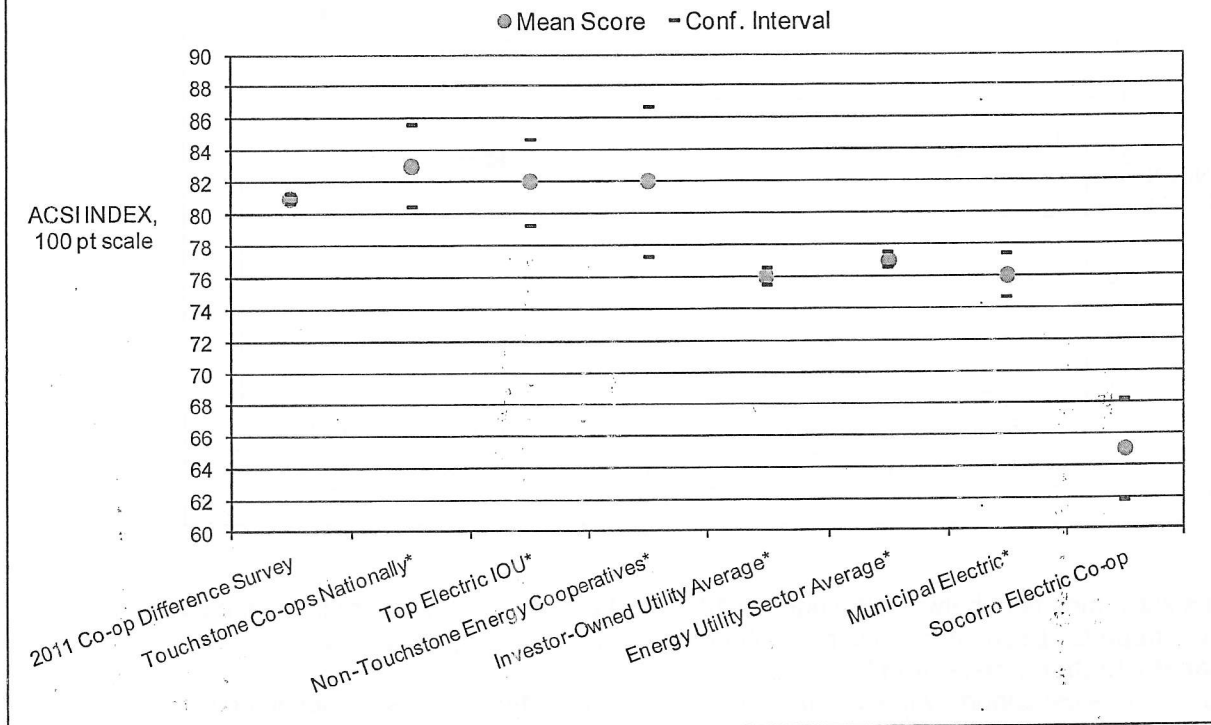


2012 Member Satisfaction and ACSI Survey American Customer Satisfaction Index 3rd Quarter 2012

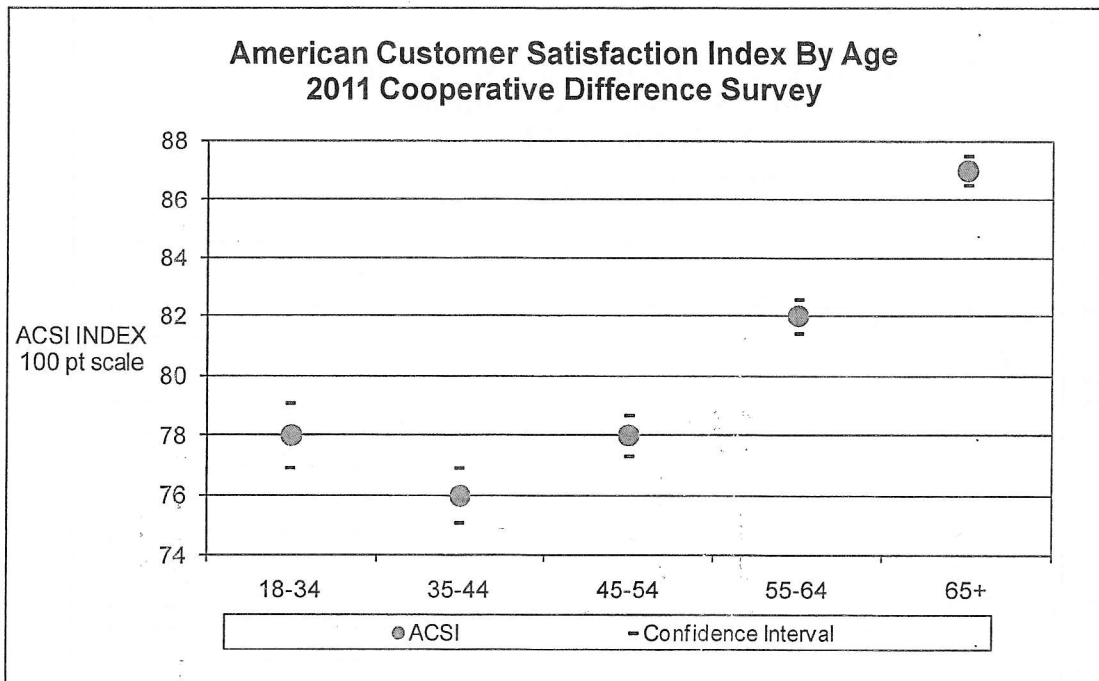


Both Touchstone Energy and the national samples have consistently out-paced the utility average by a significant margin and have compared favorably to the top rated investor-owned utility in the nation.

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.

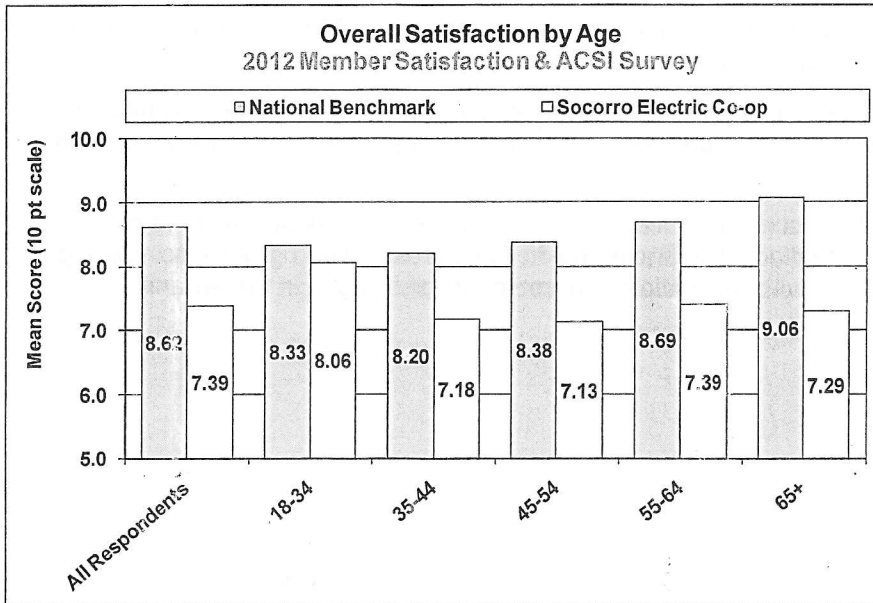
- Satisfaction is inversely related to the size of the monthly electric bill. Members indicating average monthly bills in excess of \$200 are significantly less satisfied than members with lower monthly bills.
- Empty-nesters and households without children report significantly higher satisfaction levels 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.

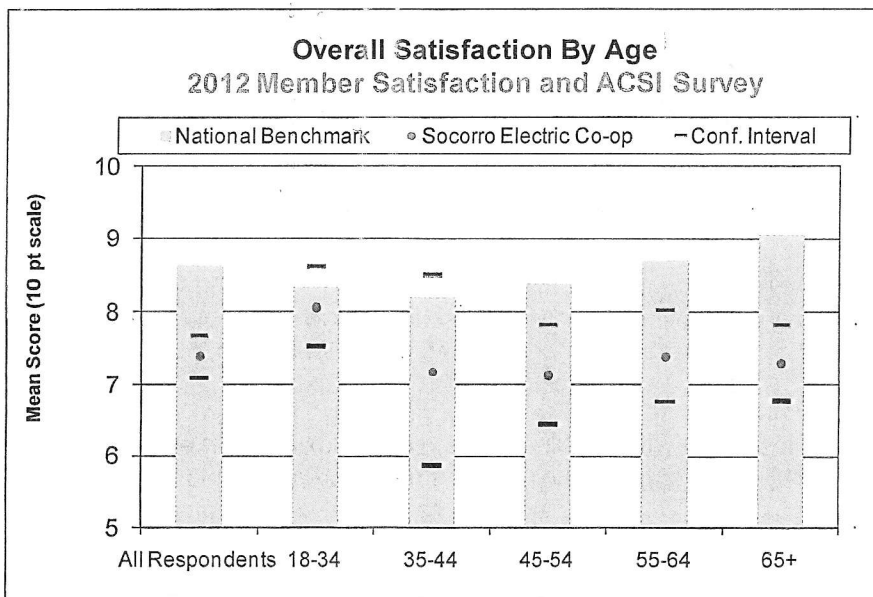
OVERALL SATISFACTION – SOCORRO ELECTRIC COOPERATIVE

Socorro Electric Cooperative performance marks for overall satisfaction fall below the National Benchmark group. Generally, highest ratings are for senior members with lowest scores found within the youngest group.

Socorro Electric Cooperative members across all age groups provide satisfaction ratings below the National Benchmark ratings.



The following chart shows these same data with associated measures of statistical precision. Socorro Electric Cooperative scores fall significantly below the benchmark group for middle-aged and senior member groups (45+).

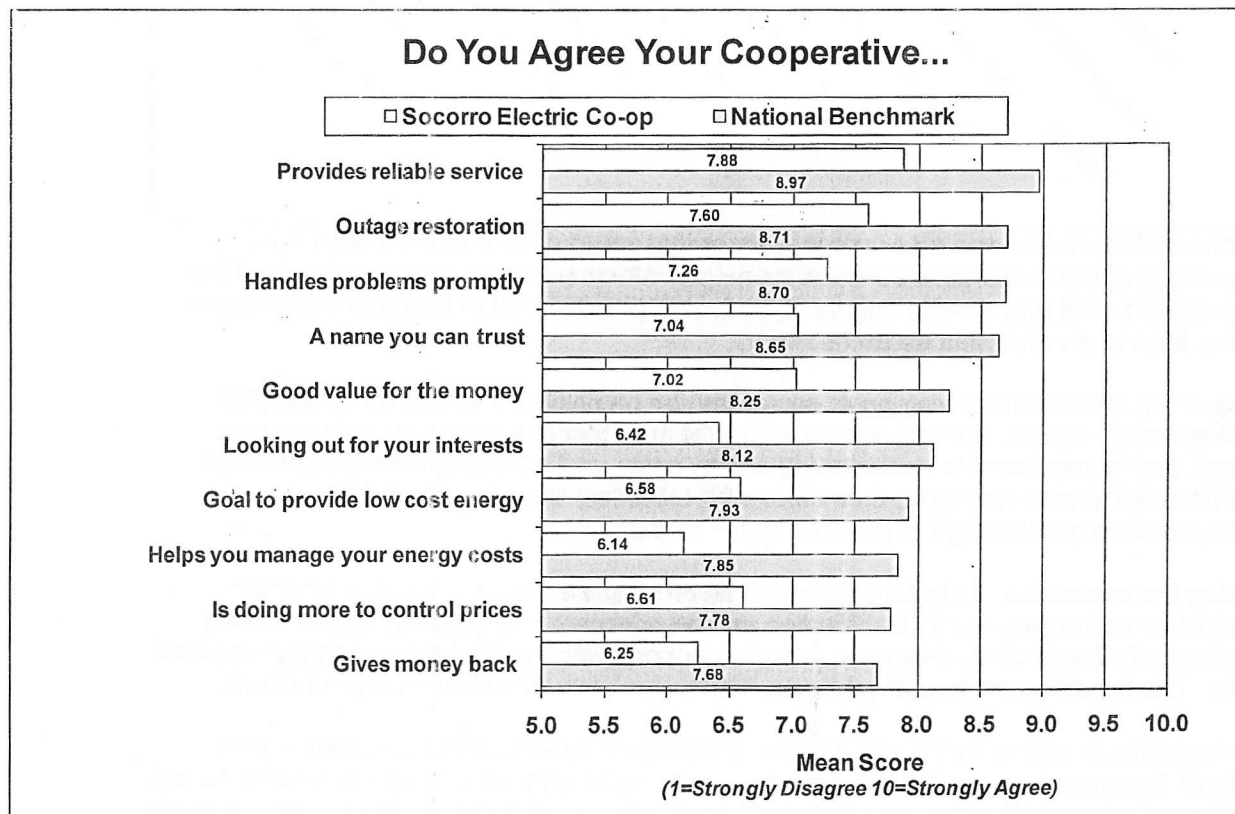


KEY ATTRIBUTE PERFORMANCE

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.

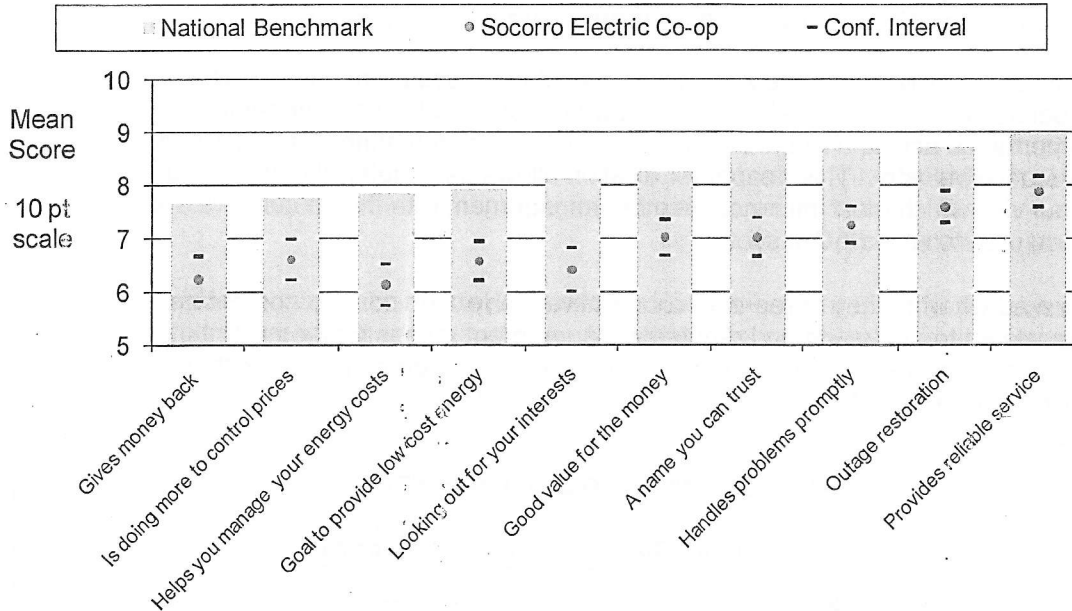
While satisfaction scores provided by the ACSI give us a robust measure of our overall position among service industries, it is also important we understand how our members perceive our performance across a range of service and image related attributes specific to the electric cooperative industry. This 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.

KEY-DRIVERS OF ACSI SATISFACTION SCORES

Delivering essential services such as outage restoration, reliable electricity and effective problem resolution is necessary but not sufficient to maximize member satisfaction. Cooperative performance is increasingly evaluated by pocketbook issues and the member's perception of value.

The ACSI Index is based upon the answers provided to four key survey elements:

- Overall satisfaction
- Performance relative to expectations
- Comparison to an ideal utility
- Likelihood of choosing the utility again

By analyzing how key service and image attributes described in the previous section influence the ACSI score, we can identify those attributes of our service which are most likely to move members to higher levels of satisfaction and engagement. In this section, we present the results of this 'key-drivers' analysis graphically and explore where our greatest opportunities are for improving the ACSI Index.

The Road to Member Satisfaction

The member experience with their cooperative is akin to traveling a long and winding road. Every mile along the way represents both opportunity and risk. The cooperative that achieves high levels of member satisfaction will have successfully navigated through unforeseen hazards that challenge their ability to delight members.

The foundation of a satisfied member is achieved through performance in **Core Services**. As cooperatives demonstrate they are able to handle problems, always deliver on promises, provide reliable service, are fair and trustworthy and look out for the members' best interest, they build a strong base from which to engage members in further dialog. We consider these elements **necessary** but not **sufficient** to truly satisfy consumers.

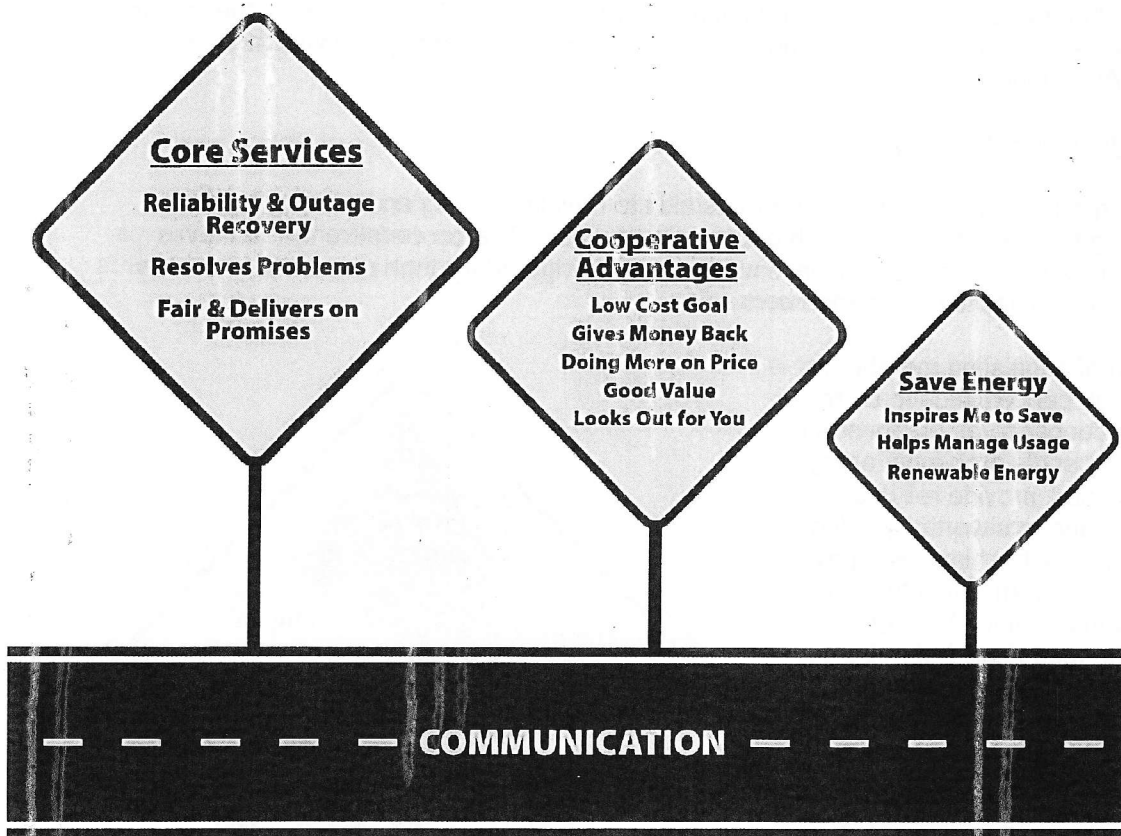
The road to satisfaction then requires members to become aware of our **Cooperative Advantages**. As we speak to our members about the pressure on costs and what we are doing to mitigate them, we should continually reiterate our goal as a cooperative to provide energy at the lowest possible cost.



Satisfaction also requires a dialogue with members about **Saving Energy**. Helping members gain greater control over the use of our product shows, in a concrete and meaningful way, that the cooperative has the best interests of the member in mind. Many of the energy-saving tools available through Touchstone Energy and www.togetherwesave.com are helpful in moving the member down the road to higher satisfaction.

Communication plays a significant role in satisfying members. Letting members know when we are working in their area, addressing their concerns about rising energy costs and promoting cooperative values helps members navigate through an ever-changing landscape.

The following diagram provides a road map for cooperatives interested in prioritizing their efforts at improving member satisfaction. The importance of each group of elements to improving their ACSI score is shown by the size of the sign surrounding the elements. Within each sign, the importance of each element to the overall category is shown by the relative order of the text.



While delivering on core services remains central to our members' perceptions, pocketbook issues and cooperative value are nearly as critical.

The diagram also shows that embracing renewable energy and helping members manage their costs contribute significantly to member satisfaction.

Finally, communication is the key vehicle for educating members about the forces affecting our industry and the efforts we are making on their behalf. The road to higher member satisfaction is paved by member communication.

The following summarizes each area and provides a guide to improving ACSI scores.

Core Services

High levels of member satisfaction cannot be achieved without performing well on **Core Services** such as providing reliable electricity, outage restoration and problem resolution. Cooperatives traditionally perform well in these operationally-focused areas as indicated by member ratings provided in the Key Attribute Performance section of this report.

Members have come to expect reliable electric supply and past performance has set high expectations for elements making up the **Core Services** block. In essence, when we provide high quality service, members are able to focus on other issues. However, if quality suffers, so will member satisfaction and the cooperative's ability to engage the member in further dialogue.

Cooperative Advantages

A second key component in attaining higher ACSI scores is demonstrating our **Cooperative Advantages**. These elements focus primarily on costs, value and pocketbook concerns.

It is critical the cooperative does its part to keep costs low and ensure the perceived value is commensurate with member expectations. The importance of these issues is magnified by the continued economic difficulties experienced by many electric cooperative members.

Achieving high ACSI satisfaction scores depends on strong performance in both **Core Services** and **Cooperative Advantages**. Given that most cooperatives consistently excel at **Core Services**, addressing shortcomings within the area of **Cooperative Advantages** presents the greatest opportunity to improve member satisfaction.

Anticipating the important role **Cooperative Advantage** elements play in enhancing member satisfaction, members were asked to explain their assessment of their cooperative's job at cost containment and their goal to provide electricity at the lowest possible cost. A detailed discussion of what members told us and how their commentary impacts member satisfaction is provided in the following sections.

Save Energy

Inspiring members to take action to save energy in their homes and proactively helping them to lower their energy costs are significant drivers of improved satisfaction. Educating the member on ways to use electricity more efficiently increases the member's feeling of control. Greater control of their monthly electric bill equates to improved satisfaction.

The final element in the **Save Energy** category is renewable energy. Our analysis shows that members naturally group renewable energy with energy efficiency and as a subsequent section of the report will show, they would have their cooperative embrace renewable energy as part of a balanced portfolio. Yet, our members are giving us a failing grade in this area (see Key Attribute Performance section).

Communication

Communication plays an important role in making members aware of our actions on their behalf. Linked closely to the three previous elements, effective communication is necessary to raise awareness of cooperative performance among **Core Services, Cooperative Advantage** and **Save Energy** elements.

Communication's role is particularly important in increasing awareness among those areas where cooperatives receive the lowest scores. Highlighting our efforts in delivering a good value, cost containment and a goal of low cost will bring about increases in satisfaction and reinforce a positive image of the cooperative in the member's mind.

We also need to think of communication as more than just member newsletters. Every touch-point represents an opportunity to show how the cooperative is working on behalf of its members. For example, members who are made aware we are working in their area are significantly more satisfied than those who may be unaware of our presence.