

ISLE AU HAUT ELECTRIC POWER COMPANY

ANNUAL MEETING - September 11, 2025

Agenda

- Our mission and focus
- Board renewals and nominations - 3 year terms
- Operations Review
- Proposed 2026 Rate Plan
- Solar power futures
- Status report on Cable Project
- Adjourn for brief board meeting to elect officers

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Mission

- ❖ To provide cost effective, reliable, and resilient energy to all members
- ❖ To be transparent and adaptable to the changing energy market to benefit members and the environment

Challenges

- ❖ Maintaining a consistent rate structure while adapting to increases in supply and transmission costs
- ❖ Transmission and Delivery (T&D) + 50% in the last 5 years; Supply charges + 46% in last 5 years
- ❖ Aging cable infrastructure, island equipment and infrastructure
- ❖ Our small scale means 'fixed costs' (administrative, grid maintenance) are ~70% of total costs*

Solution

- ❖ Seek lowest possible annual competitive energy supply contract
- ❖ Adjust revenue requirement annually to adapt to our aging grid and inflation
- ❖ Replace aging cable; explore other replacements (truck, generator)

* this is unusual - for example, required annual MPUC audits represent over 8% of our operational budget

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Up for reelection to the Board (3 year term)

- Bill Chamberlin
- George Cogan
- Nick Filler
- Dana Perry
- Ruel Little

Seek a motion to approve slate

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Operational Performance and Staff Development

- Overall performance - thanks to Tucker, Dakota, Kyle, Rob, Leland and David
 - Many long outages in Stonington kept to 10-20 minutes on Isle au Haut
 - All outages in our delivery network managed within 2 to 24 hours post storm or event
- Three staff members enrolled in 4 year "Apprentice Lineworker Program" (unenergized training pole to be installed at PoCo office site)
- Tucker and Dakota have been off island to fiber splicing school to support collaboration with Axiom on fiber repair and first line service

Operational Challenges

- Need for inventory investment to maintain uptime and prepare for significant weather events (e.g. spare poles, fuses, transformers)
- New (used) bucket truck needed to replace aging unit
- Continue to 'lose' 16-18% of power we purchase within our network
 - One potential cause is aging meter network under-reporting usage
 - 400+ donated meters (Cherokee Electric Cooperative in Alabama) for entire network to be installed by year end

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Statements of Operations and Net Assets

Years Ended December 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Operating revenue	\$ <u>168,465</u>	\$ <u>171,484</u>
Operating expenses		
Cost of purchased power	49,334	63,627
Repairs and maintenance	15,940	11,338
Payroll	58,274	48,949
Payroll taxes	5,412	3,651
License and fees	5,996	5,496
Bad debt	7,366	-
Office supplies	4,161	3,440
Professional fees	10,895	17,047
Utilities and telephone	9,363	2,799
Insurance	6,475	5,342
Depreciation	7,201	7,832
Miscellaneous	<u>6,255</u>	<u>1,984</u>
Total operating expenses	<u>186,672</u>	<u>171,505</u>
Operating loss	(18,207)	(21)
Other income, net	<u>12,402</u>	<u>11,903</u>
Net (loss) income	(5,805)	11,882
Net assets, beginning of year	<u>405,124</u>	<u>393,242</u>
Net assets, end of year	<u>\$ 399,319</u>	<u>\$ 405,124</u>

- We had a loss of \$6,000 in 2024
- We had bad debt expenses of \$7,000
- We raised our distribution rate from \$0.20 to \$0.22 in July 2025 to cover cost increases

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2026 Rates

- We will not increase our delivery charge of \$0.22 per kWh in 2026
- Per MPUC rules - we will pass through our cost of electricity
- We are currently shopping for the best “green” rate
- Our current best deal **increases member rate by one cent to ~\$0.365 per kWh**
- We are likely to enter a long term (4 year) purchase agreement to hedge against upward pressure the huge AI data center investment will have on electricity costs

Cost management

- Our required annual audit went up to \$13,000 this year (\$100 per member) - we are seeking alternatives for this cost with the MPUC
- We may be able to reduce the manual adjustments required in our audit or eliminate it entirely by upgrading our accounting system - this will take time

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Budget Forecast 2026

*Energy Supply (\$/kWh)	328,800 @ \$0.145
\$47,500	
*Energy Delivery (\$/kW)	320,000 @ \$0.22
\$72,300	
Service Charge (\$)	\$40 @ 143 meters
\$69,100	
Aggregate kWh rate (\$/kWh)	
\$0.365	

Cash Flow Requirement (est.)

Revenue projection	\$188,900
Operational Budget (\$)	\$182,300
Debt repayment	\$8,125
Depreciation	\$6,000
Total Cash needs	\$184,425

REVENUE (\$)

\$188,900

CASH GENERATED FOR RESERVES*

\$4,475

Note: \$6,000 contingency included in operational budget. If not spend would add to cash generated for reserves.

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Longer-term solar power plans

- We will continue to consider building our own solar/battery facility once the new cable is installed and paid for
 - A solar field will not reduce our distribution costs (70% of our costs)
 - it will increase our resilience; batteries would reduce downtime

Member installation of private solar - pros and cons

- MPUC allows members to install their own solar facilities
- Members **with resources** could lower their 20-year costs by avoiding the 22 cents per kWh for our distribution network (note we don't offer **net metering** so overall cost savings are less than on the mainland)
- Our members should understand that individual solar installations would increase the per kWh costs to members without solar

One solution - if a member installs 2X their peak need and lets the power company resell their excess power, **impact for others would be minimal**

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Cable purchased and arrived on July 19th



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Cable purchased without assessing members - thanks to donors

- Estimated \$600K cost (3.5 years of PoCo revenue!) funded by **\$300K in donations** and \$300K NBRC grant
- Entitlement process completed in early 2025 after a year-long delay due to additional Federal environmental study requirements

Complication

- Additional environmental review (\$47K) and tariff impact on copper prices (\$38K) have **consumed our budget contingencies** (before installation)
- Installation costs have increased due to inflation in the year-long entitlement delay - final costs will depend on the weather in November

Go forward plan

- We are pushing on installation costs
- Installation is scheduled for November 15th once environmental window opens

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Q&A



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Brief Meeting of Board to Elect Officers

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Proposed slate of officers:

- President - George Cogan
- Vice President - Bill Chamberlin
- Treasurer - Dana Perry
- Secretary - Sam Chamberlin

Seek a motion to approve slate