



ENERGY COOPERATIVE SERIES

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# 5 Cost Leaks Every Co-op Power Supply Team Should Be Catching

The hidden costs that quietly erode member rates  
and what to do about them.

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Decision intelligence for energy markets.

# The Quiet Cost Problem

Electric cooperatives exist for one reason: to deliver affordable, reliable power to their members. Every dollar of unnecessary cost goes straight to member rates. There's no profit margin to absorb it.

Yet most co-op power supply teams manage their largest operating expense — wholesale power cost — with the same spreadsheets they built five or ten years ago. The markets have gotten more volatile. The generation mix has gotten more complex. The boards have gotten more demanding. The tools haven't kept up.

**\$57B**

Annual revenue across U.S. electric co-ops

**64**

G&T cooperatives managing wholesale power supply

**42M**

Americans served by electric cooperatives

We've worked with energy companies for over twenty-seven years — processing settlements, tracking positions, and analyzing cost variance across North American ISOs. Along the way, we've seen the same five cost leaks show up again and again.

None of them are dramatic. None of them make headlines. But together, they quietly erode millions of dollars across the cooperative network every year.

**Here's what to look for — and what to do about it.**

## 1 Unvalidated ISO Settlements

*You're trusting the grid operator's math. You shouldn't.*

ISOs and RTOs process millions of settlement transactions monthly. ERCOT alone runs multiple resettlement cycles that can adjust invoices months after the operating day. PJM, MISO, and SPP each have their own timelines and quirks.

Most co-op power supply teams receive the invoice, check the total against their budget, and pay it. They don't validate the underlying calculations — the interval-level pricing, the ancillary service allocations, the congestion charges, the load profiles.

The errors aren't always big on any single invoice. But they compound. A small systematic error in congestion allocation across 12 months adds up to real money. And because settlements resettle, an error you didn't catch in the 7-day settlement may persist through the 55-day and final.

**TYPICAL IMPACT:** \$50K–\$500K+ annually for mid-size G&Ts, depending on market and volume.

### RED FLAGS:

- ▶ You've never found an ISO billing error (which means you're not looking)
- ▶ You don't reconcile resettlement cycles against original invoices
- ▶ One person "checks" settlements by eyeballing totals vs. budget
- ▶ Your G&T passes through ISO charges without independent validation

## 2 Invisible Cost Allocation Drift

*Your allocation methodology made sense five years ago. The world changed.*

G&Ts allocate wholesale power costs to their member co-ops based on formulas that typically include demand charges, energy charges, and transmission allocations. These formulas were designed for a world of predictable baseload generation and steady load growth.

But the generation mix is shifting. Wind and solar are adding intermittency. PPAs are layering in at different price points. Load shapes are changing as data centers, EVs, and distributed solar alter the demand curve. The allocation formula that was fair in 2018 may be quietly subsidizing one member at the expense of another.

Most G&Ts don't have the analytics to detect this drift. They run the same formula, produce the same reports, and assume the allocation is still fair. Until a member co-op hires a consultant who tells them otherwise.

**TYPICAL IMPACT:** Cost misallocation of 3–8% across members. Enough to trigger disputes and defections.

### RED FLAGS:

- ▶ Your allocation formula hasn't been updated since adding renewables or PPAs
- ▶ Member co-ops are asking more questions about their cost share
- ▶ You can't explain why Member A's cost-per-MWh rose 12% while Member B's rose 4%
- ▶ You've heard the word "exit" in a board meeting

### 3 Hedge Effectiveness Black Holes

*You're hedging. But can you prove it's working?*

Many G&Ts and larger distribution co-ops use financial hedges, fixed-price contracts, or structured PPAs to manage price risk. The hedges get put on. The settlements get processed. But the connection between the two — the actual effectiveness of the hedge against real market moves — often lives in someone's head.

When the board asks “are our hedges protecting member rates?” the answer is usually a qualitative “yes, we believe so.” It's rarely a quantitative analysis showing exactly how much cost the hedge avoided versus an unhedged position in the actual market conditions that occurred.

This isn't just a reporting gap. Without hedge effectiveness tracking, you can't optimize your hedging strategy over time. You don't know which instruments worked, which didn't, or whether your coverage ratios are right.

**TYPICAL IMPACT:** Suboptimal hedging costs 5–15% more than a data-driven strategy over a 3-year cycle.

#### RED FLAGS:

- ▶ Your board gets qualitative hedge updates, not quantitative analysis
- ▶ You can't produce a hedge effectiveness report in under a day
- ▶ Hedge decisions are based on experience and intuition, not back-tested data
- ▶ You don't know your actual cost-avoided vs. an unhedged scenario

### 4 Budget Variance Without Root Cause

*You know costs went up. You can't explain why in 15 minutes.*

Every co-op does budget vs. actual. The number comes out positive or negative. The conversation in the board meeting goes something like: “We were over budget by \$2.3 million this quarter, primarily due to higher-than-expected power costs.”

That's not an explanation. That's restating the problem. The board wants to know: Was it load? Was it price? Was it a contract that underperformed? Was it an unplanned outage at a generation asset? Was it transmission congestion? Was it an ISO charge that came in higher than modeled?

Without automated variance decomposition, answering these questions takes days of manual analysis. So the power supply team gives the headline number and hopes the board doesn't dig deeper. When they do dig deeper — at a rate hearing, or during an audit — the team scrambles.

**TYPICAL IMPACT:** Board confidence erosion, delayed rate case filings, and 20–40 hours/month in manual analysis.

#### RED FLAGS:

- ▶ Your budget variance report is a single number with a narrative paragraph
- ▶ Board members have asked follow-up questions you couldn't answer in the meeting
- ▶ It takes more than 24 hours to produce a cost driver breakdown
- ▶ Your rate case preparation involves pulling data from 5+ systems

## 5 Single-Person Knowledge Risk

*Your power cost knowledge walks out the door at 5 PM every day.*

Here's the quiet risk nobody talks about: in most co-ops, all the power cost knowledge — the settlement validation process, the allocation calculations, the hedge tracking, the budget models — lives in the head of one or two people. They built the spreadsheets. They know the workarounds. They remember which ISO data feeds are reliable and which ones need manual correction.

When that person retires, takes a new job, or is simply on vacation during a volatile week, the entire cost management function stops. The replacement inherits a folder of spreadsheets with no documentation, formulas that reference tabs that were deleted two years ago, and institutional knowledge that was never written down.

This isn't a technology problem. It's an existential business risk for a not-for-profit utility whose members depend on cost transparency and continuity.

**TYPICAL IMPACT:** 6–12 months of degraded cost management during personnel transitions. Unquantifiable board risk.

### RED FLAGS:

- ▶ One person could name every formula in your cost tracking spreadsheet
- ▶ That person has been in the role for 10+ years and is within 5 years of retirement
- ▶ There is no documented methodology for settlement validation or cost allocation
- ▶ A two-week vacation creates visible gaps in monthly reporting

# What to Do About It

If you recognized your co-op in three or more of these cost leaks, you're not alone. Most cooperatives we talk to are managing power cost with tools that were built for a simpler era.

The good news: these are all solvable problems. The fix isn't hiring more people — it's giving the people you have better tools.

Start Here	Build the Case	Evaluate Tools
Pick the one cost leak that would make the biggest difference to your board and do a manual audit. Most teams find something within the first week.	Quantify the gap. What does a 3% cost misallocation mean in real dollars? What does 40 hours/month of manual analysis cost in salary? Boards respond to numbers.	Look for platforms that handle settlement validation, cost variance decomposition, and automated reporting across the ISOs you operate in. The right tool pays for itself in the first quarter.

## Quick Self-Assessment

Category	Question	Y / N
<b>Settlement Validation</b>	Do you independently validate ISO settlement calculations at the interval level?	
<b>Allocation Monitoring</b>	Have you reviewed your cost allocation methodology against your current generation mix in the last 12 months?	
<b>Hedge Reporting</b>	Can you produce a quantitative hedge effectiveness report within 4 hours?	
<b>Variance Decomposition</b>	Can you decompose budget variance into load, price, contract, and congestion components for any given month?	
<b>Knowledge Continuity</b>	Is your power cost methodology documented well enough that a new hire could run it within 30 days?	

**If you answered “No” to three or more, your co-op is likely leaving money on the table. And your members are paying for it.**



## Ready to see where your costs are leaking?

Risk360 combines twenty-seven years of energy settlement expertise with modern cost intelligence. We help cooperative power supply teams turn 6+ hours of manual analysis into 15 minutes of clear, board-ready answers.

**Schedule a 20-Minute Cost Visibility Assessment**

[enrgy.com/demo](https://enrgy.com/demo)

**No commitment.**  
Just a conversation about your power cost process.

**We'll show you the gaps.**  
Based on the five leaks in this guide.

**Built for co-ops.**  
Not enterprise software shoehorned into your world.



Decision intelligence for energy markets.