



# Coos-Curry Electric Cooperative, Inc. Response(s) to the 86th Annual Meeting of the Members Inquiries

On June 27, 2024, Coos-Curry Electric Cooperative welcomed members to the 86th Annual Meeting of the Membership in Port Orford, Oregon. The Board of Directors extended the option for members to attend the Annual Meeting virtually and in person. Approximately, 41 members attended. The CCEC Board of Directors values member input and is committed to listening to all ideas and concerns. Prior to the June board meeting 2 members included multiple questions with their RSVP's via email. Staff responded to the submitted questions with a detailed email.

## **Question 1: What expenditures make up the 7.4MM Broadband operating expense?**

- Received June 7, 2024, via email.
- June 26, 2024, CCEC's CFO Paul Keeler responded by email:
  - This includes the costs of providing and maintaining the service, customer billing and service, sales and marketing, depreciation of long-lived assets, general and administrative costs, and interest on long term debt.

Discussion closed.

## **Question 2: Why is there no Broadband revenue shown in the pie chart?**

- Received June 7, 2024, via email.
- June 26, 2024, CCEC's CFO Paul Keeler responded by email:
  - Beacon's broadband revenue is included in the pie chart as "Other Operating Revenue".

Discussion closed.

## **Question 3: Long term debt increased by 28MM or 45%.**

- Received June 7, 2024, via email.
- June 26, 2024, CCEC's CFO Paul Keeler responded by email:
  - 97% of this increase in long term debt is attributed to Beacon's construction loans with a third-party commercial lender. The remaining portion of the increase is related to the Cooperative's borrowing activities with a different commercial lender.

Discussion closed.



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## **Question 4: Why did interest on long term debt increase by only 256K?**

- Received June 7, 2024, via email.
- June 26, 2024, CCEC's CFO Paul Keeler responded by email:
  - Interest expense on the Cooperative did not increase in the same proportion because the increase in long term debt is related to Beacon. As noted in my response to your first question, Beacon's interest expense is included in broadband operating expenses.

Discussion closed.

## **Question 5: Is CCEC going to borrow more money in 2024 to fund Beacon Broadband?**

- Received June 7, 2024, via email.
- June 26, 2024, CCEC's CFO Paul Keeler responded by email:
  - No, there are no plans for CCEC to borrow money in 2024 for Beacon Broadband. Any additional loan funding required for the construction of Beacon's network will be reflected on Beacon's records and will be an obligation of Beacon.

Discussion closed.

## **Question 6: What is the board doing about the multi-million dollar loss for the recent fiscal year?**

- Received June 19, 2024, via email.
- June 26, 2024, CCEC's CFO Paul Keeler responded by email:
  - The consolidated net loss of \$1,667,860 for the year ended December 31, 2023 includes the results from both Beacon and the Cooperative. The operating results for both companies changed significantly from 2022 to 2023, which contributed to the net loss:
    - Operating expenses on the Cooperative increased by over \$2M, while revenues from sales of electricity decreased by \$100,000.
    - Beacon Broadband's operating expenses increased as the areas served continued to expand (along with the number of customers and revenue). These expenses include the costs of providing and maintaining the service, customer billing and service, sales and marketing, depreciation of long-lived assets, general and administrative costs, and interest on the long-term debt that Beacon has with a third-party commercial lender.
  - The Board has taken several steps to address the increasing costs of providing electric services to the members:
    - The rate increases implemented March 1, 2024 will provide additional revenues to help cover the increases in electric operating expenses.



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- Billing credits from our power supplier (BPA) have been set aside by the Board and can be used by the Board to maintain margins and/or offset future rate increases.
- As for Beacon Broadband, construction of facilities to all the members will continue, and new customers added will provide additional revenues. Beacon now has more than 3,000 active customers. Beacon is a new company in the start-up phase that continues to grow. As the company matures, operating expenses will stabilize and with the increased revenue, Beacon's losses will decrease, and Beacon will be a profitable company.

Discussion closed.

## **In addition to the above answers to Questions 1 - 6, the following was provided:**

- June 26, 2024, CCEC's CFO Paul Keeler responded to all by email:
  - As a reminder, the financial statements are presented on a consolidated basis, which means the balances and activities of the Cooperative and Beacon are combined, and any intercompany loans and activities are eliminated, so that the financial statements present a single entity. The consolidated presentation is required under financial reporting standards.