



September 2024 CURRENT CONVERSATIONS



Looking Back: The First Six Months

Dear Members,

A lot has happened during the last six-month period for Tri-County Electric Cooperative (TCEC). Today, I want to share news about our recent progress with you. I also want to personally express my gratitude to the TCEC team that is fully committed to solving the cooperative's most pressing problems.

Upon my arrival at TCEC in April of this year, we established a process to understand the depth of the organization's challenges and how to best address them. It quickly became clear that TCEC needed to strengthen two crucial areas: its financial health and member service and communications.

Improved Financial Health

In February 2021, Winter Storm Uri caused financial devastation in the electric industry throughout Texas. As a result, TCEC was legally required to pay a share (\$485 million) of our then wholesale power provider, Brazos Electric Power Cooperative Inc.'s, bankruptcy. Like other distribution cooperatives impacted by Uri, this debt will require several decades to pay off, and lenders required a "Brazos Rider" to be placed on all TCEC bills as collateral for issuing loans to cover the debt.

TCEC also incurred significant debt due to aggressive subsidization for new members. For the past six years, TCEC paid more than \$10,000 in construction costs per new member to connect services. With over 4,000 new meters per year, this cost \$40 million per year and increased our debt by \$240 million during the life of the program. Those subsidies were neither reported nor budgeted, and they are inconsistent with best practices for the industry.

Once in place, the new TCEC Leadership Team quickly uncovered the historic subsidization, ensuring it no longer cost each of you \$400/year. That was not an easy decision because of the impact it will have on future new members, but it was the best financial decision for the entire cooperative. This took courage, but today's TCEC Leadership Team has the integrity to do the right thing even when it is not popular.

The TCEC team has taken many other steps to improve the cooperative's financial health, which includes:

- Freezing the TCEC headcount in May 2024 with staffing levels to be evaluated in the future.
- Implementing departmental-level budgets, which are now being closely tracked.
- Instilling a culture of budget accountability and cross-department financial transparency.
- Identifying and cutting \$45 million in "non-mission critical" expenses from the 2024 budget.
- Selling "non-mission critical" underutilized assets (land, vehicles, and substations).
- Executing a new power supply agreement for 2025 – 2029, which will eliminate volatile wholesale power market price swings.
- Generating millions of dollars in annual savings by purchasing more favorable material.

These actions are just a sample of the many steps taken to date to ensure a financially viable and sustainable future for TCEC.

Enhancing Member Services & Communication

During the past six months, we undertook significant efforts to add new and improve existing members services. These improvements were featured in the June edition of the *Texas Co-op Power* magazine.

Key among these initiatives was our work to reduce the power cost recovery factor (PCRF) to negative 3.5 cents/kWh on June billing statements. This provided every member immediate rate relief as the summer months approached. We have been able to sustain that same PCRF, negative 3.5 cents/kWh, through the heat of the summer months into September.

Our next goal was to create a financial assistance program to help members experiencing financial hardship pay their electric bills. In July, we established the Tri-County Electric Charitable Foundation to receive donations for the program. We then partnered with Texas Neighborhood Services (TNS), a well-known community organization, to administer the program. TNS will accept and review applications for the program and distribute funds, ensuring the dollars are distributed fairly. Applications will be accepted later this year.

In August, TCEC launched prepaid billing, a convenient and flexible option that eliminates the need to pay an account deposit. This voluntary option helps during financial stress or when opening a new account. The daily cost of electric usage is deducted from the prepaid credit balance. When the balance gets low, a notification to add funds to the account is sent. More information about this program can be found at tcectexas.com/billing.

To provide you with peace of mind and to save you time, we also improved our outage communication. Fully utilizing the existing automated meter infrastructure (AMI) technology allows us to proactively communicate with you during a power outage. A text message will be sent to affected members within minutes of a power outage, indicating dispatchers are aware of the situation and crews are being deployed. This means members will no longer need to contact TCEC during an outage unless they witnessed the cause and location of the outage.

Our team also has launched several other communication initiatives to increase transparency including:

- Distributed *Current Conversations*, a new monthly member e-newsletter to provide you important news about TCEC.
- Launched a Member Information Center, a new one-stop shop on our website, tcectexas.com, where members can find important updates. Updated information will be added regularly.
- Reduced telephone hold times since April 2024 by better utilizing existing technology and resources.
- Added a new PCRF page on our website, tcectexas.com, to illustrate the historic values and current implications of the monthly PCRF.

Looking Ahead

The journey to becoming a more financially viable and transparent cooperative is ongoing, and candidly, the road to long-term financial health is challenging and will take years to achieve.

This Tri-County Electric Cooperative team has already overcome many obstacles along the way, guiding us toward a more sustainable future for you, the community, and TCEC employees. Those who are affiliated with TCEC today are aware of the challenges that have been inherited and are committed to working on them. From the employees you interact with daily to the leadership team that manages the cooperative to the Board of Directors, this commitment is unwavering. Our new leadership team and I will continue to keep you informed as we move forward.

I invite you to take a minute to familiarize yourself with the leadership team's credentials, which follow. These executives and our entire TCEC team are committed to solving the challenges faced by TCEC, *together*.

Thank you for allowing us to share more with you again this month.

Scott Spence

Scott Spence
President & CEO



Melony Block Vice President, Human Resources & Safety

Promoted to Current Role: May 2024
Prior Industry Roles: Associate Vice President, Human Resources; Human Resources Manager; Human Resources Generalist

Tommy Higginbotham Vice President, Information Technology

Date Hired: September 2024
Prior Industry Roles: Director of Infrastructure & Operations; Information Technology Director; Information Services Manager; Manager of Information Technology
Credentials: Certified Information Security Manager (CISM)



Andrea McCleese Vice President, Engagement & Solutions

Promoted to Current Role: May 2024
Prior Industry Roles: Associate Vice President, Member Services, Energy Services Manager; Technical Services Manager; Technical Services Technician; Member Services Technician; Member Services Representative

Wes Scheets Chief Operating Officer & Vice President, Operations

Promoted to Current Role: 2019
Date Hired: 1985
Prior Industry Roles: Operations Manager; System Operation Coordinator, Foreman, Lineman



Dustin Tidball Chief Financial Officer & Vice President, Finance

Promoted to Current Role: May 2024
Prior Industry Roles: Associate Vice President/Controller; Corporate Controller; Audit Senior
Credentials: Certified Public Accountant (CPA)


Scott Spence President & Chief Executive Officer

Date Hired: April 2024
Prior Industry Roles: President & Chief Executive Officer; Director of Power Marketing for a Cooperative Generation & Transmission Provider; Senior Manager Forecasting; Manager Retail Portfolio, Associate of Risk Management



How You Can Help!
By enrolling in paperless billing, you can make a meaningful impact on reducing costs. Switching from paper billing statements to paperless could help save nearly \$1 million annually in printing and postage.

CLICK FOR MORE INFORMATION ON HOW TO SIGN UP FOR PAPERLESS BILLING TODAY!



What Others Are Saying...

The Cooperative has received positive feedback from various third parties and industry leaders about the strides recently made in the management of cooperative resources.

Moss Adams, Tri-County's new financial auditor

"Management of the Cooperative is frank, forthright and willing to face not only the reality of today, but the challenges of the future."
- Julie Desimone, Partner, Energy Industry

New this month in the

MEMBER INFORMATION CENTER

SERVICE RULES AND REGULATIONS

American Red Cross Training Services

September is National Preparedness Month

Disasters Happen. Be Prepared When Emergencies Arise



Upcoming Events

85TH ANNUAL MEETING
THURSDAY | OCTOBER 3
VIRTUALLY | 7 P.M.

How to Stream
Online: tcectexas.com/annual-meeting
Phone: 855.710.8229

2024 DIRECTOR ELECTION
ELECTION CLOSES WEDNESDAY, SEPTEMBER 25 AT 5 P.M.

Helpful Links

- PCRF Tracker
- Cooperative Giving
- Prepaid Billing
- Outage Center
- Member Information Center

Have Feedback?
Email CurrentConversations@tcectexas.com