

# Addressing power reliability concerns and rapidly rising prices, per NREC and MISO reports

This document summarizes two major issues occurring in the electric utility industry in mid-2022.

1. The risk of blackouts and power reliability concerns (page 1-2)
2. Rapidly rising prices for some utilities (page 3-4)

At this time, PPEC and Buckeye Power (our power supplier) are not directly affected by either issue, as this document explains.

## **1. Blackouts and Power Reliability Concerns:**

**North American Electric Reliability Council (NERC)** warns that several parts of North America are at elevated or high risk of energy shortfalls this summer due to predicted above-normal temperatures and drought conditions over the western half of the United States and Canada. Reasons given are:

1. Above-average seasonal temperatures contribute to high peak demands
2. Potential increase in forced outages for generation and some bulk power system equipment.

The assessment's other key findings include:

- Supply chain issues and commissioning challenges on new resource and transmission projects are a concern in areas where completion is needed for reliability during summer peak periods.
- The electricity and other critical infrastructure sectors face cyber security threats from Russia, in addition to ongoing cyber risks.
- Some coal-fired generator owners are facing challenges obtaining fuels as supply chains are stressed.
- Unexpected tripping of solar photovoltaic resources during grid disturbances continues to be a reliability concern.
- Active late-summer wildfire season in Western United States and Canada is anticipated, posing some risk to bulk power system reliability.

### **PPEC / Buckeye Power Perspective:**

The NERC report accurately reflects the fragility of the electric grid in North America. ***What NERC didn't say in this announcement is that a contributing factor to the marginal generation availability is the premature retirement of baseload electric generating facilities and the rapid movement to intermittent renewable energy sources.***

Reliable power is an expectation that seldom receives much notice, until events in other parts of the United States exposed the fragility of the electric grid. Both California (2020) and Texas (2021) suffered blackouts that affected thousands of customers because low energy prices were favored over reliability. Contingencies did not exist for severe weather events or a shortage of generation capacity. Additionally, there has been far too little consideration given to the interdependency of the natural gas and electric utility industries and failing to do so has contributed to lower reliability for both.

Those events in Texas and California, along with the potential challenges in the Western and MISO regions in 2022, are subjecting customers to excessive outages and blackouts because of poor planning and policies that disproportionately incentivized the proliferation of intermittent generation resources such as wind and solar power. Ohio and the Midwest region should not compromise on power reliability.

The significant challenges of integrating large quantities of intermittent renewable power to the regional transmission grid without adequate baseload generation cannot be underestimated. Until sufficient technology is developed to support intermittent generation, baseload fossil fuel is needed to meet the 24 X 7 X 365 day need for electricity.

While certain areas in the United States are more vulnerable in 2022, the regional transmission organization (PJM) has maintained both capacity and energy markets that will ensure an adequate supply of energy in Ohio and our immediate region of the country.

### **Buckeye Power Advocacy Positions:**

- Buckeye Power will advocate for policies that support the need for baseload generation that is clean and reliable as well as technically feasible. Buckeye Power believes that coal generation will be part of the US power generation mix for quite some time.
- Buckeye Power is committed to providing a mix of generation resources that balance affordability, reliability, and environmental responsibility. Included in that mix is coal, natural gas, solar, hydropower, biomass, and other small-scale renewable energy generation.
- Coal plant closures should not be forced on every company and every state as we transition away from coal use. Certain plants are better suited environmentally and economically to operate longer than others.

- Renewable resources, particularly wind and solar, are not evenly available across the country. Areas with greater renewable resources should lead in adoption while areas with lesser resources should transition more slowly.
  - Buckeye intends to add renewable energy generation at a pace that matches member needs but does not significantly increase costs of wholesale power. Buckeye is opposed to any state of Federal mandates requiring a certain amount of renewable energy.
  - Buckeye Power cannot commit to a carbon reduction goal until there is a technological path that allows us to understand when and of what cost those goals are achievable.
  - From 2005 to 2019, the US electric power sector reduced CO2 emissions 33%, and is still the only industry that has achieved significant carbon reduction in the last five years.
  - Buckeye Power plans to operate its coal plants until it is in the best interests of its members to change.
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## ISSUE 2

### **Ohio Investor-owned Utilities to see higher electric rates starting June 1, 2022**

Another news story members are hearing about is electric rates going up substantially starting June 1. It's important to note these stories have centered on impacts to invest-owned utility customers and have not mentioned electric cooperatives.

Investor Owned Utilities (such as AES/DP&L, and AEP) are subject to market rates whereas Ohio's electric cooperatives have built and own substantially all of the power generation needs that our members require. While Buckeye Power is experiencing rising costs, our members will not see the wild swings in prices that the other utility customers are seeing now from market pressures.

Standard electric generation rates for the other utilities will increase beginning next month based on prices that were set in the latest auction for these utilities. A law passed in Ohio in 2001 gave Ohio consumers the ability to shop for their energy suppliers, but those who don't are charged a default rate negotiated through the bidding process. The other utilities were required to divest themselves from the generation business and create transition plans to market rates.

Electric cooperatives were given the ability to opt-in to market pricing, at which time the cooperatives decided to stay with more stable rates decided upon by electric cooperative decision makers. Electric cooperatives have been able to maintain affordable and reliable electric rates because co-ops own and operate substantially all the power generation its members need taking the volatility of the market out of play.

Over the years market-based rates have been perceived to be lower than regulated rates. While consumer can save a little with market rates when they are cheaper than standard

service rates, these same consumers stand to lose much more when prices are higher than standard serve rates.

How much will electricity cost the other utility consumers?

Here’s are the current projections:

<b>Supplier</b>	<b>2021-2022 rate (per kWh)</b>	<b>2022-2023 rate (per kWh)</b>	<b>Monthly Increase to Electric Bill (if using 1,000 kWh/month)</b>
AES Ohio	4.805 cents	10.91 cents	\$61.05
AEP Ohio	4.84 cents	6.621 cents	\$17.81
Duke Energy	5.0681 cents	6.4832 cents	\$14.15
FirstEnergy – Ohio Edison	5.2091 cents	6.5116 cents	\$13.03
FirstEnergy – Cleveland Electric Illuminating	5.3704 cents	6.555 cents	\$11.85
FirstEnergy – Toledo Edison	5.43923 cents	6.5818 cents	\$11.43

While all of this sounds technical — and it is — what residents really need to know is that the other utility residential retail prices are going up — a lot while electric cooperative rates will remain stable, more closely matching inflationary prices.

**Have questions or concerns? Give us a call. As your community not-for-profit cooperative, we’re here to help. We are proud to serve our members!**