

Budgeting for a Healthy Bottom Line

By Joseph Michalewicz Chief Financial Officer

Staying true to our mission — Empowering Lives with Hometown Service — is one of the most rewarding aspects of working for Grand Valley Power. With our members top of mind, we operate our cooperative at cost.

This is much different than most businesses our size, which are focused on making a profit. Without pressure to make a profit, we can focus on hometown service. We carefully balance expenses and revenue with the goal of providing safe and reliable power.

We raise rates only when necessary to ensure the integrity of our system operations and maintain financial obligations.

For GVP, maintaining the cooperative's financial health is not just about covering operating expenses; it's about ensuring long-term viability of our organization for our members today and the members of tomorrow. A solid, detailed budget serves as the cooperative's financial roadmap, helping to guide board and management decisions that support both short-term needs and long-term financial health. Whether we're navigating fluctuating power costs or investing in infrastructure, the budget keeps GVP on track towards fiscal health.

In today's economy, however, the budgeting process is challenging. In recent years, Grand Valley Power has tackled price increases for materials, services, power costs, and interest on loans. These increases affect the balance of revenue and expenses. Still, with a robust budgeting process, we continue providing GVP members with safe and reliable power while controlling costs.

UNDERSTANDING REVENUE REQUIREMENTS

The foundation of a successful budget is understanding revenue. As the number of meters that Grand Valley Power serves increases with new subdivisions and residential construction, so too does revenue. But other factors offset this revenue growth. Under our current rate structure, we rely on kilowatt-hour sales to recover some of the revenue we need to pay fixed costs.

When a significant number of consumers install distributed generation systems — better known as solar panels — our kWh sales drop. To accurately



forecast revenue within the budget, GVP analyzes growth trends, energy use patterns, and rates.

Every few years, GVP also conducts a detailed cost of service study in collaboration with an independent firm. This analysis helps us to understand the revenue needed to provide exceptional hometown service and maintain the reliability of our cooperative's distribution system. In this way, the cooperative can ensure that it has the revenue to cover anticipated expenses, plan for growth, and handle the unexpected.

PRIORITIZING OPERATIONAL EXCELLENCE

Grand Valley Power has both fixed and variable costs that it prioritizes within the budget. On the fixed side are taxes, depreciation, and interest on long-term loans, while two of Grand Valley Power's largest expenses — the cost of purchased power and operations and maintenance — vary year to year. Prioritizing these expenses is key to staying within budget and providing exceptional service.

- **Cost of Purchased Power:** Grand Valley Power's largest operational cost is electricity. As a distribution co-op, we buy electricity from a generation source and pay to wheel it across transmission lines to our service territory. Our cost of purchased power is approximately 52.5% of total revenue. This fact was the impetus for the board's decision to explore alternative power supply options. The switch to Guzman Energy in 2028 will help control our cost of purchased power. Managing power costs effectively is sure to have a huge impact on the bottom line.
- **Operations and Maintenance:** Budgeting for routine maintenance and upgrades to aging infrastructure ensures that our cooperative can meet demand without compromising quality of service. Replacing old bucket trucks and transformers and strategically investing in infrastructure upgrades helps avoid costly repairs and unplanned outages. Over the past few years, high-priced necessities such as bucket trucks, power poles, transformers, and meters have increased as much as 50% in cost. Our operations staff closely monitors this budget with a goal of delivering on reliability and safety.

YOUR CO-OP NEWS

BUILDING ON RELIABILITY

Investing in the future is just as important as managing day-to-day costs. Much like replacing an old roof on a house, GVP outlines significant projects necessary to improve our system and grow the cooperative infrastructure to meet future demand. Recent considerations include upgrading power lines, expanding substations, and integrating smart grid technologies to assist in wildfire prevention.

Grand Valley Power maintains a construction work plan that provides the long-term perspective necessary to strategically allocate resources and prioritize projects that will have the greatest impact on reliability and safety.

While some projects are funded by margins, coop-

eratives also seek loans, grants, or other financing options that allow those costs to be spread over the asset's life.

A HEALTHY BOTTOM LINE

A thoughtful and flexible budget helps us maintain our resources, invest in infrastructure, and meet both current and future needs. While Grand Valley Power cannot control external cost increases, we focus on what we can while considering larger expenses like purchased power. With careful planning, strategic investments, and ongoing communication with members, we can ensure financial stability for the cooperative and provide reliable power and hometown service to our members.

2025 BUDGET APPROVED

The Grand Valley Power Board of Directors approved the 2025 budget at the December board meeting. The budget is our road map for the year, and management will use it to guide our cooperative business. Conditions and situations may arise that could potentially change the budget during the year, and as a result the budget might be amended. The following is a comparison of the 2024 budget, the estimated actual results for 2024, and the 2025 budget.

	2024 Budget	2024 Est Act	2025 Budget
Operating Revenue & Patronage Capital	\$39,485,186	\$38,551,378	\$39,269,394
Purchased Power	\$20,883,563	\$20,164,135	\$20,184,525
Transmission Expense	\$48,379	\$24,005	\$43,040
Distribution Expense: Operations	\$3,243,090	\$3,048,806	\$3,236,322
Distribution Expense: Maintenance	\$1,423,415	\$1,314,766	\$1,527,682
Customer Accounts Expense	\$1,078,310	\$959,283	\$1,074,843
Customer Service & Information	\$888,954	\$833,160	\$1,029,300
Administrative & General	\$3,962,996	\$3,822,743	\$4,255,833
Total Operations & Maintenance	\$31,528,707	\$30,166,898	\$31,351,544
Depreciation & Amortization	\$3,260,689	\$3,251,753	\$3,351,732
Tax Expense: Property	\$942,422	\$694,059	\$721,821
Interest on Long-Term Debt	\$1,924,822	\$1,844,865	\$1,904,282
Interest Expense: Other	\$200	\$200	\$200
Amortization of RUS Premium Payoff	\$52,868	\$52,868	\$52,868
Other Deductions	\$75,000	\$45,000	\$60,000
Total Cost of Electric Service	\$37,784,707	\$36,055,643	\$37,442,448
Patronage Capital & Operating Margins	\$1,700,479	\$2,495,735	\$1,826,946
Non-Operating Margins: Interest	\$92,520	\$207,706	\$200,000
Non-Operating Margins: Other	\$21,500	\$19,400	\$21,000
Capital Credits & Patronage Dividends	\$275,000	\$315,392	\$300,000
Total Patronage Capital or Margins	\$2,089,499	\$3,038,233	\$2,347,946

Before You Install, Give Us a Call!

The solar salesperson who knocked on Effie Thompson's door a few months ago wanted her to sign then and there. To convince her, the Arizona salesperson employed aggressive sales tactics and went so far as to offer persuasive — but incorrect — information. Thompson wasn't having it.

Politely, Thompson adamantly told the salesperson she wanted time to consider whether a solar system would be right for her household and asked him to return the next day. The idea, after all, wasn't a new one for her, but she had many questions about how solar would impact her electric bill. Years ago, Thompson lived in a neighborhood where a handful of her neighbors had solar. These neighbors remained her friends after she built her current home on her family's homestead north of Grand Junction, and they told her about the cost benefits of solar electricity. Thompson was interested in collecting the sun's energy but wanted to get accurate information and answers about her specific situation.

After the salesperson left and she gave it some thought, Thompson called Grand Valley Power with her solar questions. She connected with Destry Smith in the Energy Services department, and the two reviewed her electricity usage. They discussed time-of-use rates, the interconnection process, and the monthly Grid Connectivity Charge that all members pay to help cover maintenance and operations costs of Grand Valley Power's distribution grid. Smith also encouraged Thompson to get multiple quotes and shared that Grand Valley Power maintains a list of local, reputable solar installers that have signed a



Effie Thompson called Grand Valley Power when a solar salesperson showed up on her doorstep.

pledge to conduct business with integrity, honesty, and quality. Thompson wanted to have accurate information when the solar salesperson returned, and Smith agreed to help answer her questions in the salesperson's presence.

Ultimately, Thompson decided to add a solar system to her house. She got multiple quotes from solar installers and chose one local to Grand Junction. The process from start to finish took a few weeks, but she is happy she went solar and especially happy that she called Grand Valley Power first with her questions. "I felt like I did something right," Thompson said.

BOARD MEETING NOTICE

Grand Valley Power board meetings are open to members, consumers, and the public. Regularly scheduled board meetings are held at 9 a.m. on the third Wednesday of each month at the headquarters building located at 845 22 Road, Grand Junction, Colorado.

The monthly agenda is posted in the lobby of the headquarters building 10 days before each meeting and posted on the GVP website.

If anyone desires to address the Board of Directors, please let us know in advance and you will be placed on the agenda.



GRAND VALLEY POWER AWARDED \$13 MILLION NEW ERA GRANT

Grand Valley Power will receive a \$13 million investment from the Empowering Rural America (New ERA) program to help stabilize future power costs for its members, expand its green energy portfolio, and provide better resiliency. The Empowering Rural America program helps rural Americans transition to clean, affordable, and reliable energy. The cooperative will use the funds to procure more than 26 megawatts of clean, renewable energy from Garnet Mesa Solar, an agrivoltaics facility under development just outside GVP's service territory in neighboring Delta County. This is enough energy to power nearly 6,600 homes per year and keep Grand Valley Power on track to meet 100% of its consumers' energy needs with renewable resources.

"Grand Valley Rural Power Lines, Inc. is honored to be a selectee for New ERA funding," said Grand Valley Power CEO Tom Walch. "The New ERA investment provides our rural members the opportunity to support the unique integration of renewable energy development and western Colorado values. The increased resiliency and production of clean energy will provide benefits for generations."

Grand Valley Power's members will benefit from the grant over 15 years beginning in 2028 when the cooperative transitions to Guzman Energy as its power supplier.

The grant would not have been possible without the support of the USDA Rural Utilities Service and Guzman Energy.

SOLAR ELECTRICITY CONSIDERATIONS

Key points to consider when researching solar for your home:

**BEFORE
You Install**



**Give Us
A CALL**

- ✓ **Energy Needs & Goals**
- ✓ **Solar Potential of Your Home**
- ✓ **Cost & Financing Options**
- ✓ **Installation & Maintenance**
- ✓ **Battery Storage Options**
- ✓ **Payback Period & ROI**
- ✓ **Home Value Impact**
- ✓ **Energy Provider Relationship**

Knowledge is Power.

Understand how solar impacts your home, expenses, and future.



Apply for our SCHOLARSHIPS

*Applications Due by
March 1, 2025*



gvp.org/scholarship-program

NOTICE OF ANNUAL MEETING & ELECTION

Board of Director elections will take place at the Grand Valley Power Annual Meeting of the Members on Thursday, August 7, 2025, at Colorado Mesa University. Directors whose terms expire in 2025 are Kyle Coltrinari, Gary De Young, and Carolyn Sandeen-Hall. More information about the election process and how to petition to run for the Board will be forthcoming in the months ahead. Visit us online at gvp.org/director-election to read more about Grand Valley Power's election policy.