

The Equalizer – Minimizing Cost Impacts

During our past two annual meetings, I shared with you that the Cooperative is getting closer to the time when some sort of adjustment to rates will be needed. I also stated that we will seek to minimize the impact on you, our members.

Projections for 2023 are showing a slight shortfall in the revenue required to maintain the level of service that you expect and deserve. Therefore, the Cooperative plans to use a Wholesale Power Cost Adjustment (WPCA) mechanism to equalize the under collection of revenue. We will refer to this as the Equalizer and it will show up as a line item on your bill. The kwh (energy) charge and the monthly Grid Access Charge will remain the same. However, when there is a need to collect more revenue, the Equalizer will allow the Cooperative to add a small charge to bills to make up the difference. At this time, we do not expect to assess a charge under the Equalizer until April or May. The amounts collected will be evaluated quarterly as costs and revenues fluctuate. The monthly amount will be adjusted up or down to match our revenue needs. This approach is designed to lessen the impact on you.

It has been nine years since South River EMC raised rates. In the last one and a half years, your Cooperative has faced significant inflation--just like you. Whether you go to the grocery store or the gas station, have some maintenance or repair work done on your

home or your car, buy a piece of equipment or building supplies, prices on everything have increased. The cost of our transformers and conductor have gone up approximately 30 percent, while poles have gone up approximately 20 percent. Large line trucks have increased in price more than 20 percent too. Unquestionably, all of our operating costs have increased quicker than anticipated, including the cost to borrow money.

Thankfully, our wholesale power costs have not gone up as much as other costs but they have increased. Wholesale power costs account for around 65 percent of our total expense, which works out to roughly \$65 million annually. This year, our wholesale power costs increased by approximately \$1.7 million and for 2023, an increase of \$2 million is projected.

Making a rate adjustment is not something I take lightly and I was optimistic earlier in the year that we could possibly avoid one in 2023, but that is not the case. Nevertheless, I have prayed for guidance in seeking the best approach, with you in mind. South River EMC has been working with our rate consultant for over a year on a Cost of Service Study to assess cost impacts and to ensure that rates are appropriate for our revenue needs. Some of the normal options considered for increasing the amount of revenue collected, include a higher



MESSAGE FROM CEO CHRIS M. SPEARS

kwh charge and/or raising the monthly Grid Access Charge. Our rate consultant is supportive of the Equalizer approach and it truly does appear to be the best option to minimize the impact on you. It allows quite a bit of flexibility as well, which is important at a time when there are many uncertainties associated with inflation, the economy and a clean-energy transition taking place in America.

South River EMC has used this approach in the past. Prior to our last rate adjustment in November of 2013, a WPCA charge was used before new rates were implemented. Eventually, a rate revision will need to take place. Until then, the Equalizer should serve as a way to make a gradual progression toward a conventional rate change.

You may be able to offset the Equalizer charge by taking advantage of some of the energy saving programs and assistance that we offer.

continued on page C

EQUALIZER continued from page B

These options include a Time-of-Use Rate, the Connect to Save Program (smart thermostats and water heater controls), Smart Energy Profiles, rebates on new appliances and new heating and cooling equipment along with weatherization, online tools, videos and SmartChats. Additionally, we have three Energy Advisors, the Advise Guys, who can provide you with expert advice.

Our mission is to provide competitively priced electricity. Because South River EMC is owned by those we serve, we strive to be good stewards and to provide a good value to you. We are in uncertain times. Even

so, you can count on your local electric Cooperative to look out for your best interests. I hope you can see that by holding off on a rate adjustment for more than nine years and returning more money back to you, when retiring Capital Credits, in recent years, your local electric Cooperative has been, and continues to be, committed to you.

At the October South River EMC Board Meeting, approval was sought from the Board of Directors to implement the Equalizer and the Board was supportive. More information will be provided pertaining to the Equalizer in this newsletter, on our website and through

social media. Nonetheless, if you have questions about this matter, please do not hesitate to contact our office.

Many of you will celebrate the birth of Jesus Christ as our Savior this month and I hope your Christmas celebration is wonderful and merry in every way. Additionally, I want to wish all of you a Happy and Blessed New Year. I consider it a privilege to serve you, as your CEO and if I can assist you in some way, please do not hesitate to contact me. You can email me at CEO@sremc.com or you can call my direct line at 910-230-2990.



Costs are rising everywhere and your cooperative isn't immune.

- Line and bucket trucks: up 20-25%**
Lead time of 24 months.
- Pole-top transformers: up 30%**
Lead time of 20 weeks.
- Pad-mount transformers: up 30%**
Lead time of 40-52 weeks, depending if single or three phase.
- Wire: up 30%**
Cost expected to double in 2023.
- Cabinets: up 30%**
Lead time up to 50 plus weeks.