

Speaker 1 ([00:00](#)):

<silence>

Rachel Johnson, Cherryland CEO ([00:14](#)):

Welcome back to Co-Op Energy Talk. I'm your host Rachel Johnson, and you are listening to the board meeting brief for Monday, September 25th. We started the board meeting this month with member input member Richard Muckle joined us to talk about his experience with the No Barriers Warriors Program. This is a really cool program that is sponsored by one of our main lenders, CoBank, and they send disabled vets who are cherry land members on an all expenses paid back country expedition through the No Barriers Warriors program. Uh, it's, it, it was, it was just so great to hear from Richard and hear about his experiences. It was clearly a very life-changing opportunity and we do this every single year. So if you are yourself a disabled vet or you know a disabled vet, please stay tuned to the January issue of Country Lines. For more information about how you can apply yourself or nominate someone to attend in 2024.

Rachel Johnson, Cherryland CEO ([00:57](#)):

Now let me talk to you about four main things that happened in our board meeting this month. Many of these are financial, so stick with me through this. First, we amended our 2023 budget to accelerate some anticipated 2024 expenses into 2023. This should not come as a big surprise to you 'cause I've been talking about it for several months. But we are anticipating ending 2023 with negative operating margins. That is because our revenue is driven by weather and mild weather means lower revenue. We've managed this all year by keeping our expenses in check, but we still expect to end with slight negative operating margins. Our lenders evaluate our credit risk using three years of debt service coverage data, and they always drop the lowest year. So we can afford to have one bad year with no consequences. So what we're doing now as a long-term strategy is accelerating 2024 expenses into 2023, which is going to increase the negative net operating margins, but also protect 2024 so that we don't have to worry about having two years of bad debt service coverage numbers in a row.

Rachel Johnson, Cherryland CEO ([01:56](#)):

So that's the, that's the plan. It mean it will mean very little for you in terms of your reliability or seeing more system maintenance. We're gonna do a little more tree trimming this year, but for the most part, not something you have to worry about, but just know it is a strategic decision to manage our debt service coverage numbers. The second thing, and this kind of ties into that first thing is September is the month when we make our decision regarding capital credit retirements for the year. Given this year's financials and the fact that we were gonna end with negative net operating margins either way before we made that budget amendment, uh, we will not be retiring Capital credits. This is, uh, was a very difficult decision for us to make. Um, it's something that we are very proud of that we have been so purposeful about retiring capital credits.

Rachel Johnson, Cherryland CEO ([02:34](#)):

This will be the first time in 14 years that we have not, this is certainly not the first time in our history that we have not. Uh, and we do really believe that this is a, a kind of a temporary thing. So we're putting plans in place to make sure we can get back on a good cycle of retiring capital credits. For all the reasons I already described this year is just not the right year to do that from a cashflow perspective and from a revenue perspective because of that mild, mild weather. The, uh, kind of third financial thing we talked about in the board meeting is tied to equity. This was the beginning of a long-term discussion that

we're gonna have about our equity management policies. We are still meeting our 40% equity target, but we have several major system investments coming up, including the replacement of our metering system.

Rachel Johnson, Cherryland CEO ([03:12](#)):

And then when you take into consideration the increase in interest rates, we are looking at some projections that mean we probably need to lower that target just a little. That target was originally set because we received essentially incentives from our lenders if we met it, but we no longer get those incentives. So it doesn't really matter in terms of, uh, our relationship with our lenders. It's really more tied to the co-op and its goals as, as our governed by the, uh, board. So we began the process of educating them about kind of all the different things we're looking at the things we have coming up. And then over the next six months or so, we'll bring back a proposed new equity management policy and I will share the details of that with you when that happens. And then final thing, 'cause I really wanna just end with this mission moment from our board meeting.

Rachel Johnson, Cherryland CEO ([03:50](#)):

Despite these kind of challenging financial conditions, which I think we are managing really well for our members, our reliability numbers for the year remain strong. We talk all the time about the fact that our goal is four nines. Uh, we wanna keep the lights on 99.99% of the time this year. We are year to date nine 9.991. So we are, we are right at that target and uh, it's just something that we're very, very proud of. The other kind of really cool mission moment piece that I'm really proud of is that we are continuing to meet almost unbelievable construction timelines. So we are getting over 90% of our member construction requests completed within 15 days of receiving the final for go ahead inspections and permitting. And when you look at what kind of the experience that some of our builders and customers are having with whether it's other utilities or just other supply chain problems, and we're facing all those supply chain challenges too, but we're keeping up with that construction.

Rachel Johnson, Cherryland CEO ([04:36](#)):

It's an incredible, um, testament to the work of our employees. We've got employees working six days a week to make sure that we can get out and get those construction jobs done. So kudos to the employees and, uh, proud to report that out to the board and to you all our members. So that's it from that board meeting. Our next board meeting will be Monday, October 23rd. As always, we'll start with member input at 9:00 AM So feel free to swing by if you have any feedback for the board. Join us next time for more co-op energy talk.