

Rachel Johnson (00:00):

New Speaker (00:00):

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Rachel Johnson (00:17):

Welcome back to Co-op Energy Talk. I'm your host, Rachel Johnson, and you are listening to the board meeting brief for our board meeting on Monday, January 29th. Uh, five quick things I thought I would share with you from that board meeting. First, our Chief Operating Officer, Frank Siper, gave a presentation to the board on our five year work plan. This is basically a planning document that we use to figure out what we're gonna do over the next five years to invest in mostly system reliability types of investments. Uh, there's no approval that happened at this board meeting. This was more informational because we just completed that data process of figuring out what we're gonna be doing. And here are some highlights. We are projecting to invest over \$60 million in our system in the next five years. It will be one of our largest work plans in our history.

Rachel Johnson (01:03):

Uh, some of the things that that will include are continuing to put parts of our system underground that have historically been overhead, which we know can, um, have a, a significant positive impact on electric reliability. We're also upgrading a lot of overhead in areas where it doesn't make sense to put it underground. Um, and then the, the kind of, the big thing that continues to be in there is that we're upgrading our metering system, which is a, about a, a 10, a 10 to \$12 million project. So lots of, uh, lots of exciting investments in that five year work plan, all of which are going to allow us to improve, not, not just improve, improve and protect the reliability of our system, and also plan for system growth. There are areas where we need to make upgrades because we're serving more homes and businesses as the area grows, and we need to upgrade the system to meet that electric demand.

Rachel Johnson (01:48):

So shared with the board what we're planning to do over the next five years. The, uh, second thing that we share with the board this month that I am also gonna be sharing with you all in next month's manager's column is that we ended 2023 with a, um, really important and cool milestone in the electric reliability of the co-op. We were able to, um, meet our four nines goal, is what we call it. And basically what that means is that we kept the lights on for our members, 99.99% of the time, four nines. To get to that, we have to have the average member be out less than 60 minutes a year. We actually were able to have the average member be out about 43 minutes a year. So, um, really, really awesome reliability on our system this year. To put that in context for you across the state, the average is about 180 minutes per customer, per year that they're without power.

Rachel Johnson (02:33):

So we are just blowing, um, others out of the water. We're really proud of that and it's also the reason that things like that planning we do in that five-year work plan are so important. If you're interested in learning more about that, uh, please do check out the manager's column in February and also check out the podcast I recently did with our COO Frank, because we talked about how we got to that exciting number. The third thing that we talked with our board about is kind of some initial projections and plans for a 2024 rate increase. We are still working through the details of that rate increase, but what we

discussed with them is an increase that's going to end up being about 6% increase for the average cherry land user. So for the average residential member, they'll see about a 6% increase in their bill.

Rachel Johnson ([03:14](#)):

That won't go into effect until sometime in, um, midyear, but we are hoping to finalize and bring that proposal to you all to our members in March. So please be on the lookout for the March issue of the magazine. Check the website. When that time comes, we will have informational sessions. If you wanna come meet with us and ask questions, we'll have a podcast. All the things we normally do to explain the details of, um, once we finalize that rate change proposal, the details of it, and what it means for you. And for those of you who are wondering, but why are my rates going up? It's because our costs are going up, and the only way that we can continue to make those important system investments is to make sure that we cover our costs with our rev with revenue, and that does require us to raise our rates to meet utility inflation.

Rachel Johnson ([03:57](#)):

So I'll, I'll give more details on that in the future, but we began that discussion with our board this month. The fourth thing that we did with the board, um, also kind of sticking in the finance theme is we brought to them a revised equity management policy. So one of the things we're doing to help the co-op manage just the very challenging interest rate environment, we find ourselves in the very challenging, um, supply chain environment we find ourselves in. We are going to, um, bring our equity target down. So our old equity target was 40%. We're gonna bring that down to 35%, and it doesn't have a lot of implications for us in terms of our ability to borrow money, to borrow money at competitive rates. The biggest thing is that that's gonna do is it's just gonna give us a little bit more flexibility as it pertains to making investments in our system, um, and not having to, uh, essentially violate our own equity targets, but also it gives us some more flexibility as it pertains to capital credits.

Rachel Johnson ([04:52](#)):

So the, our old capital credit policy, explicitly stated basically still states, we have to be at our equity management target in order to be able to retire capital credits for estate retirements, special retirements, and general retirements. By bringing that equity goal down a little bit, having it be more reflective of the cost environment and the interest rate environment we're working in today, it gives us a little better opportunity to hopefully get back to retiring capital credits sometime in the next, um, year or two. So stay tuned for that. But the board did approve that policy and I, I think it was a smart move for us in today's environment. And the last thing that I thought I would update you on from the board meeting, I talked to the board a little bit about some new energy policies in the Michigan legislature that we're starting to follow.

Rachel Johnson ([05:30](#)):

And the one that, um, I know the most about right now that we're, we're most keenly watching is an update to the, um, as we call it the ME legislation, but it's the Michigan Energy Assistance Program, or MEAP, and basically it's legislation that would place a \$2 per month per meter mandatory surcharge on all cherry land member bills on all electric utility customer bills, but all cherry land member bills. That money would be collected from your bill and passed directly through into this state run meat fund, which then would be used to fund energy assistance for low income or income qualified members who need help paying their bill. On the surface, this is obviously something that we support in theory because I obviously care deeply about vulnerable members who are struggling to pay their bills. The part

that we're, we're really kind of pushing the state on, and I really wanna see them, it have reflected in this bill, is it's very important to us that the money that gets collected from our members gets returned to our members.

Rachel Johnson ([06:30](#)):

We don't want this bill to turn into something that pulls money out of rural cherry land members electric bills, and then repurposes that money to fund energy assistance downstate in Detroit, for example. We want that money to stay local. So what we're really asking for as that bill moves through the legislature is for it to be modified, to account for transparency and accountability so that we will have a way of making sure that the money that we collect on our members' bills, even though we still have to send it to the state, when they redistribute it in the form of energy assistance, it comes back to the people who are helping to fund it. I'll keep you updated on that as it progresses with all legislation. We often don't know until we know, and then we often don't have a lot of heads up before it passes. But we will continue to monitor that and keep you updated about what it means for us here at the co-op. That was kind of the highlights from this month's board meeting. Our next board meeting is Monday, February 19th, and as always, we will start with member input. So if you'd like to see the board, please swing by our office in groan at 9:00 AM and uh, we will be happy to allow you to offer some feedback. Join us next time from more co-op Energy Talk.