Rachel Johnson (00:18):

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, July 27th. There are four things from this board meeting that I wanted to share with you. First, we received a couple special presentations to talk through with the board, and one that was really important to me was the outcome of a recent safety program audit and safety program review that we did. We work with outside partners to come in on a regular basis and give us feedback on how our safety program is performing, kind of compared to outside standards, but also like just in general, how good of a job we're doing. And there were so many really good highlights from that, that recent audit. The things that stuck out to me, one is that the, the team that did the audit said several times that they really noticed what we have here at Cherryland is a culture of ownership of our safety program and its importance, and a culture of continued improvement.

Rachel Johnson (01:08):

Because with safety, the work is never done. And so that was, that was great to hear. They gave us a really good feedback that we're doing a good job with documentation and compliance issues, which are also important. But for me, at the end of the day, the thing that matters the most is knowing that our employees are equipped to do the job safely, that they understand how to do the job safely, and just as importantly, they feel comfortable speaking up if they don't think they can do the job safely. And this audit really showed that we're doing a, a good job of that. So that was great to hear and share with the board. The second, um, thing we spent quite a bit of time on at this board meeting was a presentation on a recent cost of service study that we did. And I wanna talk through that with you in two parts.

Rachel Johnson (01:43):

First, I'll explain what a cost of service study is at real high level, and then talk about how it is informing how we're looking at rates as we move into 2027. A cost of service study is essentially an analysis of all of your costs and what drives them, and then how those costs are allocated across rate classes. The goal is really simple, to have rates that are as fair as possible and to avoid any subsidization across rate classes. The primary drivers of our cost are fixed cost, things that are fixed per member. So think things like a meter. Regardless of what you do, I gotta have a meter on the house. That's a fixed cost for the member. The second primary driver of our cost, which you don't really see in our rate structure right now, is demand related cost. And the way I like to think of this is the best kind of corollary I can think of outside of our industry is to think of a water pipe in your home.

Rachel Johnson (02:26):

You have the amount of water you wanna use, but you also have the amount of water you need at maximum at a given time. That's the size of the pipe. For us, those are demand related costs. The maximum amount of electricity you might wanna use at any given time. What kind of equipment do I have to make sure I can accommodate that? So demand related cost. And then the third piece of our cost drivers are energy costs. This is the amount of water you use over time in that, that previous analogy, the amount of kilowatt hours you use over the course of a month or a week or a, or a year. So those are kind of the primary drivers of our cost and how we think about those cost categories. What was really insightful to me as we heard from this outside consultant on our cost of service study is that our rates right now are doing a very good job of capturing costs according to the rate class in which they're incurred so we don't have subsidization built in our rates and also capturing fixed costs through fixed charges and more volumetric costs through volumetric charges.

Rachel Johnson (03:15):

So that's really good feedback because it means a lot of the hard work we've done. Many of you have been here with us for it over the last several years to get that right. So that helped inform how we're thinking about rates going into 2027. I've already talked a little bit about this. There are no surprises here. We know that we have significant inflationary pressures, and we are anticipating ongoing rate increases tied to inflation, and that's exactly what we saw coming out of this study. So we are anticipating having to make some minor adjustments based on inflation in 2027, but the great news is that we are not anticipating needed to make any changes to that fixed availability charge on your bill. It is accurately recovering our basic fixed costs at this point. The other good news is that the adjustment on the energy charge, the volumetric side, is, is really quite small.

Rachel Johnson (03:56):

So today you're playing exactly 13.1 cents per kilowatt hour. We're anticipating that's gonna go up to about 13.75 cents per kilowatt hour starting in 2027. Those numbers aren't final. This first conversation was, with the board was simply to educate them on that cost of service study and then give them a forecast of where we're headed. We'll continue to refine that and take that to them for a public hearing in September for implementation in January of 2027. So more to come on that. Uh, third thing we talked about this month that actually dovetails with what we just talked about. Every month we do this, an overview of the co-op's finances and how we're doing year to date. Our finances remain really, really strong. We, our margins are positive, which is good. But we have had a lot more storm and outage related activity in the last few months than we'd had in several years.

Rachel Johnson (04:38):

And we're seeing and feeling that. Um, so that's just gonna increase our, our overall operating cost for the year. Nothing, nothing we can't handle, nothing that will be impactful to you in any big way, but that was kind of the big note that we wanted to make sure the board saw coming. I still anticipate we will end year very near where we budget because we always budget for a little flexibility for unexpected expenses like that. The fourth thing that we talked about that we've been talking about for a little bit here is an update on our facilities. So as all of you know, we are building a new headquarters over on Renny School Road. We have continued to work to get all of the building permits and everything in place. And that's all going really, really well. We've locked down all of our subcontractors. I will remind you, over 80% of the people working on this project are local subs, which is great.

Rachel Johnson (05:19):

And as of the afternoon of the board meeting, we finally broke ground. So we held our formal official groundbreaking for that project. And actual work, actual site work should start there sometime in August. So very exciting to see that project moving forward for our members and fun to celebrate that milestone with our board. So those are the highlights from this board meeting. By all means, reach out if you have any questions. Otherwise, our next board meeting is Monday, August 24th. We will start as always with member input at 9:00 AM, and so swing by if you have any feedback for the board. Join us next time for more Co-op Energy Talk.