



A Touchstone Energy® Cooperative 

Controlling Costs for Members **From Doug Johnson, Chief Executive Officer**



Controlling the cost of doing business is a necessity in any industry and in today's economic climate, everyone is having to adjust their business strategies to find ways to better control their operating costs. In our business, we have to address our operating strategy from our members' point of view on an immediate and long-term basis.

This year, the winter weather and a tight economy have combined to create one of the most difficult times for our members. We have seen record numbers of delinquent accounts, granted record numbers of time extensions, and provided record amounts of assistance through our Members Foundation. We have even created new programs to give our members new ways to do business with us. In the electric cooperative business, our three largest costs are wholesale power, employees to provide member service and maintenance and construction of electric facilities. These are challenging areas to find long-term savings.

However, in an effort to reduce long-term costs and maintain rate stability for all our members, we are working with Duke Energy, our wholesale power supplier, to extend our current agreement. Such a contract extension will allow us to continue to build upon the value and savings achieved to date with our current Duke contract. As an example of the positive cost impact of our current wholesale power contract, this past winter the board of directors was able to enact a two-month temporary rate reduction for our members. These savings, as shared at past Community Leaders Council meetings, are a direct result of efforts taken a few years ago to enter into a long-term, full requirements agreement with Duke Energy Carolinas.

Blue Ridge is not stopping with wholesale power cost savings opportunities. Our employees have embraced a new initiative called WorkSmart to reduce costs throughout the cooperative including everything from labor to paper products. Employees have already found ways to work smarter and have produced both one-time and long-term savings for members totaling nearly \$1 million. These are expenses that will not have to be recouped in electric rates.

A third part of our cost management strategy is our ownership investment in Blue Ridge Energies. Just over 10 years old now, Blue Ridge Energies is making a significant cost savings contribution. Last year, our propane and heating oil fuels subsidiary produced a \$1.4 million net-income and cost-sharing benefit to cooperative members. Additionally, each year for the last three years, Blue Ridge Electric has contributed \$25,000 of the subsidiary's earnings to the Blue Ridge Electric Members Foundation. Blue Ridge Energies has grown significantly over the years, and I am proud of the economic benefits it provides our members, the 38 jobs it provides in our communities, and the high quality service it provides to our customers.

Working on our wholesale energy purchases, working smarter and continuing to grow our fuels business are three of the major ways we are managing our costs to help our members continue to have access to affordable and reliable electricity.