Section 3

Table of contents

Jump to Section 1

Jump to Section 2

Jump to Section 4

Board talk

"It all comes together at the Associated board table," said CEO Jim Jura, speaking of the fine art of governance from an engaged board of 12 professional, strong-willed, opinionated men. Talk to Associated's strategic partners, and there's the sense that its governance was something extraordinary, something noticed, paid attention to and commented on.

Horace Harrod, formerly with CoBank and now vice president of Farm Credit Bank of Texas' Capital Markets Group, watched Associated closely for more than 15 years. For him, Associated's strengths were as vital as ever. He said, "The critical thing is the role of the board. Associated's always had an excellent board, and the governance has been outstanding. The thing that impressed me is this was not a board that sat back and let the management team run the company. They were actively involved in decisions and made good ones.

"This was evident when Associated did the annual rating visitations. Normally, just the management team would make those visits. But Associated had board members do most of the presentations. I was very impressed. The board knew enough about the operations of the organization to do it. Management and the board were comfortable enough with each other to do that. That's a very unique thing," he said.

Unless you actually sit at the board table, no one sees firsthand the dynamics of interaction at that table. But you see the results, and there's a sense that this group of 12 alpha

Associated's board of directors listens to a staff presentation during a monthly meeting in fall 2010. Clockwise from left: Emery Geisendorfer, Douglas Aeilts, CEO Jim Jura, Donald Shaw, Thomas Howard, John Killgore, Don McQuitty, Gary Fulks, Dan Singletary (not visible), Layne Morrill, Chris Cariker, John Farris and Jake Fisher.

From left: Robert Stagner, early 1990s, general manager of M&A Electric Power Cooperative and former Associated board member; and

Associated board members in 1984 annual report are, from left, John K. Davis; Roy E. Matthews, vice president; Carl M. Herren; Luther A. Riddle; Richard W. Foster; Ralph E. Shaw; Rudie W. Slaughter; B. Dean Sanger; O.B. Clark, president; Charles C. Martin, secretary-treasurer; Maurice L. Happel; and Robert E. Stagner.

males does have a pecking order and a methodology for deliberating issues and arriving at thoughtful decisions.

"There's a big difference between authority, influence and power. All 12 of the board members have the same authority, but some have much more influence than others. The board is set up so director-directors are the officers, and the chairs of committees are the G&T managers. Over time this influence moves around the table," observed CEO Jim Jura.

He recalled the board member who had a profound influence on him and the rest of his life, Bob Stagner. Thinking back over the critical decisions he's made in life, Jura said, "My decision to go to Associated was clearly one of the best, and I owe a debt of gratitude to Bob Stagner." It was Stagner's comments and decorum when Associated offered Jura the manager's job that influenced his decision to take it.

In the early days of Associated, as told in "Win-Win," the boardroom was sometimes filled with profanity, high jinks and sharp edges. By 1996, death and retirement had largely removed that kind of conduct. "We learned to have more decorum," Bob Stagner said dryly. He served on the board from 1969 to 2001.

O.B. Clark also spent decades on the board. As president, Clark was the helmsman, and his influence would be hard to overestimate. Clark joined the board in 1974, serving as president from 1981 through his retirement in June 2009; he was Associated's third board president, succeeding Rudie Slaughter and before him John Buck. As president, Clark gave the two Associated general managers he worked with space to do their jobs but became their equal partner in leadership.

His induction into the Missouri Institute of Cooperatives' Hall of Fame in 2010 was a sign of his influence

> O.B. Clark was an extremely effective president of the Associated board. He did a good job in the boardroom, kept focused and moving in the right direction. But his biggest contribution was out of the building ... representing Associated to cooperative members and the whole cooperative community.
>
> – Jim McNabb
> Former director of
> Engineering and Operations

and legacy. Exemplary leader. Gifted statesman. Effective spokesman. Unwavering commitment to member-owners. These descriptions of Clark hinted at the character of the man who served on Associated's board 35 years, 28 of them as president, as well as decades on the boards of Central Electric Power Cooperative and Co-Mo Electric Cooperative, where he also was board president.

"O.B. Clark was an extremely effective president of the Associated board. He did a good job in the boardroom, kept focused and moving in the right direction. But his biggest contribution was out of the building, because he was representing Associated to cooperative members and the whole cooperative community," said Jim McNabb, former director of the Engineering and Operations Division, who interacted with the board over decades.

Seeing Clark "at work" was an amazing thing. No one did a better job than he did in selling the concept of the cooperative to counterparties who had no clue how a grassroots organization could govern so effectively. Clark was as comfortable in a Wall Street meeting as he was sharing a cup of coffee with another cattleman back in Missouri. He originally planned to be a lawyer, then switched to banking and ended up following his heart and becoming a rancher. His keen mind for business and affinity for connecting with people served him well as president of the Associated board.

One of his goals in the boardroom was to create a forum where all ideas and opinions could be fairly presented, listened to respectfully and discussed in an effort to build consensus or resolve. He almost always voted, though he didn't have to. "O.B. cast a vote even when he didn't have to – to make clear where he stood. That took a lot of courage and ethics," Stagner observed.

Another long-tenured board member, John Davis, was a larger-than-life personality whose 30 years on the Associated board was one of the longest tenures. He was a man with an "agenda" – granted, always in the best interests of members and employees – but his methods for reaching it could be intimidating.

Harold Jordan of M&A Electric Power Cooperative, who served on the board for about 12 years, considered Davis his mentor. As a green newcomer in 1998, Jordan appreciated the freedom Davis, Clark and Stagner cultivated for members to speak their own minds.

As Jura remarked, "Davis was a tremendous influence. Some directors were downright scared of him. When he was on the board, his degree of influence was very high." As the cancer that took Davis' life advanced, Jura remembered when the discussion turned to who would be a good successor to Davis at Sho-Me. Late in the evening at a

From top: O.B. Clark, former Associated board president, at his ranch; and

from left, John Davis and Maurice Happel, former Associated board members.

Associated's board of directors and officers in 1999, from left, are: (seated) Jerry W. Divin; John K. Davis; Ralph E. Shaw; W. Arthur Carrier, secretary; Maurice L. Happel, vice president; (standing) O.B. Clark, president; Harold E. Jordan; Don R. McQuitty; J. Chris Cariker; Robert E. Stagner; Donald W. Shaw; and Charles C. Baile, treasurer.

meeting in Haden, Colo., over a bottle of Dewar's, Jura, Don McQuitty and Jerry Divin talked about Gary Fulks as that man. It was only talk, of course, with Sho-Me's board making the final selection of a new general manager.

"There was some parity or poetry in that decision. One day Gary was working for me, and the next day I was working for him," Jura commented.

Balancing the flamboyant Davis was quiet, diplomatic Bob Stagner from Poplar Bluff. Often, after Davis would forcefully present his views about an issue, Stagner would say, "Well, John, this is how I see it," and that would lead to the board's talking through the issue and hammering out a position it could support. Stagner's phenomenal memory could be used very effectively to "call" a board or staff member who had forgotten a position years before. "'You don't remember when you said before …?' That always scared me pretty badly," Jim McNabb laughed. "He just remembered everything that happened."

The board members also had their share of fun. Don Shaw described when he and O.B. Clark gave John Davis a good dig. Sho-Me Power Electric Cooperative had gone through a name change, converting from a corporation to a cooperative, and an old sign with the corporation name was just too easy for the pair to confiscate following a photo shoot at Sho-Me's office in Marshfield. They wrapped the sign in a blanket and handed it to Winnie Shaw, who held it in her lap in the back seat of Shaw's car as they drove to Springfield.

During the course of the day, Shaw and Clark witnessed Davis receiving phone calls about the missing sign and getting more and more "agitated." Unbeknownst to the culprits, Davis had Associated staff check Shaw's car for the sign and report what they found: something shaped like a sign and wrapped in a blanket. He also had Associated general counsel talk to the Greene County sheriff about pursuing legal action. After a testy and frosty confrontation, Shaw and Clark kept face but promised to get a "replacement" sign back to Sho-Me. For a short while, Shaw laughed, "Davis got one-upped."

Hats off to Associated

Much has been said about the turf wars and distrust among the G&Ts that characterized the early years of Associated. Those differences were distant memories by 1996. Though the geography and demographics of the G&Ts and distribution cooperatives ran the gamut, the cooperatives have never wavered from the commitment that binds them, the tiers of trust that hold them together.

Board members continued to wear three hats, loyalty to their local distribution cooperatives, to the particular G&T they manage or own and to Associated that generated the power. But when the board sat down in committee or in the boardroom, there was never any doubt which hat they wore.

"I have to remember each hat, but I have to look at what's best for Associated," summed up Dan Singletary,

CEO and manager of Howell-Oregon Electric Cooperative and a Sho-Me and Associated board member.

"When I got to Springfield, I represented Associated," Charles Baile, retired board member serving from 1997 to 2009, said emphatically.

John Farris noted that though there were considerable demographic and geographic differences among the G&Ts, there was much common ground as well. "In general, our issues are very much the same," he said.

Pillars of strength

From 1996 through 2010, only one board member served the entire period: Don Shaw. 1996 originals who left the board were Richard Arnold, James Steele, James Abernathy, Arthur Carrier, O.B. Clark, Charles Baile, John Davis, Jerry Divin, Maurice Happel, Ralph Shaw and Bob Stagner.

Other board members, Harold Jordan and Carl Thompson, rotated through during the period. As 2010 ended, 11 new members (from 1996) faced each other across the board table: Doug Aeilts, Chris Cariker, John Farris, Jake Fisher, Gary Fulks, Emery "Buster" Geisendorfer, Tom Howard, John Killgore, Don McQuitty, Layne Morrill and Dan Singletary.

The changes meant new dynamics and power relationships. But the personality changes were less important than the pillars of strength, such as those below, that held the board together and kept it focused on its fiduciary responsibilities and its mission.

Committees for vetting - One of the board's defining architectures through the years was its committees. Clark remembered the years before the committees (technical advisory, comprised of the six G&T managers; finance and audit; planning and operations review; and human resources, public policy and marketing) were formed, when the board tried to engineer the day-to-day operation of Associated. Eventually, Clark and Diddle sat down to form the committees, described by Clark as "one of the hardest things I've ever done. I did the entire thing to balance those committees. The cooperatives didn't trust each other, and so we tried to balance so that we had at least one manager on a committee who trusted the other."

As trust grew, the committees began to function true to their purpose, to vet issues and streamline the deliberations. Staff made presentations to the committees, which then recommended actions to the full board. More often than not, the board approved the committee recommendation. These committees, said Stagner, helped accelerate the board's "maturing process."

Board member Doug Aeilts of Northeast Missouri Electric Power Cooperative said the board committees were the most effective he'd seen in any organization. "Because of the high degree of confidence in the staff … we don't have to rehash issues at the boardroom. Probably 75 percent to 80 percent of the decisions are made in committees. The other 20 percent to 25 percent will have more discussion," he said.

Don Shaw experienced the increasing importance of the committees over his 19-year-and-counting tenure on the board. "When I first came on the board, it was a very different process whereby some major decisions were made. … Sometimes four or five members would meet the night before the board meeting. We'd reach an informal consensus and acted on it the next day. That's no longer the case. Back then the committees existed but not an actual TAC [technical advisory committee]. TAC often didn't meet, but now it has a meeting almost every month," he said, adding that whereas earlier boards may have tried to settle issues outside the boardroom, robust discussions now took place in committees without any commitment to vote a certain way the next day at the board table.

TAC meetings, chaired by Shaw as the most senior director, often found the entire board sitting in for the discussions that typically resulted in a recommendation for the board to act on the next day. Shaw was careful not to bias the discussion with too early an opinion: "I have tried to allow for everyone to have input," he said.

Voting structure allows good ideas to win - The voting

From top: Missouri Gov. Jay Nixon, left, meets Associated board members Layne Morrill and Douglas Aeilts before the governor holds a news conference at Associated's Headquarters on legislation to preserve the nuclear energy option for Missouri; and

Donald Shaw, Associated board member, at Central Electric Power Cooperative's Update Meeting.

From top: Roger Clark, director of Engineering and Operations; and

Ron Murphy, chief information officer.

structure of the board was another pillar, requiring eight as a majority and allowing G&Ts to split their votes. Again, Stagner observed, "The voting structure showed a lot more wisdom than the founders realized. It took eight positive to pass. It's a lot more difficult to get eight people to agree than seven people."

The split-vote provision sometimes led to painful outcomes, such as the 7-5 vote that ended the Norborne plant. "That vote tested the cohesion of the three-tiered system, the strength we had," Jura said.

Yet good things resulted from that same flexibility and the bylaws requirement that eight votes were required for approval of a measure. As Fulks pointed out, that provision allowed "good ideas to succeed."

Staff as issue drivers - Another factor in the effectiveness of the board was the role Associated staff played in moving the board to make decisions. Stagner remembered a time, though, when certain board members hated any communication with staff. But as Associated grew and the issues became more complex, a trusting business relationship developed between staff, senior management and the board. Staff presentations became vital to the board's understanding of issues. Fulks was a frequent presenter before he became a board member. "Staff would bring recommendations to the board, sometimes in an executive session. It all started with the staff. They drove an issue," he said.

Staff presented issues, arguments and recommendations in an issue paper, a concept Jura introduced from his years in the federal government. The paper covered the major points of an issue. That process helped the board focus and arrive at thoughtful decisions.

Carl Thompson of Northeast Missouri Electric Power Cooperative, who served on the board from 2001 to 2004, remembered the long timeline of discussion and planning about complex issues. Staff helped move those discussions along. "Some of the issues you don't wait until six months out to begin talking about them. … You can't wait until it's time to turn on the tap to dig the water line," he said.

> "How often does staff come up with recommendations that go to the board table where the recommendations were either not adopted or modified? Frankly, it's frequent. Both add value. Often the boots on the ground think differently."
>
> – Jim Jura
> Associated's CEO

John Farris of M&A Electric Power Cooperative described the Associated board as "the best informed of any board I have served on." He credited the staff, noting the quality of its verbal and written reports. "Nothing was left out. They presented the options, the pros and cons, the costs. The makeup of the board somewhat encourages the staff to bring that type of report to us. We have CEOs who tend to want to micromanage, but the education from the staff and consultants is as good as it gets," he said.

John Killgore, representing United Electric Cooperative and NW Electric Power Cooperative, said he was a "little amazed" when he first came on the Associated board in 2009 to see how well staff related to the members. "It's encouraging to see these people work together for the same goal of serving members at the end of the line. Everybody

is working for the same thing. … It's not that way in all cooperatives."

Once the board reached a decision, they knew they had the full support of senior management and staff. This unquestioning respect for the board and its decisions was an important strength, said Jura. "As long as the board makes a decision, if that decision is not illegal or unethical or immoral, I'm OK, because they are the governing body. There's a respect for the board and a respect for the membership. In contrast some G&Ts are in trouble in other parts of the country because they are out of touch with their boards and members. That's not the case at Associated," he said.

The trust Associated placed in its board was reciprocated. As Chris Cariker of KAMO Power put it, "I can't tell you the trust … the board has with the management team. Jim did some wild things … made some of the wildest moves ever seen, but they worked," referring to some of the division director musical chairs he witnessed.

From a staff perspective, Duane Highley of Power Production said the board's high degree of trust in Associated staff was reciprocated with "the red-face test." When discussing an option, for example, staff would ask themselves if they would be embarrassed and red-faced when they presented it to the board.

Were they prepared for the board's tough questions? While those questions could come from any board member, the most relentless questioning often came from John Davis and Don Shaw, both G&T managers with years of experience in the business.

Jura noted that G&T managers like Shaw asked questions of staff that director-directors didn't ask, and those questions added to the technical understanding of issues for all board members. Those questions appropriately challenged staff.

"How often does staff come up with recommendations that go to the board table where the recommendations were either not adopted or modified? Frankly, it's frequent. Both add value. Often the boots on the ground think differently," Jura said.

A mutual pledge to do business together - One more pillar of strength — and a critical tie that tightly bound the three-tiered system — was the all-requirements contract. Under its terms, cooperatives pledged to buy all their power supply needs from Associated. In turn, Associated pledged to provide all the wholesale power supply for its member-owners' needs. This contract clearly allowed Associated to reliably predict power needs and plan for future generation.

In 2004, member systems unanimously extended the all-requirements contracts from May 2040 to May 2050. That commitment illustrated the strength of the three-tiered system, the tiers' trust in one another and in Associated's ability to continue meeting its mission of providing an economical and reliable power supply and support services to member systems.

End of Burr's

No history of Associated can bypass a mention of Burr's. For decades, the local restaurant and lounge of Burr's in Springfield was synonymous with board member John Davis and his forceful style of leadership. Typically, the night before a board meeting, Davis would gather with the board members who enjoyed a beer or cocktail at Burr's. There, he would try to build a coalition of votes on a particular side of an issue to be voted on the next day. Not that he was always successful, but certainly he tried.

"I didn't approve of Burr's," said Clark. "… I'm a believer in the board meeting together to deliberate. We have 12 directors, but it takes eight positive votes to carry on. If you can manage the votes, you can make some monumental decisions."

Stagner was another board member who didn't participate in Burr's. "Davis used the Burr's meetings to develop a coalition for the next day's vote. John knew I didn't agree with this. Every board member was obligated to study the information about an issue. That's different from a group of eight directors who decided before they came to the

Duane Highley, director of Power Production, shares information at Central Electric Power Cooperative's Update Meeting.

"I can't tell you the trust ... the board has with the management team. Jim did some wild things ... made some of the wildest moves ever seen, but they worked."

– Chris Cariker
Associated board member

From top: Emery Geisendorfer, Associated board president, at his northeast Missouri family farm; and

Thomas Howard and John Killgore, Associated board members.

table how they would vote. … On occasion I had to say some words…," he said.

The Catch 22 of that scenario, for Stagner, was that if you came to the table prepared to cast your vote in a certain way, and then learned something new in that final discussion, you were in a dilemma. "I think you have to always come to that table trying to cast the very best vote for Associated and doing what's right for the people you serve," he said.

Board member Don McQuitty didn't remember any votes being taken at Burr's. It was useful, he said, to talk over the issues on which big money was riding outside the boardroom.

"The meetings I recall at Burr's were about how do we make life easier for staff tomorrow and how do we get to where we're going without leaving blood on the table," McQuitty said. "The meetings at Burr's ended the cold war between the range bulls," referring to ugly fights at the board table.

Instead, he said, Burr's became the place to hash out some of the differences. Sometimes those discussions went as late as 1 a.m.

Stagner didn't attend many Burr's meetings, and McQuitty remembered Davis waiting on the front steps of Associated's Headquarters the next morning to meet up with Stagner after a Burr's session to brief him on the discussion. Though Stagner and Davis didn't always agree, they highly respected each other and were open and honest with one another. That was true of the entire board.

"We were very careful not to keep secrets," McQuitty stated.

After Davis' death in 2006, the board keenly missed his leadership and larger-than-life personality. The vacuum left behind after 30 years begged to be filled. Gradually, the dynamics of the board changed. Burr's closed, members changed and the times were simply different. New leaders emerged, and the Burr's coalitions faded away.

Passing the gavel

O.B. Clark's retirement in 2009 marked the end of a career spanning nearly four decades. It seemed impossible to imagine the Associated board without him, and yet 18 months later it had moved on.

Under the Associated bylaws, the six G&T managers and the distribution cooperative managers who sit on the Associated board are ineligible to hold the board offices of president, vice president, secretary and treasurer. Only director-directors can be officers. And so, in due course, Emery "Buster" Geisendorfer was elected as the fourth president of the Associated board, representing Lewis County Rural Electric Cooperative and its G&T, Northeast Missouri Electric Power Cooperative.

Geisendorfer, like Clark, was a cattleman, having managed a large beef operation that often saw up to 5,000 head a year go through it. He also owned and operated a 700-acre family farm with his brother adjacent to the farm that has been in his family four generations.

In his second year as board president, Geisendorfer spoke of how "very humbling" it was to follow Clark and the precedents he set. He said, the board's "great cohesion," the "tremendous respect" members held for one another and the freedom to speak one's mind at the table: these were the Clark legacies Geisendorfer vowed to maintain.

Former board member Julian Brix observed that the six G&Ts had been blessed with "really strong people." They percolated to the top of their organizations, with the cream of the crop sitting on the Associated board. The dynamics changed as board members came and went, but invariably they set aside their differences, perspectives and priorities to support Associated's best interests.

Board member Tom Howard, CEO and general manager of Callaway Electric Cooperative, praised that professionalism and diversity. Describing the G&T managers, he said, "The electricity business is their life. They're self-driven and take their jobs so seriously. … We hope with integrity to do the right thing."

Tried and tested, the board of 2011 remained a board of the people but one more sophisticated in the ways of governance, finance and communication than earlier bodies. In particular, when it came to billions of dollars and cents, the board and management proved they were masters of the purse.

From left: O.B. Clark delivers the board president's report at Associated's 2004 annual meeting; and

John Davis, former Associated board member (in sidebar).

John Davis: a man for the members

By some measures, John Davis was a second-generation range bull in the tradition of Truman Green, Mike Boudreaux and Fay Martz. With his burly build, chunky gold bracelet, a pack of cigarettes always at hand, and direct, forceful style, he was hard to ignore. Certainly, he evoked strong emotions from the people around him. But from 1975 to his death in 2006, as general manager of Sho-Me Power Electric Cooperative, he never forgot the interests of the member as the end customer. His top priority was always the interests of those members and the employees who served them.

Though his goals were exemplary, his methods could be bruising. Ralph Shaw, who represented Northeast Missouri Electric Power Cooperative on the board for much of the time Davis served, observed that he was "full of intrigue and control." His modus operandi in reaching board decisions was to build a coalition at Burr's. As Don McQuitty remembered, "John would look out for you at Burr's the night before a meeting." But watch out the next day. "At the board table … he would try to take you out. He wasn't afraid to embarrass any employee." Or board member for that matter. Everyone was fair game if it advanced the Davis agenda.

Jim McNabb, who probably had the least to fear of any Associated employee in front of the board, was always conscious of the Davis threat. "When I prepared for a board presentation, I prepared for questions from John Davis," he said. "John Davis … always asked the toughest questions, and when John started asking questions, the adrenalin pumped a little faster because he would get to the inside of the issue."

Yet Jim McNabb often became the channel through whom others approached Davis.

Ralph Shaw described Davis as "ornery in the sense he would bait you and sometimes get discussions going. It was not unheard of for him to propose something that was the exact opposite of what he had in mind. He made you look at things in a different way. That was his normal mode of operation."

John Farris, general manager of M&A Electric Power Cooperative and a fellow board member with Davis, remembered his commanding presence, "I knew John Davis from the time he started at Sho-Me. … He had a booming voice and spoke with a lot of authority. He was usually right."

O.B. Clark, board president during most of the Davis years, agreed Davis could be intimidating, but "he knew where he wanted to go and how to get there." Clark experienced those board dynamics firsthand, remembering the balance and counterweight the quiet Bob Stagner brought to the turbulence. "Both John and Bob were good engineers, extremely intelligent and dedicated. … One was really vocal and one wasn't, but they were smart at what they did," he said.

John Davis: a man for the members, continued

One example of the power Davis wielded occurred during the time the Associated board was considering KAMO's desire to bring its Oklahoma cooperatives into Associated. It's safe to say that in 1997, the board would not have agreed to admit KAMO the next year if Davis had opposed it. In the mid-1990s, the board had strong feelings that the KAMO Oklahoma contingent should not be admitted for fear of rate increases for all members. In fact, Jim Jura said, "Some board members said 'not over my dead body.'"

Jura remembered how KAMO's Chris Cariker, new to the Associated board, "worked very hard to establish a good relationship with John Davis early on. They were so different, John a hard drinker and Chris a teetotaler … But Chris looked at the board and knew he had to go through Davis for anything to be approved."

A member of the Cherokee Nation, Davis was as proud of his heritage as he was of Sho-Me and Associated. He came to Sho-Me through a recommendation by Doug Wright, administrator of Southwestern Power Administration where Davis had worked years before as an engineer. Davis became the new Sho-Me manager in 1975, replacing Charles Boulson. His term through 2006 would become known as the "John K. Davis era." It was a time when the rapid growth of the six G&Ts forced them to work together to overcome economic, political and legal obstacles.

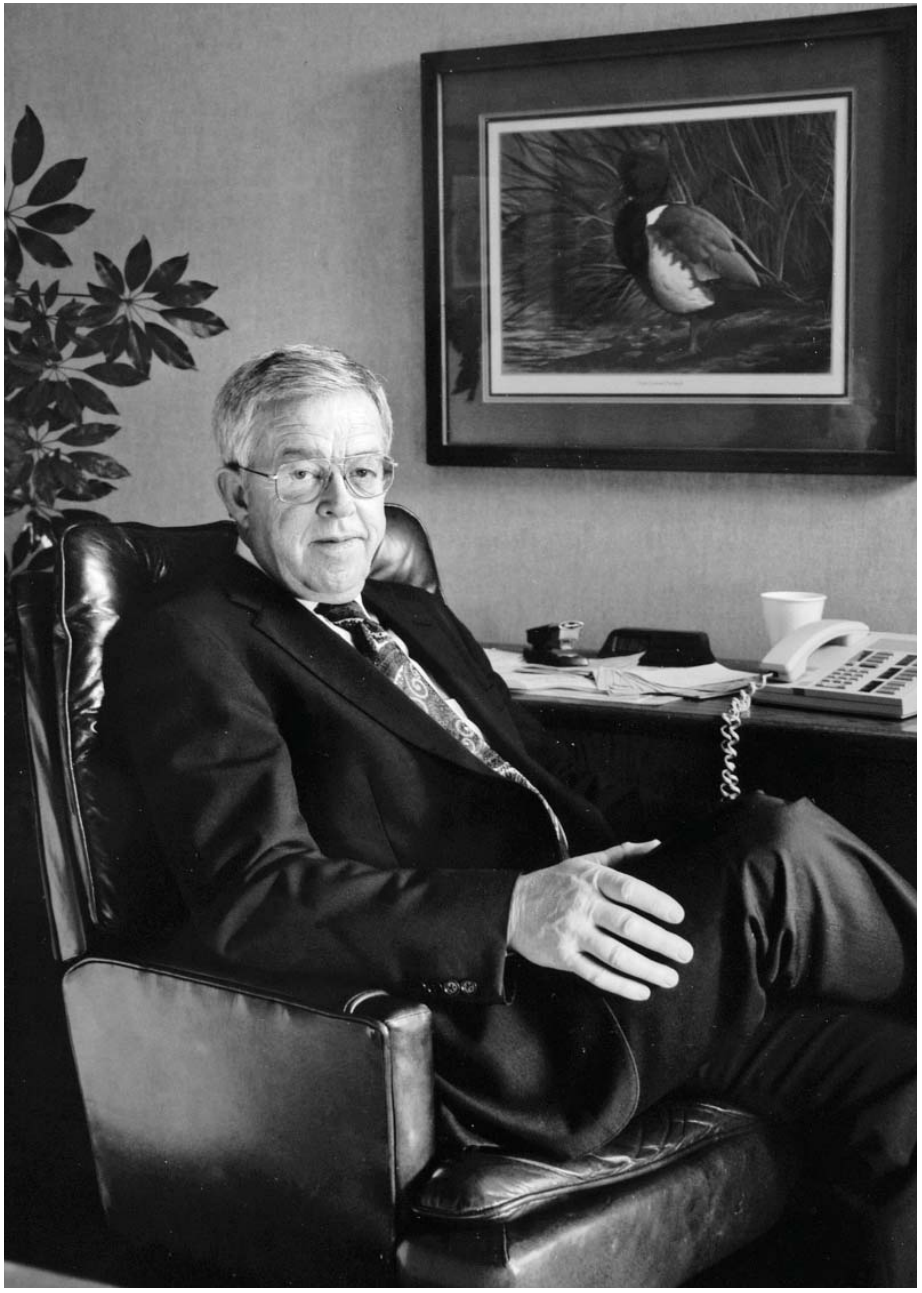
Under the guidance of its "can-do manager," Sho-Me hired skilled professionals who could work on those obstacles. Davis and Sho-Me won a long battle for release from Missouri Public Service Commission regulation. They created Sho-Me Technologies to bring fiber optics to county courthouses, schools, hospitals and clinics throughout its territory. They forcefully advanced AMEC's plan for a workers' compensation insurance pool for cooperatives, known as the Missouri Electric Cooperatives Insurance Plan. And Davis successfully advocated for equal employee benefits, whether union or not. It was all about looking out for his people.

During his three-year battle with cancer, Davis never stopped working at the job he loved dearly. He considered the Sho-Me employees part of his family, and those were the people he wanted to be with until the end. His lifetime dedication to cooperatives – he was one of the longest-serving G&T managers in the nation – earned him AMEC's Franklin R. Stork Democracy Award.

Summing up the Davis contribution to Associated, Ralph Shaw said, "While you might not agree with something John said, you knew he'd given it thought, and he made you think about the other side. That's so important. He was a very valuable asset to the idea process."

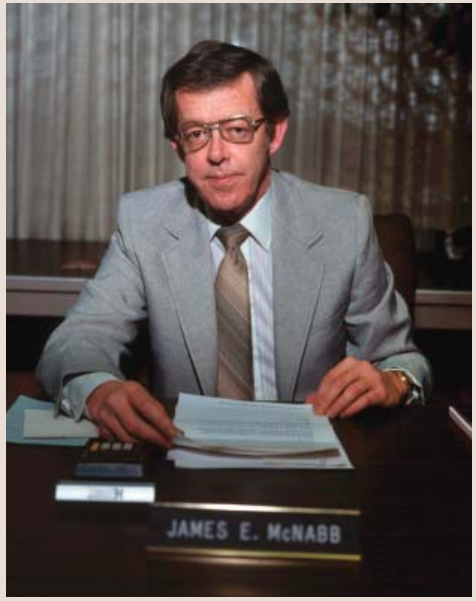
From left: Chris Cariker, Associated board member (sidebar photo); and

Associated's Headquarters, expanded in 2010 to meet workforce needs. The expansion was built to meet LEED gold energy efficiency standards.



Jim McNabb, former director of Engineering and Operations.

Jim McNabb: a masterful board liaison



Jim McNabb's nearly 40 years with Associated began in 1962 when he was hired as the fifth Associated employee and continued until his retirement in January 2002. For the last six years of his tenure, McNabb served as special assistant to the CEO and general manager, but for the balance he directed Engineering and Operations. Every generation and transmission project of those decades bore his mark.

Blessed with a brilliant mind, superb engineering skills and formidable negotiating instincts, McNabb was as well known among cooperatives around the country as any of Associated's general managers. Though he denied being a "powerhouse" within Associated, certainly Engineering and Operations was the division that studied generation and transmission, that did the engineering, did the analysis, did the planning and made the contracts. McNabb's division was where the ideas came from.

McNabb never socialized with the board. That was a personal decision of his but one he stuck to. Yet, in Jim Jura's estimation, McNabb was the staff member with the most influence with the board.

McNabb himself denied any such power, but he admitted, "I had a very close relationship with the board. Most of the senior staff members did. It was the policy that [at] every board meeting we had an opportunity to make a presentation about new generation or a new contract or something important and that put me in contact with the board. Sometimes I successfully answered their questions. Sometimes I went down in flames."

McNabb recalled one time when he presented a proposed change to a coal contract to the board. "The board just didn't like it. But this has never been a rubber-stamp board. I never went before the board with new ideas or a new piece of business without a great deal of apprehension because they would get inside your head. And if your way wasn't sound, they would send you back to change it or whatever. Our board always understood the business … understood what Associated was trying to do, and they weren't going to be brought into some new arrangement without a full understanding. Sometimes you just couldn't get that full understanding," he said, continuing, "You had to influence 12 people, at least eight to get any kind of program adopted. Some of the board members would delve deeper into subjects than others."

When it came to negotiations, "We understood what the board expected of us. So when negotiating, we had a fair idea of what the board expected," he said.

From left: Dan Singletary, Joe Wilkinson, Emery Geisendorfer, Doug Aeilts, David McNabb and Jim Jura trek to New York City to tell Associated's story to rating agencies.

In 2011, Associated Electric Cooperative's board of directors are, from left, in front, Gary L. Fulks, Sho-Me Power Electric Cooperative; Donald W. Shaw and Thomas W. Howard, Central Electric Power Cooperative; Emery O. Geisendorfer, president, Northeast Missouri Electric Power Cooperative; in back, from left, Douglas H. Aeilts, Northeast Missouri Electric Power Cooperative; John C. Farris, M&A Electric Power Cooperative; R. Layne Morrill, secretary, and J. Chris Cariker, KAMO Power; T. Jake Fisher, treasurer, M&A Electric Power Cooperative; John B. Killgore, vice president, and Don R. McQuitty, NW Electric Power Cooperative Inc.; and Dan A. Singletary, Sho-Me Power Electric Cooperative.

Associated's member-owners

Central Electric Power Cooperative
Donald W. Shaw
Thomas W. Howard

KAMO Power
J. Chris Cariker
R. Layne Morrill

M&A Electric Power Cooperative
John C. Farris
T. Jake Fisher

Northeast Missouri Electric Power Cooperative
Douglas H. Aeilts
Emery O. Geisendorfer

NW Electric Power Cooperative Inc.
Don R. McQuitty
John B. Killgore

Sho-Me Power Electric Cooperative
Gary L. Fulks
Dan A. Singletary

"Without a doubt, Janie made my life easier. ... She has a finger on the pulse of the entire organization."

– Jim Jura
Associated's CEO

Janie Corn: adding the personal touch to governance

One person near the corner office at Headquarters helped make Associated's unique governance structure a living, breathing, personal dynamic. Made up of complex relationships and personalities, governance at Associated could get complicated, but Janie Corn, executive assistant in the Executive Division, made it seem easy. Her 30-plus years at Headquarters gave her an intimate, working knowledge of the organization and its players, including senior staff, the board, strategic partners and Jim Jura.

Without a doubt, said Jura, "Janie made my life easier. ... She has a finger on the pulse of the entire organization." Professional, discreet and detail-oriented, Corn earned the complete trust of those players. Early on, board members and staff learned they could talk through Corn to Jura – if they didn't want to have a direct conversation.

As Jura's "right-hand person to the boss," Corn could anticipate staff and board responses, gently remind him of sensitive issues and use good judgment when swift action was called for.

When it came to trust, no one had more of it than Janie Corn, who made sure governance kept its human face. She was a critical building block in Associated's tiers of trust, earning Excel awards in 1999 and 2010 for her professionalism.

Associated received "Project of the Year Award" for construction of selective catalytic reduction environmental controls equipment in 1998 on New Madrid Unit 2 from Power Engineering magazine. The award was significant at the time because Unit 2 was the first coal-based application in the world operating at 93 percent NO_x removal. Another 17-story SCR is added on Unit 1 by 2001, making the plant one of the cleanest coal plants in the country with cyclone units.

Back to Table of Contents

Big money

The money just kept getting bigger.

Bob Stagner, who served 32 years on the board, remembered when a million dollars was a lot of money for Associated. Then the million became $10 million, then $100 million. Then the millions became billions.

"But you always kept in mind that all those millions and billions were generated by people who pay $100 or $125 a month. How many light bills will it take to pay for that project?" he said.

The Associated of the 1970s was cash poor and asset poor. As documented in "Win-Win," when the money was available, the bill at the bottom of the stack got paid. By 1996, Associated was no longer cash or asset poor. Quite the contrary.

Through the mid-1990s, Associated generated a lot of cash. It had built up its Generation and Environmental Reserve Fund, a kind of war chest of cash set aside to pay for multimillion-dollar issues and projects, often environmental in nature. Costs of closing the mines cut into reserves, but of greater concern were the exploding costs of fuel, environmental compliance and new generation that were coming. Where would the money come from to pay for these necessities?

Historically, the money came from RUS, the U.S. Department of Agriculture Rural Utilities Service (formerly REA), or from the National Rural Utilities Cooperative Finance Corp. (CFC). Low-cost capital for low-cost power. But RUS money came with strings attached. An RUS loan

Construction continues on the 540-MW addition, at right, to the existing 522-MW Chouteau Power Plant, left, in Pryor, Okla.

"Associated is one of our better G&T borrowers, if not the best we have. They work with us and treat RUS as a partner, and we really, really appreciate that."

– Victor Vu
RUS

had a lien on Associated assets, which meant RUS had to approve of any additional loans against those assets. It also took about two years for a loan application to be processed, and there was always the question of whether Congress would appropriate adequate funding for RUS.

David McNabb, Associated's CFO beginning in late 2006, described the need for more diversified financing that Associated faced from 1996 through 2010: "We started with bigger capital projects like St. Francis and Chouteau 1. Then the peakers came in, and in 2002 Holden. Then we had the $420 million project at Thomas Hill that ended in 2008. Now, we're right in the middle of Chouteau 2. That's $560 million. These are the largest capital projects in the history of the company."

The strategy that developed over the past 15 years was to use cash reserves and short-term street money from bonds, banks, syndicates and private placements to pay the immediate bills of capital projects, then use low-cost, long-term loans for paying down the debt. That meant establishing relationships with lenders and getting lines of credit. Early on, said David McNabb, Associated's line of credit might have been only $10 million. In 2010, it was more like $600 million with about $95 million drawn on that $600 million at year-end.

This strategy played out early on in paying for the new gas plants. Cash on hand enabled Associated to move quickly to construct St. Francis Unit 1 and the Essex and Nodaway peaking plants to meet load demands, Mike Miller, former CFO, explained. Associated had about $200 million in the bank. The most economical use of that cash was to build the units, then finance them when they were ready to come into service. "That gave us flexibility and time to arrange the best financing," Miller said.

The old standbys: RUS and CFC

Not that Associated walked away from Rural Utilities Service and National Rural Utilities Cooperative Finance Corp. loans. Victor Vu of RUS said it provided loans at one-eighth of 1 percent above the Treasury rate, which is probably 1 percent to 2 percent below what the market offers. "When you're looking at hundreds of millions of dollars, that's quite a big difference," he said.

Vu noted that in 2002 RUS approved $130 million to build the Holden plant and $262 million in 2005 to put in environmental equipment to control nitrogen oxides emissions at Thomas Hill. Later, there was a $150 million construction loan for Dell Power Plant. The year 2009, he said, was a particularly active year for Associated and RUS with three additional loans, one alone totaling almost $200 million. RUS approved $490 million in 2010 for Chouteau 2.

"The total since 2000 is $1.4 billion that RUS has provided in financing for Associated," Vu said. "Associated is one of our better G&T borrowers, if not the best we have. They work with us and treat RUS as a partner, and we really, really appreciate that. We're not just a banker but a partner. It helps us do our planning and helps get loans out faster."

As for CFC, in the 1980s, CFC was Associated's lender in the Black Fox Nuclear Project. When that project shut down, Associated repaid the loan and then turned to CFC again to finance a very large tax benefit transfer upward of $200 million. In those days, longtime CFC executive Krishna Murthy described Associated as "a developing cooperative with significant potential" that has since become a highly rated cooperative with substantial equity and many more assets.

CFC continued to service loans to Associated from the 1970s with a balance of about $70 million in 2010. CFC also has a $150 million line of credit with Associated, with about $30 million drawn. "Associated is one of the largest exposures we have," Murthy said. He also acknowledged a strong human connection between the two entities. As a cooperative bank, CFC is owned by the G&Ts and distribution cooperatives that borrow from it. "KAMO, Sho-Me, NW, they are the owners of CFC and the owners of Associated. Associated also owns CFC," he said.

Tom Hall, another CFC officer, noted that federal lender, cooperative lender and corporate lender appetites

> Every time when we go back to the rating agencies, a director-director goes and sits in front and tells the story from where they sit. That is something no one else has done. ... The financiers are a little surprised that we have input, the actual people using the product.
>
> – John Killgore
> Associated board member

for various loan tenures changed dramatically over time. "Historically, G&T cooperatives relied on CFC for short-term liquidity and RUS for long-term financing. Given ongoing regulatory and political pressures, G&Ts have had to reconsider the appropriate mix of federal, cooperative and corporate lender relationships. CFC has been a strong supporter of Associated in bringing to bear financing when and how Associated most needed it," he said.

Hall added, "Electric cooperatives have relied, and continue to rely, on CFC to help build multi-lender or 'syndicated' liquidity facilities to fund their capital expenditure programs. Given the size of generation asset expansion within the cooperative niche, the breadth and depth of CFC's relationships have been critical to bringing needed lending capacity. Associated, given its long-term thinking and financial strength, has been a leader in developing relationships with lenders, institutional investors and investment bankers. Associated hasn't relied on others to build relationships for them. They have done that themselves."

Even with their excellent terms, RUS and CFC couldn't meet all of Associated's needs. And so the cooperative ventured down new paths seeking big bucks to be paid for by $100 monthly light bills.

The ratings game

In the 1980s, Associated's "whisper ratings" from New York City's rating agencies unofficially answered the question, "If Associated were to issue bonds, what would they be rated?" After Jim Jura arrived, the trips to New York continued. Typically, board president O.B. Clark and two board members from its finance committee accompanied Jura and the CFO to make the presentations. Mike Miller, CFO, credited Alan Spen of Fitch with posing the pertinent questions: Do you recognize the problems coming at you and do you have the capability of addressing them?

Jura remembered that not every board member was convinced official Wall Street ratings mattered very much. "In the early 1990s, some board members questioned why I put all this emphasis on the ratings," he said. To help the board better understand the stakes, Jura invited a new strategic partner, Spen, to make a presentation to the board at a critical meeting in Columbia, Mo. "It was much easier after Spen!" he said.

In the mid-1990s as Associated studied the economics of gas generation, the realization hit the board and management that traditional financing through RUS wasn't going to be enough or be expeditious enough to meet the needs. Some financially strong cooperatives had begun to look outside RUS. Associated began to ask itself, "What if RUS is not here? What are the alternatives to finance capital growth?" It was time for the real deal in ratings.

In 1996, Associated entered the bond markets for real, securing ratings of AA from Standard & Poor's Ratings

From top: David McNabb, Associated chief financial officer; and

Christopher Jeffries, vice president of business development, National Rural Utilities Cooperative Finance Corp. (CFC), meets with Mike Miller, former Associated CFO, at Associated's 1999 annual meeting.

From left: Meeting during a 2009 information-gathering visit to Associated's Headquarters are, from left, Theodore Chapman and David Bodek of Standard & Poor's rating agency, Roger Clark and David Dockery, Engineering and Operations staff members at Associated; and

Chouteau 2 Power Plant construction under way in Pryor, Okla.

Service, AA- from Fitch Investors Service LP and A1 from Moody's Investors Service. The ratings were critical because they allowed Associated to sell bonds on the open market on its own strong credit, saving millions of dollars in interest charges. The bonds refinanced $127 million worth of 1984 pollution control debt at a lower interest rate. This type of bond was secured by an entity using pollution control equipment and was a cost-effective way of paying for such equipment.

Ratings continued to be critical to Associated's ability to secure street money to pay the bills. The trek to New York by senior management and the board was repeated every year. John Killgore, a director of NW Electric Power Cooperative and an Associated board member, commented on the reception Associated typically received: "Every time when we go back to the rating agencies, a director-director goes and sits in front and tells the story from where they sit. That is something no one else has done. … The financiers are a little surprised that we have input, the actual people using the product," Killgore said, explaining that director-directors are cooperative members elected by their peers to serve on the Associated board. They are a direct line to members versus manager-directors who are general managers and CEOs of their respective G&Ts.

For Jura, board participation in the ratings game has been critical. "I'm very grateful for the board members' participating with the rating presentations. It's very helpful to demonstrate to a rating agency that our people understand these issues, and it's very helpful to us in maintaining strong credit," he said, adding that the board members help establish personal friendships, always a factor in finance.

Indentures: the key to financial flexibility

In 1997, Associated announced it was seeking an indenture that would free it from approval from RUS for third-party financing. The indenture, a flexible financial tool used

by many corporations but few cooperatives, was in process a year later as Associated was building its first gas generation. Associated would become the eighth cooperative in the country to use this gold star standard of financing, and it would completely change the dynamics of how the cooperative borrowed money.

Bill Ekey, a senior vice president at Commerce Bank, N.A. in Kansas City, the indenture trustee, described it as "an accordion of debt that can grow or shrink according to the need. Instead of individually securing one piece of property for one loan, an indenture can accommodate lending over an extended period of time for huge amounts of money."

When Mike Miller joined Associated in 1998 as CFO, controller Howard Gomer had already begun to build an indenture that would allow other lenders besides RUS to have a shot at loaning money to Associated. Under a traditional RUS mortgage, Associated's assets had a lien against them, which affected its ability to go to the open market and borrow money. The indenture laid out market-based financial covenants and established a trust that treated all lenders equally and looked out for the interests of individual investors. The indenture thereby created the opportunity for competition among lenders for Associated's business. More than 12 lenders eventually competed for the privilege of lending Associated money in that first offering, including Nations Bank, Solomon, Smith Barney, Goldman Sachs Group Inc., Prudential Capital, Citibank and PricewaterhouseCoopers.

Competition for Associated's debt brought speed. The rapid-fire construction of the Associated gas fleet could not have happened so quickly without the indenture. For example, the money was there for the Essex plant to generate kilowatts within 12 months of the purchase of its combustion turbine, the land and construction of the facility.

More lenders provided a greater variety of financing terms, from leasing to fixed-rate loans. Now, said Miller, the board had a variety of alternatives to review rather than just the price of an RUS loan.

CFO David McNabb observed that the indenture allowed Associated to go to any lender and offer it equivalent security with RUS. "That was a major, major, major piece of why we can go to other lenders," he said.

Commerce Bank's Ekey added, "Associated had to be more nimble in the marketplace. Associated had to have the ability to take advantage of the opportunity to leverage the assets they own while keeping borrowing costs under control. The indenture really covered those objectives."

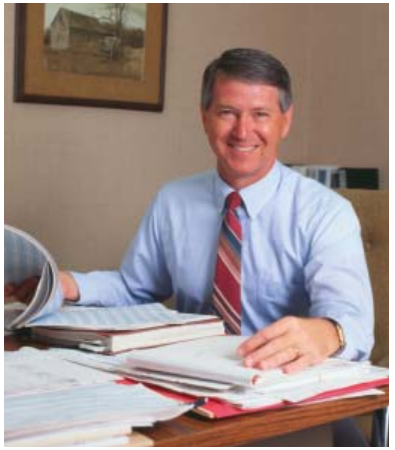
CoBank steps in

"We certainly, definitely were trying to get their business. Associated came up on our radar screen of well-run G&T organizations that had a strong membership base. It came up on our screen as very desirable," recalled Jake Udris, a senior vice president with CoBank, the $58 billion cooperative bank that loans money to agribusinesses and rural power, water and communications providers.

Udris continued, "I remember meeting with Jim Jura at a NRECA annual meeting and asked him if he would speak at an executive forum of 25-35 senior-level CFOs and CEOs of G&Ts or customers about what were the criteria for a good CFO. He was in the process of hiring Mike Miller. … Jim agreed to speak at that forum and has spoken a number of times since. I had another motive for getting him to speak that I never told him. I wanted to profile him and Associated in front of the executive team, and I thought he sold pretty well. … He was willing to think outside the box. … The first concrete and significant touch point for CoBank and Associated was when Jim agreed to speak."

Horace Harrod, then a senior vice president and division manager within CoBank, also was courting Associated and finally sealed a deal.

He explained, "Associated had been a virtually exclusive borrower from RUS and CFC up until the time CoBank made its initial loan. CFO Wes Ohrenberg was a long-tenured individual with Associated and was very comfortable with RUS and CFC. CoBank had called on



Howard Gomer, former controller.

"Associated had to be more nimble in the marketplace. ... The indenture really covered those objectives."

– Bill Ekey
Commerce Bank

Dell Power Plant construction.

Associated for a number of years but had never worked a deal." After Jura arrived, Harrod remembered him as "a catalyst for a number of changes that started happening. … He saw that Associated was about to go through a growth period and knew there would be a need for more capital. The whole character of the organization began to change along with that."

Jump to 1998. Mike Miller was now the CFO. Knowing that Miller had little knowledge of RUS and its programs, Harrod saw an opportunity to talk about CoBank's financial alternatives. He knew Associated had an indenture and needed capital to pay for its first gas plant and that Miller was interested in CoBank as one of several alternatives to RUS and CFC.

"I remember when I first called on him," Harrod continued. "I said, 'Here's our strengths and weaknesses and in my view those of other banks. You'll have to weigh the strengths and weaknesses of each group.' … later, Mike called and said, 'You were right. It worked out just exactly like you said. We're going with CoBank.'"

During the days when Harrod in Louisville in the eastern time zone and Miller in Springfield were working through the details of the first loan, "Mike was spending a lot of long hours in the office, and he had a question about one of the documents he was working on for the St. Francis deal. He didn't realize the time and called my office. As we went back and forth on the documentation, Mike heard a buzzing in the background and asked what it was. It was the cleaning staff running the sweeper in my office because it was 7:30 p.m. in Louisville! 'Oh, I didn't realize it was so late,' he said. He kiddingly called me the sweeper guy after that," he said.

Because CoBank's rates were so good, Associated came back in 18 months for another $100 million for Chouteau 1. But that was too much exposure for CoBank, so it offered an innovative solution: a syndicated loan in which it would carry $50 million and Farm Credit system banks the second $50 million. Initially, that loan was sold to AgFirst, the Farm Credit Bank in Columbia, S.C. Subsequent loans were sold to the Farm Credit Bank of Texas in Austin and US AgBank in Wichita, Kan., as the Farm Credit system stepped in to form the syndicate. The concept of syndication grew so that by 2010, CoBank had close to $400 million in total credit extended to Associated.

Summing up CoBank's lending prospects with Associated, Udris, a senior vice president, said, "The best customers should be customers that someone else wants too. … CoBank's challenge today is that all the big dogs know about Associated now and would like to do business with it."

Going private

Once Associated got square with indentures, bank loans and syndicates, it ventured into yet another type of financing: private placements. Together, Miller and David McNabb pursued this new option, beginning with Metropolitan Life Insurance Co. in 2005.

It was another example of timely forward thinking on the part of Associated. Other G&Ts were not so fortunate and were scrambling for financing when RUS loans for baseload, fossil-fuel power plants dried up.

Nancy Doyle, a MetLife director for private securities for the power industry, noted that Associated was very advanced in tapping into MetLife as a lender. While Associated was looking to banks for short-term money to pay the bills, it started looking at insurance companies as a lending source for long-term loans. MetLife did its due diligence in evaluating Associated as a potential borrower.

"We looked at the financial statements, looked to see how willing the board was to raise rates to cover costs and to build up a cushion of patronage capital. We looked at Associated's plans to spend money in the future. Obviously, we don't like to go hog wild on some crazy project! Associated had a very considered plan, and we got very comfortable with general manager Jim Jura and Dave McNabb. … We also met the board members, who represent the ultimate owners. They're the ones paying the bills, and so it was very important that they were financially healthy. We looked at their financial metrics and at

the credit ratings, though we do our own due diligence as well," she said.

In the 2005 deal, MetLife was the largest lender in a syndicate orchestrated by SPP Capital for the 30-year loan. Ultimately, Doyle said, "We asked, 'Do we want to lend to these people?' We looked at Associated and said, 'Yes.'"

In 2009, Associated came back to MetLife directly, not through an investment banker. This time, it asked for a five-year $50 million loan and a 30-year $50 million loan, neither tied to any specific project. "They knew the government wasn't going to lend any more for coal, gas and nuclear. … It was a fairly good-size amount for a company like MetLife, and we only do some loans to people we feel very comfortable with," said Doyle.

In 2010, MetLife held loans maturing from 2014 to 2039. "When we do these investments, we buy and hold, and we want to make sure upfront that we're dealing with a very creditworthy entity like Associated," Doyle said.

Mike Miller: the right man for the right time

"Mike Miller got off to a rocky start, but at the end of the day what history should say is that Mike Miller took us to a new level. Mike Miller took us to Wall Street," said Don McQuitty, general manager of NW Electric Power Cooperative and an Associated board member.

Miller was a shock to Associated. Joining in 1998 as CFO, he had no utility experience other than auditing Texas utilities as a junior accountant with Deloitte & Touche after college. For the 14 years before joining Associated, he was vice president of finance at family-owned Silver Dollar City in Branson, Mo. There, he was used to an environment where banks competed for the company's business.

Jura was convinced, though, that Associated needed shaking up, and he was farsighted enough to know that RUS and CFC financing would not be enough once gas got rolling. As Jura courted and interviewed Miller, Miller was impressed with Jura's singularity of focus. In explaining Associated's business strategy and financing, he stressed to Miller there was only one test: cost, low cost. Associated will be the lowest-cost provider. "He had a very strategic approach to business. … We're going to stick to generation, form strategic relations and be financially strong."

Mike Miller, former Associated CFO.

Miller got it and in fact was already accustomed to a strategic approach to financing. "Working for Silver Dollar City really gave me a certain view of how to manage assets and how to look at corporate resources. That was a change that Jim Jura was trying to make at Associated. When I joined, there was a lot of noise about deregulation. Jim really wanted a CFO with for-profit experience to counter deregulation pressures on the cooperative," he said.

Jura liked what he saw in Miller. "Mike Miller was a strategic choice I made. He offered us an outside view of industry and how to manage financial assets differently. What I underestimated was how much glass he was going to break!" he laughed.

> "... what history should say is that Mike Miller took us to a new level. Mike Miller took us to Wall Street."
>
> – Don McQuitty
> Associated board member

Richard Burlison, former controller.

"They have a lot of ambitious projects. They have to meet a growing load on their system and a growing need to upgrade facilities, upgrade environmental controls and meet more user demand. There's a constant need for sources of financing."

– Bill Ekey
Commerce Bank

"Mike was totally alien to this culture. He was an alpha male, and Jim McNabb was the other." That led to some competition between the two to win board influence.

Miller himself admitted that the move from the for-profit entertainment world to the highly regulated utility business was a challenge. "I stubbed my toe a number of times in learning the cooperative culture and learning to be effective with the senior management and the board," he said. His mastery of the transition he attributed to his very competent staff: Richard Burlison as controller, Randy Murdaugh in charge of risk, Jeannie Robbins as accounting manager and all their supporting employees.

But Miller soon proved to be the right man for the times. During his 12-year tenure, he borrowed, refinanced or initiated short-term borrowings of about $1 billion, some of it from new financing sources. He pushed Associated in the direction of private placements and introduced competition into financial strategy. As a result, he could offer the board a menu of options that pitted lenders against one another. Competition, the board learned, could save Associated big money.

Rock solid for the 21st century

As the first decade of the new century advanced, expenses and the loans to pay for them kept increasing. But Associated's conservative financial discipline kept it rock solid. In 2004, it paid off the remaining $31.7 million in mine closing costs. In total, Associated amortized $342 million in 11 years, achieving the write-off 11 years ahead of schedule. That removed nonperforming assets from the balance sheet and improved Associated's competitive position.

2009 was a busy year for bankers and Associated. It received two low-interest loans from RUS: $160 million at an interest rate of 3.81 percent to help with the cost of the Thomas Hill Energy Center environmental controls and $40 million at 3.78 percent for construction costs of the combined-cycle Dell Power Plant that began operating in 2007.

Associated also secured a $199 million RUS loan for 141 projects in Associated's 2007-2012 construction work plan, including transmission facilities; heavy equipment for the coal yards at the power plants; turbine controls and other power plant equipment; and added capability at Dell Power Plant to burn diesel to increase the plant's operating flexibility and improve reliability.

In spite of the lingering recession, Associated also borrowed $100 million from Metropolitan Life Insurance Co. and added lines of credit with CFC, CoBank, Bank of America and Regions Bank. At the end of 2009, Associated had $170 million drawn and total credit capacity of $500 million, with an average interest rate of 1.10 percent. The low interest rates reflected Associated's hard work in building high credit ratings with Moody's, Fitch and Standard & Poor's.

At the end of 2010, Associated had 28 loans in place, with a total of $1.84 billion outstanding. That compared to $690 million, the bulk with RUS and CFC, in 1998 when the indenture was first issued.

In its long-range financial forecast, Associated had estimated spending more than $4 billion through 2018 alone for new generating resources, environmental controls and general capital items. But with regulations not yet finalized, the uncertainty about what environmental equipment to add and when continued.

So will Associated get the millions and potentially billions needed in the coming decades?

"Just from knowing the company since 1998, I think so. They have a lot of ambitious projects. They have to meet a growing load on their system and a growing need to upgrade facilities, upgrade environmental controls and meet more user demand. There's a constant need for sources of financing," Commerce Bank's Bill Ekey said. "They appear to be well-positioned based on financial condition, the flexibility of the indenture they've got, coupled with the fact they're pretty good at adapting to the market and moving ahead with projects that make sense."

He continued, "What I've observed is that as a group the whole management team is very down-to-earth. They're

the kind of people who are approachable and easy to deal with and are genuinely concerned with their customers. They talk a lot about the 'customer at the end of the line.' I think that's real interesting, because it's not like other corporations I deal with. Associated is focused on what they are doing for the customer. It's very refreshing."

Summing up Associated's financial picture in 2011, Tom Hall with CFC said, "Associated being a large utility, their short-term and long-term needs are bigger than any single lending institution can cover. What they decided to do was to build relationships with a variety of different lenders. Through a lot of hard work with Dave [McNabb] and Mike [Miller] and Jim [Jura] and the executive team, they have put in place a series of credit lines with many different banks, and now they can leverage the breadth of the financial alternatives. Truly, Associated has positioned itself very, very nicely."

Employee excellence: Ronda Earnhart in the Accounting and Finance Division was charged with keeping the books straight, documenting complex financial transactions and filing legal documents in 36 counties. In 2004, she streamlined the process for getting signatures on legal documents related to a renegotiation of Associated's lines of credit. Her innovation saved Associated thousands of dollars in legal fees and earned her an Excel award.

From top: Holden Power Plant construction; and

Ronda Earnhart, Accounting and Finance staff.

> "It's not like other corporations I deal with. Associated is focused on what they are doing for the customer. It's very refreshing."
>
> – Bill Ekey
> Commerce Bank

Directors, managers and staff from cooperatives throughout the three-tiered system tour the Dell Power Plant in May 2008 during Associated's dedication event.

Back to Table of Contents

Family ties

In its early decades, Associated sometimes resembled a dysfunctional family. Private alliances, personal agendas and distrust among the G&Ts were all too common. Talk between Associated and the G&Ts was generally limited to the boardroom. The G&Ts tightly controlled talk between Associated and the distribution cooperatives.

But beginning with Gerry Diddle in the latter years of his position as general manager, Associated reached out to the G&Ts. Initially, it was largely a one-man show. But these small overtures paved the way for the communication channels Jim Jura made a priority.

One of the key players in the new dialogue was Keith Hartner, whom Jura had known at Bonneville Power Administration. Though Hartner was ready to retire from there, in 1998 he accepted Jura's invitation to join Associated as director of the Marketing/Communications Division. A native of Clinton, Mo., Hartner saw it as an opportunity to return to his home state but more importantly to work once again with Jura.

"My impression was that Gerry Diddle might have been the only person who had any contact with the cooperatives outside of board meetings; otherwise, staff was pretty much focused on Headquarters," Hartner related. "There may have been one 'update' meeting when I came.

"There was a real sense at the time among the board that they didn't want Associated out there talking to the cooperatives. They (the board) controlled the message."

And so Hartner began. He started by essentially inviting

Cooperative members and staff visit at Associated's 2007 annual meeting.

From top: Joe Wilkinson, director of Member Services and Corporate Communications, at Association of Missouri Electric Cooperatives' 2011 legislative conference;

Take Control & Save Program Manager Rick Holmes (left); and

members at Central Electric Power Cooperative's G&T Update Meeting.

himself to G&T annual meetings. The first meeting he attended, "I walked in, and someone said, 'What are you doing here?'" But Hartner persevered. He began recruiting Headquarters staff to join him on these road trips to interact one-on-one with members.

It wasn't easy. "Some of the members had sharp edges to them," he laughed. But as the G&Ts and distribution cooperatives got more comfortable with Associated staff, who really did seem to listen to member concerns, "They found out we didn't have anything to hide at Associated."

Gradually, the one-way meetings became a dialogue as Hartner offered to do more formal update meetings with the G&Ts. In the first year, only four accepted his invitation. Over time, the other two softened as they learned the benefits of the update meetings. Gradually, the mistrust was replaced with trust.

Over time, Jura, Hartner, Duane Highley and Gary Fulks when he was part of Associated staff became regulars at cooperative annual meetings. The door opened for Associated to join cooperative retreats. Formal update meetings became eagerly anticipated by all the G&Ts. Headquarters' marketing and communications staff met more frequently with members, traveling to cooperative offices around the state.

Looking back, Hartner reflected, "It was always interesting to me, and true at Bonneville, that a bunch of people at Headquarters had no idea what happened out in the field. There was a kind of Headquarters mentality, and we had that at Associated. It wasn't intentional, but those sitting in Headquarters were focused on running Associated. The 51 cooperatives and six G&Ts weren't really cognizant of how Associated's decisions affected them."

Hartner continued, "This whole body of work with the update meetings, getting to annual meetings, hearing them talk to their customers, this was very, very important. When a situation develops, Associated staff needs to understand the impact to nearly 1 million customers out there. That just wasn't there years ago."

Joe Wilkinson, director of the Member Services and Corporate Communications Division beginning in January 2008, picked up the update torch. When the Environmental Protection Agency issued its Mercury and Toxics Rule in March 2011 shortly before the first of the annual update meetings, Wilkinson scratched his presentation and started over, adding timely industry changes at the last minute.

"It's an example of what we have to do to provide members with the best, most accurate information," he said, adding that the goal of the update meetings is to create an open dialogue between members and Associated management.

Face-to-face meetings weren't the only communication improvements. Mark Woodson, who joined Associated's member services team in 1989, saw the role of member relations and communications expand under Jura. The website, publications, summaries of board actions, economic development initiatives, online briefing books, surveys of member satisfaction, membership in Touchstone Energy, all improved the dialogue. These vehicles helped broadcast Associated's vision and mission, its strategic priorities and plans for growth. Suddenly, said Woodson, "There were no surprises."

Fulks was among those Headquarters staffers making the early rounds of the cooperatives. When he became CEO of Sho-Me Power Electric Cooperative and an Associated board member, he was on the receiving end of the Associated presentations. "The meetings were very, very effective in getting the members to understand what's driving the costs up. They've been a wonderful forum," he said, adding, "There's a lot more credibility."

Another board member, John Farris, general manager of M&A Electric Power Cooperative, said, "The update meetings are probably the best tool for really communicating with the distribution directors. There aren't many corporations where the CEO speaks one-on-one with the users of their products. Jura and staff are well prepared, and that gets our attention and encourages questions."

Many of those questions were tough: Why are costs going up? Why are we building gas plants? "But Associated

never backed away," said Farris. "All the communication has helped keep the family together."

Talking to the family emerged as one of the most important functions Associated performed. It also extended to the three "statewide" associations representing electric cooperatives in their respective states: Association of Missouri Electric Cooperatives, Iowa Association of Electric Cooperatives and Oklahoma Association of Electric Cooperatives. These associations tackled politics in their respective state legislatures, seeking legislation that would be fair to their constituencies. When Associated initiated a series of wholesale rate increases beginning in 2006, it turned to these associations to help explain the issues. In AMEC's Rural Missouri, for example, a "Future Watts" series explained why rates were on the rise.

As Associated entered its second 50 years, family talk within the three tiers was robust: up and down, down and up, and sideways. Communication would be critical as Associated tackled its short-term challenges of fuel, regulations and risk.

The helping hand of extended family: AMEC

Across the country, super G&Ts and their respective states' cooperative associations have had their moments. "It's a rare deal for them to get along," said Don McQuitty, Associated board member and a former employee of the Association of Missouri Electric Cooperatives, describing those typical relationships.

Not so in Missouri. What was unique about Associated and AMEC, McQuitty said, was how well the two managed their relationship for 50 years. "Now is the best it's ever been," he observed. He should know, having worked for both Associated and AMEC before becoming CEO-general manager of NW Electric Power Cooperative.

The good relationship between Associated and AMEC began with Gerry Diddle and Frank Stork, AMEC general manager. Barry Hart, Stork's successor, remembered Diddle earmarking funds to work on Associated's legislative issues, including a large number of generation and transmission issues in Congress. As AMEC's director of government relations at the time, Hart worked 80 percent of the time on Associated issues. That continued when McQuitty joined AMEC.

Of course there were bumps along the way. Turf wars, management styles and personalities sometimes created speed bumps that rattled the relationship.

"It's like any marriage," said McQuitty. "You have things blow up."

For example, after Associated beefed up its member services and marketing department in the late 1980s and early 1990s, AMEC, led by Stork, became concerned about blurred lines of responsibility. When Associated began offering energy efficiency classes to distribution cooperative members, AMEC felt a line was crossed.

McQuitty, working for AMEC at the time, remembered being sent to a cooperative-sponsored fish fry at Montauk State Park in 1991 to meet the new guy, Jim Jura. His orders from Stork were to make sure Jura understood where the lines were drawn. McQuitty and two others cornered Jura and "ranted and raved" while Jura listened, wondering what line he had crossed to provoke such a barrage.

What McQuitty, Stork, Hart and others discovered at AMEC was that Jura truly wanted the two organizations to get along. Over the years, the lines would clear, then blur again over sponsorships, memberships in national lobbying associations, constructing a new cooperative building on the state fairgrounds, even Associated's annual meeting. But the differences were always resolved amicably. Jura would sometimes meet with distribution cooperative members and AMEC staff in the ECCO Lounge in Jefferson City to talk through friction points.

"Little brush fires would have broken out, but over some beers we'd put them out," McQuitty remembered.

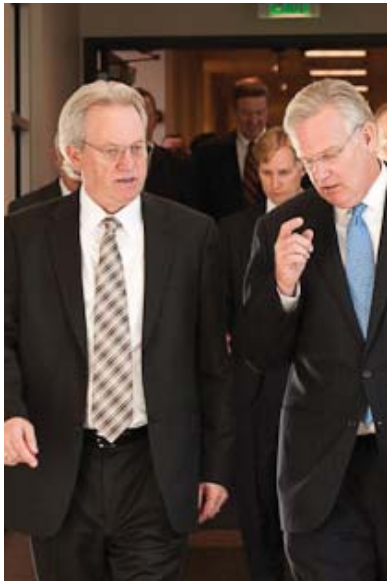
Hart added, "We still have a few beers together. But when we talk business, it's a professional thing that takes place in my office or Jim's office, or if it's at a meeting, we talk in the back of the room."

By 1996, when Jim Jura was well settled into his role as

Barry Hart, executive vice president and CEO, Association of Missouri Electric Cooperatives.

"There aren't many corporations where the CEO speaks one-on-one with the users of their products. Jura and staff are well prepared, and that gets our attention and encourages questions."

– John Farris
Associated board member



From top: Associated board member Don McQuitty, left, and Missouri Gov. Jay Nixon at news conference held at Associated in late 2010, when the governor endorses nuclear legislation to allow Missouri utilities to consider nuclear as a future electric generation option to meet energy demands of Missouri residents; and

Associated board members, from left, Don Shaw and Douglas Aeilts, along with Dan Strode, CEO and manager of Ralls County Electric Cooperative, visit with U.S. Rep. Kenny Hulshof during his tour of Thomas Hill Energy Center in early 2006.

CEO, he had made Associated's relationship with AMEC a priority.

"That priority passed down to senior staff and their employees. Whenever AMEC calls, it's a priority," Hart said.

The key component of the AMEC/Associated relationship became the friendship between Hart and Jura. It helped, too, that Hart was on the National Rural Electric Cooperative Association's Legislative Committee and Jura on its Power and Generation Committee. In their leadership roles, the two men helped resolve regional conflicts within NRECA and even develop new legislative resolutions.

"This close relationship is something we have never had before in the history of both organizations. This relationship is what makes us different than any other state," Hart said.

Ultimately, the two organizations got back to their core strengths. As McQuitty characterized it, AMEC "lived and breathed politics." Associated left politicking at the state and federal level to AMEC's seasoned governmental relations staff. A good example occurred in 2010 when Missouri utilities and Missouri Gov. Jay Nixon announced plans to seek legislative support for an early site permit for a second nuclear unit at Ameren's Callaway facility. Behind the scenes, the players, including Associated's board, agreed to give AMEC's staff, led by former state Sen. David Klindt, the leading role in developing legislative strategy.

"This came through a meeting between Jim Jura and Warner Baxter [CEO of Ameren Missouri] where Ameren agreed this would be done. This was a first for the state, where we worked with an investor-owned utility on strategy for a state legislative issue," Hart said.

AMEC, in turn, stepped back from plans to combine annual meetings. Associated continued to book top-notch speakers who brought valuable information and insights to distribution cooperative members.

One of the issues AMEC took on in the last 15 years was cap and trade. The Our Energy Our Future campaign, developed by NRECA and launched in Missouri in 2008, took the voice of members at the end of the line clear to Washington, D.C. It reminded politicians that electricity needed to remain affordable and reliable. Under AMEC's direction, Missouri cooperative members led the way nationally with some 800,000 contacts made by members with their elected representatives and senators.

Eminent domain and how cooperatives pay sales tax were other issues during this period for which AMEC went to bat. Ultimately, the right of utilities to acquire land for transmission rights of way was protected. "It was a difficult issue because we have to have the ability to build, but some landowners [opposed to providing right of way] are members," Hart said.

The sales tax issue was resolved favorably in 2010, saving cooperatives between $20 million and $40 million. "That was a very big success story," he added.

Norborne was probably the best example of how Associated and AMEC could work together for a common goal. AMEC moved into high gear, employing all its contacts and relationships with DNR, legislators, the governor's office and other state employees to help secure the required air permit from DNR. "They pulled every rabbit out of the hat to get it," McQuitty remembered.

Hart believed AMEC was successful because it didn't play partisan politics: "We don't care what you, the politician, are. If you support the cooperatives, then we will support you. … Our goal is to be sitting at the table when discussing issues affecting cooperatives, not on the menu."

Uniting behind this common goal strengthened the Associated family in Missouri and gave it a shot at being heard over its more populous urban neighbors. Jura's position on the AMEC Legislative Committee also gave him a voice in those discussions.

For certain, as Associated celebrated its 50th year, AMEC's ability to run effective political offense and defense in Jefferson City had proven itself time and again. Honed through the friendship of Hart and Jura, AMEC and Associated at last had tiers of trust.

Back to Table of Contents
Continue to Section 4