

## **2023 AGM Chair Report (May 10, 2023)**

Sustainability: How to Survive Long Term!

### **Non-Profit**

Going back about fifteen years ago the Board started to seriously wonder how we were ever going to afford to change out our pipe. How could we ever get enough money to make that even possible. The situation we were in was such that when we set money aside in our reserves and tried to build that up, we had to pay taxes on the money as well as taxes on the interest. It became obvious that to be classified as a non-profit had huge appeal. We started a process that took almost a year and a half to complete but, in the end, we were successful, and the Canada Revenue Agency granted us non-profit status. To get that status we had to commit that the Co-op would never pay dividends, which we never did anyway. Now we could save, earn interest, and never have to pay taxes. A big win for the G.L.D.C.

## **CCI Wireless**

The GLDC along with eight other interested parties decided that there was a very good potential to start CCI Wireless and use it as a vehicle to generate future cash flow. Was it possible to capture dollars that the membership did not have to contribute to if it all worked out. It turned out to be very successful and we managed to almost double our reserves and not have to pay taxes!

In fact, the taxes we would have had to pay, paid the entire bill on the building addition.

## **Government Grants**

As another vehicle to get more cash flow and extra dollars we supported the Federation to lobby the Alberta Government to increase grant funding, as well as enhance the items that the grant could be used for. The Federation was successful in having the grant funding program double from 2.2M per year to 4.4M. A huge benefit to the Federation's Members.

Over the last five years, G.L.D.C. has received 732K dollars from the Alberta Government to offset our upgrade costs. We have spent 2.17M on upgrades with 1.46M coming from member contributions. Our improvement costs are actually .65 on the dollar.

As the Chairperson for the Federation, I am involved in drafting and sign 4-5 letters a month that we send to the Government. I asked Don to provide a sample of one which I recently sent so that you could get some idea of what we try to do for the Federation's Members. The Minister responded and added another 455K annually to the grant. We also get paid in advance and make the interest on 10M dollars which we add to the grant. We also receive compensation now for managing the program on behalf of the Government. They pay our staff at the Federation and part of our office costs.

## **Construction Department**

We realized that it was not possible to have an aggressive replacement program and complete projects relying on third party contractors. They charged more and were not always available to meet our schedule. We purchased extra land from the Christian School, invested in machinery and built indoor storage for all the equipment. We hired extra operators and positioned ourselves to start doing third party work on our own. This enabled GLDC to offset some of the costs and have the construction department bring in some dollars, while at the same time allow the GLDC to manage construction on our own.

## **Rate Stability**

We realized that operating the Co-op with a high level of rate stability was paramount. When you consider everything we did in the last four to five years we have kept our rates very stable, in fact they have not changed since 2016! We are the only Co-op in Alberta that has not raised rates in 6 operating years! The GLDC is positioned in a very enviable position. There are many Co-ops in the Province who waited too long, failed to plan for the

inevitable, and now must hit their Members with rate shock to even survive. There are currently several Co-ops charging 30-50 dollars per month as a system improvement fee, added onto the bill, to try and get the job done. Poor planning and not seeing the eventual outcome has been the challenge many have faced. Too many Board Members across the Province are more worried about being re-elected than telling their Members the hard facts. Several Co-ops cannot leverage any more funding from their financial institutions. Our Management and Board are very proud to have accomplished what we have done and positioned the GLDC to continue to be successful. We believe we have planned and enacted a solution of how to survive long term. If we could go back and do anything over, it would be that we should have started sooner, we would have been even better off today.

## **Carbon Levy:**

There is some relief in sight for farms that utilize natural gas for grain drying and irrigation. The Government recently announced an exemption for these users, and we will have to see how that plays out. We do not yet know how these will be accounted for and what process will be required to have in place. If farms need to have extra infrastructure installed to get the benefit of the carbon levy reduction, the costs will have to be borne by the individual's business. Since the owner gets the benefit, the owner should pay the bill. We do provide Members with discounted rates for construction and services but it is not fair to make all Members pay so that the individual landowner benefits.

We are lobbying to have a made in Alberta carbon policy as well as we are engaged in Minister Jones to have the current Carbon Levy fall within the Alberta Natural Gas Rebate Program.

## **G.L.D.C. Annual Cycle**

### System Upgrades:

Every year, right after the winter season we do an assessment on the health of our system. We look at all the end pressures and try to foresee where we are running into trouble. This year we did flameout some Members as we had insufficient end pressure to keep their furnace lit. This will require us to do some line looping and other necessary upgrades to ensure that we keep everybody running. It is a cost of doing business and usually results from infills or changes in demand on the system. It is not always predictable what these improvements will cost, but they need to be done. In the Province of Alberta, we are a "must run facility" and our operating license and franchise agreement require it. Cold weather in Alberta is never considered to be an act of God and the expectation from Rural Utilities is that the Co-ops ensure they are able to meet the demand on their systems. Failure is not acceptable or permitted long term.

Along with the above we have our usual infills for new Members, scheduled meter replacements for verification, RMO upgrades and line heater replacements. Over and

above all the required regular duties we are putting new pipe in the ground as fast as possible. Unfortunately, we are not replacing pipe fast enough, the current construction period we try to hit is immediately after harvest until freeze up. This plan is no longer effective and we are not hitting our replacement targets. The timing after harvest is just too short and the Board has authorized management to start paying crop damage and get into the fields sooner. We have always tried to avoid paying crop damages but it is no longer possible to achieve our targets if we stay status quo.

## **Hydrogen**

Industry is moving forward with using hydrogen for home heating. It is a carbon free fuel but will present many challenges for rural Alberta. For the GLDC the biggest challenge is that with our current gas loss, which is why we are changing out our pipe to start with, the hydrogen molecule is much smaller than natural gas and will leak much more than a natural gas molecule. We are motivated to adapt to this new fuel, in time, as Members will see reduced carbon levies. We believe we are most likely a decade away from having hydrogen available but



it is certainly on our radar and needs to be. The environmental ground swell is no longer stoppable! With the Federations Board seat on the Canadian Gas Association we are well positioned to be kept up to date. We attend several hydrogen conferences, and we keep our eyes glued to the inventiveness of how this will be done. The bottom line is that distributors need to have tight systems to be ready to take advantage of this fuel.

### **Building Addition**

The addition is on budget and we are quite pleased with how it all went. We did some of the work ourselves to reduce expenditures, the digging and backfilling, landscaping, plumbing, and cabinetry installation to name a few. Our training room can be utilized by other Co-ops in the area and there is potential to receive some cost recovery moving forward. Our people will travel less to get their training and certifications. Our admin staff will no longer have four to five desks in a room the size of a living room and we have space for our field crew and construction staff. There was not a single dollar spent that was received from Members. Outside revenue paid

the bill and it positioned us to be efficient and provide a healthier working environment.

### **Revenue Non-Funded By Members**

To sum up, our situation is much more favorable than it was ten or fifteen years ago. We are tax free, which really kicked in for us when we made the CCI windfall, we have access to twice as much cash via government grants, we now keep all the interest earned on investments, we are much nimbler via our construction department, and we have a head office that will serve us well for the next 15-20 years. We have a new billing system in place, a computer network that is up to date, and the ability to train our staff locally. We are currently positioned to meet the challenges ahead. Priority one is getting the older legacy pipe replaced. We have every tool and the resources needed to get it done!

## **Current Status:**

Our pipeline replacement is too slow.

We have enhanced the construction window.

Our gas loss is not acceptable.

Gas Alberta over recovery no longer an expectation.

Strategic Plan in place and keeping us focused.

Inflation was a big hit, and the second quarter will tell the tale. Between inflation and the post winter requirements we will have to complete, maintaining the current rate is very questionable. On the bright side the Members have benefitted hugely from the rate stability provided.