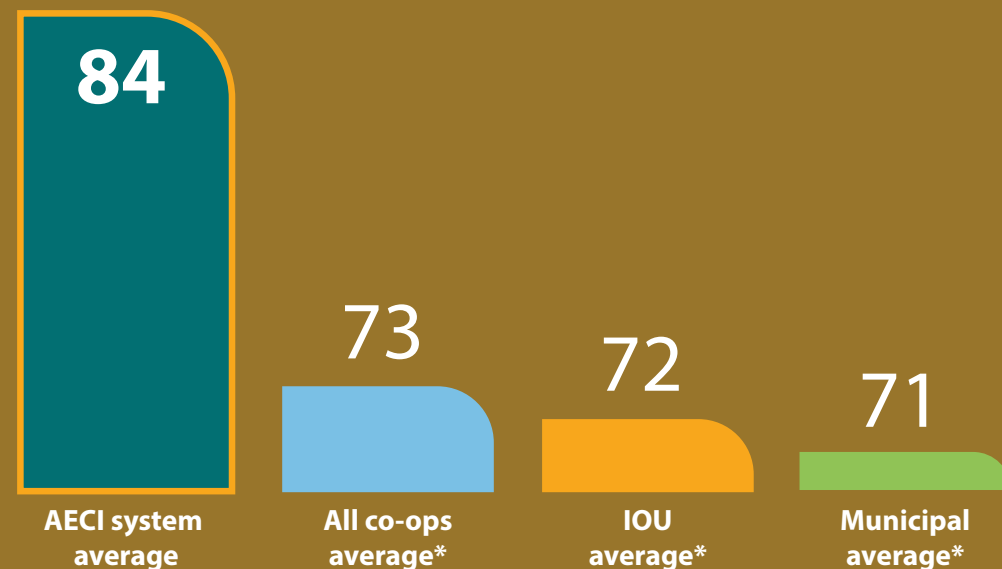
Member-consumers: The 'Why' behind all we do

Following Associated's core values, the cooperative works for the sustainable development of communities through policies supported by members, partnering with them to improve quality of life. This begins with providing reliable and economical power, a strategy supported by our membership, that is typically an older population of modest income-earners. The profile of Associated's members makes affordable and reliable power among the most important results we can deliver:

- 59% are older than age 55
- 29% have household income less than \$50,000; 10% less than \$25,000
- 52% are employed; 35% are retired

Based on recent surveys, members strongly (72%) support their cooperatives taking a balanced approach to meeting their energy needs through a diverse portfolio, including coal, natural gas, hydro and wind power and other future renewables.

Member satisfaction



Collective responses from a member survey gave the three-tiered system served by Associated one of the highest American Customer Satisfaction Index (ACSI) scores among energy providers in the nation. The ACSI is considered the gold standard of consumer satisfaction measurement. Associated conducts its member survey every three years, just another way to ensure it's in touch with members' needs.

Source: American Customer Satisfaction Index, 2021 sector report

Power reliability, a key social responsibility, is the result of generation balance and a strong transmission system

A key to Associated's reliability is its balanced generation mix, providing options for electricity in a wide variety of circumstances. The balanced mix strategy proved itself during an intense February 2021 winter storm, when rolling blackouts were implemented by utilities all around Associated, but our diversity of generation sources and strong transmission system continued to deliver power reliably.

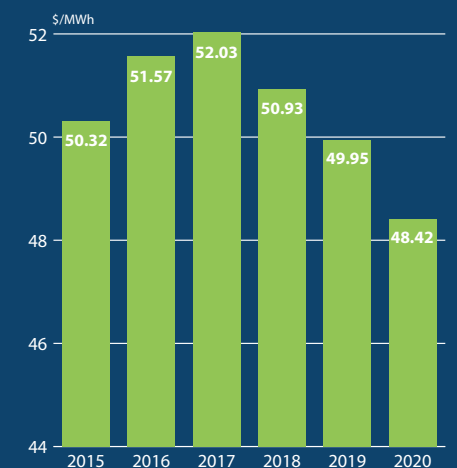
The integrated transmission system owned by Associated and its member systems consists of more than 10,000 miles of line, as well as the related substations. This transmission system enables Associated to reliably serve members and transact power purchases and sales for the benefit of its owner systems.

Power affordability provides economic advantages

The Associated membership needs affordable power, and we deliver it through a balanced generation mix and strategies and tactics designed to prioritize affordability along with reliability and a responsibility to the communities we serve. We serve working families in rural areas to ensure their electricity is cost-competitive. By maintaining wholesale power rates among the lowest in the nation, Associated's member systems and members at the end of the line benefit.

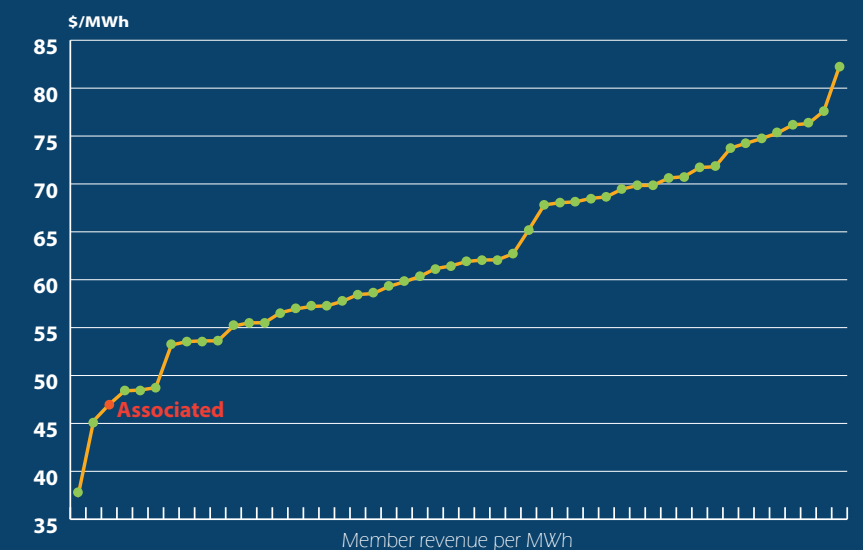
Average member cost shows Associated continues to provide members a competitive power supply – one of the strengths listed by the three bond rating agencies.

Average member cost per MWh



Associated's commitment to members • Third lowest G&T rates

Source: G&T Accounting and Finance Association's June 2021 directory.



Associated helps members take control of their energy

Take Control & Save, a branded portfolio of energy efficiency services and rebates funded by Associated and its member systems, provides significant financial incentives for members to save energy. Energy efficiency materials and resources are promoted to help educate member-system employees and their members about saving energy and reducing their electric bill. See www.takecontrolandsave.coop.

Take Control & Save

Rebates are provided to help increase efficiency over a wide range of products and services:

- Air conditioners
- Electric water heaters
- Heat pump water heaters
- Smart thermostats
- Programmable timer – engine block heaters
- High efficiency motors
- Variable frequency drive motors for HVAC systems
- Ground source heat pumps
- Basement/crawl space/slab insulation rebates
- Air source and mini-split heat pumps
- Home energy audits
- Home energy weatherization
- Small commercial/industrial and nonprofit energy audits
- Business, school and nonprofit lighting



Participating co-ops have invested more than \$66 million from 2008 – 2020, resulting in projected lifetime kilowatt-hour savings of about 2.7 billion kilowatt-hours – enough energy to power about 188,000 member homes for one year.

Investing in rural economies benefits member communities

Associated's Power for Progress economic development initiative is designed to provide cooperative systems with resources to develop, lead and participate in activities that provide economic and community growth within their service territories. This effort is led by a member-led Economic Development Planning Committee on behalf of the member systems throughout Associated's service territory. Programs include:

- Matching grant program.
- Rural economic development loan and grant program.
- Training: basics of site selection, principles of community development and more.
- Distribution cooperative rate analysis.
- Industrial properties database.

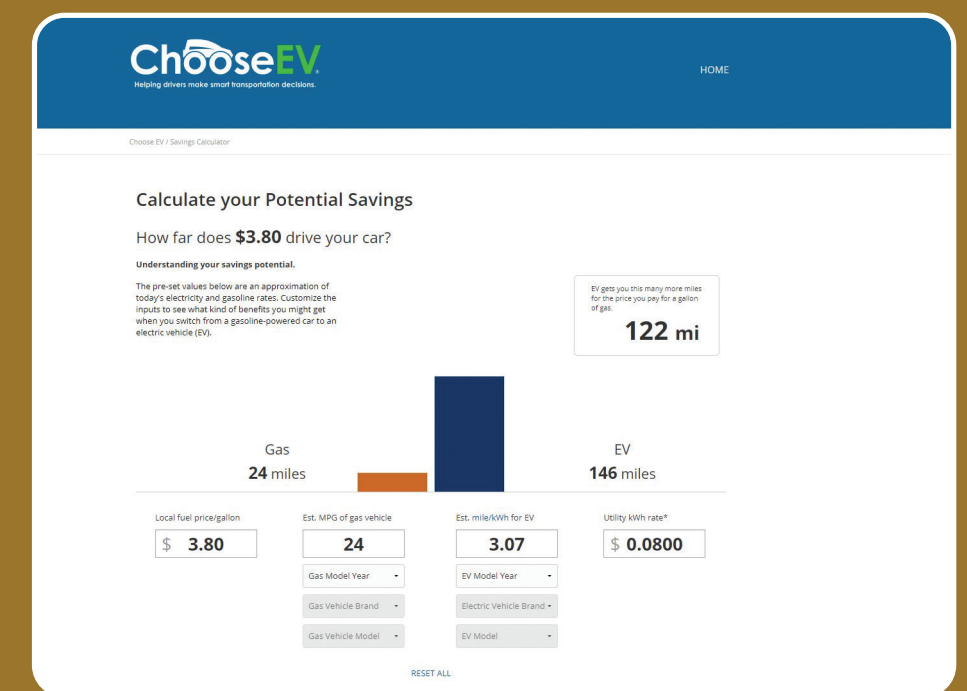
Drive for electric vehicles fueled by charging station, vehicle incentives

Through 2023, Associated is encouraging the growing electric vehicle market by offering a reimbursement of up to \$5,000 to each distribution and G&T cooperative for the purchase or lease of electric vehicle charging stations for public and/or cooperative use. Each station must be a level-two or level-three UL-approved station.

Each distribution cooperative and G&T member through 2023 can also access up to \$5,000 toward the purchase or lease of one new electric (zero emissions) fleet car and an additional \$5,000 toward the purchase or lease of one new electric (zero emissions) fleet pickup truck.

ChooseEV

ChooseEV is a web-based resource toolkit designed to educate consumer members on the benefits of owning and operating an electric vehicle. The toolkit can be integrated directly into each cooperative's existing website or offered as a stand-alone. All 57 member systems have access to the base package. Each system has the option to purchase additional modules.



Expertise helps local cooperatives meet health and safety regulations

Associated helps member systems comply with state and federal environmental, health and safety regulations in a number of areas, including:

- Spill prevention, control and countermeasure plans.
- PCBs (polychlorinated biphenyl) management.
- Stormwater pollution prevention plans and land disturbance permits.
- Air (stratospheric ozone, emissions from mobile and small sources), and Tier II (chemical reporting).
- Voluntary removal of polyfluorinated substances in firefighting foam.
- Changing of ozone depleting refrigerants to nonozone depleting refrigeration.

Engagement and communication helps communities

Associated's community involvement extends to a major sponsorship of the Springfield, Missouri, chamber of commerce, where executives and staff participate in the economic and social network of the state's third largest business community. Employees serve on local boards and committees of governmental and nonprofit organizations throughout the service area.

- The Members' First program uses multiple social media platforms to engage members, delivering information about safety, energy efficiency and cooperative value.
- Communications about power supply and related issues also are delivered through Rural Missouri magazine, Oklahoma Living, Living with Energy in Iowa and Associated's own social media resources and website.
- Sales of renewable energy credits expanded Jan. 1, 2021, through Associated's revised Green Power Program, meeting a growing request from commercial and industrial member-owners.



Associated staff attends local cooperative annual meetings throughout the year to educate members about their power supply, answer questions and address concerns.

SocialCulture

Associated leverages the talents and contributions of every individual

Recognizing the value of each employee is a key part of Associated's culture. We leverage the talents and contributions of every individual, encouraging personal responsibility, teamwork and quick action. To ensure our employees are able to reach their potential, Associated invests in them through multifaceted training opportunities, thoughtful employee career planning and with resources to help employees at work and in life:

- Associated's leadership programs encourage the development of a diverse, inclusive workforce through training designed to build awareness of perceptions, biases and the value of diversity.
- Leadership bench strength is enhanced through completion of a talent review succession planning process, which includes 30 leadership positions at the second tier of the organization, resulting in 39 identified potential successors.
- A dedicated organizational development team creates processes and provides resources to encourage employee development using individualized development plans.
- Associated's employee assistance program (EAP) provides confidential resources, support and counseling services to help employees and families resolve issues affecting the quality of life at home or work. Will preparation and estate planning are also provided with EAP.
- Other employee benefits include paid time off, medical leave, training and education assistance, life events paid time off, life insurance and flexible spending accounts.



"We have confidence in ourselves and the organization and we trust and respect each other."

– Shawn Calhoun,
Senior vice president & chief
human resources officer

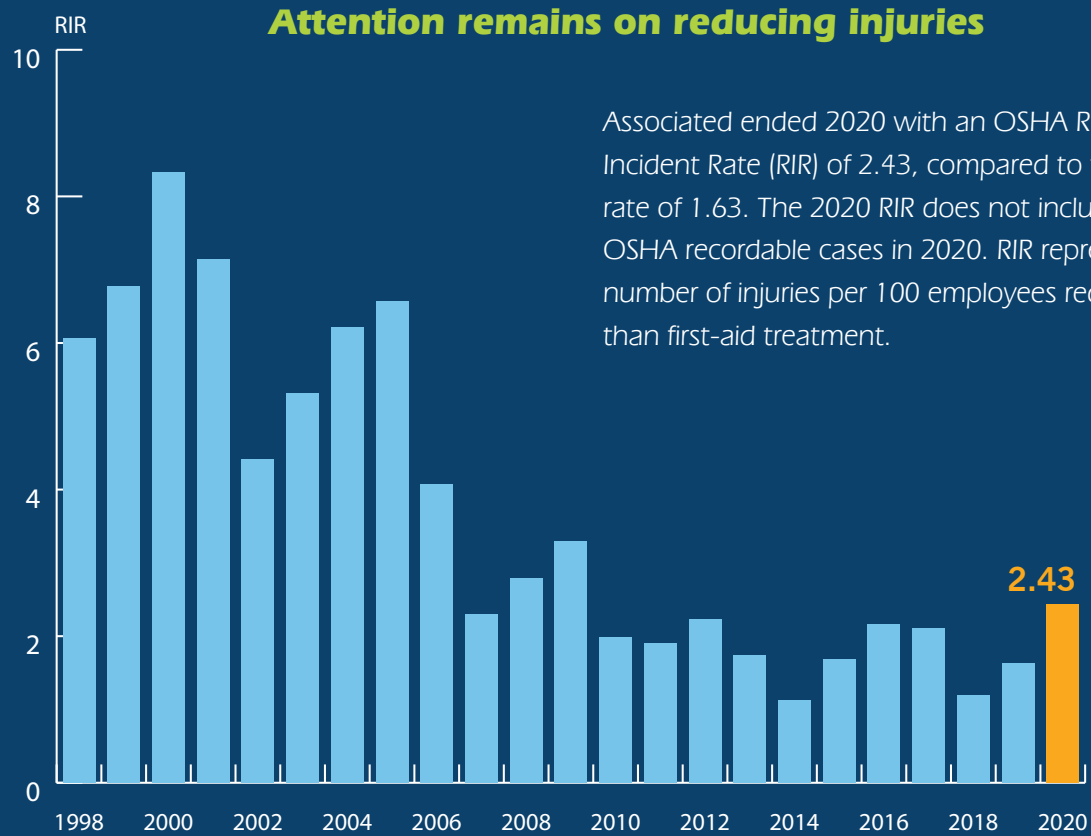


Associated Electric Cooperative earned certification as a Great Place to Work in 2021. This year's survey is part of an ongoing effort to gauge employees' thoughts on organizational strengths and opportunities. It also measured engagement and trust by department, division and work location and offered retention, recruitment and pride benefits.



Safety on the job is priority one

The days start and end at Associated with a safety focus. Employees ended 2020 with an overall recordable incident rate of 2.43. No OSHA citations or notices of violations occurred in 2020.



Associated ended 2020 with an OSHA Recordable Incident Rate (RIR) of 2.43, compared to the 2019 rate of 1.63. The 2020 RIR does not include COVID OSHA recordable cases in 2020. RIR represents the number of injuries per 100 employees requiring more than first-aid treatment.

Associated focuses on reducing all injuries, with special focus on reducing their severity using a Serious Injury and Fatality (SIF) rate to track success. This newer metric measures the potential for serious injury or fatalities, focusing on actual and near-miss events.

Weekly environmental and safety bulletins are sent and meetings held with employees to identify hazards and communicate requirements, helping reduce injuries and environmental events.

All employees complete multiple safety training sessions annually.



Associated's response to the COVID-19 pandemic was a comprehensive effort that protected employees with ongoing guidance, changes to work practices, testing and vaccination clinics. A dedicated response team and attention from the top executives in the cooperative maintained organizational vigilance and equipped employees to work as safely as possible.

Employees live and give in their local communities

Wherever they live and work, Associated employees give back to the communities they call home. In 2020:

- Power plant employees donated more than \$60,000 through grassroots efforts that benefited food banks, children's hospitals, children's homes and other nonprofits helping those in need.
- In addition, Associated contributed \$78,000 to 50 nonprofit organizations for worthwhile efforts to help children in foster care, veterans and the homeless; feed the hungry; protect and support abused and grieving men, women and children; and fight diseases like cancer and heart disease.
- Through a combination of special events, employee contributions and a corporate gift, \$110,000 was donated to United Way of the Ozarks for use in its portfolio of agencies addressing a multitude of community needs.



A servant leader shows how to serve

Rosalinda Weatherly, application analyst, received Associated's 2020 award for community advocate of the year. The Excel award is given by the cooperative each year to an employee who exemplifies outstanding service to community. In 2020 and despite COVID-19, Rosalinda:

- Organized and led a group of people to provide meals and feed 50-80 people living in Harmony House, a domestic violence shelter.
- Collected donations for Gathering Friends (a not-for-profit volunteer network) and Connecting Grounds (a church), which both provide items to the homeless.
- Organized donations for Sammy's Window, providing free resources to youth in foster care.



Rosalinda Weatherly, Associated's 2020 community advocate of the year award winner.

Governance

Member-owned, member led for 60 years

Cooperatives are democratic organizations controlled by their members, who actively participate in setting policies and making decisions. Representatives (directors/trustees) are elected among the membership and are accountable to them. In distribution cooperatives, members have equal voting rights (one member, one vote); cooperatives at other levels are organized in a democratic manner.

Structure & oversight

The three-tiered system, united by the common purpose of serving electric cooperative members with reliable, affordable and responsible electricity, brings efficiency through specialization at each tier. The entire three-tiered system benefits from economy of scale and, since each tier can react quickly to changes, the overall competitiveness of the system is improved.

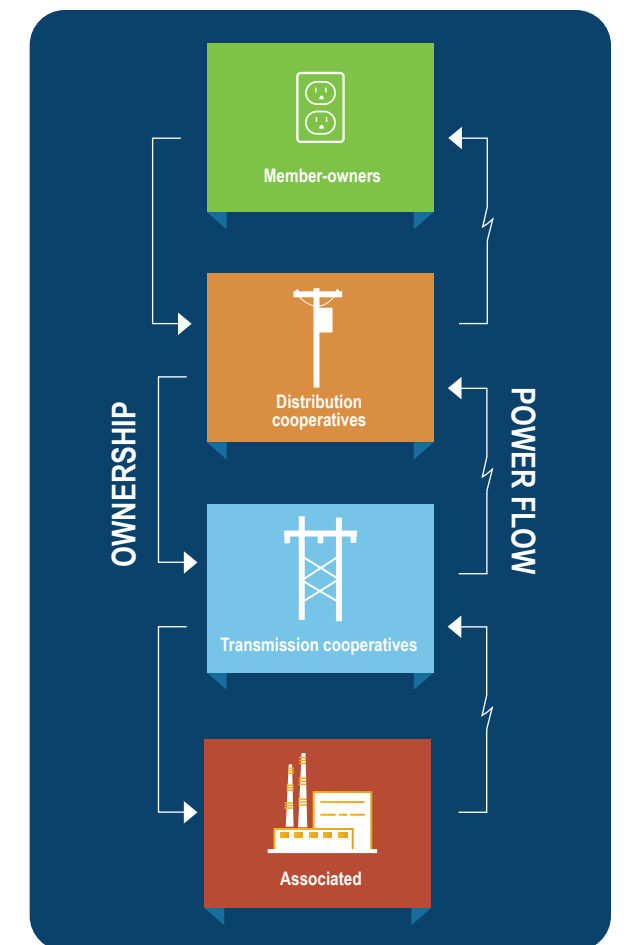
The top tier is comprised of 51 distribution cooperatives in Missouri, southern Iowa and northeast Oklahoma. These distribution cooperatives provide electric service directly to more than 935,000 member meters, representing about 2.1 million people including businesses, farms, schools and households.

At the second tier are the regional cooperatives that transmit the power from Associated Electric Cooperative to the 51 distribution cooperatives. These organizations are known as generation and transmission cooperatives (G&Ts), and they serve six geographical areas of Missouri, southern Iowa and northeast Oklahoma.

In 1961 the six G&Ts formed the system's third tier, Associated Electric Cooperative, which was subsequently given responsibilities for generation and power procurement, leaving transmission as the primary responsibility of Associated Electric's six owner G&Ts.

- **Mission:** Provide an economical and reliable power supply and support services to members.
- **Vision:** Be the lowest-cost wholesale power supplier.
- **Six core values:** Safety, Integrity, Member Focus, Employee Value, Performance Excellence, Community Citizenship

Member-owned three tiered system



Headquarters building recognized for gold level LEED certification

Associated received LEED certification for its newest headquarters building due to special considerations adopted in the construction plans, including a ground-source heat pump, energy efficient lighting, cool roofing, aluminum window frames that reduce thermal heat loss, diversion of about 95% of waste from landfills, storm-water design, water-efficient landscaping, refrigerant management, construction waste management, regional material use, outdoor air deliver monitoring systems and others.



Board determines direction for Associated based on member values

The six G&T owners each send two directors to Associated Electric's board of directors, typically the G&T manager and a director from the G&T's board. Associated's board of directors meets monthly with the executive team to discuss issues, review projects and approve key items. The board determines the strategic direction for Associated, tests the cooperative's business strategy, approves key investment decisions and sets the wholesale power supply rate to ensure Associated meets its financial responsibilities and stays focused on its member-driven mission.

The board is informed, cohesive and engaged, in tune with the makeup and needs of their members at the end of the line. Board and management have proven their ability to quickly initiate and implement action to mitigate challenges. Enterprise risk management, including the key elements of environmental, social and governance, are overseen by senior management and independent board committees.

Engaged with members



Associated's annual meeting brings together the boards and staffs of cooperatives throughout the three-tiered system. During the event, hundreds of attendees learn about the cooperative's generation strategies, current issues and challenges, and hear from experts on a variety of energy-related topics. The meeting concludes with reports from the board president, the CEO and general manager, and a business meeting to appoint directors and conduct other essential tasks.

Managing cyber risk and critical systems

Associated's cybersecurity department is one component of the cooperative's overall security team, including physical security. This skilled department leads a comprehensive effort to monitor physical and cyber threat activity 24/7 with the ability to respond rapidly to threats. Best practices to assess risks and mitigate threats include:

- Sophisticated endpoint detection and response tools on servers and workstations.
- Strong physical and digital access control program that is audited on a routine basis.

- A quantitative and qualitative risk-based approach for measuring cyber risk across the organization.
- Adherence to all federal Critical Infrastructure Protection (CIP) compliance regulations for both physical and cybersecurity.
- Maintaining a comprehensive business continuity plan.
- Cyber Dome, a program of threat detection, rapid response and mutual assistance and defense measures, offered to all member cooperative systems. The program improves cyber security through a collaborative approach that is the first of its kind.

Transparency and reporting

Associated has a well-earned reputation of responsiveness to regulatory authorities and industry groups. In 2020, Associated participated in 22 governmental agency inspections and reviews related to the environment, health and safety without incidents or citations. Areas of special attention include:

- NERC and OSHA filings.
- Financial rating agencies: Fitch Investors, Moody's, Standard & Poor's
- A comprehensive operational and financial annual report with financial statements.
- Board meetings and membership communications.

Compliance with industry standards and codes

Power generation and transmission companies are touched by many regulations.

Associated participates in and is regulated by the North American Electric Reliability Corp. (NERC), a not-for-profit international regulatory authority whose mission is to assure the effective and efficient reduction of risks to the reliability and security of the electric grid.

- NERC develops and enforces reliability standards; annually assesses seasonal and long-term reliability; monitors the bulk power system through system awareness; and educates, trains and certifies industry personnel.
- NERC's area of responsibility spans the continental United States, Canada and the northern portion of Baja California, Mexico. NERC is the Electric Reliability Organization (ERO) for North America, subject to oversight by the Federal Energy Regulatory Commission (FERC) and governmental authorities in Canada. NERC's jurisdiction includes users, owners and operators of the bulk power system, which serves nearly 400 million people.

Associated also serves on boards and committees of the North American Transmission Forum (NATF), whose members include investor-owned, municipal, cooperative and other utilities. The mission of the member-based group is to promote excellence in the safe, reliable and resilient operation of the electric transmission system.





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2814 S. Golden Ave., P.O. Box 754, Springfield, MO 65801-0754
417-881-1204, www.aeci.org

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