

# POWERING THE FUTURE OF RURAL AMERICA

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2020

Creating a better,  
more sustainable world.



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## To Our Members, Investors and Other Stakeholders:

Cooperatives throughout the world operate in general accordance with seven principles. Rooted in democratic ideals and designed to make efficient use of financial capital and business knowhow, these principles also compel cooperatives to advance the greater good.

CFC is a nonprofit cooperative that provides an array of financial services to electric cooperatives nationwide.

We operate in lockstep with the universal principles of cooperatives—while adhering to our core values of service, integrity and excellence—to help improve the quality of life in rural America. We do so primarily through:

- The services we provide our members
- Investment in our employees
- How we manage our environmental footprint
- Contributions to the communities in which we operate

Throughout CFC's 50-year history, our cooperative principles and core values have been reflected in all aspects of our business. Today's investors are focused on a company's sustainability and societal impact by means of three universal criteria—environmental, social and governance—known as ESG.

Companies are evaluated on, not simply the basis of their financial returns but also the extent to which they bring about positive social change. These criteria, while increasingly important to investors and other stakeholders, have always been part of who we are as a nonprofit cooperative.

In this CFC corporate responsibility report, we share how CFC generates superior financial returns for our members and also the ways we help create a better, more sustainable world.

We have taken additional steps to strengthen our members' understanding of the ESG criteria—and how to make it a greater priority for their individual cooperatives—through webinars and training events, strategic planning consultations and other measures. ESG is integrated into our employee education programs and is a corporate measure of our annual success.

Since CFC's incorporation in 1969, we have found that for a business to succeed, not simply to last, it must create significant value for our key stakeholders—members, employees, investors and communities, not to mention future generations. Creating value for these stakeholders is an important part of CFC's past, but it will be an even bigger part of our future.

Sincerely,



**Dean R. Tesch**  
*Board President*



**Sheldon C. Petersen**  
*Chief Executive Officer*



# SERVING OUR MEMBERS AND RURAL AMERICA

CFC's members maintain a sophisticated system of electricity resources that covers 56 percent of the U.S. land mass. Since most of our members serve rural communities, we enable them to deliver the affordable and dependable electricity these communities need to power their economies. Our members are also a source of hundreds of thousands of jobs, as well as hundreds of billions of dollars in gross domestic product.

## Electric Cooperative Economic Impact

America's electric cooperatives play a vital role in the U.S. economy. In addition to providing electricity, these cooperatives engage in their local communities, while driving

economic activity and fostering development. While the role of electric cooperatives in the national economy is important, their impact on local rural economies is nothing

less than critical. Electric cooperatives are owned and managed by their members and are committed to the communities they serve.

## AMERICA'S ELECTRIC COOPERATIVE NETWORK

A recent study by FTI Consulting found that, over the course of a five-year period, America's electric cooperatives were responsible for the following economic gains:

**611,800**  
**JOBS**  
supported  
on average

**\$881.3**  
**BILLION**  
contributed in  
U.S. sales output

**\$439.9**  
**BILLION**  
produced in gross  
domestic product

**\$200.4**  
**BILLION**  
produced in  
labor income

**\$112**  
**BILLION**  
created in federal,  
state and local  
tax revenue

Over the course of the same five-year period, America's electric cooperatives contributed \$359.5 billion to the national economy across a spectrum of expenditures:

OPERATIONS  
**\$273.8**  
**BILLION**

CAPITAL INVESTMENTS  
**\$60.3**  
**BILLION**

MAINTENANCE  
**\$20.3**  
**BILLION**

**\$5 BILLION** in capital credits refunded to consumer-members—yet another benefit of the cooperative model.



## Economic Development

In addition to providing safe, reliable and affordable electricity to their communities, rural electric cooperatives are important contributors to local economic development. Rural electric cooperatives can utilize the U.S. Department of Agriculture's (USDA) Rural Economic Development Loan and Grant Program (REDL&G) to help develop their communities. CFC supports REDL&G through the proceeds it pays to participate in a USDA guarantee program. Over the past 20 years, CFC has contributed an estimated \$175 million to REDL&G.

The REDL&G program provides grants and loans to rural electric cooperatives, which can then provide funding to

local businesses that support job creation or to community-based entities for important initiatives. With funding from REDL&G, rural electric cooperatives have assisted local business incubators, facilities and equipment for education and job training, business expansion, improvements to health care facilities and infrastructure improvements for local governments. REDL&G funded more than \$28 million in grants and \$138 million in loans from 2017 to 2019 for rural organizations to foster community and economic development.





PHOTO COURTESY OF SHELBY ELECTRIC COOPERATIVE, ILLINOIS

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Shelby Electric Cooperative in Illinois secured interest-free loans through REDL&G to assist a major area employer, IHI Turbo America, with growth plans. A \$2 million REDL&G loan in 2018 underpinned a \$40 million expansion, including construction of a 250,000-square-foot building and new factory lines, to assemble turbochargers for Honda North America. The effort created an estimated 90 full-time jobs in the community with about \$5.6 million annually in wages and benefits.

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Iowa's Corn Belt Power Cooperative and Prairie Energy Cooperative tapped REDL&G funds to support a \$7.4 million renovation project to the Hancock County Health System (HCHS) in their community. Expected to be completed at the end of 2020, the project allows HCHS to add two major operating rooms, two procedure rooms and four same-day surgery rooms—along with expansions and improvements to the emergency room. Beyond bringing improved healthcare to the community, the project will create 14 new jobs over the next three years.



PHOTO CREDIT: HANCOCK COUNTY HEALTH SYSTEM

## Disaster Assistance

When Mother Nature strikes and the lights go out, cooperatives often need millions of dollars in a hurry, and they know they can call on CFC. Our emergency lines of credit ensure quick access to funds following natural disasters or when other emergencies occur.

Our member representatives—regional and associate vice presidents—know that rural Americans depend on their local electric cooperative to move quickly, and they

respond the same way. Our staff have a process in place that eases the way to advance money as easily as possible when communities need it most. From being proactive before the storm, to driving down debris-strewn roads with paperwork to sign when all other forms of communication are down, our representatives are focused on ensuring members have the credit they need to power their communities.



Sioux Valley Energy line crews work to restore power after a winter storm.

PHOTO COURTESY OF SIOUX VALLEY ENERGY, SOUTH DAKOTA





PHOTO COURTESY OF WEST FLORIDA ELECTRIC COOPERATIVE, FLORIDA

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When Northwestern Electric Cooperative in Oklahoma was struck by twin calamities in 2017, the cooperative turned to CFC for immediate financing to restore power. A winter ice storm was the most widespread—and expensive—disaster in the cooperative’s history, taking down around 5,500 poles and 92 miles of line. The day the co-op declared all essential services had been restored, three wildfires broke out, burning around 800,000 acres in the cooperative’s service area and incinerating 325 freshly installed poles and other line components. “CFC was available and ready at a moment’s notice to get us the cash to pay caterers, vendors and contractors. I’m very thankful that CFC was there for us in our hour of need,” said Jamie Ruble, Northwestern Electric director of finance and administrative services.



PHOTO COURTESY OF NORTHWESTERN ELECTRIC COOPERATIVE, OKLAHOMA

## NRECA International

Since 1962, electric cooperatives across the United States—working through NRECA International—have provided more than 120 million residents in 40-plus developing countries with access to safe, reliable, affordable and life-changing electric service. CFC and NCSC are proud to have supported these efforts over the decades, making more than \$1 million in direct grants to NRECA International.

In 2017, CFC created a program to make it easier for electric cooperatives and their statewide associations

to participate in global electrification endeavors through NRECA International. The CFC and NCSC International Projects Matching Grants Program has awarded more than \$1 million to statewide associations to sponsor global electrification projects. The grants enable more electric cooperative line workers and other volunteers to participate in NRECA International efforts—and experience what it's like when someone flips a switch and sees lights come on for the first time.



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Line workers and staff from cooperatives in Colorado and Oklahoma traveled to the jungles of Central America in 2019 to string power lines to the village of Sillab, Guatemala. Sponsored by the Colorado Rural Electric Association and the Oklahoma Association of Electric Cooperatives, CFC and NCSC provided nearly \$100,000 in assistance to help finance the undertaking.

## Governance Training

Recognizing that maintaining financial excellence, accountability and integrity are essential to instilling consumer confidence and empowering electric cooperatives, CFC is committed to assisting directors and executive staff in the electric cooperative network understand and implement good governance.

Through our “Commitment to Excellence” workshops, CFC has trained 2,835 attendees from 571 cooperatives in 39 states on governance best practices, including how electric cooperative leaders should demonstrate

principled leadership, financial stewardship and effective governance and management risk oversight.



## Best Practices for Financial Analysis

With the goal of helping our members achieve financial success, CFC has developed a vital financial tool and training resources. The Key Ratio Trend Analysis (KRTA) is a set of financial and operating ratios used by CEOs and board members of distribution cooperatives to better understand how their cooperative has performed historically and against other cooperatives in the nation.

CFC developed the KRTA in 1975 to analyze distribution system operations, highlight strengths and weaknesses,

help gauge past and present performance, and to support predictions of future performance. KRTA is a one-of-a-kind benchmarking tool for the electric cooperative industry.





# MANAGING OUR ENVIRONMENTAL FOOTPRINT

CFC and the members we serve are engaged in sustaining our environment across multiple fronts—from the LEED Gold-certified building and 42-acre ecofriendly campus that serves as CFC's headquarters to the many renewable energy projects we've helped fund for the electric cooperative network.

## CFC Campus

CFC's commitment to environmental sustainability begins with our corporate headquarters—home to the significant majority of our 250 employees.

Completed in 2011, the facility achieved the Leadership in Energy and Environmental Design (LEED) Gold standard as established by the U.S. Green Building Council. When planning for the new building, smart and efficient energy use was made a priority throughout the design process,

influencing every system in the facility. Whether it's the use of geothermal wells, reclaimed water, natural lighting or our solar photovoltaic array, CFC is dedicated to supporting what's best for the environment.

Beyond the energy-efficient systems in the building, CFC helps employees be good stewards of the environment through a robust recycling effort. While every employee participates in deskside recycling for paper and plastic products, the majority also join

the effort to recycle coffee packets in the café area and even batteries, lightbulbs, electronic devices from home, which can be brought in to convenient collection areas.

Additional efforts to protect our local environment include the establishment of campus areas certified as Monarch butterfly waystations and parking lot improvements that recycled the milling materials into pathway ground cover on the campus.



# The Adoption of Renewable Energy by America's Cooperatives

Our members are moving forward with renewable energy adoption. For decades, electric cooperatives have been producing and delivering energy through renewable resources. CFC continues to support our members by funding renewable energy initiatives that pave the way for a greener future.



Since 2010, co-op renewable energy capacity has increased 145 percent from 4 GW to 9.7 GW.



More than 560 cooperatives in 36 states use enough wind energy to serve 2 million homes.



More than 90 percent of electric cooperatives provide electricity generated by renewable energy sources.



Including federal hydropower, cooperatives own or purchase roughly 10 percent of U.S. renewable capacity.



Cooperatives reduced sulphur dioxide emissions 68 percent between 2009 and 2017.



Cooperatives have reduced carbon dioxide emissions 9 percent since 2009 while increasing generation by more than 12 million megawatt-hours.

SOURCE: Because CFC's members represent the majority of the nation's electric cooperative network, we are publishing the most recent available data provided by the National Rural Electric Cooperative Association (NRECA) to offer an initial insight into their portfolios. NRECA, October 2019, Co-op Facts and Figures. [https://www.electric.coop/wp-content/uploads/2019/10/Co-op-Facts-and-Figures\\_WEB\\_PAGES\\_10-11-19.pdf](https://www.electric.coop/wp-content/uploads/2019/10/Co-op-Facts-and-Figures_WEB_PAGES_10-11-19.pdf)

**95%**

Currently, 95 percent of NRECA's distribution members offer renewable options to 40 million Americans.

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**10%**

Including federal hydropower, cooperatives own or purchase roughly 10 percent of U.S. renewable capacity.

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**9.7 GW**

Cooperatives own nearly 1.4 GW of renewable capacity and have long-term power purchase agreements for more than 8.3 GW of renewable energy.

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**>4 GW**

Cooperatives plan to add more than 4 GW of additional renewable capacity over the next few years, with more announced every day.

SOURCE: NRECA, October 2019, Co-op Facts and Figures.

[https://www.electric.coop/wp-content/uploads/2019/10/Co-op-Facts-and-Figures\\_WEB\\_PAGES\\_10-11-19.pdf](https://www.electric.coop/wp-content/uploads/2019/10/Co-op-Facts-and-Figures_WEB_PAGES_10-11-19.pdf)

## Electric Cooperative Solar Programs

CFC and the National Renewables Cooperative Organization developed the Solar Cooperative Community Projects (sCOOP) program to enable tax-exempt electric cooperatives to benefit from federal tax incentives for renewable projects.

Iowa's Franklin Rural Electric Cooperative completed three new 149-kW solar arrays. The project was financed through sCOOP and CFC a line of credit. "This is a great win-win-win for our members, the environment and our cooperative," Franklin REC General Manager Becky

Bradburn stated. "It's good for our members' pocket books because we're able to generate electricity for about 1 cent per kWh versus our current cost of 7 cents to purchase energy.

It's good for the environment because there is zero carbon footprint from the array. And it's good for the co-op because it diversifies our generation mix and helps reduce our demand costs by better matching our load in the heat of the summer."

**"THIS IS A GREAT  
WIN-WIN-WIN FOR  
OUR MEMBERS, THE  
ENVIRONMENT AND  
OUR COOPERATIVE!"**

*— Becky Bradburn  
Franklin REC General Manager*



PHOTO COURTESY OF FRANKLIN RURAL ELECTRIC COOPERATIVE

PHOTO COURTESY OF OUACHITA ELECTRIC COOPERATIVE CORPORATION, ARKANSAS





NEARLY

500

COOPERATIVES IN 43 STATES  
USE SOLAR POWER AS AN  
ENERGY RESOURCE

SOURCE: NRECA  
<https://www.electric.coop/wp-content/Renewables/solar.html>



# CONTRIBUTING TO THE COMMUNITIES IN WHICH WE OPERATE

CFC contributes both financing and employee time to organizations that are integral to the fabric of Northern Virginia, which has been home to our organization for decades. The bulk of these efforts are led by CFC employees, including identifying various opportunities for community service and charitable giving throughout the year.

Beyond the cooperative principles we follow every day, the CFC culture also promotes the cooperative values of “Social Responsibility” and “Caring for Others.” We support our employees’ service efforts outside the workplace in several ways.

## Community Service and Volunteerism

To promote volunteerism in the area of each employee's choosing, CFC offers points in its wellness program to employees who volunteer their time in the community. The incentive points are accumulated through a wellness portal and once the employee has achieved a specific point threshold, they receive a significant contribution to their health savings account. Employees have volunteered hundreds of hours through the portal.



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### **The Race for Cooperative Development**

Teams from cooperative businesses and independent runners race every fall in a fundraiser for the Cooperative Development Foundation. Proceeds pay for loans and grants to help form new cooperatives, to provide needed services and to market access in areas where cooperative businesses offer better solutions. CFC is a proud sponsor of the event and covers registration fees for employees who participate. The race raised more than \$50,000 in 2019.

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### **Power Line Worker Training Program**

The last five years have seen a major wave of line worker retirements across the nation—creating huge challenges for electric cooperatives. Beginning in 2016, CFC pledged to support the Power Line Worker Training School, a pre-apprenticeship program at Southside Virginia Community College that has graduated more than 250 future utility line workers. CFC has given \$50,000 over the last five years and extended its commitment to \$100,000 for the next five years.



## Fundraising

Beyond being generous with their time, CFC employees have long supported local neighbors in need through various fundraising efforts.



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### **Adopt-a-Family**

The cornerstone of CFC's community outreach programs is the Adopt-a-Family Foundation (AAF), an employee-founded and managed community support organization that assists local families in need, mainly by providing year-round support of Northern Virginia Family Service (NVFS). For nearly 25 years, AAF has "adopted" local families in crisis, helping to lift them out of a temporary financial setback and return to the path of self-sufficiency through support of up to \$5,500 per family. In 2019, AAF provided more than \$40,000 in assistance to our neighbors in need.

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### **CFC COVID Matching Donation Program**

CFC has a deep commitment to supporting the communities that we live in across the country. In consideration of the unprecedented situation so many are faced with, we implemented an employee COVID Matching Donation program. Contributions made by an employee to a not-for-profit charitable organization in response to the COVID-19 pandemic were matched by CFC.





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### Accomplishing Great Things Together

During the CFC 2019 Annual Meeting weekend, CFC employees volunteered their Saturday partnering with fellow cooperative employees in the 11th Annual Community Service Project organized by Touchstone Energy Cooperatives. They were able to build more connections and directly make a difference in the local community!

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### CFC Club Charity of the Year

For more than 40 years, the CFC Club has functioned as an employee social group with a strong sense of Concern for Community. Each year, the club supports an employee-selected charitable program, then combines social events with fundraising and donation drives. Programs supported include Loudoun Free Clinic, Embry Rucker Community Shelter, No Kid Hungry and more. Nearly every CFC employee participates in at least one fundraising endeavor. In 2019 employees raised nearly \$10,000 for St. Jude Children's Research Hospital.



## CFC Educational Fund

Since 1981, CFC has contributed to an Educational Fund to promote appreciation of the cooperative principles and make a new generation aware of our unique business model. Nearly \$14 million has been distributed through electric cooperative statewide associations to improve educational efforts, create youth programs, fund scholarships and more.



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### **Young Leaders**

CFC and NCSC education dollars help cooperatives across the country fund activities like the annual Youth Leadership Council Rural Electric Youth Tour, which brings students from every state to the nation's capital for hands-on opportunities to develop leadership and presentation skills, broaden their

understanding of electric cooperatives, and participate in resolutions and grassroots advocacy activities. Since 2009, NCSC has given nearly \$900,000 to support training programs, camps and scholarships for rural youth.



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### Career Skills

For almost 30 years, youngsters served by Idaho electric cooperatives have been able to enjoy a life-changing experience thanks to support from CFC and NCSC. Through an annual event called Youth Rally, sponsored by the Boise-based Idaho Consumer-Owned Utilities Association (ICUA), participants are exposed to six days of fun-filled team-building and leadership training combined with instruction about the utility industry, electric cooperatives and related careers. "Only by joining forces and partnering with CFC and NCSC are we able to pull this off," says ICUA Executive Director Will Hart.

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### Community Education

In Georgia, the statewide association lights up the Peach State's agricultural community each fall with a high-energy display at the Southeast's largest ag expo, which draws 100,000 visitors across three days. "Without the CFC grant, we would not have the budget or opportunity to do this," explains Dennis Chastain, Georgia EMC president and CEO. "It gives us the chance to deliver messages about electric safety, energy efficiency and legislative concerns."





# INVESTING IN OUR EMPLOYEES

Our commitment to CFC members begins with our commitment to CFC employees—the people who each day demonstrate our values of service, integrity and excellence. Through investments in their training and continuing education, progressive work-life policies and opportunities to contribute their time and talents to social causes that matter to them, we put CFC employees in a position to succeed for our members, as well as themselves.

In addition to the core benefits—including health, dental, vision, life and disability—CFC offers a wide variety of voluntary programs that help ensure the wellness of employees mentally as well as physically.



# Training Opportunities

CFC has a very strong culture promoting professional development. We encourage employees to expand their capabilities and enhance their career potential through onsite training, tuition assistance and professional events.



## Tuition Assistance

CFC provides up to \$5,250 annually to support employee higher education. This benefit is given to employees who desire job or industry-related education and/or professional certifications. As an added benefit, CFC will pay tuition upfront, trusting that employees will satisfactorily complete their coursework.



## Offsite Training

CFC sets aside a generous budget for individual development, seminars, conferences and/or skills training. A quarter of the workforce attended offsite training events last year. Training opportunities included topics such as attorney and CPA ethics, process improvement, leadership development, data analysis, technical training, industry conferences and more.



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## CFC University

CFC's onsite training program, CFC University, conducted more than 1,800 training hours in the last fiscal year. Some of the highlights this year included Microsoft software training, CPR and First Aid, Personal Finance, Creating a Successful Retirement Lifestyle, Workplace Safety and Incident Response, guest speakers from cooperative partners and a full-day trip to a local electric cooperative to ensure staff know how their efforts contribute to our members' success.

## Training Opportunities



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### Inspiring New Generations

We were extremely proud to host a successful Take Our Daughters and Sons to Work Day in 2019 for the third year in a row, hosting more than 35 family members—an increase of 140 percent over 2018. This event was created and implemented by employees across the company, resulting

in a team effort that demonstrated our commitment to an engaging, family-friendly annual event while teaching the kids team-building, problem-solving, cyber security, community conservation and more.



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## Toastmasters

CFC sponsors an onsite Toastmaster's Club, allowing employees to have time during their lunch hour to pursue this self-development opportunity known worldwide for helping people build strong leadership skills, develop better speaking

and presentation skills, gain self confidence and boost the ability to collaborate and inspire. The group meets twice per month to improve their skills in a safe and fun environment.

## Generous Work/Life Benefits

CFC has earned the CARE (Companies as Responsive Employers) Award, sponsored by Northern Virginia Family Service, nine times. The annual award recognizes employers in Northern Virginia that demonstrate commitment to their employees by providing family-friendly policies and benefits.



### Wellness Programs

CFC offers a robust wellness program that encourages healthy habits through a portal where employees track successful behaviors, participate in daily challenges and earn badges for volunteerism and milestones such as walking and getting sufficient sleep each night.

### Onsite Exercise Facility, Classes

CFC provides employees with a fully equipped, onsite fitness center. To further show our commitment to health and wellness, we offer onsite classes where body pump fans and yogis unite at lunchtime four days each week to squeeze in a workout.

### Culture of Work-Life Balance

CFC is committed to helping employees strike the right balances between work and life. Beyond a generous leave policy, we help employees manage their work and life responsibilities by providing the ability to handle some of life's demands (e.g., daily wellness and financial planning) as an integrated part of workplace activities so they can focus time away from work on what matters most to them, such as hobbies, family time or community service.

# 7 COOPERATIVE PRINCIPLES

## 1 Open and Voluntary Membership

Owned by the members they serve.



## 2 Democratic Member Control

One member, one vote.



## 3 Members' Economic Participation

Equal share in financial success.



## 4 Autonomy and Independence

Member controlled.



## 5 Education, Training and Information

Empowering members, representatives and employees.



## 6 Cooperation Among Cooperatives

Cooperatives are stronger together.

## 7 Concern for Community

Giving back to sustain the membership.



Cooperatives operate according to a core set of seven principles. CFC's operations are grounded in these principles, and we adhere to our core values of service, integrity and excellence.

# Our Promise

As our industry and the world changes, CFC has taken steps to continue progressing with our members, the environment, the community and our employees.



Continue delivering service, integrity and excellence in everything we do.



Work with fellow cooperatives to move forward with renewable energy initiatives.



Support the financial needs of our members by offering tools, webinars, classes and other resources to ensure their success.



Offer training, educational and volunteer opportunities for our employees' personal and professional growth.

## Moving Forward Together

CFC is proud to deliver the tools cooperatives need to support their future success; deliver unparalleled industry expertise, flexibility and responsiveness; and provide opportunities for employment growth and community involvement. Our industry is evolving, and CFC is here to continue supporting electric cooperative success just like we have done for the last half-century.

### CONTACT US



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