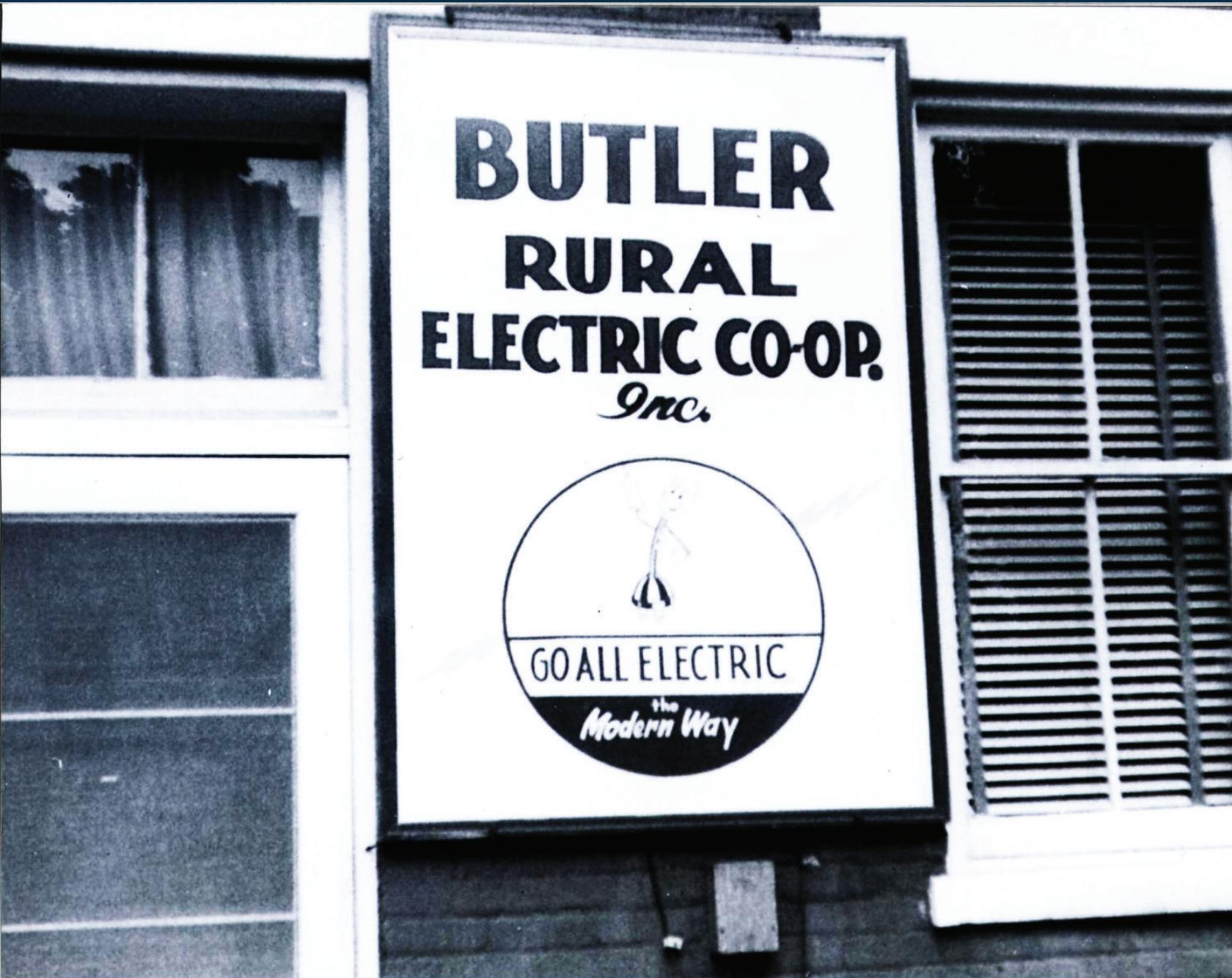




**Butler Rural Electric
Cooperative, Inc.**

Your Touchstone Energy® Partner 



Trustee Handbook

7 COOPERATIVE PRINCIPLES

Cooperatives around the world operate according to the same set of core principles and values. These principles are a key reason why Butler Rural Electric Cooperative operates differently from other electric utilities, putting the needs of our members first.

Voluntary and Open Membership

Membership in a cooperative is open to anyone who can reasonably use its services and are willing to accept the responsibilities of membership, regardless of race, religion, gender, or economic circumstances.

Democratic Member Control

Cooperatives are democratic organizations controlled by their members, who actively participate in setting policies and making decisions. Trustees are elected from the membership and are accountable to the members. Each member has one vote.

Members' Economic Participation

Members contribute equitably to the capital of their cooperative. Cooperatives provide services at cost and are not-for-profit organizations. Members benefit in proportion to their transactions with the cooperative in the form of capital credits.

Autonomy and Independence

Cooperatives are autonomous, self-help organizations controlled by their members. If they enter into agreements with other organizations, they do so on terms that ensure democratic control as well as their unique identity.

Education, Training, and Information

Education and training for members, trustees, and employees help them effectively contribute to the development of their cooperatives. Communication about the nature and benefits of cooperatives, particularly with the general public and opinion leaders, helps boost cooperative understanding.

Cooperation Among Cooperatives

By working together through local, national, regional, and international structures, cooperatives improve services, bolster local economies, and deal more effectively with social and community needs.

Concern for Community

Cooperatives work for the sustainable development of their communities through policies supported by the membership.

Welcome

Thank you for your interest in serving Butler Rural Electric Cooperative and our members. The cooperative is owned by the members we serve, and democratically governed by those same members. The strength of Butler Rural Electric lies in having a qualified and committed board of trustees to govern the cooperative. Trustees serve as elected representatives and are accountable to our members. We hope this brochure prepares you for serving on the board of trustees.

OUR MISSION

To be a dynamic, progressive organization guided by cooperative principles and to provide energy and other value-added services to members. The cooperative will participate in its community, providing leadership and support to improve the quality of life for all of its citizens.

Did you know?

- » Electric cooperatives power 56% of the nation's landmass.
- » There are 834 distribution electric cooperatives in the United States.
- » Electric cooperatives invest \$12 billion annually in local economies.
- » Over 20 million businesses, homes, schools, and farms in 48 states are powered by electric cooperatives.
- » 42 million people across 2,500+ counties in the United States are served by electric cooperatives.
- » In 2017, electric cooperatives supported 611,600 American jobs.
- » Electric cooperatives generate more than \$22 billion in federal, state, and local taxes

SERVICE TERRITORY

Butler Rural Electric Cooperative provides electricity to more than 11,500 members in portions of Butler, Hamilton, Preble, and Montgomery counties. Our office is located in the heart of our service territory in Oxford. The cooperative's service territory is divided into nine districts, which are shown on the map below.

District 1
Israel and Oxford townships

District 2
Milford Township

District 3
Somers Township

District 4
Gratis and German townships

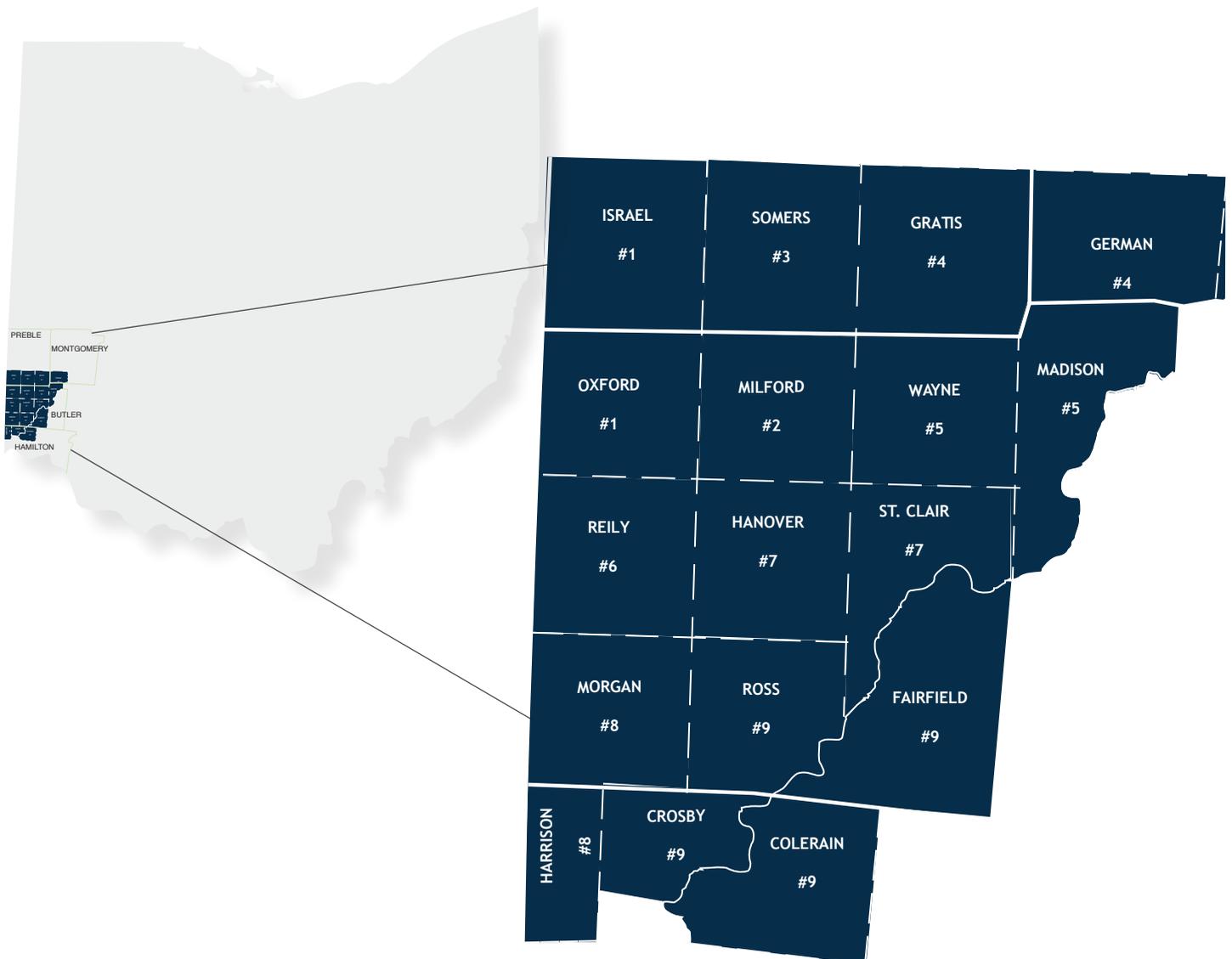
District 5
Wayne and Madison townships

District 6
Reily Township

District 7
Hanover and St. Clair townships

District 8
Morgan and Harrison townships

District 9
Ross, Fairfield, Colerain, and Crosby townships



Board members make decisions that affect the entire membership and represent the interests of all members.

Cooperative members elect three trustees each year to serve three-year terms. Board members are nominated by district and are elected at-large. The board of trustees manage the business and affairs of the cooperative. Trustees meet each month to set policies and approve budgets. Board members are active in their communities, attend many of the cooperative's events, and are highly encouraged to attend other meetings and training opportunities throughout the year.

Trustees are required to fulfill the following duties:

- » Hire, delegate, and appraise the general manager.
- » Govern through policies and plans.
- » Comply with trustee duties and standards of conduct.
- » Provide direction through a strategic planning process.
- » Authorize resources consistent with the strategic plan and the long-range financial plan.
- » Serve as a regulator by setting rates.
- » Provide monitoring and oversight of the cooperative.
- » Demonstrate due diligence through board assessment.

- » Facilitate member dialogue regarding improving the quality of life in the community.
- » Recognize the impacts of regulatory and legislative issues on the cooperative.
- » Actively participate in state and national associations to drive public policy that supports electric cooperatives.
- » Engage cooperative members to support local, state, and federal elected officials who support electric cooperatives.

A person shall be eligible to become or remain a member of the board who:

- » is a member and resident in the particular district within the service area of the cooperative
- » is not in any way employed by or financially interested in a competing enterprise or business selling electric power and/or energy or supplies to the cooperative, or a business primarily engaged in selling electrical or plumbing appliances, fixtures or supplies to the members of the cooperative
- » is not or has not within the last five years preceding the date of the current year's annual meeting been an employee of the cooperative in any capacity

BOARD OF TRUSTEES

Thomas McQuiston, President

District 3 – Somers Township
t.mcquiston@butlerrural.coop
513-796-2983

Robert Hoelle, Vice President

District 5 – Wayne and Madison townships
b.hoelle@butlerrural.coop
513-726-5356

David Evans, Secretary and Treasurer

District 1 – Israel and Oxford townships
d.evans@butlerrural.coop
513-523-8967

James Meador

District 2 – Milford Township
j.meador@butlerrural.coop
513-330-0318

Jay Hasbrook

District 4 – Gratis and German townships
j.hasbrook@butlerrural.coop
937-307-5347

Ronald Kolb

District 6 – Reily Township
r.kolb@butlerrural.coop
513-757-4223

Michael Tilton

District 7 – Hanover and St. Clair townships
m.tilton@butlerrural.coop
513-266-4099

Robert Spaeth

District 8 – Morgan and Harrison townships
b.spaeth@butlerrural.coop
513-738-2495

William Foster Jr.

District 9 – Ross, Fairfield, Crosby, and Colerain townships
b.foster@butlerrural.coop
513-738-3748

Board members attend monthly board meetings, along with other training, seminars, and the annual meeting.

Trustee orientation

Newly elected trustees will meet with the president of the board of trustees and the general manager for a cooperative orientation. This meeting is generally a couple of hours in length and will attempt to prepare the new trustee for their first monthly board meeting.

Monthly board meetings

A monthly board meeting is conducted at the cooperative's office on the last Wednesday of each month. The meetings begin at 9 a.m. and conclude by 2 p.m. Board members are required to attend a monthly board meeting that is conducted at the cooperative's office in Oxford on the last Wednesday of each month. The meetings begin at 9 a.m. and conclude by 1 p.m.

Annual meeting

The annual meeting of members is held each spring. The meeting is conducted during the evening at a central location to the cooperative's service territory.

Strategic planning

The board of trustees and the management staff meet as-needed to discuss strategic issues for future planning and preparation.

System tour

Every three years, the board of trustees and the management staff travel throughout the service territory to view the electric system and the communities served by the cooperative.

Member attitude survey

Every year, the board of trustees conduct a member attitude survey to understand the attitudes and demographics of the members. The results from the survey are presented to the trustees at a regular monthly meeting.

ACSI survey

Annually, the board of trustees conduct the American Customer Satisfaction Index, or ACSI, Survey to understand the satisfaction levels of cooperative members. The results from the survey are presented to the trustees at a regular monthly meeting.

COMMITTEE MEETINGS

The cooperative has appointed committees to review the code of regulations, annual meeting, annual budget, board policies, and the nomination and election process. From time to time, it is necessary for committee members to meet to fulfill their committee responsibilities. The board committees are listed below.

Executive committee

This committee consists of the president, vice president, secretary and treasurer, and the general manager. The primary function of the committee is to provide advice and assistance to the general manager.

Annual meeting committee

This committee consists of one board officer, three board members, and a designee of the general manager. The committee will assist in preliminary planning for the annual meeting of members.

Policy and code of regulations committee

This committee consist of one board

officer, three board members, the general manager, and the attorney. The committee will make sure the board policies and code of regulations are kept up-to-date.

Nomination and election committee

This committee consists of four board members, the general manager, and the attorney. The committee reviews and recommends changes in the nomination and election process to the board of trustees.

Budget committee

This committee consists of the board of trustees. The committee reviews the annual budget and the ten year financial forecast.

The board of trustees direct the general manager, attorney, and auditors. All other employees are the responsibility of the general manager.

General manager

The duties and responsibilities for the general manager are defined by board policy. The general manager oversees the day-to-day operations of the cooperative and reports directly to the board of trustees. It is necessary for the general manager to have a positive and professional working relationship with the attorney and auditors. The board of trustees evaluate the performance of the general manager on an annual basis.

Attorney

This position advises the board of trustees on all legal matters relative to the cooperative. It is necessary for the attorney to have a positive and professional working relationship with the general manager. The board of trustees evaluates the performance of the attorney on an annual basis.

Auditors

This position evaluates the fiscal status and compliance issues of the cooperative. The auditors must report to the board of trustees and prepare an annual report for the members of the cooperative. It is necessary for the auditors to have a positive and professional working relationship with the general manager.

COOPERATIVE EMPLOYEES

The cooperative employs almost 50 people. Administrative staff members are responsible for the management and administrative functions of their departments. They are listed below. The cooperative is organized into the departments listed below.

Tom Wolfenbarger

General Manager

Greg Phillips

Director of Corporate Services

Mike Murray

Director of Operations

Judie Persinger

Director of Accounting and Finance

Lisa Staggs Herrmann

Director of Member and Community Relations

Julie Abbott

Director of Administration

Human resources

Responsible for human resources, policy administration, safety, and compliance issues.

Engineering

Responsible for line design, engineering technology, line staking, field data services, and service calls.

Operations

Responsible for building and maintaining electrical lines and facilities, right of way management, and service needs.

Accounting

Responsible for maintaining and evaluating financial and accounting data and filing reports as required.

Member services

Responsible for member inquiries, maintaining consumer accounts, communications, and marketing programs.

Systems and planning

Responsible for coordinating all system applications and technology.

Physical facilities

Responsible for mechanical duties, inventory, grounds maintenance, and cleaning.

BOARD MEMBER CERTIFICATION

It is important for trustees to understand their roles and responsibilities and to have the knowledge and skills needed to govern Butler Rural Electric Cooperative. The director education program is designed to address the learning needs of electric cooperative directors. Training courses offered address board governance, financial decision-making, strategic planning, and current and emerging issues. Trustees have several opportunities to attend courses, including NRECA's pre-annual meeting, pre-annual directors' conference, summer schools, pre-regional meeting, and statewide association sponsored programs.

Credentialed Cooperative Director Certificate (CCD)

The CCD curriculum consists of five courses designed to provide the minimum knowledge and skills required of cooperative directors. The CCD is earned by attending five required courses, which are listed below, and successfully completing a learning assessment for each.

- 2600 Director Duties and Liabilities
- 2610 Understanding the Electric Business
- 2620 Board Operations and Process
- 2630 Strategic Planning
- 2640 Financial Decision Making

Board Leadership Certificate (BLC)

The Board Leadership Certificate consists of issue and skill-based courses for directors. The certificate can be attained after earning the Credentialed Cooperative Director Certificate (CCD) and then completing a total of 10 credits from the 900-level courses listed below. The credit value is indicated after the decimal point for each course.

- 901.1 Rules and Procedures for Effective Board Meetings
- 903.1 The Role of the Board Chair in Conducting Effective Meetings
- 913.1 Cooperative Foundations: Co-op Legacy, Principles, and Impact on Communities
- 914.1 Cooperative Communications and Public Opinion – The Director’s Perspective
- 918.1 Maximizing Your Grassroots Strategy
- 921.1 Risk Oversight: The Board’s Role in Risk Management
- 923.1 New and Emerging Technologies – What Every Director Needs to Know
- 924.1 When Disaster Strikes – Continuity Management and Emergency Response Planning for Directors
- 925.1 Co-op Bylaws: Guiding Principles and Current Issues
- 929.1 Current Issues in Policy Development
- 930.1 Ethics and Governance: Implementing the New Accountability
- 935.1 Appraising and Compensating the CEO
- 939.1 Applying Governance Concepts To Real Boardroom Challenges
- 945.1 Under Scrutiny: The Board’s Role in the Age of Consumer Activism and Transparency
- 951.2 Developing Effective Boardroom Decision-Making
- 955.1 Your Board’s Culture: Its Impact on Effectiveness
- 956.1 Crucial Conversations in the Boardroom
- 957.1 How to Evaluate and Improve Board Performance
- 958.1 Succession Planning: Developing the Purpose-Driven Organization
- 966.1 Understanding the New World of Power Supply
- 970.1 The Role of Renewables in Power Supply
- 972.1 Energy Efficiency, Conservation, and Demand Response in Today’s Cooperative
- 974.1 Rate Strategies for 21st Century Challenges
- 975.1 Capital Credits: Legal and Financial Issues

Director Gold Credential

To reach and maintain Gold level, directors who have already earned their Credentialed Cooperative Director Certificate (CCD) and Board Leadership Certificate (BLC) will need to take three additional BLC-level classes every two years. For the initial Director Gold status, three BLC classes must be completed. When going for renewal, one of the credits can be earned by alternate means, such as attending the CFC Forum or CoBank Energy Directors Conference. A total of 13 BLC credits are needed to qualify for Director Gold status.

AFFILIATED ORGANIZATIONS

Butler Rural Electric Cooperative has a vast network of resources that provide a variety of services and benefits. Below are a few of the organizations we are members of.

National Rural Electric Cooperative Association (NRECA)

The National Rural Electric Cooperative Association, or NRECA, is the national service organization representing more than 900 consumer-owned, not-for-profit electric cooperatives, public power districts, and public utility districts in the United States. NRECA is located in Arlington, VA and oversees cooperative employee benefits plans, carries out federal government relations activities like lobbying, conducts management and trustee training, and spearheads communications, advocacy, and public relations initiatives. In addition, it coordinates national and regional conferences and seminars, offers advice on tax, legal, environmental, and engineering matters, and performs economic and technical research.

Annual meeting

NRECA conducts an annual meeting between January and March. Attendees learn about national issues that affect the cooperative program and attend director training classes. The meeting is conducted over a three-day period.

Regional meetings

NRECA conducts regional meetings throughout the country. Attendees learn about national issues that affect the cooperative program. During the meetings, resolutions are presented, representatives are elected, and various national organizations present programs for the attendees. These meetings are a two-day event held during the first part of September and are located on the East Coast or in Indiana, Michigan, or Ohio.

Summer schools

NRECA conducts meetings at locations throughout the country to educate and train trustees about their duties and responsibilities as elected cooperative representatives. These meetings vary from two-day sessions to four-day sessions.

Ohio's Electric Cooperatives (OEC)

Ohio's Electric Cooperatives is the statewide trade association for the state's electric cooperatives. It was formed in 1941 and is located in Columbus, Ohio. The statewide services of Ohio's Electric Cooperatives help co-ops continue to provide excellent service to their members.

The statewide safety and loss control program, or SLC, helps electric cooperatives in Ohio during widespread outages and also coordinates aid to cooperatives in other parts of the country. The SLC program promotes safety through education and certification programs for cooperative staff.

A broad array of marketing and communications services is provided to Ohio's Electric Cooperatives, including support for public relations and community outreach efforts, *Ohio Cooperative Living* magazine, energy efficiency rebate programs, and community sponsorship programs.

The government affairs team serves as the voice for Ohio's Electric Cooperatives in the government halls of Columbus and Washington, D.C.

The education and youth programs help cooperatives connect with the next generation of co-op members and keep employees and trustees up-to-date on best practices in the industry.

New trustee orientation

This is a meeting for every newly-elected trustee. The meeting provides an opportunity to meet statewide leaders and learn about associated organizations relative to the cooperative program. The meeting is usually a one-day event.

Trustee conference

Ohio's Electric Cooperatives conducts meetings to facilitate the learning process for trustees. The meetings provide an opportunity for trustees to learn about industry issues, interact with statewide leaders and meet trustees from other electric cooperatives in Ohio. Meetings are usually conducted over a two-day period.

Annual meeting

Ohio's Electric Cooperatives conducts an annual meeting in August. The meeting is held in Columbus. Attendees learn about issues that affect the cooperative program throughout Ohio and the United States. The meeting is a two-day event.

Training seminars

Various meetings are conducted throughout the year for trustees to learn about issues that affect the cooperative program and the electric utility industry. Many of the meetings assist trustees in meeting the curriculum requirements for the NRECA Credential Cooperative Director Certificate. The meetings are usually two-day events in Columbus.

Buckeye Power

Buckeye Power is a generation and transmission cooperative that is jointly owned by Ohio's 24 distribution electric cooperatives. Butler Rural Electric Cooperative is one of these distribution cooperatives and purchases power from Buckeye Power. Owned and governed by the cooperatives it serves, Buckeye Power is dedicated to providing its member cooperatives with affordable and responsibly-produced power.

Formed in 1959, Buckeye Power is focused on providing reliable, affordable electricity to electric cooperatives, who then distribute it to nearly 400,000 homes and businesses in the state of Ohio.

Buckeye Power owns a diverse portfolio of base load and peaking facilities, outfitted with best-in-class environmental controls. Buckeye Power is also committed to researching and investing in economically sustainable sources of renewable power.

Buckeye Power provides engineering services to electric cooperatives and assists them with load management, marketing, and economic development.

Touchstone Energy[®]

Touchstone Energy represents a nationwide alliance of member-owned electric cooperatives, including Butler Rural Electric Cooperative. It delivers power and energy solutions to more than 700 unified local electric cooperatives across 46 states, forming the largest electric utility in the country. Connecting America's electric cooperatives to benefit members and their communities makes Touchstone Energy cooperatives different from traditional power companies.

Touchstone Energy's Four Core Values

Integrity

Accountability

Innovation

Commitment to Community

The Touchstone Energy brand:

- » Communicates electric cooperatives' unique characteristics in a changing marketplace where these values and differences matter more each day.
- » Emphasizes the significance of each electric cooperative's local presence and unique ties to the community while offering the advantages of a nationwide network to bring added value and benefits to all members.
- » Produces award-winning advertising and communications materials.
- » Places television ads on various networks including CNBC, CNN, The Weather Channel, A&E, Discovery, and Direct TV, and print ads in national publications including Time, Newsweek, and U.S. News and World Reports.
- » Delivers valuable employee education programs that equip employees with the skills to communicate the cooperative difference and provide top-notch member service.
- » Provides the tools to measure and improve consumer satisfaction.
- » Offers an array of services and programs to enhance cooperatives' relationships with business and residential members.

Fees and expenses

The cooperative will provide equitable compensation (per diem) for trustees for regular board meetings, special board meetings, and attendance at other meetings, conferences, and training programs while performing committee assignments for the cooperative. The cooperative will also cover approved expenses for travel and appropriate out-of-pocket expenses incurred while involved in official duties or when in attendance at authorized meetings. The average annual compensation is \$11,007 per trustee, which varies based on office and certification. Trustees do not receive health insurance through the cooperative.

Indemnification of board members

The cooperative will maintain insurance to provide protection to trustees against lawsuits and judgements. The amount and terms of such insurance is reviewed and adjusted annually by the board of trustees.

Board and management relationship

The board of trustees and general manager agree to follow all principles involving the delegation of authority and are committed to maintaining this respectful relationship.

Non-conflict

It is the policy of all trustees, management staff, and employees to refrain from any transaction which may violate law or good business ethics and will not make any decision that would provide or imply personal gain.

Anti-harassment

The cooperative will not tolerate sexual harassment or any other type of harassment based upon race, color, religion, sex, national origin, age, or disability in the workplace and strongly encourages employees to report all incidents of harassment. Any trustee violating this policy may be subject to discipline up to and including termination of service.

This handbook is for the use and information of Butler Rural Electric Cooperative Trustees. It is not a contract between the cooperative and any trustee and it should not be construed as such. The handbook is a guide and describes the procedures the cooperative will attempt to follow in most cases. The cooperative reserves the right to vary from these procedures when needed and to ignore them completely at the discretion of the cooperative's board of trustees and/or management. If questions arise concerning any of the policies, programs, or procedures included in this handbook, please bring it to the attention of the general manager or board president for clarification.



Questions?

Please contact Julie Abbott, the cooperative's director of administration, if you have any questions by calling 513-867-4402 or by e-mail, juliea@butlerrural.coop.



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