

# October 2021 MAC Meeting



# Safety First



# Welcome & Introductions



Maureen Moore  
Communications Manager

# COO Message



Thomas Golden  
Chief Operating Officer

# Message from Board President



Dr. Max Walser  
EnergyUnited Board President

# Cost of Service Study & Retail Rate Changes



Alec Natt  
Chief Financial Officer

# BACKGROUND AND HISTORY

- ▶ As a Coop, we are owned by our members
- ▶ Our mission is to keep rates as low as possible
  - ▶ There are 2 components to our rates
    - ▶ Cost to recover the running of the business (distribution)
      - ▶ Try to achieve cost recovery plus margins (profits)
    - ▶ Cost to recover wholesale power
      - ▶ Try to operate as a total pass-through to our members

# BACKGROUND AND HISTORY

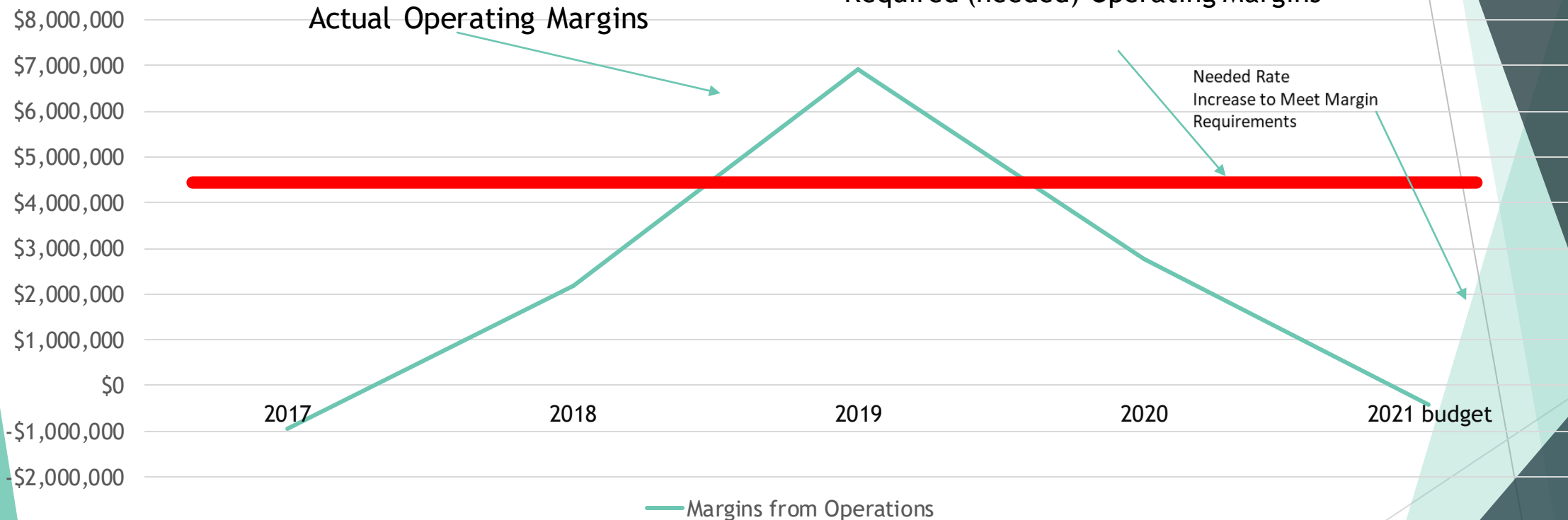
- ▶ We need margins (profits) to meet our loan covenants and to provide enough working capital to fund the business
  - ▶ If we do not meet our loan covenants, our primary borrower (RUS) can force us to raise rates
- ▶ EnergyUnited has not changed its retail rates in four years
  - ▶ Costs continue to increase at a greater rate than our growth and efficiency



# Actual vs. Needed Operating Margins

## Margins from Operations

### Required (needed) Operating Margins



# How does EU go about Changing Rates

- ▶ Different Membership Classes require different rate structures
  - ▶ Residential
  - ▶ Commercial
  - ▶ Industrial
  - ▶ Security Light
- ▶ Attempt to provide as much equity among the rate classes as possible
- ▶ Rate increase is reflected in the facilities charge
  - ▶ (cost of power is a pass through)
- ▶ EnergyUnited performs a Cost-of-Service Study to effectively set rates
  - ▶ We use Marker 3 Consulting LLC to conduct the study

# The Cost-of-Service Study Process

- ▶ The Typical Process of the Cost-of-Service Study Consists of the Following Six Steps:
  - Development of Revenue and Expense Forecast Under the Coop's Existing Rates
    - Used 2020 as the base year for the study
  - Determination of Revenue Requirements to Meet Earning Targets or Debt Service Requirements
    - How much additional margins are required to meet the Coop's needs and goals

# The Cost-of-Service Study Process

- Perform Cost-of-Service Analysis
- Allocation of Overall Change in Revenue Requirements to the Individual Consumer Classes
- Design of Proposed Rates
- Approval by Internal Management and the Board of Directors

# Why Should a Cooperative Do a Cost-of-Service Study

- ▶ To determine what it actually costs to serve a class of consumers
- ▶ If you don't know what it costs, how do you know what to charge?
- ▶ Avoid discrimination between classes of consumers
  - ▶ Assists in designing rates that limit intra-class discrimination
- ▶ RUS and CFC both recommend that a cooperative's rates should be cost based

# COST OF SERVICE STUDY FINDINGS

- ▶ Need to raise rates to increase our margins by approximately \$9M
  - ▶ Would equate to an overall increase of about 4%
  - ▶ Increase residential facility charges from \$37 to \$40/mo.
  - ▶ Similar changes to commercial and Industrial Customers
  - ▶ *Rate changes will go into effect on January 1, 2022*
  - ▶ Hope is that we will not need to increase rates for another couple of years
- ▶ *However....*

# Reasons to Increase Basic Facilities Charge

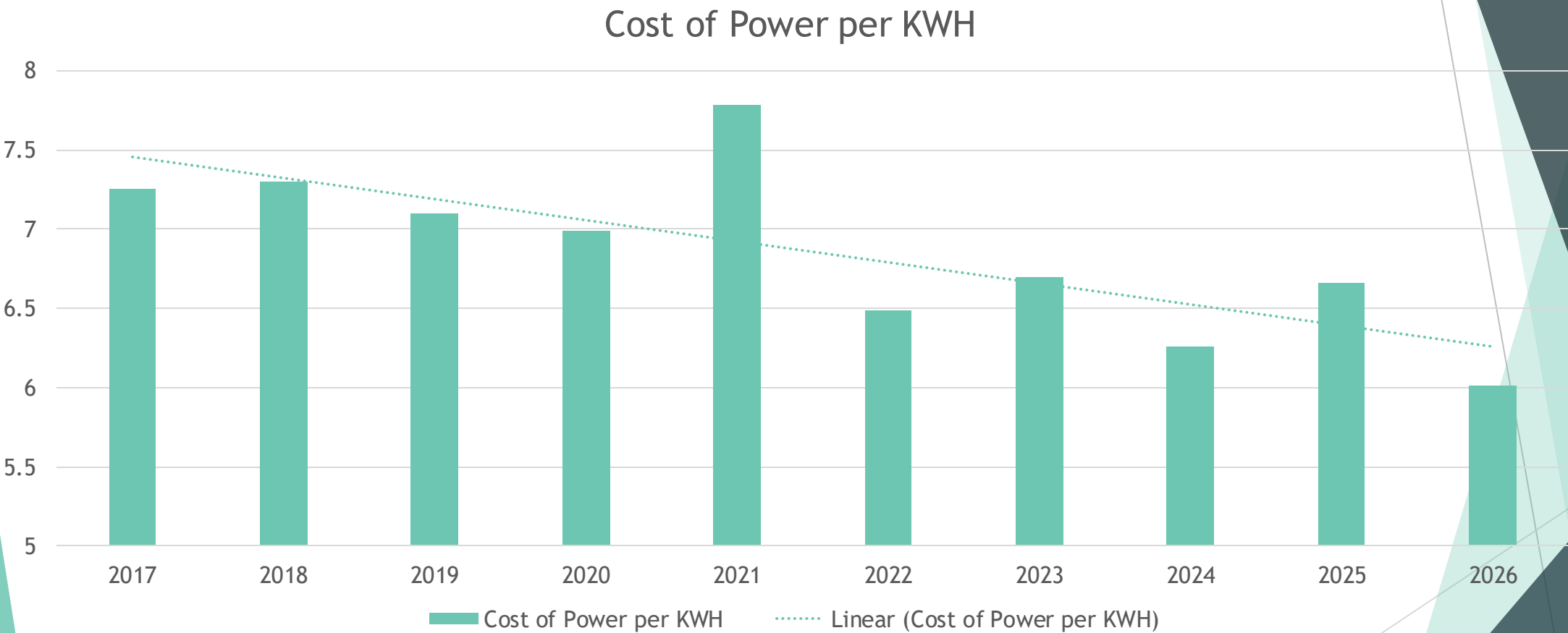
- ▶ Revenue Stability - Fixed revenue not susceptible to swings in weather
- ▶ More closely reflects the cooperative's fixed monthly costs
- ▶ Energy Efficiency - High energy charges overstate the true benefits of energy conservation
- ▶ Distributive Generation - More truly represents the coop's incremental power costs
- ▶ Fairness - Low facilities charges and high energy charges discriminate against the high use consumer

# COST OF SERVICE STUDY FINDINGS

*....As discussed earlier, there are two components of rates. The other being the cost of power. With declining prices in the cost of power, we are able to lower that component in our rates to offset the increase in facility charges.*



# Cost of Power-Historical and Projected



# Decrease in Cost of Power

## Changes in our Portfolio of Energy Resources

- ▶ Natural Gas prices have been declining year-over-year for some time
- ▶ A large (but expensive) nuclear block contract expires 12/31/21
  - ▶ Being replaced by Natural Gas fired electric generation
- ▶ Reduced transmission costs to wheel energy from Southern Power into Duke
- ▶ Able to negotiate lower prices on contracted resources into the future

# Overall Impact on Rates

- ▶ Facilities Costs are increasing: \$9 Million
- ▶ Cost of Power is decreasing by: \$18 Million
- ▶ **Net impact to our members: 3% reduction on energy bills**
  - ▶ Members (20,000) who consume low quantities of KWH will see small increases of up to \$3 per meter per month
  - ▶ All other members will see flat or decreasing electric bills

# Questions?

# Communications

- ▶ Next, we will conduct a breakout session to discuss the following:
- ▶ Cost-of-Service (COS) Study article in member newsletter in October
- ▶ Article sharing the findings of COS Study in November member newsletter
- ▶ Article announcing the new rate schedule in December member newsletter
- ▶ Article highlighting two new rates (Time-of-Use and EV Charging) in January member newsletter

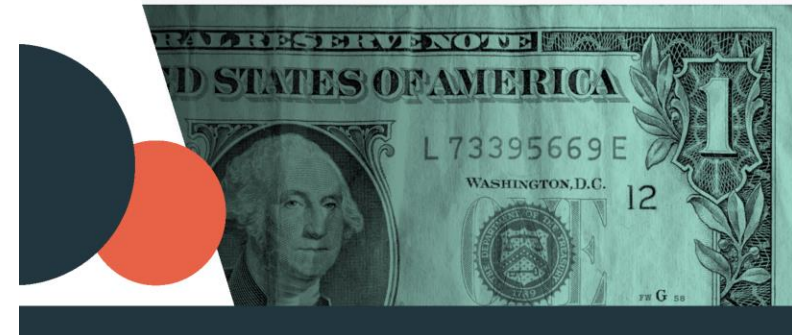
## ***RISING PRICES PROMPT COST-OF-SERVICE STUDY***

As a not-for-profit electric cooperative, EnergyUnited always strives to provide exceptional service at the lowest possible cost. We have worked diligently to maintain steady, competitive rates since our last rate adjustment was implemented in 2018. In fact, we advanced several strategic initiatives that helped achieve new efficiencies and mitigate rising costs.

For example, the deployment of our Advanced Metering Infrastructure (AMI) from Sensus and completion of our Field Asset Inventory (FAI) have enabled our cooperative to respond to outage reports more quickly, safely, and efficiently. Now, all linemen and crew members can quickly locate cooperative-owned equipment on our GIS maps during an outage and our dispatch team can instantly identify whether any reported electrical service issues are located on our side of the meter, resulting in fewer truck rolls.

While we continue to advance new initiatives with this same objective in mind, we will also be evaluating our rate structure to ensure that the cooperative's costs are recovered adequately and fairly across all rate classes. This evaluation is just one component of the comprehensive cost-of-service study that we are conducting this fall, which will examine a wide range of cost projections over the next several years.

As concerns of inflation persist, our commitment to providing safe, affordable, and reliable energy will not waver. We will continually leverage new opportunities to save money, to innovate, and to realize efficiencies whenever possible to follow through on this commitment.



# Quick Break



# Breakout Rooms

# Review Rate Communications



# Quick Break



# Co-op Updates



Maureen Moore

Communications Manager

# COVID-19 Update

- ▶ Continue communicating safety protocols in accordance with CDC guidelines.
- ▶ Employees have been asked to not report to offices unless necessary.
- ▶ Before visiting any EU office, employees must notify their supervisor and confirm they are feeling well and not running a fever. All employees, those who are vaccinated or unvaccinated, are required to wear masks whenever they visit an EU office.





# Community Solar Update

Our community solar farm in Davie County is expected to go online in 2022. More details on subscription offers to come!



# 2021 Virtual Annual Meeting

EnergyUnited conducted its second Virtual Annual Meeting on Thursday, September 16. The meeting included reports from the CEO, Board President and Corporate Attorney. This meeting was broadcasted over WSIC Radio and co-hosted by Maureen Moore, Communications Manager and Mark Sanger (WSIC). This year's meeting can still be viewed on our website: [www.energyunited.com](http://www.energyunited.com)





Thanks to all who  
supported the  
EnergyUnited  
Foundation 25  
Year Anniversary  
Giving Campaign!

25  
years



# Bright Ideas Applications - Now Under Review



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**Early bird deadline: August 16, 2021**

**Deadline: September 15, 2021**

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**SAFETY INTEGRITY COMMITMENT EXCELLENCE**

# Thanks to all our Bright Ideas Judges:

- ▶ Russell Morrow (Statesville)
- ▶ Barry Henline (Statesville)
- ▶ Ashley Carroll (Lexington)
- ▶ Amanda Anderson (Lexington)
- ▶ Gary Stuebing (Lexington)
- ▶ Shelia Stanley (Lexington)
- ▶ Jason Sprague (Lake Norman)
- ▶ Geoff Steele (Lake Norman)
- ▶ Randy Brookner (Lake Norman)
- ▶ Monique Werner (Big Idea group)





Now accepting  
applications for  
2022 Youth Tour  
until December  
31, 2021.

Apply by visiting  
[energyunited.com/youth-tour/](https://energyunited.com/youth-tour/)

# October Bill Image

**DO MORE WITH LESS:**

## **GO PAPERLESS**

Want to do some good in the world the easy way? Sign up for paperless billing! It's not just good for the environment. As a member-owned company, the money we save on paper, printing and mailing is one more way we keep costs low. And by signing up for My EnergyHub, you can take charge of all the ways we communicate with you.

Sign up at: **[EnergyUnited.com/MyEnergyHub/](https://EnergyUnited.com/MyEnergyHub/)**

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# October is National Cooperative Month!



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