



PRECorp News

MARCH 2023

STABILITY



Coop financial tools keep rates under control

The local, regional, and national economy is experiencing a period of rising interest rates; rising costs of essential services, equipment and goods; a shrinking experienced labor force; and a predicted recession.

In these times, Powder River Energy looks out for the best interests of its members by utilizing various financial strategies to maintain stable electric rates while delivering value to the members.

In 2022, PRECorp benefitted from three financial revenue events linked to its wholesale power supplier Basin Electric Power Cooperative (Basin).

In November, Basin paid out the first of two bill credits. In addition, Basin passed along a wholesale power rate decrease, giving PRECorp tools to deal with some of the challenges.

Careful consideration of these financial benefits resulted in the following actions. PRECorp’s Board of Directors determined that the first bill credit would be passed along to its members in their February 2023 power bill. As noted in the December 2022 PRECorp News, capital credits were paid out in December.

“We have some agility to use all the tools in the toolbox. We want to make sure that money is working for all of the members and capital credits can be returned after an appropriate amount of time,” said PRECorp Chief Financial and Administration Officer Bill Mertz. “Part of our strategy is looking ahead. There are some larger years coming with some larger capital credit allocations.”

PRECorp continues to manage value to the membership, and the more tools available, the more opportunities there are to sustain that value. A common-sense approach would be to leverage the second Basin bill credit to avoid a near-term rate increase altogether.

Revenue Deferral

Revenue deferral is unique to cooperatives being they are a non-profit industry. It is a one-time opportunity to take operating margins from the most recent year and leverage those margins for future needs. This helps avoid taking immediate financial actions such as a rate increase for a year or more into the future.

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Enter to win \$100



BRIAN MILLS,
CEO

Our Vision:

We will be pioneers of excellence in the Cooperative Network while delivering extraordinary value to our members, embracing a visionary outlook, leveraging accelerating technologies, empowering our team and engaging our membership.

Our Purpose:

Positively influencing and improving lives for those we serve by providing reliable energy and services while paving the way for access and affordability.



Our Moonshot:

Drive down costs so that the first megawatt hour of energy usage is at or near zero cost by 2050.

Sports fans of high school and college basketball use the term “March Madness” when they talk about the post season tournaments. A team’s fortunes can rest on one shot from the floor, maybe one free-throw, or that one crucial second left on the clock, ultimately that one point on the scoreboard

The excitement of closely contested games builds as it comes down to the final moment. For some teams, wouldn’t it be nice to take some of those points from a previous game - maybe you won by 15 or 20 points - and carry a few of them over to the next game to build a cushion for when you might need it?

While this is only an illustration, this idea of point saving, is similar to the strategy of revenue deferral for electric cooperatives. This financial tool is tried and true, used in special circumstances, and is an excellent way to provide rate stability for the member-owned cooperative model.

Since we are not a private or investor-owned utility, we do not build in a percentage of profit for the shareholders. The margins we create in our budget planning and ultimately our year-end financials are designed to be just large enough to satisfy our lenders’ requirements regarding our ability to service our loan payments.

In this case, we don’t want to be a point short at the end of the day.

In this month’s issue of PRECorp News, you’ll see more details of how we are working to provide rate stability by taking some of the “point spread” we experienced in 2022 and holding them in reserve for the imminent rate pressures we will experience in 2023 and beyond. Members across all rate classes have ex-

pressed the desire for stable rates, which translates to more predictable, smaller increases over the years rather than large jumps in a single year. Providing dollars back in one year only to ask for them back the next doesn’t provide for the type of rate stability we are striving to provide.

With our revenue deferral scenario however, we can do just that. Hold the line on rates by applying those deferred revenues as we experience inevitable cost pressure.

Two other items included in this issue related to future planning are the supply chain management and Board of Director election process.

The supply chain (and associated inflation pressure) has honed our communications network with our suppliers and contractors. Nothing is more important than having the equipment on hand when we need to repair broken poles and transformers. The repairs can be planned ahead of time, or they have to be done overnight. Either way, having the material in the warehouse that we need is critical.

Lastly, the Director election process is underway with the creation of county nominating committees. Terms expiring this year will leave four seats up for election. As members of the cooperative, you have a voice in who represents you on the Board. Or perhaps you are interested in serving on the Board. Now is a good time to consider your role in helping direct the future of the cooperative.

A handwritten signature in black ink, appearing to read "Brian Mills".

Stability...

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In this case, bundling the credits from Basin and PRECorp margins, there is up to \$11.5 million available for a deferred revenue strategy. “We’ve heard clearly and respect what our members have shared that abrupt change is not ideal,” Mertz added. “By assembling these financial tools such as revenue deferral, PRECorp is now well positioned to execute a strategy that will help stabilize rates in a more predictable way over the coming years.”

Basin’s increased revenues were non-commodity sales and not related to power sales to Basin members. Instead these are excess margins from enterprises with Dakota Gasification Company’s fertilizer sales, and power sales out of market in the West. Basin’s Board has chosen the option of passing it along to its member systems. The PRECorp Board has determined that a revenue deferral program is the option that best serves the membership with stable rates over the next three to five years.

Utilization of that deferred revenue will be strategic and responsive to absorb further sudden changes in market prices for raw materials, specialty products and services.

Supply chain strategy

To complement the revenue deferral plan, PRECorp has developed resources to adapt and adjust to shortages in the general supply chain and inflationary conditions being faced across the industry. PRECorp Team members have developed a business intelligence tool to analyze the rapidly-changing landscape for supply chain. They are also engaging with direct conversations with suppliers and contractors to solidify key relationships. These efforts give PRECorp real-time visibility into supply chain; the ability to share data with key suppliers to make data-driven decisions possible. This includes prioritizing work projects based on supply delivery; and anticipating upcoming shortages and crisis points by creating “storm stock” in the warehouse for unforeseen weather events.

“This gives us confidence in making informed and effective decisions,” said Mertz. Overall, the revenue deferral creates a shock absorber for rate stability. At the same time, the supply chain strategy leaves no stone unturned when it comes to controlling costs and delivering value to the consumer members of PRECorp.

“There will be years when our base rate or basic charge needs to reflect the actual costs of delivering reliable power. If or when those basic charges are adjusted, our members can know PRECorp has done its homework when it comes to prioritizing the work and controlling costs and maintaining value as much as possible,” Mertz said.

Events calendar

- **Tuesday, March 21** - PRECorp Board of Directors meeting, 9:30 a.m., Sheridan.
- **Friday, March 24** - PRECorp All-Team Meeting, PRECorp offices closed. Call 1-888-391-6220 with an outage.
- **Tuesday, March 28** - PRECorp Foundation Board Meeting, video/teleconference.
- **Thursday, April 20** - PRECorp Board of Directors Meeting, 9:30 a.m., Sundance
- **Tuesday, April 25** - PRECorp Foundation Board Meeting, Gillette
- **Wednesday, May 24** - PRECorp CEO Telephone Town Hall meeting, 6:30 p.m.
- **Friday, May 26** - Deadline for county committees to post their list of PRECorp Director candidates.
- **Saturday, June 3** - Durham Ranch Buffalo Stampede 5K/10K Walk/Run.
- **Friday, June 16** - Deadline for PRECorp Director candidates to file nominating petitions.
- **Monday, July 17** - Publication of notice of Annual Meeting in the July WREN magazine.
- **Saturday, August 26** - 78th PRECorp Annual Meeting, Buffalo High School.

Enter the Moonshot Logo Contest to win a prize.

1. Look for the Moonshot logo in 2023 editions of the PRECorp News or PowerLines bill insert.
2. Email communications@precorp.coop with your name, phone number, and where you saw the logo in this edition. That’s it! Don’t have email? Call our office at 1-800-442-3630 to enter. Mention the “Moonshot Logo Contest”.
3. In March, we will hold another drawing for a Moonshot prize package. Previous non-winning entries remain in the hunt for drawings throughout the year.



February winner:
Cheri B., Moorcroft

Director nominating process underway

The 2023 PRECorp Board of Directors election process is officially underway with the designation of the nominating committees for four PRECorp counties.

The following are ways to get on the ballot:

- Be nominated by the committee appointed by the PRECorp Board of Directors.
- Return a nominating petition, signed by at least 25 PRECorp members, by June 16, 2023.

The following Director seats are up for election in 2023:

- Campbell County (Alison Gee, incumbent)
- Crook County (Philip Habeck, incumbent)
- Sheridan County (Mike Helvey, incumbent)
- Weston County (Clay Branscom, incumbent)

Any PRECorp member from the aforementioned director districts can run for a three-year term on the Board, providing the member meets the following qualifications:

- Must reside within the service territory of the county from which he/she is elected.
- *However, members taking service outside the counties of Campbell, Crook, Sheridan, Johnson,*

or Weston shall be deemed to be a member of and within the area served by the county closest to the nearest meter serving the members' residence;

- Must be a member receiving electric energy from the Corporation;
- May not be in any way employed by, or have a substantial financial interest in, a competing enterprise or a business selling electric energy or supplies to the Corporation.

If you have specific questions regarding eligibility, contact PRECorp at 1-800-442-3630.

Election process dates:

- Friday, May 26: Deadline for nominating committees to post their list of candidates.
- Friday, June 16: Deadline for candidates to file nominating petitions at a PRECorp business office.
- Monday, July 17: Publication of director candidates, notice of August 26 Annual Meeting, mail-in ballot, and Annual Report.
- Saturday, August 26: PRECorp Annual Membership Meeting, Buffalo High School. In-person voting, vote tabulation, announcement of results.

Please help us keep contact information updated for your account.

Name: _____

Home Phone: _____ Business Phone: _____

Mobile Phone: _____

Best number to reach me during a power outage: _____

E-mail address: _____

If you update your information by Monday, April 3, 2023, you'll be entered in a drawing for \$100 bill credit or gift card of your choice.



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Powder River Energy Corporation is an equal opportunity provider and employer.