

Rising Electricity Costs & Requests to Reduce Usage for Reliability

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Economic Disruptions & Rising Electricity Costs

Record high inflation, supply chain disruptions and the war in Ukraine are having a dramatic impact on our costs to supply electricity. Specifically, natural gas, coal and other market power costs represent 35-40% of WWVREMC's annual operating costs. In less than a year, these costs have increased 150% and are continuing to rise.

This is a result of global supply and demand. Even here in Indiana we are impacted by the global economy, including the demand for U.S. coal in China and U.S. liquified natural gas (LNG) in Europe. This demand has been the largest driver of these cost increases.

The tight labor market and disruptions to global supply chains also created challenges with getting skilled people and materials we need to operate and maintain supply systems.

Why am I rehashing all this in my article and what does this have to do with WWVREMC? Our power supplier, Hoosier Energy, and WWVREMC are both non-profit organizations owned by those we serve, including you. Hoosier Energy generates and transmits electric power, and WWVREMC distributes the power to homes, farms and businesses. The increases in coal and natural gas prices have had a corresponding impact on power market prices. Those types of cost changes flow through the Wholesale Power Adjustment (WPA) on your bill and it gives me no pleasure to report that the WPA for WWVREMC members will increase 6% to cover these costs. The increase is effective this month and will be applied to the WPA for bills due in August. In dollars, the increase is approximately \$5.00 per 1,000 kWh's.

Our hope is to hold rates as stable as we can while still providing safe, reliable power. However, Hoosier Energy's outlook for the year 2022 represents a 5% overall increase in wholesale rates compared to average levels over the past five years.

The global nature of these challenges makes it difficult to know exactly how long prices may remain elevated. We expect the challenging environment to continue into the foreseeable future, possibly the next few years.

Requests to Reduce Electricity Usage for Reliability

Balancing the demand for electricity with just-in-time supply (currently, electricity can't be stored in meaningful amounts) and then transmitting the electricity over an expansive grid of transmission and distribution lines make the U.S. electric grid the most complex machine in our nation's history.

As an industry, we are currently impacted by a number of domestic and international economic challenges. These challenges follow the national trend over the past several years of retiring coal generation and transitioning to more intermittent, renewable resources.

So far, the pace of generation additions hasn't kept pace with the retirements of dispatchable resources they will replace. As a result, we want everyone to be increasingly more aware of the possibility of requests to reduce electricity usage.

If the supply/demand problem becomes too great, our regional grid operator (MISO) will order short duration (30-60 minutes) rolling blackouts. This would happen to preserve the operational integrity of the grid and reduce the risk of prolonged or widespread power outages.

Generation reserves are typically available for unexpected events that impact the balance of supply and demand on the system, but they aren't as large as they once were. This situation increases the possibility for reductions in electricity more frequently to prevent large-scale power outages.

Power conservation requests are not uncommon. In fact, at press time, WWVREMC, and all Hoosier Energy distribution systems, had received three alerts this year. One in January and two in May. These alerts – or maximum generation emergency warnings, come from the Midcontinent Independent Transmission System Operator, Inc. (MISO) and have varying degrees of emergency levels. Until recently, these events have stayed at a low level for communications only to power suppliers and never moved to levels in our area calling for voluntary conservation, load shedding or rolling blackouts.

With the supply and demand issues we are facing it's a real possibility these alerts could escalate beyond the alert level. If the situation allows, WWVREMC will convey messages and requests for you to consume less energy during times when demand is high, and supply is constrained. We ask you to turn off any unnecessary lights, appliances, etc. Use the delayed start functions on appliances to move laundry and dishwashing to a later time in the day. Setting your thermostat slightly higher this summer will also help. Not only will these small steps help in our combined efforts to avoid rolling blackouts, but it will also reduce your power bill.

Please know we will continue to do everything we can to minimize the impact to you. We are working hard to make sure members are informed when these issues exist. We will continue to send messages and post on social media when these things happen. Messages and tips to help you optimize your energy consumption will also be shared.

Again, please be prepared for the possibility of outages. Should the situation dictate, power could be intentionally disconnected for periods of time (30-60 minutes) to preserve the integrity of the entire grid.