



AT A GLANCE

What is this report?

- An analysis of current attitudes of cooperative members
- A critique of our performance as service providers
- An assessment of the cooperative's core operations performance
- A sounding board for members of electric cooperatives

What will I find inside?

- Member ratings on overall satisfaction
- American Customer Satisfaction Index score and discussion
- Cooperative ratings on a variety of service and image attributes
- Drivers of loyalty, engagement and member satisfaction

Who should read this report?

- Senior executives and board directors
- Communications, member services and marketing professionals
- Operations and engineering professionals
- Any key stakeholder dealing with cooperative members

How can my cooperative use this report?

- Refine marketing and communication strategies
- Establish strategic direction for implementing system improvements
- Prioritize opportunities to improve satisfaction and member engagement scores

EXECUTIVE SUMMARY

Member Satisfaction, Engagement and Key Driver Performance

- Touchstone Energy cooperatives continue to generate high levels of satisfaction among residential members as verified by the **American Customer Satisfaction Index**.
- Socorro Electric Cooperative's ACSI satisfaction and retention scores fall significantly below all the major utility sector benchmarks provided in this report including aggregate scores for investor-owned utilities, municipal electric companies, non-Touchstone Energy Cooperatives, and Touchstone Energy Cooperatives nationally. Socorro Electric Cooperative also trails the Cooperative Difference benchmark group and the country's best investor-owned electric-only utility (Entergy) by a statistically significant margin.
- Member satisfaction is closely tied to concerns about core services such as providing reliable power, outage restoration and handling problems, followed closely by performance on cost containment and value.
- Achieving higher levels of member satisfaction is increasingly tied to economic factors including member perceptions related to cost and value issues.
- Educating members about rising energy costs and our efforts to mitigate them is a critical communication path. Actions and messages that reinforce the cooperative's goal to provide electricity at the lowest possible cost and demonstrate value are key priorities.
- While cooperatives achieve high levels of satisfaction overall, opinions differ among demographic segments. Younger members consistently provide lower satisfaction ratings than senior members.
- Significant opportunities exist to increase **Member Engagement** by communicating our 'cooperative difference' especially among our youngest consumers.

METHODOLOGY

The 2012 ACSI Incentive Survey sponsored by Touchstone Energy Cooperatives was fielded between July and August 2012. The study included 19 cooperatives representing 14 states who had never previously received an American Customer Satisfaction Index score.

Each of these cooperatives fielded nearly identical surveys and contributed their data to the national report. This effort resulted in nearly 5,000 total interviews.

Adding to the geographic diversity, cooperative participants ranged from small, rural cooperatives with only a few thousand members to some serving tens of thousands of members. The average membership size of participating cooperatives is 15,000. A list of participating cooperatives is provided below:

- 4-County Electric Power Assn.
- Arrowhead Electric Cooperative, Inc.
- Bayfield Electric Cooperative, Inc.
- Beltrami Electric Cooperative, Inc.
- Clarke Electric Cooperative, Inc.
- Continental Divide Electric Co-op, Inc.
- Cooke County Electric Co-op Assn.
- Cordova Electric Cooperative, Inc.
- Farmers Electric Cooperative
- Fergus Electric Cooperative, Inc.
- Navopache Electric Cooperative
- Newberry Electric Cooperative
- Northeast Nebraska PPD
- Pearl River Valley EPA
- Sangre De Cristo Electric Assoc.
- Socorro Electric Co-op, Inc.
- South Central Arkansas EC
- Wheatland REA
- Wyrulec Company
- Y-W Electric Association, Inc.

Interviews were conducted by telephone from a demographically diverse sample of each cooperative's membership. Participating cooperatives were identified as the sponsor of the research and samples were drawn directly from their member rolls.

For comparison purposes, the report includes findings from the 2011 National Survey on the Cooperative Difference conducted during the 4th Quarter 2011 and 1st Quarter 2012. The study included over 13,000 interviews among nearly 60 cooperatives throughout the country.

The sampling error associated with the national sample is +/- 1% at the 95% confidence level. Sampling error for the Socorro Electric Cooperative sample is +/- 6% at the 95% confidence level. Stated another way, if we were to field 100 random samples of equivalent size, 95 of those samples would return results that are within +/- 6% of those presented here.

OVERALL SATISFACTION

Electric cooperatives continue to lead the electric utility industry with high levels of member satisfaction and loyalty.

Cooperative members are very satisfied with the overall performance of their local electric provider, comparing favorably to all other utility service organizations monitored by the **American Customer Satisfaction Index (ACSI)**, a joint effort by the University of Michigan Business School and the international consulting firm, CFI Group.

Satisfaction scores and retention scores from the ACSI are shown below for the cooperative samples and for national benchmark groups for the 3rd Quarter 2012. Plus or minus errors reported by the ACSI are at the 90% confidence level.

ACSI Scores 3 rd Quarter 2012 (90% Confidence Level)	ACSI Overall Satisfaction	ACSI Retention	Sample Size	Plus or Minus Error	Lower CI	Upper CI
2011 Co-op Difference Survey	81	79%	13,145	0.3	80.7	81.3
Touchstone Co-ops Nationally*	83	79%		2.6	80.4	85.6
Top Electric IOU*	82	75%		2.7	79.3	84.7
Non-Touchstone Energy Cooperatives*	82	n/a		4.7	77.3	86.7
Investor-Owned Utility Average*	76	74%		0.5	75.5	76.5
Energy Utility Sector Average*	77	74%		0.5	76.5	77.5
Municipal Electric*	76	71%		1.4	74.6	77.4
Socorro Electric Co-op	65	66%	252	3.2	61.8	68.2

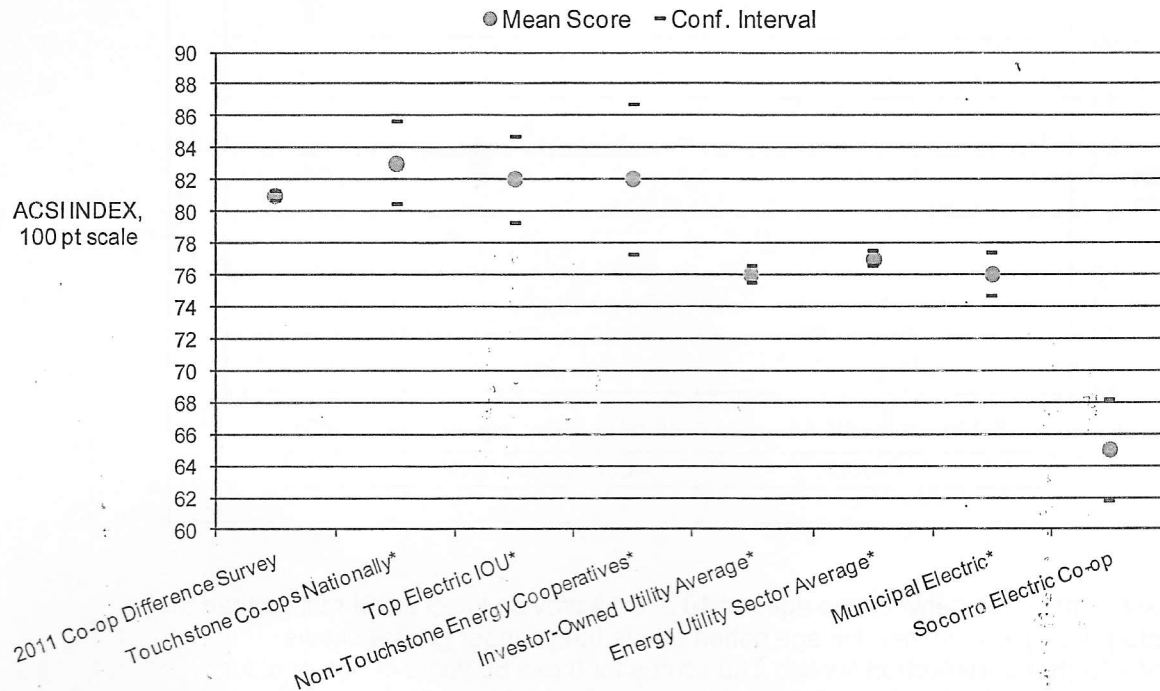
* Independent report by ACSI – 3rd Quarter 2012

Satisfaction scores for the Cooperative Difference survey participants compare favorably to Touchstone Energy Cooperatives nationally and the top-rated all-electric investor-owned electric utility (Entergy). The Cooperative Difference group outpaces non-Touchstone Cooperatives, the IOU industry average and municipal utility aggregate scores by a statistically significant margin.

Retention scores for cooperative benchmarks, which can be interpreted as the percent of members we would retain if they were given the opportunity to choose electric suppliers, also compare favorably to all electric utility peer groups.

Socorro Electric Cooperative's ACSI satisfaction and retention scores fall significantly below the utility sector benchmarks provided in this study. Socorro Electric Cooperative also trails the Cooperative Difference benchmark group and the country's best investor-owned electric utility (Entergy) by a statistically significant margin.

2012 Member Satisfaction and ACSI Survey American Customer Satisfaction Index 3rd Quarter 2012

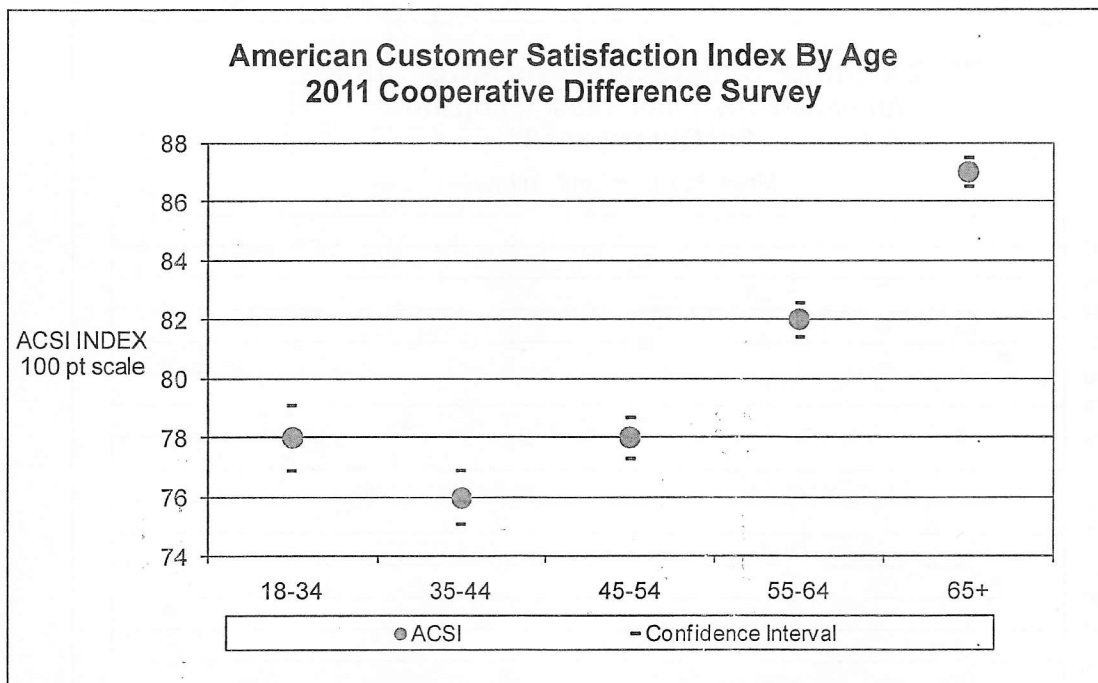


Both Touchstone Energy and the national samples have consistently out-paced the utility average by a significant margin and have compared favorably to the top rated investor-owned utility in the nation.

The utility industry average has shown improvement from the low 70's in 2006 to the mid 70's in 2012. According to the ACSI, this improvement in the investor-owned utility sector is being driven primarily by utilities providing natural gas service, either exclusively or in combination with electricity. The historically low cost of natural gas has most likely fueled this trend.

Six out of the top ten energy utilities monitored by the ACSI in the 3rd Quarter 2012 provided natural gas service. Atmos Energy, a gas-only investor-owned utility serving customers across 12 southeastern states, took the top spot with an ACSI score of 86.

As we have found in prior research efforts, satisfaction levels vary significantly by the age of the respondent. In the chart below, we show the overall ACSI index for five age groups from the national sample. (Note: the horizontal bars above and below the mean score show statistical precision at a 95% confidence level.)



The data show members between the ages of 18 and 54 provide lower ACSI ratings than their older counterparts. Each successive age cohort above the younger groups shows **significantly higher satisfaction** levels. The scores for those 65 years of age or older exceed their nearest cohort by five points and the score for 35-44 year olds by eleven points.

The lowest satisfaction scores were provided by members between 35 and 44 years of age. Satisfaction among this age group was significantly lower than all other age cohorts, including the cooperatives' youngest membership (18-34).

Our analysis shows that long tenure positively affects satisfaction. Since age is highly correlated with tenure, we further explore the link by looking at these effects in combination. This analysis shows that older members with short tenure express higher satisfaction than younger members with long tenure. We conclude therefore that while tenure helps, age is the overriding influence.

Overall satisfaction varies significantly by a host of other household characteristics identified from previous research.

- Satisfaction is inversely related to the size of the monthly electric bill. Members indicating average monthly bills in excess of \$200 are significantly less satisfied than members with lower monthly bills.
- Empty-nesters and households without children report significantly higher satisfaction levels with the cooperative than households with children present. Members with children are likely to have higher energy use, be younger, have shorter tenure with the cooperative and may be under greater financial stress.

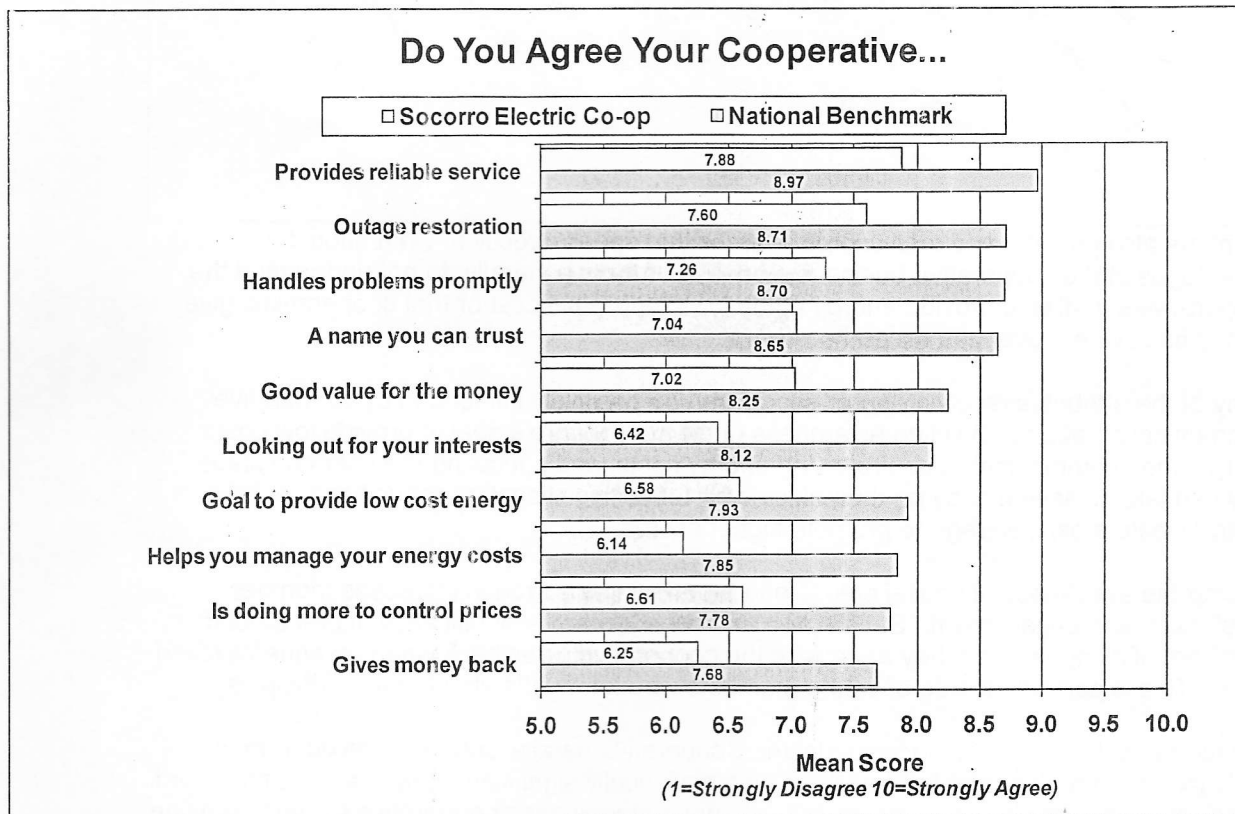
- Higher income households express considerably lower satisfaction with their electric cooperative than members in the lower income groups. This trend is noticeable even among senior members where satisfaction drops markedly among this segment's top income households.
- The highest satisfaction ratings typically come from low-income, senior members. Low income, however, does not tell the whole story. The lowest member satisfaction ratings are provided by low-income households from the youngest households (18-44).
- Men are more critical of the electric cooperative than women. Across all age groups, women provide significantly higher satisfaction ratings than their male counterparts. The lowest satisfaction is observed for men between 18 and 44 years of age while the highest satisfaction is provided by female members over 65 years old.
- Renters are significantly less satisfied than property owners. Age plays a significant role in this finding as a disproportionate number of younger members rent rather than own property.
- Members attending a cooperative's annual meeting during the past five years cite higher levels of satisfaction. The finding holds true across all age groups, reinforcing the importance of inviting participation from members of all ages in the annual cooperative event.

KEY ATTRIBUTE PERFORMANCE

Cooperatives receive high marks in core operational areas such as reliability, outage restoration and handling problems. However, ratings on service and image attributes unique to electric cooperatives show significant opportunity for improvement.

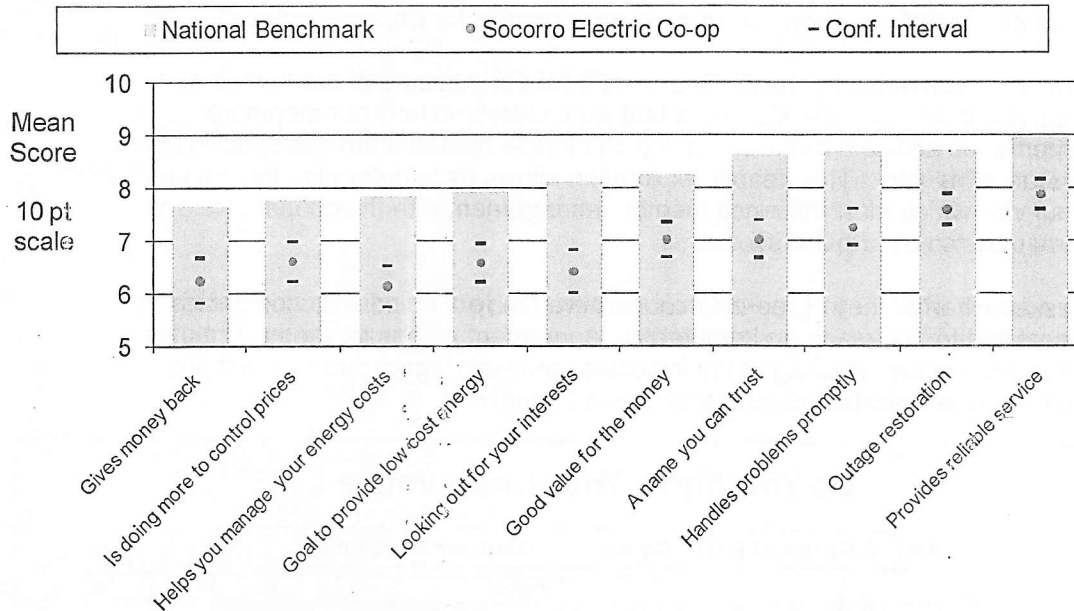
While satisfaction scores provided by the ACSI give us a robust measure of our overall position among service industries, it is also important we understand how our members perceive our performance across a range of service and image related attributes specific to the electric cooperative industry. This deeper exploration allows us to determine the unique elements of our service which most influence member engagement with the cooperative and provides a road map to improved ACSI scores.

Members were asked whether they agree their cooperative delivers on core competencies as well as elements related to our image and reputation. Agreement ratings for these attributes are shown on a ten point scale. A rating of ten indicates members 'agree strongly' with the statement. A rating of one indicates members 'disagree strongly.'



Cooperatives continue to receive exemplary scores for reliability, fairness, problem resolution, outage restoration, trustworthiness and delivering on promises. At the other end of the spectrum, members lack knowledge of their cooperative's efforts on 'pocketbook' issues. Members provide significantly lower ratings in areas related to helping members manage their electric usage and the cooperative's efforts to control rising prices.

Do You Agree Your Cooperative...



Members also provide mediocre scores in areas that speak directly to what should be advantages of the cooperative business model. Members generally do not understand the cooperative's goal is to provide energy at the lowest possible cost or that cooperatives give money back when revenues exceed costs.

Many of the attributes receiving lower scores can be positively influenced by cooperative communication efforts. Building awareness of the cooperative's goal to provide low cost energy, their commitment to control rising energy costs, and educating members on steps they can take to save money on their electric bill reflect significant opportunities communicators can leverage to promote higher scores.

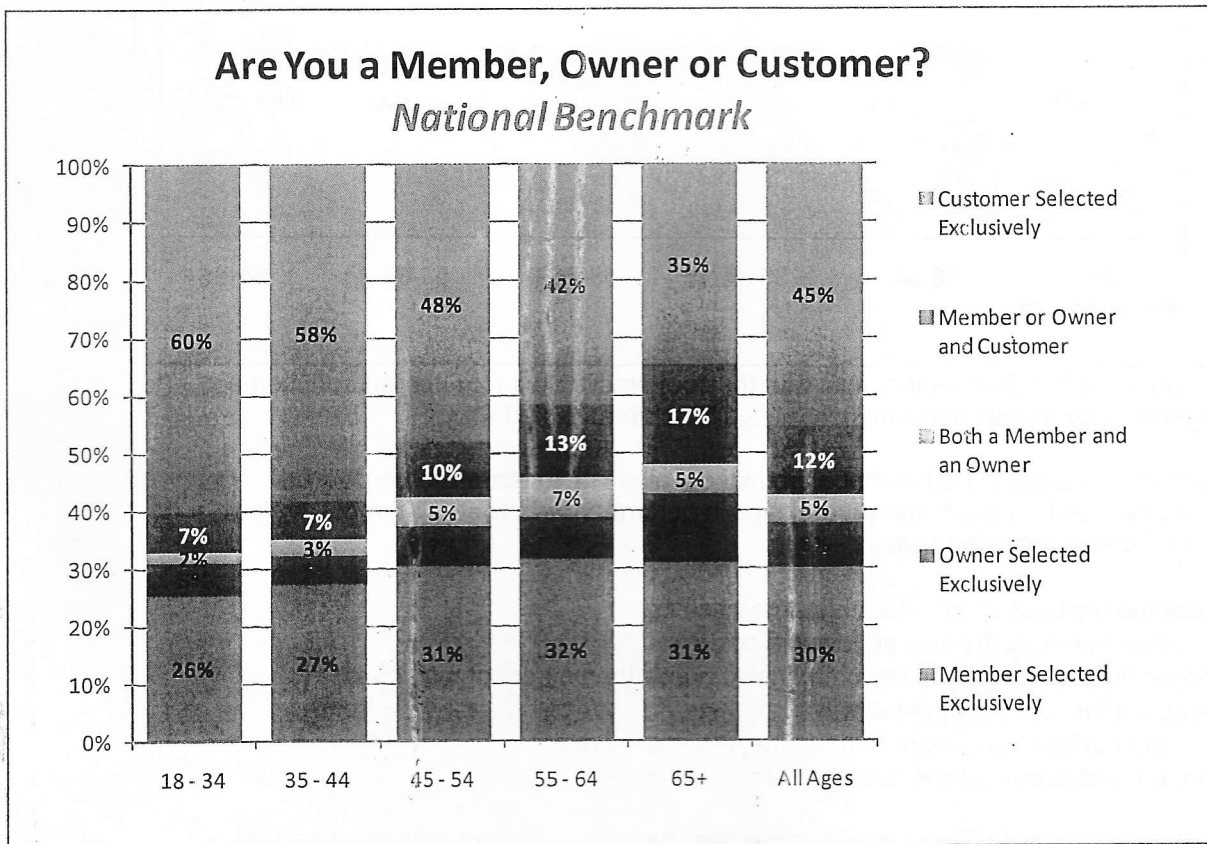
Raising the awareness of capital credits and broadening their reach increases member satisfaction and engagement. Satisfaction and engagement is significantly higher among members of all ages when they are aware the cooperative gives back when revenues exceed costs. This is particularly true of young members who know little about co-op principles.

Service attribute scores for Socorro Electric Cooperative parallel scores received from the National Benchmark group, but trail them by a statistically significant margin across the board. The largest gaps are in areas associated with understanding the cooperative's goal to provide low cost energy, cost control efforts, helping you manage your energy use and communicating about good value.

MEMBER IDENTITY

The 'Cooperative Difference' is not understood by all. Nearly half of the membership lacks 'member' or 'owner' identity with their electric cooperative. The majority of young members view themselves as customers of the cooperative.

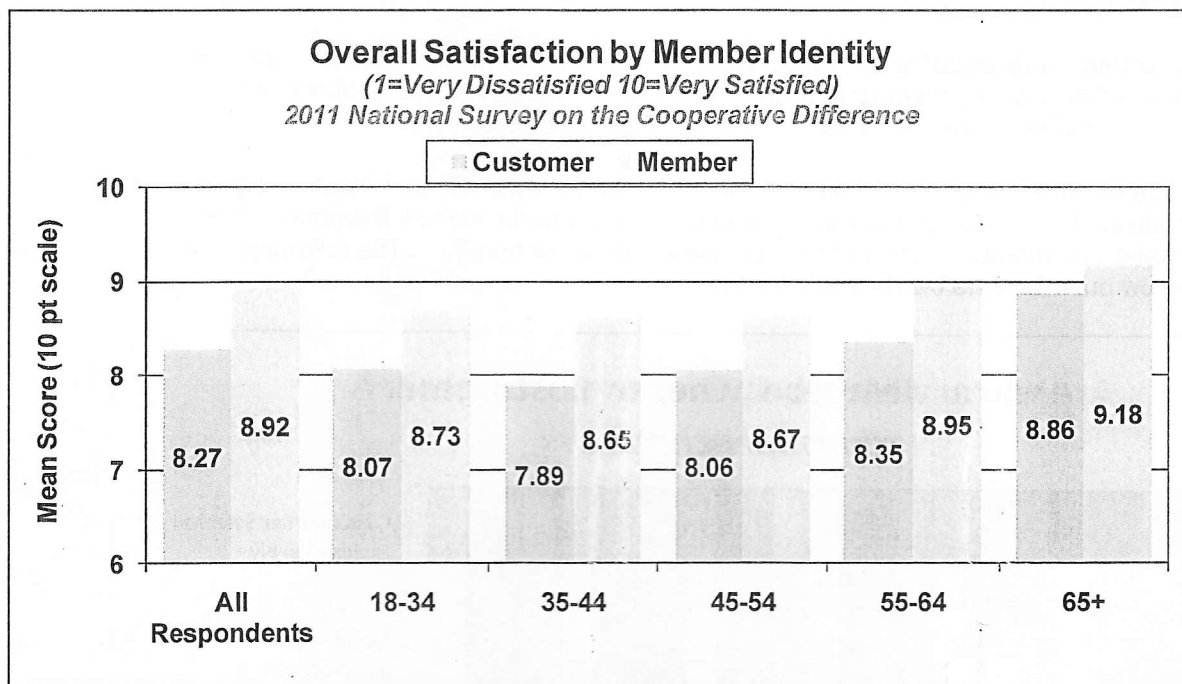
One measure of our success in engaging members is how they identify their relationship with the cooperative. As in prior Cooperative Difference Survey efforts, we ask members if they view themselves as members, owners or customers of their cooperative. The following table shows how our members define their relationship:



Senior members express the highest member and owner identity. Nearly two-thirds of respondents 65 and over indicated some level of connection with the cooperative (member, owner or both). The opposite is true for younger age groups where three-in-five limit their relationship with the cooperative to being a 'customer.'

Looking at member identity and satisfaction, we find that any connection to the cooperative beyond being a 'customer' improves satisfaction levels. In fact, those who limit their relationship to 'customer' rate their satisfaction with the cooperative significantly lower than members who acknowledge some level of member or owner identity.

As the chart below indicates, the satisfaction gap between 'member' and 'customer' is significant across all age categories. Communicating the benefits of being part of a cooperative organization clearly has its benefits, especially with the youngest members.



Members who associate their relationship with the cooperative as an 'owner' and/or 'member' provide **significantly higher** performance ratings in all areas tested.

Areas where the gaps in our performance are highest all relate to issues influenced by communications. Attributes with the widest gaps in performance between 'member' status and 'customer' status are listed below:

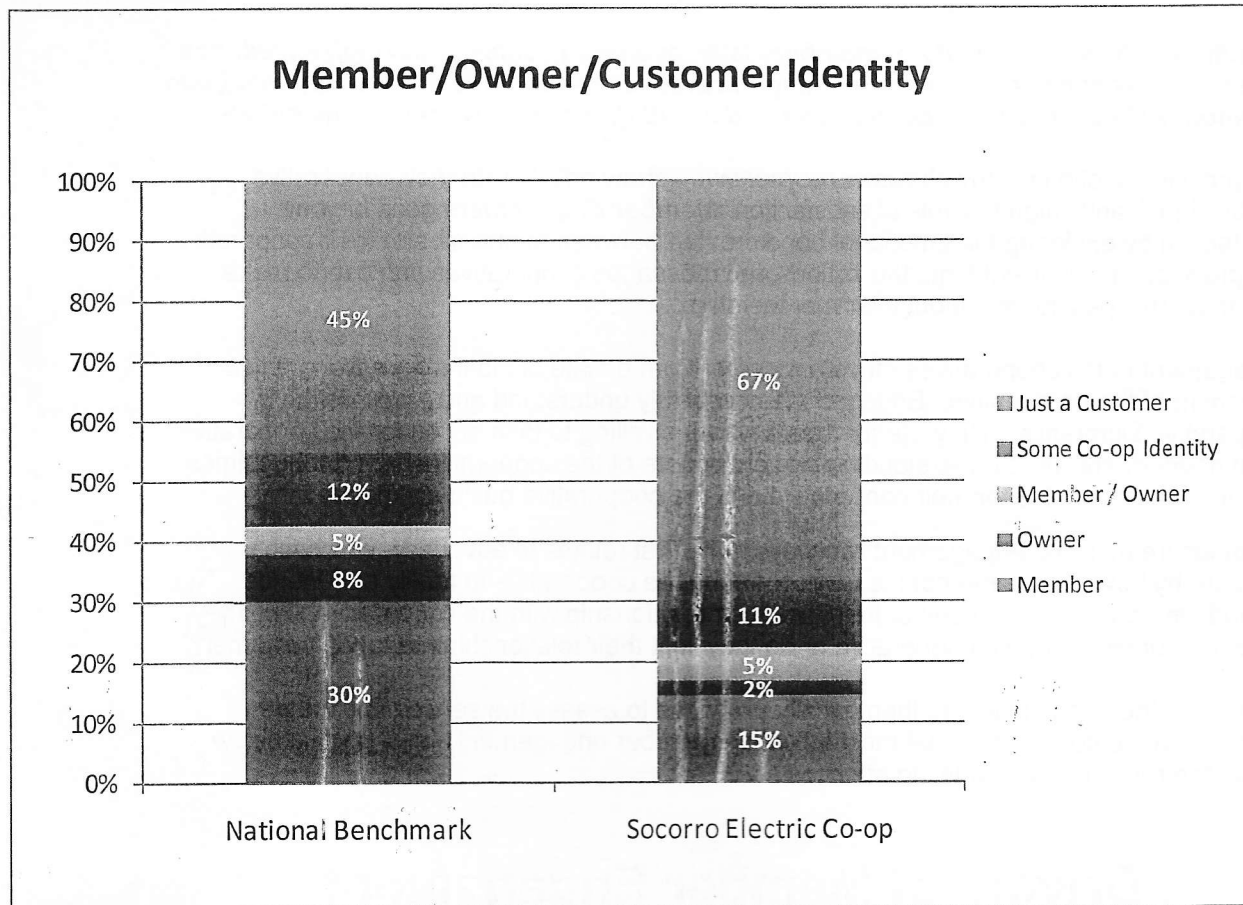
- Gives money back when revenues exceed costs
- Provides energy at the lowest possible cost
- Cooperative is doing more to control rising prices than other companies I use
- Looks out for your best interests
- Cooperative helps you learn to manage your energy use
- Communicates with you about rising electricity costs

Cooperatives can use their diverse communications channels to highlight the cooperative difference through messages focused on member dividends, cost-containment efforts and energy efficiency to build higher levels of 'member' awareness among their members.

Those indicating 'member' status were more than twice as likely to have attended at least one cooperative annual meeting during the past 5 years. Web and office visitors express higher 'member' affinity; however, the impact from these touch-points is significantly less. Cooperatives may want to review their office lobby signage and website content to maximize their communications opportunity to inform and educate the membership.

Members citing member or owner identity have the highest levels of member engagement, a concept that will be explored in detail in the following section. The vast majority of members represented in the lowest engagement group consider themselves to be customers of the electric cooperative.

Member Results for Socorro Electric Cooperative – Member Identity



The level of member/owner identity among Socorro Electric Cooperative members is weaker than the National Benchmark group. Only about one-third of Socorro Electric Cooperative members indicate any member and/or owner affinity to the cooperative.

MEMBER ENGAGEMENT

Winning the trust and loyalty of members is an evolution achieved through excellence in essential services and communicating the distinct cooperative advantages that build an emotional bond with the cooperative and a willingness to advocate on its behalf.

The previous section clearly shows consumers who show affinity with their cooperative exhibit significantly higher levels of satisfaction. **Member Engagement** goes beyond satisfaction by exploring the emotional bond created between members and their cooperative and provides critical insight into the actions and messages cooperatives can use to make members truly passionate about their membership.

Engagement helps cooperatives move a member from a state of indifference to an active proponent of the cooperative. Engaged members truly understand and embrace the Cooperative Difference. They are members who are willing to take action for the cooperative when needed, are more understanding and supportive of the cooperative during tough times and are true advocates for their cooperative and the cooperative business model.

We measure member engagement two ways. The first relates to advocacy, which we measure by how likely a member is to recommend the cooperative to family and friends. The second element is how a member identifies their relationship with the cooperative. Are they a member or owner of the cooperative or do they limit their relationship to that of 'customer?'

Combining these outcomes mathematically allows us to assess the service and image attributes of the cooperative that most influence member engagement. The graphic below shows the result of that modeling effort.



CONCLUSIONS

Touchstone Energy cooperatives provide superior service to their membership.

Collectively, cooperatives significantly outperform the utility industry average and compare favorably to the best investor-owned utilities in the country as measured by the *American Customer Satisfaction Index* (ACSI).

Economic realities continue to affect member perceptions.

Concerns about electric costs and their impact on family budgets have raised the importance members place on cost containment and the value of electricity. Future advances in ACSI scores will be influenced by how well the cooperative communicates our goal to provide electricity at the lowest possible costs and by actions taken to mitigate future cost increases.

Cooperatives excel on core competencies such as reliability, restoration and resolution.

Co-op performance has raised the bar and members have grown to expect nothing less than excellence from their electric supplier. Maintaining exemplary performance with core services while establishing a dialogue with members on energy costs and value opens the door to higher levels of trust and engagement with the membership.

Building trust and the value of membership continues to pay dividends.

Respondents indicating their relationship with the cooperative is more than 'just a customer' provide significantly higher performance ratings on a myriad of key satisfaction drivers.

Members express a desire to gain better control over their consumption of energy.

Although members share the responsibility for managing their behaviors, cooperatives performance is far from ideal in influencing members to higher levels of energy efficiency and inspiring them to take action.

RECOMMENDATIONS

The rapid pace of change in the electric utility industry requires cooperatives to think differently. New technologies allow cooperatives to provide greater reliability and system control than ever before. At the same time, members are becoming more demanding in their quest for accountability, integrity and information.

Times of change are opportunities for cooperatives to shine. Rural electric cooperatives should leverage the trust members have in them to help navigate the maze of rising energy costs, grid modernization, climate change, renewable energy and legislative concerns. From the member's perspective, the '**Cooperative Difference**' has never been more critical.

The following recommendations support key outcomes from this year's study:

- **Develop and actively promote proactive energy efficiency initiatives** such as **TogetherWeSave.com** and the Touchstone Energy Home program.
- **Continue to highlight simple solutions for saving energy** with special emphasis on no cost/low cost efficiency initiatives.
- **Communicate with the membership** ahead of retail rate adjustments and stress your goal to provide low cost electricity and what you are doing to mitigate rate impacts.
- **Enhance member value in difficult economic times** by implementing and expanding programs such as the **Co-op Connections Card** to maximize member savings.
- **Continue the dialogue with members** concerning the issues and challenges that lie ahead for electric cooperatives and the electric industry. A member who feels they have been included in the dialog will be more receptive to change.
- Employ the resources of **Our Energy, Our Future** to maximize grassroots efforts, especially for our senior members.
- **Communicate efforts at cost containment** by speaking specifically to actions your cooperative has taken to minimize rising energy costs and **reiterate our goal to provide energy at the lowest possible cost.**
- **Build awareness of on-line communications resources** through the cooperative's website. Enhance local on-line presence with valuable content such as **TogetherWeSave.com**, on-line bill payment, and usage history information.
- **Integrate strategic communication efforts** with national and regional efforts to fully leverage the cumulative impact of a coordinated and consistent campaign.