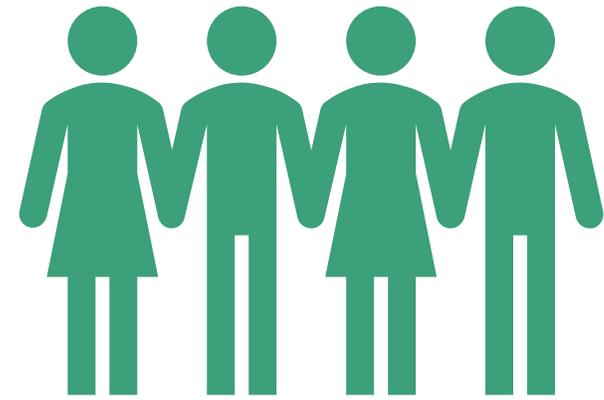


Powerful Storytelling

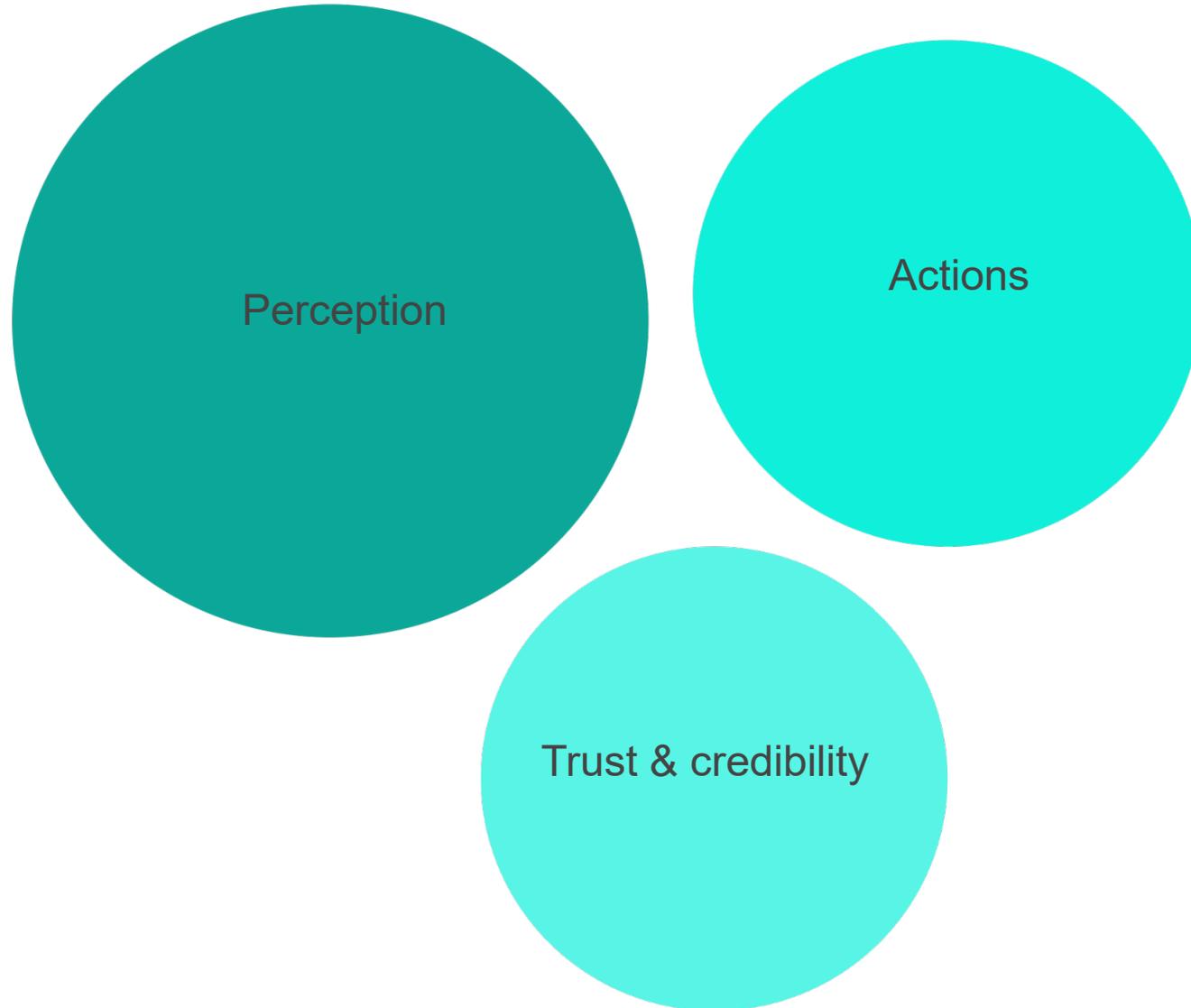
NRECA Cost and Affordability Lexicon

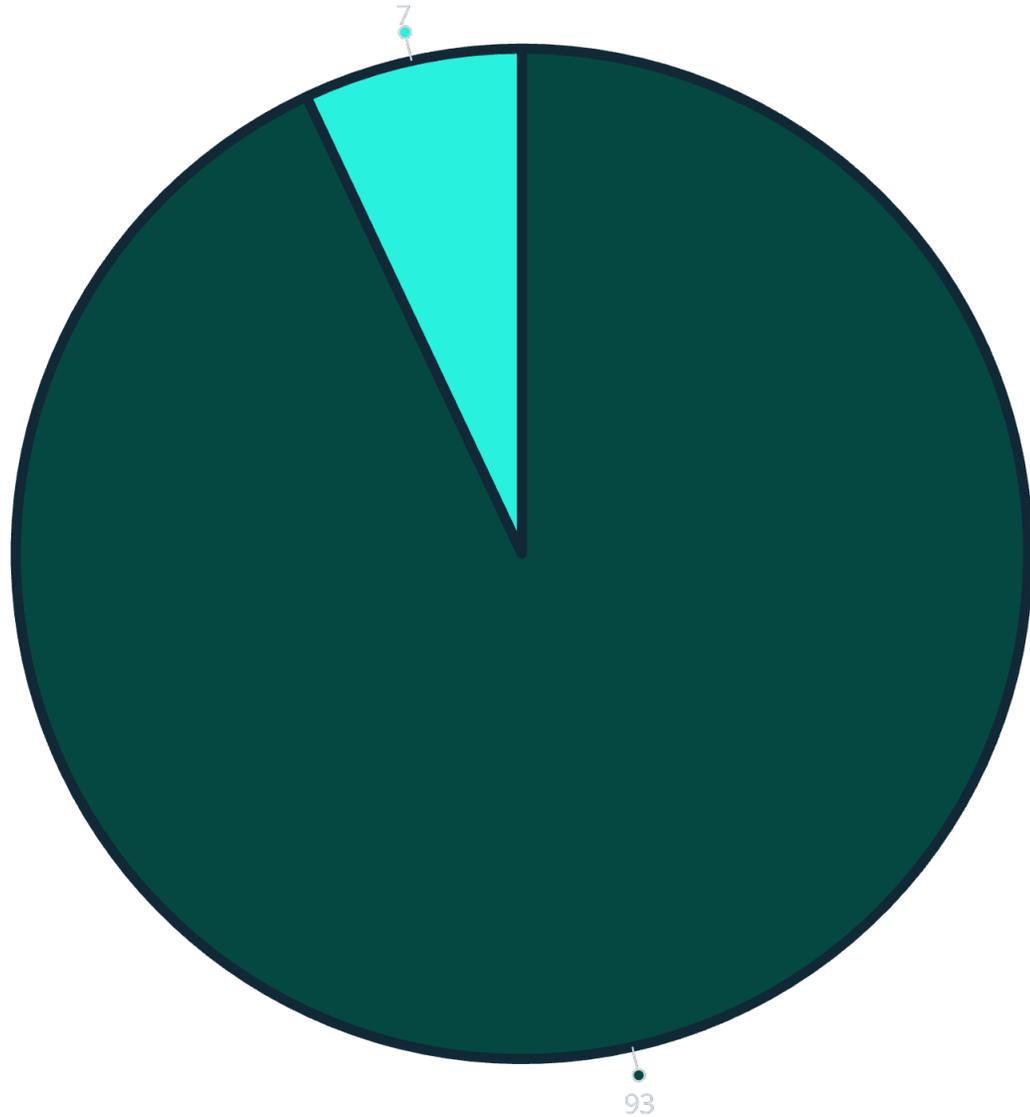
Stephen Bell
SVP Communications

Who Is Your Audience?



...they are not you!





It's how you say it
vs
What you say

What's In It For Them?

- Long-term stability
- Better reliability
- Faster response time
- Heightened awareness
- Increased comfort
- Cost savings

Provide an On-Ramp



Takeaways



Make it relevant



Make it simple



Make it click

Office and Drive-Thru Hours:
 Monday – Thursday 7:30am – 5:30pm*
 Friday, 7:30am – 11:30am

Account Number: 12345678901		
Member: YOUR NAME		
PREVIOUS BALANCE	\$181.00	Amount Due \$338.00
TOTAL PAYMENTS	\$ 0.00	
PAST DUE - DUE IMMEDIATELY	\$181.00	Due Date
CURRENT MONTH CHARGES	\$157.00	11/04/24

COMMUNICATING ABOUT AFFORDABILITY AND COSTS

Qualitative and Quantitative Research

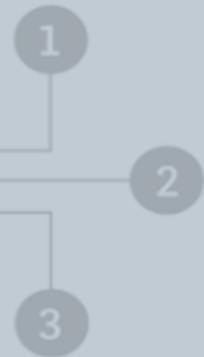
- 525 consumer members
- Small, mid-size and co-op
- Mixed politically, geographically and by age

Meter Number	Previous Reading	Present Reading	Reading Dates	Energy Usage	On-Peak/Demand
999999999	63729	64639	09/12 to 10/12	910	4.032
Number of Days: 30 Monthly Adjustment Factor: \$0.00 kWh \$0.00 kW On-Peak Occurred: 09/29/2024 5:00 PM - 6:00 PM Average Cost Per Day: 5.23					

Service Address: 123 YOUR STREET
 Service Description: HOUSE
 Location: 914-99-999
 Rate Schedule: Residential/Farm Service
 Multiplier: 1.0

Explanation of Current Charges Statement Date 10/15/24 Usage Period 09/12/24 to 10/12/24

Account Charge		\$39.00	← 1
Energy Charge	910 kWh@ 0.064	\$58.24	← 2
On-Peak/Demand Charge	4.032 kW@ 15.00	\$60.48	← 2
100Watt Hps (Qty: 1)		\$10.40	
Subdivision Lighting		\$3.25	
Franchise Fee		\$5.14	
Operation Round Up		\$0.49	
CURRENT MONTH CHARGES SUBTOTAL		\$177.00	
Misc Credit		\$20.00 CR	
CURRENT MONTH CHARGES		\$157.00	



Where consumer-members start

Affordability is top priority alongside reliability

- 74% say their electric bills have gone up
- They blame rising costs on inflation and the economy
- They feel powerless and resigned to reduce costs

They do not blame co-ops for rising costs, but...

- Most don't know they are in a co-op
- Most have very low awareness of how the system works

Co-ops do not get the benefit of the doubt

- When they don't know much, they often assume the worst
- They are skeptical of co-ops' motives
- Most believe their electric provider has the power to mitigate costs

We tested four narratives in a Persuasive Strength survey

#1	#2	#3	#4
OUR COSTS ARE RISING	RESPONDING TO RISING COSTS	NEW DEMANDS AND STRESSORS	HOW CO-OPS WORK
<ul style="list-style-type: none"> • Opens with rising costs of operating and maintaining the grid • Describes having to pass costs through to customers with no markup or profit for the co-op 	<ul style="list-style-type: none"> • Opens with the importance of maintaining reliability and keeping bills as low as possible • Cites actions co-ops are taking to delay or minimize costs • Ends with specific costs rising that are affecting consumer-member costs 	<ul style="list-style-type: none"> • Explains that rising demand from AI, data centers, and population growth, along with stressors from weather and cybersecurity threats, lead to cost increases • Takes responsibility for maintaining reliability in spite of these new demands and stressors 	<ul style="list-style-type: none"> • Cites the not-for-profit, zero-budget operating model of co-ops • Explains the governance, transparency, and membership aspect of co-ops in greater detail

Phrase by phrase heat map shows variation in response

Our costs are rising

Over the last few years, the cost of living and the cost of doing business have risen due to supply chain shortages, inflation, and tariffs. We've all felt these increases in groceries, gas, and everyday items and the electric industry is no different.

Since 2020, the cost of utility poles has increased by 25-40% and the cost of electrical steel has increased by 80-100%. In the past year alone, the cost of constructing a power plant has risen from \$1.8 billion to over \$3 billion. While we try to avoid rate increases for as long as possible, the higher cost of doing business eventually translates to a higher power bill for our members. These costs are passed through to consumers with no markup and no profit for the electric provider.

Every sector of the energy industry has faced cost increases, including generation, transmission, and distribution. 60%-75% of your bill goes toward paying for costs in generating and transmitting that electricity, which is why consumers like you ultimately feel these cost increases, too.

Responding to rising costs

[Redacted]

[Redacted] without sacrificing the reliability our members demand.

We're also working with generation partners to share costs, increase efficiency, and expand our energy supply.

[Redacted] At the same time, we want our members to understand what goes into their bill and why bills are increasing. While our efforts have allowed us to delay increases in rates, the costs

of operating the grid continue to increase. Since 2020, the cost of utility poles has increased by 25-40% and the cost of electrical steel has increased by 80-100%. In the past year alone, the cost of constructing a power plant has risen from \$1.8 billion to over \$3 billion.

New demands & stressors

[Redacted]

[Redacted] and the rapid growth of data centers and AI means that demand for electricity in our area is growing rapidly. At the same time, we are experiencing more frequent and intense weather, storms, and wildfires, as well as more sophisticated attacks from hackers trying to breach our networks.

[Redacted] We're working to increase generation, expand capacity, and strengthen and secure our energy infrastructure.

These investments are critical, but they also carry a cost. Part of the bill you pay every month goes toward supporting this work so we can maintain a high standard of service and continue providing reliable energy. We're working hard every day to keep bills as low as possible.

How co-ops work

[Redacted] We operate at the cost of doing business.

[Redacted]

[Redacted]

[Redacted] These decisions are not made by regulators or shareholders.



There's significant difference in the impact on consumer-member

METRIC	MESSAGE 1	MESSAGE 2	MESSAGE 3	MESSAGE 4
	OUR COSTS ARE RISING	RESPONDING TO RISING COSTS	NEW DEMANDS AND STRESSORS	HOW CO-OPS WORK
The price I pay for electricity is fair	+3%	+10% ▲	+6%	+12% ▲
My electric provider acts in my best interests	+6%	+9% ▲	+9% ▲	+11% ▲
My electric provider is transparent about pricing and bills	+4%	+10% ▲	+9% ▲	+11% ▲
My electric provider puts the money I pay each month to good use	+10% ▲	+14% ▲	+13% ▲	+12% ▲

Principles for effectively communicating cost and affordability

#1

EMPATHY BEFORE EDUCATION

“The key thing I took away from the message was that the electric company cares about the community and wants to maintain a good standard of integrity.”

– Consumer-member, Co-op

They want to know you understand their situation

- + Start by acknowledging what customers are feeling. This language tests well as an introduction in both general affordability and rate increase contexts

Phrase-by-Phrase Resonance Scores	Total
Many people in our community are facing challenging times , and no one wants to see rising electric bills	147
Our members count on us every day for the energy they need	149

*“Times are getting harder, but the co-op is still **trying to look out for their customers.**”*

– Consumer-member, Small Co-op

*“They’re thinking about the struggles people have and are **definitely on the right track** to help keep things as affordable as possible.”*

– Consumer-member, Small Co-op

*“They will **help the community** save on what’s important on their bills.”*

– Consumer-member, Medium Co-op

#2

It may not be your

FAULT

But it is your

RESPONSIBILITY

They assume co-ops have the power to do *something*

“We’re paying them to provide us with the best price, to go out and find the best supplier, the best distribution, transmission, or whatever companies to provide us with the best power. That’s why we pay them that membership fee.”

– Consumer-member, Small Co-op

“Our co-op had this happen and they looked around with different companies to find the best price for updating a grid here and we actually got the low price, so there are things companies can do.”

– Consumer-member, Medium Co-op

“Are they looking at alternatives to mitigate that increase? Instead of having a 10% price increase, maybe if they do their research, they can do something else and have a 5% increase.” – Consumer-member, Small Co-op

“I feel like that’s part of their job. We have a board, and I feel like the board should be making attempts to find different suppliers or work on our behalf to find better prices for us.” –

Consumer-member, Small Co-op

“Who is providing those utility poles? Where is it coming from? Was it an open process for who would build this stuff? How did they figure out the cost?”

– Consumer-member, Co-op

“I expect them to be out making deals, like finding different utility poles. There’s got to be some cost-effective things that can be done to keep it lower than what it actually is.”

– Consumer-member, Medium Co-op

If co-ops sound resigned to cost increases, trust breaks down

- + While members feel resigned, they don't want their co-op to also sound resigned. Otherwise, they start to question why their co-op isn't working harder to control the costs passed onto them

IF YOU <u>JUST</u> SAY	THEY REACT
<ul style="list-style-type: none">× Since 2020, the cost of utility poles has increased by 25-40% and the cost of electrical steel has increased by 80-100%. In the past year alone, the cost of constructing a power plant has risen from \$1.8 billion to over \$3 billion. While we try to avoid rate increases for as long as possible, the higher cost of doing business eventually translates to a higher power bill for our members.	<p><i>“These electric companies like to blame everybody else but themselves for higher bills.”</i> – Consumer-member, Medium Co-op</p> <p><i>“They are trying to justify the increases by linking it to their cost going up, not someone's salary and benefits package. Things are just getting worse for the American consumer.”</i> – Consumer-member, Medium Co-op</p>

SOME MESSAGES SAY “IT’S NOT OUR FAULT”

Less effective messaging:

Phrase-by-Phrase Resonance Scores	Total
the costs of operating the grid continue to increase	61
the higher cost of doing business eventually translates to a higher power bill for our members	23
Every sector of the energy industry has faced cost increases , including generation, transmission, and distribution	36
These costs are passed through to consumers with no markup and no profit for the electric provider	53

OTHER MESSAGES SAY “IT’S OUR RESPONSIBILITY”

More effective messaging:

Phrase-by-Phrase Resonance Scores	Total
We recognize our responsibility to serve them by working to keep bills as low as possible	139
It’s our job to manage the costs we can control, before we ever ask members to pay more for their energy	133
Our job is to make sure that our energy system can keep up with this increased demand	122
so you can feel confident that you will have the energy you need, whenever and wherever you need it	127
Our fundamental responsibility to you is to deliver reliable power to your home while keeping bills as low as possible	137

So, taking responsibility is significantly more persuasive

Persuasive Strength™ Scorecard	MESSAGE 1	MESSAGE 2
	<i>Our costs are rising</i>	<i>Responding to rising costs</i>
OVERALL	●	●
BELIEVABILITY	●	●
CONVINCINGNESS	●	●
IMPORTANCE	●	●
CONFIDENCE <i>(makes me confident my power bill is fair)</i>	●	●
POSITIVE THOUGHT <i>(makes me think my electric provider acts in my best interests)</i>	●	●
AGREEMENT	●	●
ARGUMENT STRENGTH <i>(strength of reasons given for rising costs)</i>	●	●

Message 1 is believable but less impactful.

Focusing on why costs are rising does not build confidence, agreement, or faith that the co-op is acting in their best interest.

Message 2 is stronger across the board

Focusing on the steps the co-op is taking is significantly more impactful across nearly every metric, even though these steps won't offset increasing costs.

#3

**FOCUS LESS ON
THE PROBLEM,
AND MORE ON
THE SOLUTION**

“They’re doing everything they can for their customers to keep prices as low as possible, even though prices are going up.”

– Consumer-member, Medium co-op

“Increasing demand” feels like paying for someone else’s energy

IF YOU SAY	THEY REACT
<ul style="list-style-type: none">× We have new demands on the power grid from AI, energy-intensive data centers, and other -load businesses	<p><i>“Why should I be paying for the data centers unless I’m actually using it? It didn’t explain anything that was really pertinent to me.”</i></p> <p>– Consumer-member, Small Co-op</p>
<ul style="list-style-type: none">× America’s population is growing	<p><i>“I feel like I’m paying for all of the upgrades for other people to have electricity, like I’m having to pay the extra cost.”</i></p> <p>– Consumer-member, Small Co-op</p>
<ul style="list-style-type: none">× These demands are affecting America nationwide, including rural areas where most co-ops operate	<p><i>“We’re so rural that not a lot of people can even find us, so, I’m not so worried about that.”</i></p> <p>– Consumer-member, Medium Co-op</p>

In fact, every *cause* has potential objections

IF YOU SAY	THEY REACT
× Since 2020, the cost of electrical steel has increased by 80-100%	<i>“Make it cost less. Build it here. I look at this and think, why not just try something else instead?”</i> – Consumer-member, Medium Co-op
× We have new demands on the power grid from AI, energy-intensive data centers, and other -load businesses	<i>We don't have any data centers here. I don't think a data center would even make that big of a change. Wouldn't it be covered by someone else?”</i> – Consumer-member, Small Co-op
× We continually work to protect the power grid against threats like extreme weather, storms, wildfires, cold fronts, and heat waves	<i>“Why are you telling me this is now going on? I can't remember a time when it wasn't like that. We've always had storms, so none of this is new.”</i> – Consumer-member, Co-op

FOCUS LESS ON PROBLEMS

Less effective messaging:

Phrase-by-Phrase Resonance Scores	Total
...the cost of living [has] risen due to supply chain shortages, inflation, and tariffs.	61
Since 2020, the cost of utility poles has increased by 25-40%	42
and the cost of electrical steel has increased by 80-100%	23
In the past year alone, the cost of constructing a power plant has risen from \$1.8 billion to over \$3 billion	24

FOCUS MORE ON SOLUTIONS

More effective messaging:

Phrase-by-Phrase Resonance Scores	Total
We're focused on increasing efficiency in our organization and reducing costs in our operations	137
We're exploring options for the sources and suppliers of the materials we use	124
We're working with generation partners to share costs, increase efficiency, and expand our energy supply	114
Where possible and responsible, we're extending the productive life of our equipment	128

So speak to everything you're doing, even if there's only so much

Phrase-by-Phrase Resonance Scores	Total
We're working hard every day to keep bills as low as possible	117
We also offer a range of programs and steps members can take to help reduce bills through how they manage their energy use.	132

"The company is trying it's best to keep the price of electricity affordable and reliable for the consumer."

– Consumer-member,
Small Co-op

"The company is doing everything they can to balance investment in the future with current pricing to the consumer."

– Consumer-member,
Co-op

In summary, how to build trust on affordability and cost:

1

ACKNOWLEDGE

their perspective

Phrase-by-Phrase Resonance Scores	Total
Many people in our community are facing challenging times, and no one wants to see rising electric bills	147
Our members count on us every day for the energy they need	149
We want our members to understand what goes into their bill and why bills are increasing	111

2

ACCEPT

responsibility
by showing action

Phrase-by-Phrase Resonance Scores	Total
We recognize our responsibility... to work to keep bills as low as possible	139
...by managing costs we can control, before we ever ask members to pay more for their energy	133
...by making sure our energy system can keep up with this increased demand	122
...so you can feel confident that you will have the energy you need, whenever and wherever you need it	127
...by increasing efficiency and reducing costs	137
...by exploring options for sources and suppliers	124

3

ADD

additional information

Phrase-by-Phrase Resonance Scores	Total
Electric co-ops are not-for-profit, member organizations,	133
which means we're owned and governed by the people we serve.	141
Instead of taking a profit or loss, we work toward a zero-based budget by the end of each year.	125
While our efforts have allowed us to delay increases in costs	105
the costs of operating the grid continue to increase	61
Since 2020, the cost of utility poles has increased by 25-40%	42

Cooperative.com/lexicon

Questions?
