



Kay Schultz
Board Chairman

Board Chairman and President/CEO's Report



Joe Heyen
President/CEO

Welcome to the 84th MJM Annual Members Meeting. Since our last Member meeting we have experienced many new challenges. In spite of continued economic pressures and material delivery issues, our Engineering and Operations departments have been as busy as ever handling Member work requests as well as completing system improvements.

MJM has also added to its Forestry crew. We are transitioning away from the cycle-based approach and moving towards a condition-based approach. With this improved method, we can do a better job of meeting our Members' needs in our Right-of-Ways (ROW) by using less contract labor and taking more direct control of the tree trimming process. Another advantage is that budget forecasting becomes more accurate, and we will be able to spread ROW trimming expenses across all twelve months without the varying peaks and valleys we typically experience when using contractors. When fully implemented, this program is projected to save MJM thousands of dollars a year in ROW expenses.

Maintaining our fleet remains a challenge as lead times on aerial trucks and digger derricks continue to be out as much as two years, and equipment prices have nearly doubled. As a result, we have upgraded our fleet maintenance program and we are keeping trucks and equipment a little longer than in past years.

MJM is also in the process of replacing the outdated automated meter reading (AMR) system. The system that MJM will be transitioning to is the result of over two years of research and evaluation by myself and my Engineering staff. The implementation will be spread over three years and is expected to be viable for 15 or more years.

As the CEO, I use several methods to ensure that we are making the best decisions possible to foster sound financial management of your Co-op. MJM's single largest expense, which we have the least amount of control over, is the cost of wholesale power. It is determined by Member energy consumption, which in turn is determined largely by the weather. The expense that we have a good degree of control over is

related to Operations. With a fair amount of effort, we have managed to keep our Operations expenses at a steady level with little change since 2018. MJM's Total Utility Plant Investments have consistently outpaced Long Term Debt. Equity has remained strong throughout the period. Our margins and Member Debt Service Coverage score will always fluctuate month-to-month with revenues and cash on hand, but these scores have remained within our preset ranges for several years. We ended 2022 with \$1,849,795 in margins compared to \$1,496,960 in 2021. MJM retired \$181,513 in capital credits for estates in 2022.

MJM has made progress on the new Fieldon substation. The property has been purchased and phase 1 environmental surveys are complete. The design work is at the 30% level, and we hope to get the site to grade with a road entrance and drainage work completed in 2023. The Butler substation was upgraded to current specifications in 2022 and the cost to complete this work came in at \$350,000. Which, due to economic conditions, was approximately \$50,000 over budget.

We inspected 2,087 poles in 2022 with 163 found to need replacement. Overall, we installed 459 new poles.

Our Board Chairman, Kay Schultz, and I are proud to announce that the Operation Roundup Program distributed \$54,400 to nonprofit organizations within the MJM service areas in 2022. Complete details are in your booklet. We are very impressed with the work this committee does and the time they are willing to contribute to this cause.

MJM's Board of Directors conducted a successful strategic planning session in 2022 and a board self-assessment session in March 2023. Your Board of Directors are always working and learning new and better ways to evaluate their performance as a Board and to help grow and improve MJM Electric.

In February of this year, we welcomed Todd Stewart as Director for District 8. Todd, his wife Erika and two children live on the family farm in the Nokomis area. We are glad to have Todd on the Board of Directors. Todd is filling the position left vacant by the passing of Denny Stewart who served as District 8 Director for 12 years.

When you consider all of the economic and environmental challenges that we have faced in the last three years, I believe that our cooperative business model is working as it should. MJM is providing its members with reliable service coupled with financial oversight and stewardship. The Directors, MJM Staff and employees are always working to support and improve your co-op and will continue to do so for many years to come.

*W. Kay Schultz, Board Chairman
Joe Heyen, President/CEO*