

COOPERATIVE POWER

83rd ANNUAL MEETING

NRECA REPORT

ND REC's
North Dakota Association of Rural Electric Cooperatives



NRECA's Mission, Vision & Values

MISSION

NRECA's mission is to promote, support and protect the community and business interests of electric cooperatives. To power communities and empower members to improve the quality of their lives.

VISION

We share a purpose with our members, and we provide leadership on behalf of the cooperatives, communities and people they serve.

VALUES

We embrace the cooperative principles and operate with integrity, transparency and a spirit of innovation.

2026 NRECA Strategic Priorities

Mission Focus: Apply the NRECA mission statement across the organization to know, understand and champion our members' cooperative businesses and community interests.

Service Excellence: Provide the highest level of support to our members and colleagues by building strong relationships, making wise use of resources, being reliable and demonstrating respect for the people we serve.

Solutions for Members: Create success for our members by providing quality leadership, products, services & benefits through strong engagement with NRECA and to the global network of electric co-ops, partners and peers.

Financial Performance: Continue sound management practices that keep NRECA in a strong, stable financial condition so we can deliver long-range value to our members.

2025 Strategic Initiatives

1. **Large Loads:** Position NRECA as a thought leader and a key resource for policymakers and electric cooperative members to understand drivers of load growth, protect electric cooperatives and consumer-members, and plan for the future.
2. **Building Strategy:** Invest in NRECA's buildings to attract and retain tenants in a challenging commercial real estate market, maintaining revenues that support NRECA's general membership programs.
3. **Products & Services:** Leverage NRECA's talent, data and relationships to better understand the effectiveness of existing NRECA programs and to engage NRECA members with solutions that meet individual as well as collective needs.
4. **Cooperative.com websites:** Connect NRECA's many audiences to valuable information and influential messaging which helps NRECA and its members accomplish goals in a modern, streamlined, effective suite of websites.

2026 Summary Budget

(in thousands)

	2026 Budget	2025 Budget	Variance	
			\$	%
Total Revenue	\$ 436,883	\$ 412,632	\$ 24,251	5.9%
Total Expense	<u>\$ 435,736</u>	<u>\$ 409,443</u>	\$ 26,293	6.4%
Net Margin			\$ (2,042)	-64.0%

Includes pass-through infrastructure awards:

- 2026: \$130 million
- 2025: \$108 million

These funds flow from the Federal Government to member electric cooperatives

2026 Budget Assumptions

ASSUMPTIONS

- No dues increase (June 2025 Board decision)
- \$130.2 million pass-through grant funding
- Buildings revenue modeled on current and projected leases
- Median salary increase: 3.5% plus 0.5% for promotions
- Delayed hiring savings: \$2.7 million (margin impact \$1.7 million)
- Group Health rate for NRECA Staff increasing 4%, No RS Plan rate increase
- Annual VCAP contribution - \$2 million (margin impact \$870,000)
- Funding to support NRECA member efforts with federal funding opportunities - \$780,000

Number of Personnel

	2025 Budget	2025 Adjustments	2026 Additions /Deletions	2026 Budget	Delayed Hiring 2026 Budget
GENERAL MEMBERSHIP	96	-	-	96	7
SHARED SERVICES	182	-	-	182	4
FEE-FOR-SERVICE	115	(4)	1	112	4
COST REIMBURSABLE	413	-	-	413	7
CONTINGENCY	-	-	3	3	-
Total Number of Personnel	806	(4)	4	806	22

Executive summary

Discussion with Michael Gottlieb, Penta Research

1 **NRECA's strong advocacy and local, bipartisan mission make it the most effective organization in Washington**

NRECA builds its policy brand on its best-in-class policy staff, its district-specific messaging, and its positive engagement with both political parties. Policymakers identify strongly with NRECA's member-based, constituent-focused value proposition, which NRECA does a great job of communicating to policy staff in its direct interactions. NRECA especially stands out among policymakers for its solutions-oriented advocacy and its leadership for its members.

2 **Energy demand and affordability are emerging as top priorities for policymakers, throwing the industry into the spotlight**

Increased demand for energy, particularly with increased AI use and data center construction, is "the central issue" for policymakers to address in the energy industry. Pro-fossil fuel messaging from the Trump administration is changing how policymakers think about producing more energy, but there's still support for the "all-of-the-above" approach. As the energy industry struggles to meet increasing electricity demand, the higher prices for energy are also top of mind in Washington.

3 **Charting a forward-looking path for NRECA to capitalize on its strength in Washington**

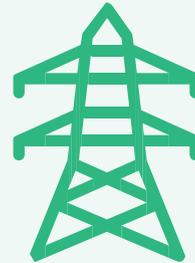
As a leader in the energy space, NRECA has an opportunity to be D.C.'s top resource for the future of American energy. However, other organizations are improving their presence in Washington, and NRECA could still improve the perception that they are a smaller, less consequential organization than the biggest players. While the state of American energy remains in limbo, NRECA can cement itself as the leading voice with a consistent, forward-looking message.

NRECA builds its strength in Washington on consensus-drive, constituent-centered advocacy



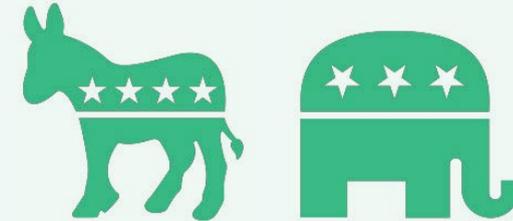
**Trusted leadership
and policy staff**

*NRECA's staff are
recognized as leaders in
the DC advocacy space*



**Community-focused
value proposition**

*Policymakers attach to
NRECA's issue framing
and resources*



**Strong bipartisan
support**

*Policymakers across the
political aisle perceive
NRECA positively*

Reserves Planning

In 2025, NRECA engaged Willis Towers Watson to reevaluate reserves target levels.

- WTW has extensive expertise and experience with employee benefit plans.
- WTW used a proprietary model with database of losses to determine appropriate reserves level after insurance

Increased the Reserves Target as Follows:

Working Capital
Increased \$7 Million

\$51 Million Target

General Reserves
Increased \$3 Million

\$44 Million Target

Specific Reserves
Increased \$70 Million

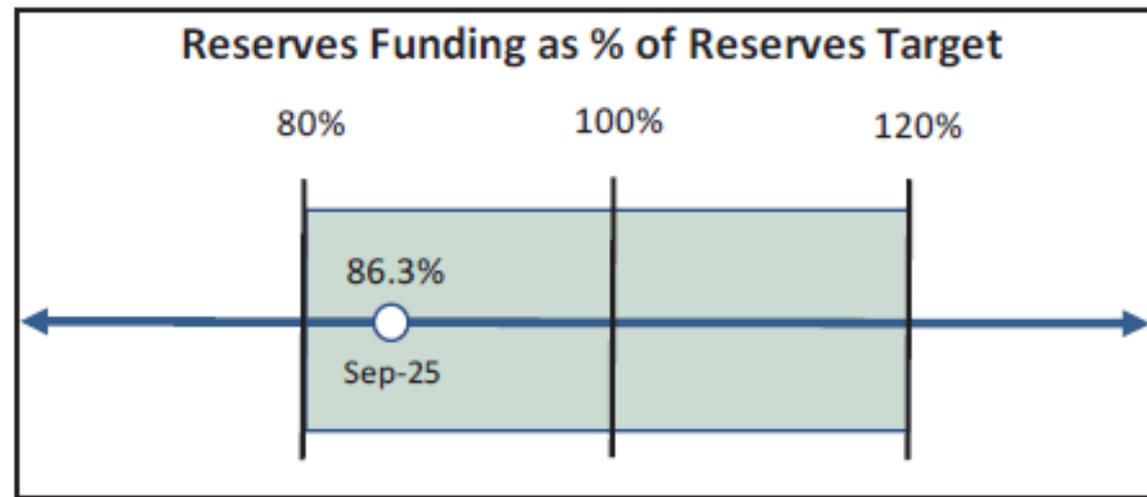
\$115 Million Target

**Total
Reserves
Target**

\$210 Million

Reserves Funding Results as of 9/30/2025

- Total Reserves are comprised of Liquid Assets (Cash, Accounts Receivable, and Investments) less Short-term Liabilities (Accounts Payable and Accrued Expenses)
- Liquid Assets (\$202.4M) – Short-term Liabilities (\$21.2M) = Total Reserves (\$181.2M)



	Sep 2025
Total Reserves Target	\$210.0 M
Total Reserves Funding	\$181.2 M
Reserves Funding Level (% of Reserves Target)	86.3%

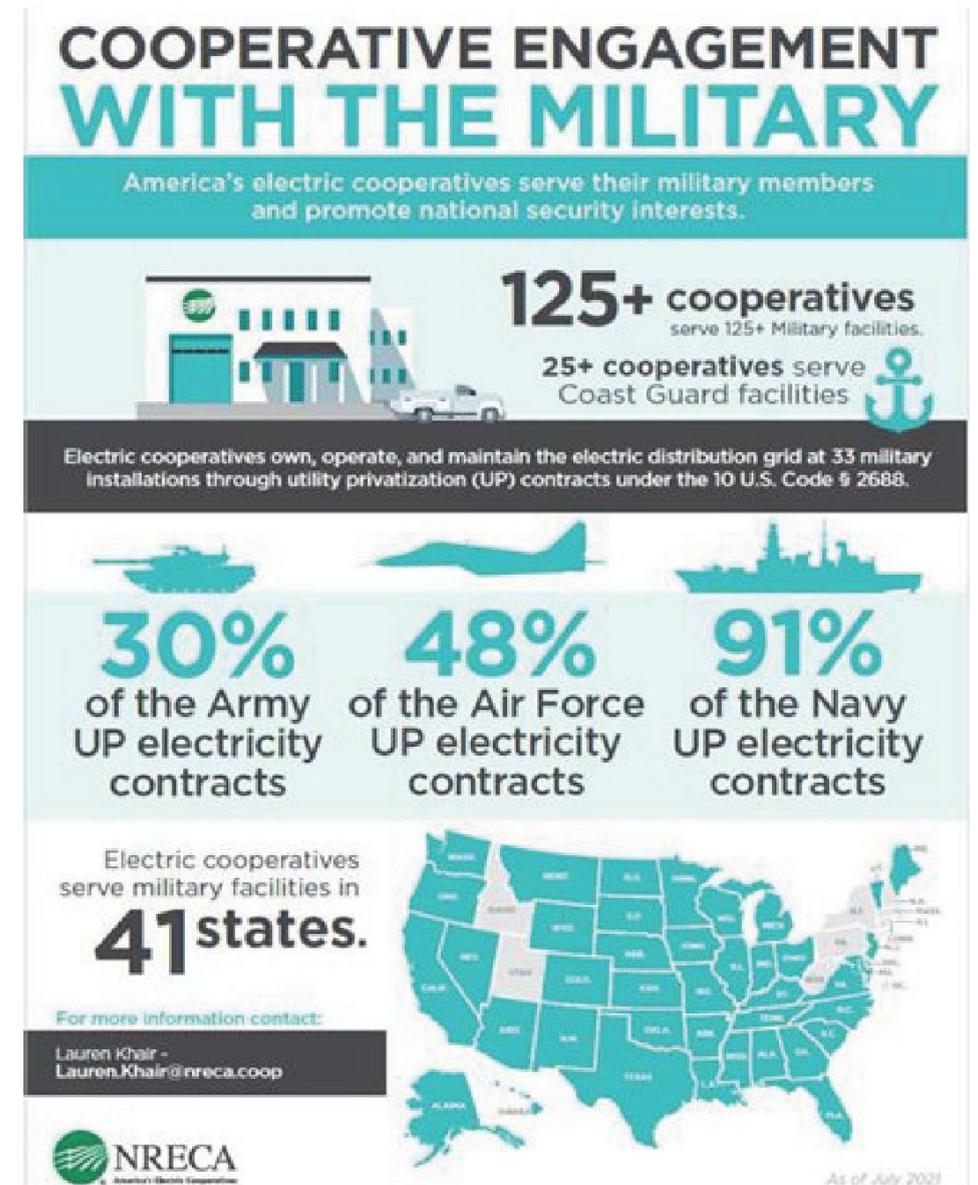
Introducing New SVP

- Kate Steel joined NRECA International in September 2025
- Kate has spent 20+ years working on energy access, primarily focused on sub-Saharan Africa
- She has spent time in public and private sector, working for the World Bank, Google, USAID-Power Africa before founding an energy access financing company, Nithio
- She is excited to join NRECA International because of its connection to the US electrification story and because it works to bring electricity access community by community and at scale



What are the Regional Defense Summits?

- In 2025, NRECA Research received \$1 million in funding from the National Renewable Energy Laboratory (NREL) to hosts 5 Regional Defense Summits.
- These Summits are part of NRECA's broader Defense Program which seeks to expand strategic alignment opportunities for rural electric cooperatives with all branches of military installations, military communities, Department of Defense (DoD), and Department of Homeland Security (DHS).
- The summits will be 2-day events:
 - Day 1 will be an interactive educational day for participants.
 - Day 2 will consist of speakers, facilitated break-out discussions, and peer-to-peer networking.
- Participants of the summits:
 - Co-ops that serve military installations including Coast Guard stations.
 - Energy planners and installation support staff of the installations served by co-ops or located near or within co-op service territories



What's Next?

- North Carolina Regional Defense Summit
 - April 14-17, Fayetteville, NC
 - Host: Sandhills Utilities Services
 - VA, DE, MD, ME, VT, NJ, SC, KY, OH
- Florida Regional Defense Summit
 - May 12-14, Fort Walton Beach, FL
 - Host: CHELCO
 - GA, AL, MS, TN, IN, MI, IL, WI
- Texas Regional Summit
 - TBD – Fall 2027
 - Host: TBD
 - LA, OK, MO, IA, MN, NM, AZ, CA
- Colorado Regional Defense Summit
 - Spring 2027
 - Hosted by NREL
 - KS, NE, SD, ND, WY, MT, NV, OR, WA

“NRECA's engagement on issues between the defense community and cooperatives may turn out to be a game-changer in Alaska.” –Dustin Highers, Vice President, Corporate Programs, Chugach Electric Association, Inc.

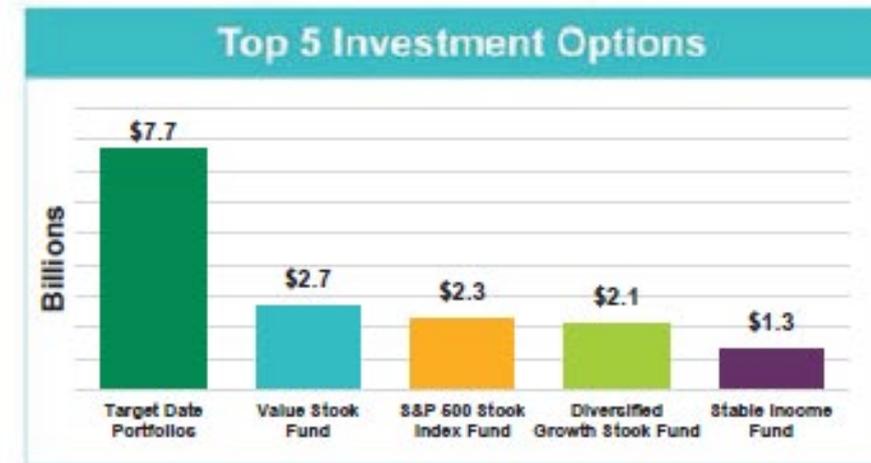
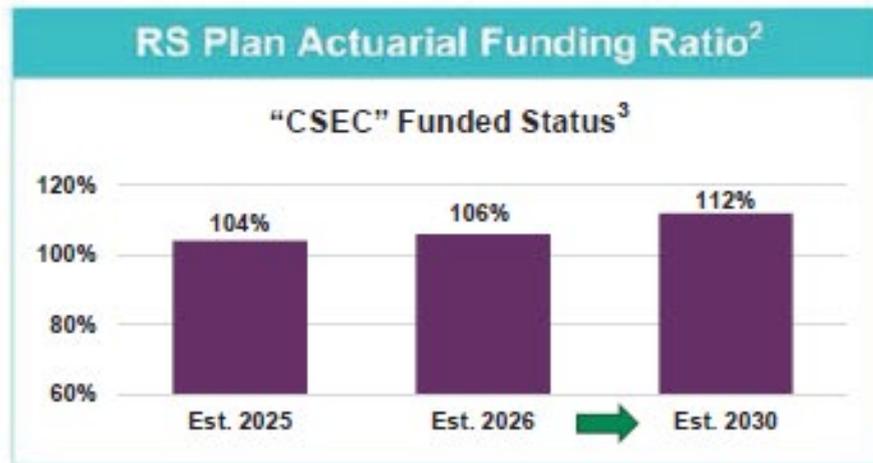
NRECA Employee Benefit Plans – Key Performance Indicators

Combined Net Assets = **32.5 Billion** (as of Sept. 30, 2025)

Retirement Security Plan	
\$12.9 Billion	
Employers	883
Total Participants	56,253
YTD \$ In Out	\$1,085M \$926M
Lump Sum %	61% ¹
Assumed ROI	7.25%
YTD Actual ROI	12.05%

401(k) Pension Plan	
\$18.6 Billion	
Employers	924
Total Participants	62,024
YTD \$ In Out	\$704M \$920M
Participant %	95%
Avg. Acct Balance	\$230,022
YTD Net Inv. Gains	\$2.16B

Group Benefits Program	
~\$1.0 Billion ⁴	
Employers	656
Total Participants	103,875
YTD \$ In Out	\$665M \$623M
% in HDHP	69%
In-Network Claims	97%
Discount Savings	53% \$2.96B



Group Claim Services | Reserve Level

Top 5 Plan Claim Categories (Jan. 2025 – Sep. 2025)	
Pharmacy	\$194,689,346
Physician	\$129,383,224
IP Hospital	\$98,907,891
OP Surgery	\$37,610,979
ER Visits	\$34,219,455

Multiple of Risk-Based Capital

5.7

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¹ Age 62 or older; lump sum rate is 77% of distributions for all ages

² Funding level projections include potential future base contribution rate increases and the expectation that all actuarial assumptions are met

³ CSEC funding ratio includes estimated contributions through Sept. 15th of each year shown;

⁴ Does not include *Incurred But Not Yet Reported* (IBNR) claims and LTD Reserves adjustment

VIDEO

Jim Matheson Interview on FEMA Reform