



## **2023 ANNUAL MEETING PRESIDENT'S MESSAGE TO THE MEMBERSHIP**

The Block Island Utility District began operating Block Island's power company in March 2019, less than five years ago. In that short time, we have positively impacted our members' lives by keeping the lights on, turning the lights back on quickly when they do go off, and maintaining stable rates during some very turbulent global economic times.

Last October, the utility district commissioners and all the employees spent two full days working on a strategic plan facilitated by professionals from our cooperative bank, CFC. In the short time that the residents of Block Island owned the power company, we made significant improvements quickly, but we did not want to rest on our laurels. We knew that we needed to collectively put our heads together to chart our future to meet our members' expectations. At the end of the exercise, we narrowed our focus to six core competencies, set goals, and developed strategies to help meet those goals.

I will report on the strategic plan and the results shortly, but first, I need to recognize the hard work and commitment that some key contributors continue to make.

**OUR EMPLOYEES** at the utility district are the most important asset we invest in and maintain. They keep the lights on, get the bills out, and are members of this great community. Many of them are your friends and neighbors, and are there for you in times of need. We all thank them for their commitment to the utility district.

It's also important to express my appreciation for the support that we all have at home. My wife, Linda, reminds me that when things get tough during a storm or power outage, I'm out the door, leaving her alone to deal with the cleanup. Every employee has a family at home, and the 24/7 commitment that we all make impacts their everyday lives. We all signed up for the mission, but it's essential to recognize and thank those who support us.

**OUR CONTRACT PARTNERS** are our year-round support system that we rely on all year. Holbrook Brothers Tree Service has gotten us to the point where we are now in

maintenance mode with right-of-way clearing. Three Phase Line Construction, specifically Greg Horne and John Blanchard have helped us keep our pole replacement program on track and are always there for us during hurricane season and winter storms. It is essential to recognize their commitment and share that they volunteered to stay on the island during last year's Christmas storm. We all had Christmas dinner together at our house. They were happy to do it, brought their wives down for a few days, and were there for us to help keep the lights on.

There are some local contractors and partners that we rely on regularly, but we do want to call out Chris Reeves for all he does for us. Every time I call Chris with a request, his answer is "whatever you need." Chris has become a vital resource for setting poles, building stone walls in front of the power company, and everything else we need. Knowing we have a partner that we can always rely on is comforting.

**THE UTILITY DISTRICT COMMISSIONERS** continue to support the utility district collaboratively and thoughtfully. They provide us with direction and support in our mission. They govern the utility district, engage in healthy debate, make decisions as a board, and speak with unity. They represent the membership and have a fundamental fiduciary responsibility. The utility district board meets every fourth Thursday of the month, and I encourage all members to attend the meetings and get involved.

**THE COOPERATIVE NETWORK** is a group of not-for-profit member-owned cooperatives providing services and support for nearly 1,000 electric and telecom cooperatives in the country, such as the Block Island Utility District. Those who directly support us include:



The National Rural Electric Cooperatives Association is a \$25B trade organization that provides employee benefits programs and technical and business support for the utility district. The NRECA assisted in creating the utility district and with recruiting me to help lead the organization's transformation. I have represented Rhode Island on the NRECA Board of Directors for the past four years and was recently named Chairman of the Business Technologies and Strategies Committee.

I also serve as President of the Northeast Electric Cooperatives Association, a regional subset of NRECA members from the northeast. Our annual conference is being hosted by us this year in October, and on the last day, we will show the 100+ attendees the

wind farm from the deck of an Interstate fast ferry. Coop directors and employees are traveling from NY, ME, NH, and VT to RI and we are excited to host the event.

We have a very special guest with us today who is representing NRECA: Chris Christensen, and his wife Carol from Hinsdale, Montana. Chris is currently a director for his local coop and the Montana representative on the NRECA Board. Chris was the NRECA Vice-President and a director on the CFC Board when we were forming. Chris and I have become terrific friends, and I am honored that he and his wife, Carol flew to Block Island to see what he helped create.

It is essential to give NRECA credit for its role in our creation. Barbara MacMullan and her husband, Henry, started discussions with NRECA in 1991, seeking advice and help in taking over the power company's ownership.

You'll notice the NRECA logo that we will begin using. In respect of all that NRECA does for all its members, we are adopting the same logo that most electric cooperatives use across the country. We are a part of a huge family of electric cooperatives now and will proudly embrace and display the logo.



Touchstone Energy is a national alliance of electric cooperatives that is affiliated with NRECA. We have recently partnered with them to help provide member

outreach. They support their member cooperatives with member engagement tools, such as website development and assistance with social media content.

"CFC" is a \$30B cooperative bank owned and governed by its members to finance the needs of its members,



**National Rural Utilities  
Cooperative Finance Corporation**

*Created and Owned by America's Electric Cooperative Network*

such as the Block Island Utility District. CFC also provides business support in many ways, allowing smaller organizations like the utility district to perform like our larger peers. The utility district is a 100% CFC borrower, bringing additional benefits and discounts. Colleen Taylor is the Regional Vice President who works with us to ensure our financing needs are met. Colleen will share some thoughts with you shortly.



The National Information Solutions Cooperative provides virtually all our software needs, including accounting, billing, mapping, outage management, and

SmartHub, the mobile app many members use for online payments and monitoring real-time usage. We pay a “per-meter” charge so our costs are relative to our size. We use big company tools at a small company price.

The Cooperative Response Center provides backup answering services to the utility district. They staff four large call centers nationwide to provide answering services to more than 1,000 utilities, including ours, and have full access to our outage management and billing systems. Our goal in partnering with CRC is that our phone will always be answered. Please consider them an extension of our office. They are good at what they do and a critical partner in getting your lights back on when they do go out.



Our partnerships with these supporting cooperatives allow us to provide extensive services at a low cost to our members and enable us to do things we otherwise couldn't do. Representing Rhode Island's interests at the national level ensures that we have a voice in important legislation that affects us.



**THE BLOCK ISLAND SOLAR INITIATIVE** continues

to be a very supportive partner. As you know, Don McClusky's passion was to promote renewable energy and electrification. His desire to be a catalyst for change led him to create and fund the Solar Initiative. His efforts have invested over \$3M in the island's renewable energy and electrification initiatives. We lost Don last summer, but his legacy further promotes his passion. This year, the utility district took delivery of the 8<sup>th</sup> EV bucket truck in the country. The truck will not only be a helpful tool for our line crews but will help our balance sheet as well. Don's daughter, Martha, even rode with us in the 4<sup>th</sup> of July parade, joining Barbara MacMullan in the bucket! We are very appreciative of her ongoing support. We are working with them on several other projects, one of which I will discuss when we discuss power supply. Their contributions to providing a level three EV charger should also be recognized, along with the generosity of others following the lead of member and donor Will Young. Despite some start-up issues, donating this \$65K asset to the community is something everyone should appreciate.

## **KEY FOCUS AREAS**

### **EMPLOYEE SAFETY - FINANCIAL BALANCE - MEMBER ENGAGEMENT - SUSTAINABLE WORKFORCE CAPITAL PLANNING - POWER SUPPLY**

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**EMPLOYEE SAFETY** is a key focus area that tops the list of six in our strategic plan. We have stepped up our game by providing quarterly training using outside consultants, cleaning up the safety concerns around the plant, and regularly inspecting trucks and tools. We are working with another cooperative partner, Federated Insurance Exchange, to switch our insurance coverage from the private insurance markets. Federated, like CFC, is much more than its core mission appears. They are champions for safety, both employee and public, and work collaboratively with their member cooperatives to provide insurance coverage and improve their safety records.

Federated demonstrated their commitment to us when they gained approvals to do business in Rhode Island unsolicited by us. They are now positioned well to help Pascoag and Block Island Utility Districts with their insurance needs. With insurance costs increasing yearly, they will provide immediate savings and become our partner in keeping us on track with our safety programs.

**FINANCIAL BALANCE** has been a focus area for our commissioners this year as everyone faces record-setting fuel prices, inflation, and economic uncertainty. Our strategic planning sessions focused on strategies to manage rates while providing the financial resources necessary to provide exceptional service. It's a balance, and we realize that. Inflation and supply chain challenges continue to be a challenge for all of us, forcing us to seek a small increase next year. It will be the first increase in base rates since 2008. Pole prices have doubled, transformer prices have tripled, and raising interest rates make it difficult for us to continue our system improvements without a small increase.

**MEMBER ENGAGEMENT** was my number one focus when I came to Block Island and continues to be. We have developed trust with our members through transparency, open communication, and frequent outreach. NRECA recently helped us conduct our first-ever member satisfaction survey to solicit honest feedback on where we were doing well and where we needed to improve, and the preliminary results are going to help us refine our strategies to serve our members best. Our American Customer Satisfaction Index (ACSI) measure is 85, which perfectly aligns with most electric coops nationwide. The key drivers of that index are member service, rates, reliability, communication, employee interactions, and easy payment and billing processes.

We ranked very high in reliability. More than 95% of those surveyed applauded us for keeping the lights on, restoring power after an outage, and informing them during outages.

We ranked equally high when asked about our employees. Our members feel our employees are friendly, courteous, highly trained, professional, and easy to reach.

We did not rank well compared to other electric providers regarding rates or providing helpful energy efficiency programs. Our board will receive a complete presentation from NRECA on the results, and we will discuss how to address any areas we need to improve upon.

**SUSTAINABLE WORKFORCE** is a key focus area for most cooperatives, but it is even more critical for a small, remote workforce on an island with limited resources. We have formed a board subcommittee to review employee benefits to ensure we keep up with our peers regarding compensation. We have committed to focusing on a common Block Island problem: employee housing. Last year, we took significant steps by finishing a second apartment in the office building and purchasing a townhouse. We have budgeted funds in 2023 to relocate the office to a temporary location to convert the office into a two-bedroom apartment and plan to move forward soon.

**CAPITAL PLANNING** has become more critical as we get deeper into the system rebuild efforts and voltage conversion. We have made significant progress with those two areas and want to collaboratively develop a five and ten-year capital plan that will address our fleet, facilities, generating plant, and distribution system. We have opportunities for some significant DOE grant funding to replace poles and finish the voltage conversion, so we want to take advantage of those programs but need to find a balance so that we don't neglect any area of investment.

The grant opportunities that we currently have include the award of a DOE Energy Transitions Initiative Partnership. The grant will provide technical assistance from national labs and other energy partners focusing on investigating local energy solutions. For Block Island, our largest contingency is the loss of the submarine cable, so I believe our scope will focus on local energy resources considering a long-term cable failure. I want to recognize Commissioner John Warfel for his hard work in pursuing and delivering this grant.

We have partnered with 16 other electric cooperatives in applying for a DOE grid resiliency grant. Block Island's portion will be \$5.3M if awarded to replace the remaining poles. We have replaced roughly 600 of our 2,000 poles and have targeted another 800 to bring our pole plant up to industry norms. We should receive news any day now.

Lastly, DOE has recently announced approximately \$10B in funding opportunities for electric coops to invest in renewable energy projects and long-term power contracts. We will submit our grant application when more information becomes available.

**POWER SUPPLY** is a local, regional, and national issue that, along with EV adoption and electrification, has become the most transformational issue facing all electric providers.

Nationally, the electric sector faces an increase in demand from electrification yet faces the highest reliability risks ever. Rolling blackouts have become so common that companies such as NISC have

developed communication tools to use before, during, and after these events. Aggressive renewable goals and our rush to end our reliance on fossil fuels have resulted in a very disorderly retirement of generation resources across the US. This has been a concern of grid operators for a while now. Without some rapid advancements in storage technologies, the shift from base load, always available generation plants to intermittent renewables will make for a rough road ahead.

Regionally, this hit home last fall when RI Emergency Management met with the ISO-New England, RI electric and gas utilities, and state officials. The ISO-NE warned that rolling blackouts in New England were certain given the right circumstances. New England generation resources reliance on natural gas competes with home heating gas. A cold snap on Christmas Eve and some large Canadian transmission lines tripping led to a generation shortage, drove energy prices up 40X regular prices for hours, and nearly resulted in a rolling blackout. Fortunately, it did not, but nine states in the mid-west were not so lucky. They faced similar conditions and experienced rolling blackouts over Christmas Eve and Christmas Day.

Locally, Block Island is faced with an important decision. Like Pascoag, we are exempt from the RI renewable portfolio standard (RPS). Our board and I collectively believe that supporting the state RPS is in the best interest of our members. To voluntarily meet the RPS, Block Island would slowly integrate renewables into our portfolio over the next ten years. It would impact rates by approximately one cent/kilowatt hour in year one and a half-cent/kilowatt hour each year over the next ten years. During this time, Block Island would collectively work with others in the country to find reliable energy/storage solutions to meet the increasing demands. If we decide to make this shift in policy, it will be with caution and understanding of the risks that go along with that decision. We will commit to be “truth-tellers,” such as NRECA, when it comes to the goal's reality. If we face too much financial risk or too many technical challenges, we will pause and be willing to adapt.

The Solar Initiative is willing to help. They have offered to pledge close to \$1M over the next ten years to bring Block Island to 100% renewable in year one. Their pledge would mean significant contributions in the early years that would slowly drop as we integrated more and more renewables into our portfolio. This generous offer is being analyzed now, and our two boards will work closely together in the upcoming months to vet the details.

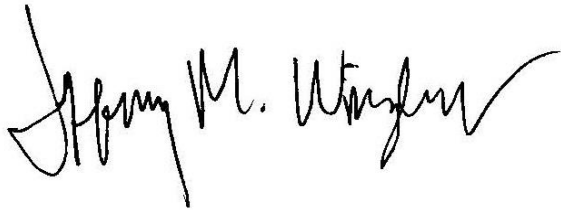
## **CLOSING THOUGHTS AND LOOKING FORWARD TO 2024**

I feel so lucky that we have the support of our industry partners, such as NRECA, CFC, Federated Insurance Exchange (soon), and others. We are so fortunate that the utility district benefits from community support and our Board of Utility Commissioners. As you look to 2024, we will aim to find ways beyond just serving our members with electricity to support this excellent island community.

We have recently been asked to investigate operating and maintaining the town's broadband infrastructure. We will open our minds to the possibilities with the goal of best serving the island.

I am so pleased to see seven electoral candidates who want to get involved. Every cooperative manager's dream is to have an engaged membership and a willingness of the community to help set policy and provide long-term leadership. My legacy, I hope, when I do leave Block Island will be that I helped build a sense of community through living the cooperative principles, that I built a strong team that is committed to making the utility district successful, and that I rallied the help of everyone in charting the utility district's future.

Thank you for your support,

A handwritten signature in black ink, reading "Jeffery M. Wright". The signature is fluid and cursive, with a long, sweeping underline that extends to the right.

Jeffery M. Wright, President  
Block Island Utility District