

FINANCIAL PLANNING FOR ELECTRIC COOPERATIVES:

Your Checklist for Creating a Comprehensive, Strategic Forecast & Plan



With so much being asked of your team, important details in your financial forecast and long-term plan may be overlooked.

This checklist is a reference point. It's designed to help you and your team create a thorough plan, uncover areas you might have missed, and ensure you're taking a holistic, strategic approach as you create and update your plan. We also encourage you to use it to prompt conversations about what's working and what could be improved in your financial planning process.

Evaluate where you stand by answering each of the questions in this checklist. It should help to identify the greatest areas of opportunity, and where you might focus your attention for the greatest impact.

Get started >>>

YOUR STAKEHOLDERS: WHO PARTICIPATES IN PLANNING

Who you involve in planning can make or break the effectiveness of your process. By taking a collaborative, cross-functional approach, you can develop more accurate forecasts and foster shared accountability across your cooperative.

	Yes	No	Evolving/In Progress
Are all key departments, such as engineering, customer service, IT, HR, and others involved in your financial planning process?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Do you have a liaison from finance assigned to partner with and support each key department in your organization?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Do your department leads have the opportunity to provide input on financial plans created by other departments?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Do department leads have a clearly defined process for multi-year capital/expense projects?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Do you review your forecast with the Board of Directors?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

BENCHMARKING: HOW YOU MEASURE UP RELATIVE TO OTHERS

You know benchmarking is important. But it can be tough to make it a priority or to know the best way to approach it. Develop a plan to conduct routine quantitative and qualitative benchmarking so you know how you're performing relative to your own strategic plans and your industry peers.

	Yes	No	Evolving/In Progress
Do you have clearly defined KPIs and metrics you are tracking relative to your strategic goals?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Are you conducting quarterly variance reviews so you can monitor progress, be aware of changes, and course correct promptly when necessary?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Do you know where to go for reliable benchmarking data?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Are you benchmarking your results with other co-ops at least annually?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Do you have a specific peer group you use for benchmarking (e.g., co-ops with similar characteristics or in your region)?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Are you meeting with a peer group to discuss qualitative benchmarking, strategize on challenges and share industry best practices?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

COMPONENTS OF YOUR PLAN: WHAT TO INCLUDE

There are a number of internal and external factors to consider in your planning process. You may be incorporating many of these already. If not, use these ideas to check which could impact your forecasting.

External Factors	Yes	No	Evolving/In Progress
Have you assessed the energy outlook? It's important to evaluate elements such as long-term supply contracts, capacity costs, and access costs so you have a clear sense of your future buying power in the open market.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Are you modeling potential interest rate changes, ideally in the range of 1-3%? Your plan should account for upward or downward interest rate swings so you can keep a pulse on your purchasing power and borrowing needs.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Are you tracking public policy developments in a formalized way? It's critical to monitor developments such as the new infrastructure bill, regulatory changes or other developments which may affect your plan and any unfunded mandates you may have to meet.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Internal Factors	Yes	No	Evolving/In Progress
<p>Are you fully accounting for any changes to your general operating expenses? Here are some considerations:</p> <ul style="list-style-type: none"> • Are you factoring in items such as fleet-related expense (e.g., gas prices, vehicle manufacturing costs, etc.)? • Are you accounting for rises in solar or net metering use that may warrant adjustments to member cost sharing? • Does your forecast automatically adjust for needed revenues and/or borrowing based on key financial indicators? • Does your forecast show the impact of the resource decisions you make (through rates or average cost per kWh)? For instance, you may opt for dissatisfaction and/or reduction of use to offset what members could see as high costs. Another example would be the board overriding some decisions to keep rates in a target range or raising rates only partially while offsetting some expense. • Does your forecast identify equity impact and any potential capital credit payouts? 	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<p>Have you examined all obvious and hidden workforce and labor expenses? Consider the ways your workforce and other overhead expenses may change (e.g., pent-up turnover coming out of the pandemic, payroll and rising labor costs, benefits, training or reskilling).</p>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<p>Are you modeling for changing dynamics in your membership? For example, you know that increases or decreases can significantly affect your financials. But are you modeling specific scenarios? Another factor to consider, among others, is if you're growing in a way that allows costs to be redistributed or if you could face rising costs with no new members to share in them. Additionally, members may use your "product" differently than originally designed. If so, it might be time to revisit your rate structure to account for the change in use.</p>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<p>Have you baked all major capital projects and strategic initiatives into your plan? Have you captured all possible capital projects? Have you factored in changes to product/service lines or other strategic initiatives (e.g., addition of broadband or other initiatives)?</p>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<p>Do you have the technology and data you need to handle your key operations as you change and grow? Because technology is no longer an afterthought, it's critical to fully account for technology expenses, and to treat them as important as other, more obvious or tangible capital expenditures. This includes hardware and software needs, (e.g., customer service platforms, etc.), as well as website, mobile app, or intranet updates or overhauls you may need to undertake.</p>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

TIMING: REEVALUATING YOUR FORECASTS AND PLANS

Planning is never a one-and-done process. It's important to have an established time horizon and routine and to stick to it. Otherwise, you could get caught off guard with an outdated plan that's cumbersome to update.

	Yes	No	Evolving/In Progress
Do your forecasts currently look out at least one to three years?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Do you review and refresh your financial plans at least annually?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Is your forecast easily adjustable for real-time changes or unforeseen impacts, so that you can make adjustments going forward?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>



PRIORITIZATION: HOW YOU DETERMINE RESOURCE ALLOCATION

As you steward resources for your community, it's critical to have a prioritization process that's consistent, transparent, and shared by a cross-functional team. This ensures a balanced process and can help you get to a more thorough, holistic plan.

	Yes	No	Evolving/In Progress
Do you have a clearly defined process for prioritizing budget requests?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Do you have a clearly defined business case process for new requests?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Does everyone understand exactly how new requests for funding should be made?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Do you make prioritization decisions in silos within departments?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Do you use a panel of cross-functional representatives to review your forecast and plan?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Are multi-year projects clearly identified in the process?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

FINANCIAL REPORTING TECHNOLOGY: TOOLS THAT ENABLE YOUR PLANNING PROCESS

In addition to the above technology and data you need to run your organization and serve your members, having the right data and tools are paramount for any forecasting and planning. It's critical to arm your management team with tools that offer real insight from the numbers and ensure everyone is on the same page. A transparent process is also key, so that everyone is working from the same information and understands how decisions are made.

	Yes	No	Evolving/In Progress
Do your systems offer granular tracking of assets?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Do all contributors to your planning and forecasting process have access to the process and final results? Are the final results widely distributed so that everyone has the same information?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Are your accounting processes setup to match your budgeting process so you can track actuals appropriately?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Do you have built in redundancy for your financial forecasting (e.g., having multiple people who can build and manage your forecast, which provides continuity, consistency and validation of details)?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>



Interested in learning more ways to make your forecasting and planning as thorough, collaborative and effective as possible?

We urge you to check out our in-depth white paper, "Strategic Financial Planning for Cooperatives: Uncovering opportunities to create a more robust, more strategic financial plan." It offers concrete ideas to strengthen your financial planning and forecasting process. Together with this checklist, it can help you be more proactive than reactive, avoid blind spots, and make more informed decisions that benefit your members.

For over two decades, PowerPlan has worked closely with cooperative utilities throughout the country to design a best-in-class software solution. Our project and asset accounting solution was purpose-built based on industry feedback from existing clients and market research from cooperatives. PowerPlan optimizes financial performance, controls costs for members, mitigates compliance risk, and streamlines reporting through utility best practices. For more information, please visit our [website](#) or contact us at +1 678.223.2800.



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