

Rachel Johnson, Cherryland Electric Cooperative ([00:15](#)):

Welcome back to Co-op Energy Talk. I'm your host, Rachel Johnson, the member relations manager here at Cherry Land, and you are listening to the board meeting brief for our board meeting on Monday, December 19th. I wanna just talk to you about three things that happened in that board meeting that I think are pretty important to note. First, the board approved our power supply, cost recovery plan for next year. And, um, don't, you don't have to remember these numbers. I'll give you the takeaway once I get done with it, but basically what they do at this time is they approve the amount of our base rate. So that retail rate you see on your bill, the amount of that that we anticipate will go directly to power supply costs. And for next year, that number is going up to 9.15 cents from about 8.50 cents this year. So, uh, we've been talking about this a lot on the podcast, but I just wanna keep reiterating it.

Rachel Johnson, Cherryland Electric Cooperative ([01:00](#)):

What we see is that we just have a lot of upward pressure on the co-op as it pertains to power supply costs, which is why that that increase in the amount of our retail rate that we anticipate having to spend directly on power supply is rising. And I think it's important for you all to be aware of. Uh, the other thing that is a part of that annual approval process is just to give the co-op the flexibility to use that P S C R charge that we've talked about several times. Keep in mind that's just a fluctuating, uh, charge on your bill that we can use to respond to month by month changes in power supply costs. Right now we are actually anticipating that power supply costs year next year while higher will be less volatile than this year. So we still intend to bring that P S C R down to zero when we implement the rate change in March, and I think can anticipate that we may be able to keep it relatively flat for at least the first half of the year.

Rachel Johnson, Cherryland Electric Cooperative ([01:50](#)):

So we're hoping that while we are seeing higher cost, that they will be less volatile going into next year. We'll continue to keep you updated about that, um, in upcoming podcast. The second thing that the board spent a lot of time on at their board meeting this month is our operating budget. So we always approve our capital budget in November and our operating budget in December. There are three things I thought I would highlight for you there. First, we are projecting our cost of purchase power to be 37.8 million next year. To put that in perspective, in 2021, our cost of purchase power was 34.5 million. So over 3 million in increased costs, uh, just going directly to power supply. So we pass that directly through to Wolverine. Uh, again, we're expecting stability, but I think it's just really important for everyone to keep hearing this message that power supply costs are going up.

Rachel Johnson, Cherryland Electric Cooperative ([02:38](#)):

The other um, element of the operating budget is our operating expenses. So this is the money we use to do all the work that needs to happen once the power gets delivered to the substation to make sure we can get it to your homes and businesses restore power if we have storms, that kind of stuff. The budget the board approved was a 13.5 million operating expense budget and a couple highlights in there, 6.7 million of that goes directly to to maintaining the distribution system. 2 million into tree trimming, a lot of labor there tied to maintenance and upgrades of the system. But that's all directly having a reliability impact on our members. Another 3 million of that is what we, what I would call kind of member services costs. So that's everything from billing to the software system. We use Smart hub, um, our call center, our communications programs, so kind of just everything that goes into providing you service beyond simply the fact that we have poles and wires.

Rachel Johnson, Cherryland Electric Cooperative (03:28):

And then the last piece of the operating budget is \$3 million in what we would call administrative cost, which includes it. And I think that's something that we're gonna continue to just see our, our IT costs go up. I mean, those of you who pay close attention to the news, no, we're under increasing risk of cybersecurity events that requires us to really kind of harden our, um, technology systems and just increasingly technologies are helping us automate processes and be more efficient so we have more technologies that we're maintaining. Uh, but all in that 13.5 million, a lot of that is labor costs. Um, we take a lot of pride in being a super lean electric cooperative, but it still, we still have to invest in our people. Uh, and then when you add in kind of the final component of the, uh, operating budget, which is the really exciting things like depreciation and interest, we get to a total operating budget of a little over 60 million next year, and that's up from 58 million in 2022.

Rachel Johnson, Cherryland Electric Cooperative (04:20):

Um, we've talked a lot over the last few months about some of the cost pressures we're facing. Certainly labor costs, power supply costs, and then also supply chain costs are going up and that's where you're seeing that small increase. But overall, I think a lot to be proud of in this budget because we've managed to bring our board a budget that's gonna let us meet your expectations as it pertains to reliability and good service and do so in some kind of really challenging pressures as it pertains to inflation and still keep things really reasonable. And then the third thing that I wanted to just highlight is we had a update from our engineering and operations manager and a couple kind of cool fun things in his update. We really are just having a very good year as it pertains to engineering and operations. In particular, in the month of November, we completed 120 member construction requests.

Rachel Johnson, Cherryland Electric Cooperative (05:03):

Our goal is always to try to get those done within 21 days of when the member requests it. And we were able to get most of those done within 21 days. In today's environment, for those of you who are trying to build things, you might recognize that's actually a really fast turnaround and we get really good feedback from our members on that. So, um, kudos to everyone who helps design those jobs, schedule those jobs and actually construct those jobs. What's really cool about that number is that we also in the month of November had a major outage event and several kind of smaller outages tied to this GAILs of November thing we deal with every year. So very, very cool to think about the amount of work we were able to get done, meet our members' expectations for timeliness on construction projects, but also be really responsive to unexpected outages and storm events.

Rachel Johnson, Cherryland Electric Cooperative (05:47):

And, um, certainly kudos to our, our line crews for all of that work. So those are kind of the highlights of the board meeting this month. Our next meeting will be Monday, January 23rd. Uh, and I also just wanted to remind you don't forget that we are having an informational meeting about our 2023 rate changes. That will actually be on January 18th at five 30 at our office, and then we will have a formal rate hearing before that November 23rd board meeting at 9:00 AM The board will be available at both. So if you're interested in stopping by and having a, a conversation about where we're going with our rates in 2023, please feel free to stop by. And if you have any questions, let us know. Join us next time for more co-op Energy talk.