



NEWSLETTER FOR CO-OP MEMBERS OF ENERSTAR ELECTRIC COOPERATIVE

INSIDE

18B-C

Co-op Update

18D

Retirement

Promotions

Train is arriving, confirm your next destination ...



Dave Clinton
EnerStar CEO/CFO
dclinton@enerstar.com

As the passenger train pulls up to the station, people will check their tickets making sure they get on the right train for the remainder of their trip. Getting on the wrong train results in

serious consequences. Once on board the right train, travel resumes with a locomotive pulling the cars, which travel in the same direction and the same speed. Eventually, the new train arrives at the desired destination. **Mission accomplished!**

Now imagine with me as I apply this word picture to EnerStar. Over the last five years, EnerStar has been focused on a series of priorities. These priorities are all part of one train, all traveling in the same direction, at the same speed. These priorities include:

- ✓ **Maintaining the lowest rates possible.** Please consider the fact residential electricity rates are less than 7% more than they were 10 years ago for an average residential user. Compare this to the fact that inflation is up 30% during the same period.
- ✓ **Reducing long-term debt, thereby taking pressure off future rates.** One of the benefits of lower debt is that our long-term interest expense is declining in an era when other utilities are facing escalating interest costs.

- ✓ **Upgrading our electrical infrastructure to improve service quality.** Our outage statistics bear proof of improving service reliability — significantly in most areas. We trust you are experiencing the same.
- ✓ **Redesigning fee structures for new or upgraded electric services.** This change has meant that those asking for a change pay the cost and existing rate payers are no longer helping to subsidize these changes through higher electricity rates.
- ✓ **Upgrading our fleet of trucks and other equipment.** This has helped to improve safety, promotes operating efficiency and improves vegetation management (which reduces outages).
- ✓ **Identifying the true cost to serve each member group, then designing rates that best match these true costs.**

I could keep writing, but the above captures the essence of our focus for the last five years. **These pieces were part of my imaginary train headed toward a destination called: “Achieve lowest possible long-term rates and best service quality.”**

But there is more to the story. I added “confirm your next destination” to symbolize the need to pause and reflect on all that we have accomplished and on what challenges lie ahead. So much progress has been made in all areas over the last five years; it is now time to confirm where

Continued on page 18D



A Touchstone Energy® Cooperative

11597 Illinois Highway 1
Paris, IL 61944
800-635-4145
Monday through Friday
7:30 a.m. to 4:30 p.m.

Co-op update

Increasing costs, planning, rates, system improvements

Utilities everywhere are feeling pressure when it comes to continuing supply chain slowdowns and skyrocketing costs of fuel and materials for our daily business needs. This situation is not unique to EnerStar. Regardless, it is concerning and something your cooperative takes seriously. Another thing we take seriously is providing you with safe, reliable and affordable electricity. It's our commitment to each member. It is our mission.

Increasing costs

According to the Consumer Price Index, inflation in the Midwest has been pushing 30% for the last decade. You may not be able to quote that number, but all of us are feeling its effects, whether it is a gallon of milk or a gallon of gasoline.

The best way to explain the current situation of rising material costs is the accompanying illustration. This graphic shows some of the drastic changes in utility equipment prices that EnerStar has experienced over the last two years. It really has been astonishing.

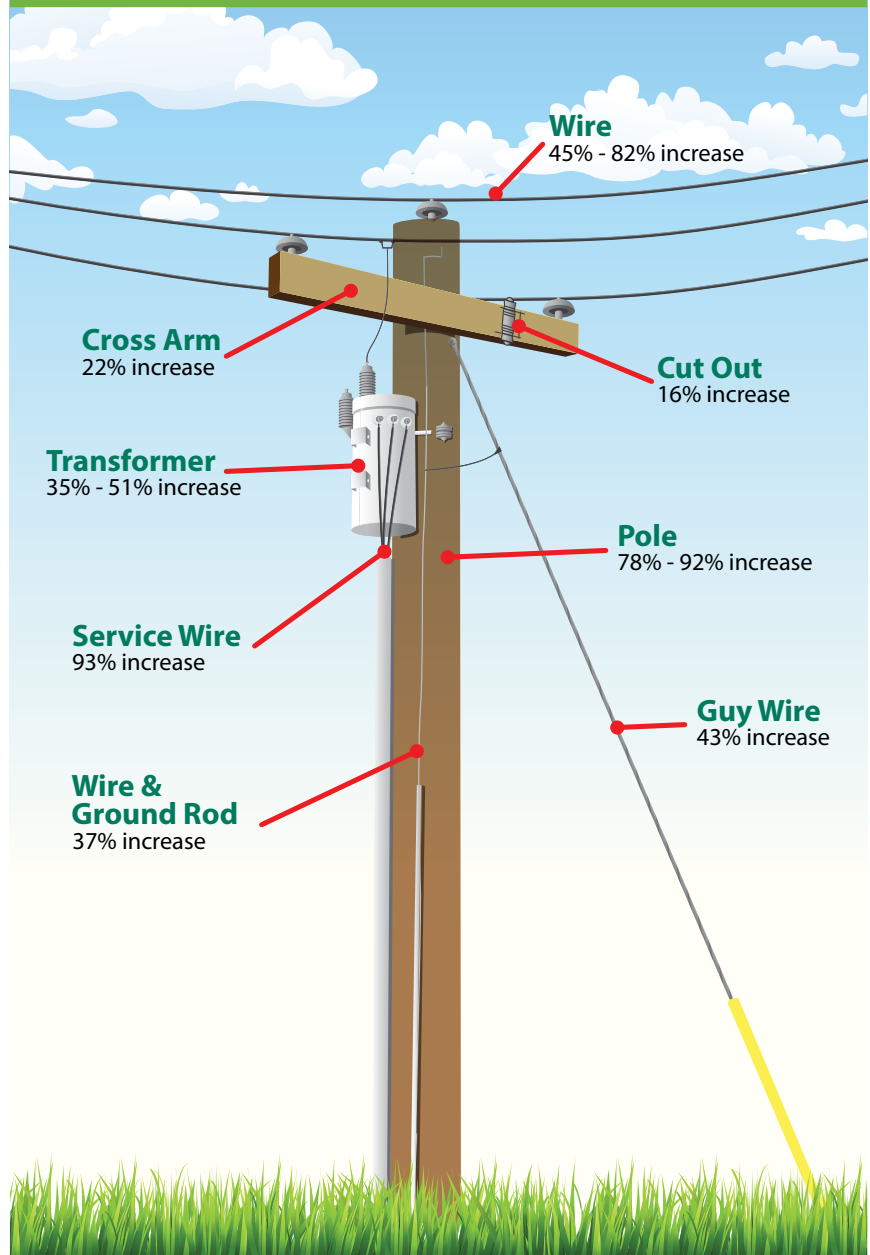
In addition, EnerStar relies heavily on diesel fuel for its trucks, and no doubt you have seen in the news the problems with diesel. Our cost of fuel has been from 33% to 128% higher during the same time period.

The average residential account will only see a 50-cent increase per month.

Planning

EnerStar is diligent when it comes to operating costs. We analyze data forecasts and trends to prudently manage your cooperative. Each year

Inflation and rising costs are taking their toll on individuals and businesses everywhere. The graphic below shows some of the drastic changes in utility equipment prices that EnerStar Electric Co-op has experienced over the past two years. On a side note, we are still seeing delivery delays in equipment and materials. A transformer used to be delivered in weeks, now it's three to four months.



begins with a budget. Upcoming construction and maintenance projects are planned.

One part of the planning process is a move towards cost-based rates. An outside consulting firm conducts a “Cost of Service” study (COSS) on behalf of the cooperative. The study is an important tool for setting our utility rates, as it fairly and equitably breaks down the costs of providing service to each rate class. Different kinds of users have different load characteristics and configurations they need. The COSS findings offer useful guidelines to assist the board in reasonably and responsibly allocating costs to each class of members in a way that avoids any class paying more, or less, than their fair share.

Rate changes

According to the COSS, and due to rising costs, changes are needed in our electric rates. Therefore, beginning in February, EnerStar will have a rate change and restructuring for single-phase accounts. There are two parts to this restructuring:

1. The Grid Access Fee will increase by \$5 per month.

2. The Power Cost Adjustment will decrease by about .00441 per kWh.

Effect of the restructuring

The average residential account uses about 1,100 kilowatt hours per month. In this instance, the consumer will see very little change to their billing statement. In fact, the average residential account will only see a 50-cent increase per month.

Even with significant improvements made to the electric system, EnerStar’s rates have only increased on average less than one percent per year since 2013.

EnerStar’s historical rates, system improvements

You may be asking at this point about historical electric rates at EnerStar. And the story reflects the diligence of the cooperative staff and board of directors efforts over the

years.

Let’s compare:

- In 2013, the average billing on the average residential account was \$175.75.
- In 2023, that amount will be \$186.74.
- That is just a 6.4% increase over the last 10 years.

It is a powerful story of doing more with less. About being diligent. During that time when rate increases have been kept to a minimum, EnerStar has made significant investments in continuing to improve our electric system. Upgrading conductors and replacing poles are critical but just as important is the cooperative’s commitment to responsible vegetation management. And it shows. Our outage statistics have greatly improved. Members are telling us they have noticed the results as well.

We do not take rate changes lightly, and will continue to communicate with you throughout the year on our future plans.

What is a “Grid Access Fee,” anyway?

When we discuss service availability, population density is at the heart of the matter. We distribute power to members living in the rural portions of our five-county service area through over 1,500-plus miles of electric lines. We are sparsely populated in portions of those counties. In fact, we are the third most “rural” electric cooperative in Illinois with just 3.5 members per mile of line. Compare that to an investor-owned utility or a municipal utility that may have 40 to 60 consumers to share the costs of that same mile of line.

Regardless of the number of members per mile of line, we must purchase and maintain poles, conductors and transformers throughout our entire service area. This is necessary not only to make electric service available but to keep it reliable no matter how far off the beaten path.

To make service available to all members, cooperatives need to have some form of service availability charge. We call this the “Grid Access Fee.” This charge helps cover the minimum fixed costs that are required to deliver service to every meter on the system — costs that remain the same no matter how much electricity is sold. Some of the fixed costs include maintaining right-of-way; trucks and equipment; poles, meters and wires; and computer systems and software.

Think of the service availability charge like this: If you own a car, you pay insurance, license and taxes whether you drive every day or once a year. Fixed charges are like those expenses that come with your car. It is there, ready and waiting, so in that millisecond when you flip the switch, you have the power you want or need.

Train is arriving

Continued from page 18A

we go next. This comes in two parts:

Part 1: At a staff level, we have mapped out near-term plans for the board of directors' consideration and have shared with all employees.

Part 2: At the board level, a Strategic Planning session will occur in February. This will deal with the highest level of issues facing EnerStar. More about that later following the meeting.

Now, going back to my imaginary train station, which hereafter is called "EnerStar Planning Station." The train will then leave this station with new plans guiding the locomotive. We, the staff, and the board of directors will then be pulling in the same direction toward new and better ways to serve you, our owners. A few years from now, we will say "mission accomplished," and new plans will be developed.

Admittedly, using a train to illustrate my points may be oversimplified, even corny. But if it helps to illustrate how the EnerStar team (board and staff) are all pulling in the same direction, at the same speed, then good. If it helps to illustrate how the EnerStar team is wise enough to recognize the need to pause from time to time to assess where we have come from, where we are and where we go from here, then great. If it helps to illustrate how a new "mission" is under development and will be implemented soon, all the better!

Just remember, you own EnerStar and we as the board of directors/staff are simply working to serve your best interests. In many ways you are the passengers on this imaginary train. We are simply helping you to your destination, which we call: **"Lowest long-term rates and best service quality."**

As always, I would love to hear from you directly!

Haddix, Huddleston retire

While we wish a retiring employee all the best, it is hard to see them go. None the less, we want to wish a big "Happy Retirement" to longtime employees. Tim Haddix (left) began working at the co-op back in August 1989, and Mike Huddleston (right) in April 1999. They both officially retired in January. Thanks to you both for your service to the membership!



Employee promotions announced

EnerStar is pleased to announce position changes for two employees. Carter Hays (left) has been promoted to



First Year Apprentice and Colton Propst has been promoted to

Right of Way Crew Leader. Both men have worked part time for the past year in the co-op's forestry department.

We wish good luck to you both!

YOU COULD BE A WINNER!

Here's a chance to win a

\$50 bill credit!

Each month, we will randomly draw an account number posted below.

If it is yours, call to claim your prize!

565900

Please call **800-635-4145**
to claim by
April 30, 2023

