

Rachel Johnson (00:16):

Welcome back to Co-op Energy Talk. I'm your host Rachel Johnson, and you are listening to the board meeting brief for the board meeting on Monday, July 22nd. A few things I wanted to update you all on this month that we discussed with the board. The first on the finance side of things, uh, we had some, some relatively good news for the board this month. We do have positive net operating margins now that we're about halfway through the year, you'll remember we had a rate increase that went into effect basically April through June of this year. And so we're starting to see that in terms of getting ourselves out of the hole we were digging ourselves out of from last year. So remember, we ended 2023 with negative net operating margins over a million dollars in negative net operating margins. So we have to first make that back up and then we can move forward with positive margins and we're still a little bit in the black even with that loss, which is great.

Rachel Johnson (01:04):

We do still feel that things are gonna be really tight for us through this year. Uh, so once you account for the loss that we have to book against this year's margins and think about the fact that the shoulder seasons tend to be lower sales time for us, we're not probably quite as hefty margins as we would like to see, but still positive. The cost controls we put in place last year are certainly working to our advantage. Um, but the other thing we've begun the discussion with our board on is what does our rate plan look like going forward? Because we know that as an organization we continue to face significant cost pressures. These cost pressures are impacting not just us, but our entire industry. And they're not just as simple as consumer inflation. Utility inflation in particular is just very, very high. The other thing we discussed with the board, um, that I thought was really interesting, I wanted to share with all of you.

Rachel Johnson (01:51):

We gave them a look at a ratio that we track tied to controllable cost. So controllable cost is everything from labor to, let's say trucks, like anything that we're spending that we have control over. What it strips out of the equation is really power supply, which is tied more to what the work that Wolverine does on our behalf. So when we look at our controllable costs per consumer in 2023, our controllable costs were significantly lower than both state and national averages. The statewide average in 2023 for controllable costs was about \$510 per consumer for the year. To put that in perspective to cherry land for you, ours was about \$362 per consumer per year. So we're looking at almost \$200 less per consumer per year in controllable costs at cherry land versus these other utilities in the state. National averages were even higher than that.

Rachel Johnson (02:41):

They were closer to \$600, um, a little actually in fact almost over \$600 per consumer per year in the national average for controllable costs. So we're really, really proud of that part of our story. The fact that we continue to, our members continue to be advantaged by how lean we are, by the density that we enjoy in our service territory compared to other rural co-ops and all of the things we've done to control costs for our members over time show in that difference between our controllable costs per consumer versus state and national averages. Um, but it also I think tells a part of the story that we, we have to grapple with, which is we just don't have a lot of fat to cut at cherry land. So to the extent that these costs continue to rise or be high, we have no choice but to continue to manage that through a long-term rates plan.

Rachel Johnson (03:26):

Expect to hear more from me on that as we get towards the end of this year and have a little better idea of what our recommendation will be to the board in in 2025. Regarding rates in other, I think good news on the operation side of things, we are still at four nines for the year, just barely nine, 9.990 as of the end of June. Uh, but that to make it halfway through the year and still stay at that four nines is certainly, uh,

something we're really, really proud of. And we're gonna continue to work hard to keep your reliability up. Also, on the operations side of things, uh, we were able to share with our board some numbers regarding member driven construction and we talk about member driven construction. These are orders that come in for a member saying, Hey, I'm building a new home.

Rachel Johnson ([04:05](#)):

I need you to come out and hook it up. Or, I'm adding a pole barn. I need you to come out and, and, um, hook that up. So a, a construction order that came from a member, what we're hearing kind of in our community, and quite frankly also just kind of state and nationwide is a lot of utilities is taking a very long time to get in and do those projects. They are either not able to have, they don't have the supplies they need or their employees are too busy. But for whatever reason, we're seeing a stretch at Cherryland. Our goal has always been to get any member driven construction order done within three weeks and we continue to meet that goal. And so we're really, really proud of that and I wanted to just, um, take a second with our board this month and acknowledge the milestone that we are able to keep up with that three week, um, construction order kind of completion timeline that we pride ourselves on, but also to give a shout out to our line crews for the work that they do to, to keep up with the pace of construction area, which is significant.

Rachel Johnson ([04:58](#)):

The reality is we are in an area that is growing. We have probably more construction orders than utilities and a lot of other areas do. Um, so our line crews who are working on that construction, our staking technicians who help design all those projects and are certainly working hard to get those projects designed and ready to go when the member's ready to go. And then our warehouse and scheduling folks who are working really tirelessly behind the scenes to make sure we have the right equipment and the right materials at the right time to get that stuff done. So a lot of work that goes into to meeting that, that three week goal. The other thing we talked about this month are board members who sit on the Wolverine board recently had the opportunity to tour the Palisades nuclear power plant down in southwest Michigan. Those my most loyal listeners will know that we have made a long-term commitment to purchase the output of Palisades when it comes back online.

Rachel Johnson ([05:45](#)):

That is a plant that was, uh, shut down in 2022 and then a process has been in place to reopen that plant and have made it through several, um, hoops to get there. The board members were able to go tour that plant and report back to the board that it's incredibly well maintained, very clean. There's clearly a lot of pride of pride of operatorship on behalf of the people who are working there. In addition to that whole tech, the current owner has developed the staff that they need in order to restart the the plant and ha they continue to work through the regulatory processes necessary and based on kind of the, what they saw in the tour and the updates that they received, we continue to be very optimistic that that plant will be back online in a timely manner in the very near future, which is important not just for our portfolio and what we purchased on behalf of our members, but it's also really important for electric grid reliability in the state of Michigan.

Rachel Johnson ([06:38](#)):

And then the final thing that we did this month as a board is we did a kind of a special safety briefing with the board where we talked about some improvements we've made here at Cherry Land to our physical security measures at our office. And then we also went through with the board what to do in the event they're in the building during several different kinds of emergencies. So we talked through if there were a medical emergency, where to find an a ED for example, we talked through what to do if there was a tornado and where we, where we go for those kinds of things. We talked through all kinds of

emergencies, walked them through what we, the improvements we've made on the physical security side if things, and then also made sure that they were equipped if they happened to be in the office when one of those emergencies happen. So those are the highlights. Uh, please don't hesitate to reach out to me if you have any questions about that. And then just a quick reminder that our next board meeting is on Monday, August 19th, and we will as always start that board meeting with number input at 9:00 AM So if you'd like to address the board, feel free to swing by our office here in groan. Join us next time for more Coop Energy talk.