

CHELCO NEWS

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MAY 2024 | VOL. 29 NO. 5

CHELCO



A Touchstone Energy®
Cooperative 



CEO Insights: First distribution rate increase since 2013

You may find it unusual to see my column on the front cover of this month's newsletter, but I felt that this month's topic deserved your full attention, and I wanted this news to come directly from me.

It's never an easy decision to introduce a rate increase, but our last distribution rate increase was in 2013, making this our first increase in over a decade. In fact, our only distribution rate adjustments since then have been decreases in 2015 and 2021. Nevertheless, CHELCO will soon be making a small adjustment to recover the increasing costs of providing reliable electric service.

Beginning with June's bills, residential members can expect to see a flat increase of \$3 per month on the basic service charge portion of their bills, which will be adjusted from \$26 to \$29 monthly. The distribution cost adjustment (DCA) will increase by 0.1742 cents per kilowatt-hour (kWh). Even with this modest adjustment, our rates will still be among the lowest of all electric cooperatives in Florida and Alabama.

Basic Service Charge & DCA

The basic service charge offsets some of the fixed costs of providing electric service, such as depreciation, taxes and interest. This charge enables the cooperative to keep pace with rising costs

caused by high inflation the last few years.

The distribution cost adjustment can be identified in your monthly bill by "DCA." This is a small portion of your total bill, and it covers local distribution expenses. Examples include the maintenance and replacement of your co-op's poles, transformers and wire. Computer equipment, bucket trucks and labor costs are additional examples. This rate will increase from 0.153 to 0.3272 cents per kWh and result in an increase of \$1.74 for 1,000 kWh of usage. Combining the basic service charge and DCA, members who use 1,000 kWh will notice an increase of \$4.74 to their monthly bill, which equates to about a 3.5% increase.

A Tough Decision

After an extensive analysis of our financials, we determined that rapidly rising costs are outpacing our revenue projections. Therefore, this adjustment became imperative to continue fulfilling our mission of providing reliable and resilient energy to all our members.

Our not-for-profit business model prioritizes the interests of our members over profits for shareholders. We exist to provide a service, not to generate profits. In other words, we are solely focused on the needs of those who use our service. Investments in our system's

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A quick look at the numbers

For residential members, the Basic Service charge portion of your monthly bill will increase by \$3, from \$26 to \$29. Additionally, members will see an increase of 0.1742 to the Distribution Cost Adjustment (DCA) bringing the total DCA charge to 0.3272 cents per kWh.

For a member who uses 1,000 kWh, you can expect an increase of **\$4.74 per month** (\$3 for the basic service charge plus \$1.74 for the DCA). This equates to an increase of approximately 3.5%.

CEO Insights: First distribution rate increase since 2013

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infrastructure and reliability are critical to providing the service members deserve.

Being a cooperative does not exempt us from the rising costs of goods and services. I'm sure you've also felt the effects of recent inflation and rising prices on other everyday items. For some perspective, since our last rate increase in 2013, tomatoes have increased by 46%, ground beef by 50% and eggs by 56%. Even since 2020, gasoline has increased by 79%. These are just a few examples. Nearly all sectors have been forced to raise their prices in order to keep up, creating a sort of domino effect that negatively impacts the economy.

Providing Reliable Energy is Increasingly Expensive

Since 2020, essential equipment prices, including wire, poles, and transformers, have drastically increased. In 2019, CHELCO spent \$270,000 on minor materials to maintain our system. Driven primarily by inflation, those same materials cost \$1,000,000 in 2023.

The cost of the average pole CHELCO uses to deliver electricity across our system has increased by 62%, from \$177 to \$284. The wire that we hang from those poles has more than doubled in cost since 2020. It is difficult to maintain a growing system when every component required to deliver reliable service has consistently outpaced already rampant inflation over the past four years.

Something many of you can relate to is the increase in vehicle prices. At CHELCO, we strive to extend the lifecycles of our equipment as long as possible. We also have a responsibility to provide equipment and vehicles that are up to modern safety standards and provide

adequate resources to meet the needs of various jobs, so it becomes necessary to retire and replace vehicles when they have reached the end of their useful life. In 2020, a standard service bucket truck cost around \$138,000 and would arrive in under a year. The same truck now costs upwards of \$200,000 with a lead time of more than 800 days. Even postage costs to mail our monthly bills have increased by 55% in just four years.

Despite these challenges, we have never sacrificed reliability. In fact, we've invested millions of dollars in system improvements to limit the frequency and duration of outages. Despite the rising prices of everything around us, we made these investments without distribution rate increases thanks to cost-saving measures implemented since 2013. Additionally, our utility privatization (UP) contract to serve Eglin Air Force Base, which began in 2017, has helped offset many costs, benefited our entire membership and assisted in delaying a distribution rate increase.

Cost Control Efforts

In addition to our everyday efforts to control the cost of distributing electricity, we have a separate program aimed at reducing wholesale power costs.

Our load control program saved members \$3.7 million in 2023. On average, that's about \$58 per account. To put that into perspective, the average residential member who has been with CHELCO for the last 10 years has saved about \$500.

We will continue to implement load control efforts when necessary to keep our wholesale power costs affordable.

Energy usage tools at your fingertips

While this modest rate adjustment may not sound like a lot, we know many of our members are living on fixed incomes. Our Energy Service Advisors are available to assess your energy consumption and offer ways that you can improve efficiency. To schedule an energy audit or to simply talk about ways you can be more energy efficient, contact (850) 307-1122 or at energyservices@chelco.com.

For a complete list of energy management tools, visit CHELCO.com/energy-efficiency.

The Future of Rates at CHELCO

As I mentioned earlier, even with this rate adjustment, CHELCO's rates are still among the lowest of electric co-ops in our region, and we are determined to stay there. As for the future, we will be conducting an in-depth rate study in late 2024 through early 2025. This will help us determine what rate adjustments will be needed, if any, in coming years to ensure that our core mission of providing safe, reliable and affordable electricity is never compromised.

I know this adjustment is not a fun topic for any of us, but you can rest assured that our team will continue to do everything we can to limit our controllable costs and keep rates affordable for many years to come.

Thank you for your membership with our cooperative. I wish you and your family the very best.



Steve Rhodes,
Chief Executive Officer

Updates from the 2024 CHELCO Annual Meeting



CHELCO held its 2024 Annual Meeting on April 6 at Freeport High School, welcoming hundreds of CHELCO members for a day of activities, entertainment, updates on the co-op and more.

During the business meeting, attendees heard annual updates

from Board President Gerald Edmondson, Secretary/Treasurer Gayle Hughes, and CEO Steve Rhodes.

Board Attorney Jeff McInnis announced the 2024 CHELCO Board Trustee Election results. The three incumbent trustees up for election were re-elected for three-year terms. Congratulations to District 1, Lee Perry; District 7, Bert Prutzman; and District 9, Dwayne Davis.

Following the conclusion of the business meeting six local students were randomly drawn as recipients of the 2024 CHELCO Scholarship.

For more information, a full video recording and CHELCO's 2023 Annual Report are available at CHELCO.com/annual-meeting.



L to R: Jillian Toppin (Niceville High School), Hannah Bell (Northwest Florida State College), Colten Phillips (Paxton School), Casey Drayer (Freeport High School), Lindsey Onuffer (Rocky Bayou Christian School) and Nolan Eaton (Niceville High School) each won a \$1,000 scholarship to assist with their future scholastic efforts at college or trade school in the upcoming school year.

**CHELCO Scholarship applications open in January each year. To be eligible for the scholarship drawing, applicants must be CHELCO members or member dependents, have a GPA of at least 2.5, and be present at the CHELCO Annual Meeting. Visit CHELCO.com/scholarships to learn more about this opportunity.*

Board of Trustees re-elects officers

Immediately following the CHELCO Annual Meeting, the Board of Trustees met to elect officers on the board. There were no officer changes, and the following trustees will continue to serve as officers for the next year:

President:
Gerald Edmondson, District 6

Vice President:
Brady Bearden, District 4

Secretary/Treasurer:
Gayle Hughes, District 8

**Assistant Secretary/
Treasurer:**
Bert Prutzman, District 7

Recipe of the Month



Spinach Casserole

Bake up a delicious Popeye-approved casserole that your family will love! Learn this recipe and more at CHELCO.com/recipes.

CHELCO is governed by a nine-member board of trustees: Lee Perry, District 1; Terry Pilcher, District 2; Reese Harrison, District 3; Brady Bearden, Vice President, District 4; Ronald Jones, District 5; Gerald Edmondson, President, District 6; Bert Prutzman, Assistant Secretary/Treasurer, District 7; Gayle Hughes, Secretary/Treasurer, District 8; Dwayne Davis, District 9.

May is National Electrical Safety Month

Get smart about electrical safety. May is National Electrical Safety Month.



Safety is CHELCO's top priority. Throughout the year, and in May, cooperatives around the country celebrate Electrical Safety Month to raise awareness of its importance.

We take many safety precautions to ensure our employees are not exposed to dangerous or harmful work elements. Because of this emphasis, CHELCO's current streak of avoiding lost-time injuries extends to 845 days as of May 1. We are on pace to set a new record for days worked without a lost-time injury in June, and in fact, we have already surpassed our record for employee hours worked without a lost-time injury at more than 768,000.

In addition to keeping our employees safe, we present our Live Line Safety Demonstration to hundreds of people throughout the year, many of whom are students in Okaloosa and Walton County schools. These presentations teach observers the proper actions to take if they ever come into contact with downed power lines, specifically in a vehicle accident involving a power pole.

Please always be safe around electricity, and if you ever see downed power lines, please call 911.

POWERED
by **SAFETY**



CHELCO Meter Services Supervisor Brett Balcerak takes part in annual Bucket Truck Rescue training.

For unclaimed capital credits, visit [CHELCO.com/capital-credits](https://www.chelco.com/capital-credits).

Energy Efficiency Tip of the Month

May is the perfect time to start firing up your grill and cooking outdoors! Instead of heating up your kitchen with your stove or oven, take your cooking outside and cook with charcoal, wood or propane. Grilling not only adds delicious flavor to your meals but also reduces energy consumption by avoiding the need to use your indoor appliances. Plus, it's a great excuse to enjoy the beautiful spring weather while saving on energy costs!

Holiday Office Closure

CHELCO's offices will be closed on Monday, May 27, in recognition of Memorial Day.



IS \$25 YOURS?

If the account number below matches yours, call us at (850) 892-2111 or stop by any CHELCO office to claim a \$25 credit on your next bill! This month's winner is:

Union - 900018345