



P.O. Box 339 | 3075B US Highway 24, Beloit, Kansas 67420 | 785.534.1601

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As a Rolling Hills Electric Cooperative member, your best interest is always at the forefront of our operations. Over the past couple of weeks, there have been many discussions and meetings on the recent Polar Vortex phenomenon that occurred causing the rolling outages that some of our members experienced a couple of weeks ago. There is a lot of information being circulated and so we want to communicate to our members what you can expect to see on your bills in the coming months. The good news is that Rolling Hills believes that we were protected more so than other utilities because we had less exposure to the market during this time.

What Happened?

- A mid-February Polar Vortex outbreak caused historically low temperatures and ice/snow to grip many regions of the country, stressing both electric generating capacity and the ability of the transmission grid to move power from state to state and region to region.
- Emergency situations were quickly declared by the Southwest Power Pool (SPP) which forced many electric cooperatives into rolling outages due to the inability of electric generation supply to meet demand.
- Power generation by natural gas was an issue at this time due to the following main issues:
 - Depletion of natural gas supply created high prices during a short timeframe.
 - Some natural gas plants were not equipped to handle the extreme cold which left the supply frozen in the ground.
- During the extreme cold, renewable energy generators (e.g., wind generation) were not able to produce placing stress on the natural gas market that was tasked with making up for the energy shortage.
 - Natural gas is the fuel of choice to replace renewables, which was already in short supply because people were using it to heat their own homes as well. This escalated demand and depleted supply causing the price for natural gas to drastically increase during this timeframe.

What is the Southwest Power Pool (SPP) and why is it important?

- The SPP oversees the bulk electric grid and manages the reliability for a 14-state region that includes Kansas.
- The SPP does not generate electricity, own power lines or substations, but rather is tasked with operating the power grid in a safe and reliable manner.
- The SPP handles many power transactions in any given timeframe. It will take the SPP up to 120 days to go through the transactions to determine final costs and even then, with regulatory agencies, state and federal politicians in the mix, the process could take longer to determine final cost.
- The SPP has never in its existence had to implement rolling blackouts and has never dealt with this extreme type of phenomenon.

Why was there no warning?

- The SPP declared and broadcasted that they had enacted an Energy Emergency Level 1 that began Sunday evening, February 14th, to ask all electric consumers to conserve energy.
- The record cold temperatures forced the electric industry to take extreme steps to prevent catastrophic damage to the power grid.
- Power is controlled at high voltage transmission lines, which Rolling Hills does not own. Our office was given no warning or notification of the rolling blackouts that were implemented until the moment the power went out.
- Grid operators, like the SPP, operate with a focus on the overall reliability of the electric grid. When demand exceeds supply, grid operators have the authority to mandate rolling blackouts like some of our members experienced a couple weeks ago.

(Information continued on back)

What's going to happen to my electric bill?

- **ACTUAL USAGE COST:** Your bill for February will more than likely be higher simply due to increased energy usage to heat homes during the extreme cold weather. The normal rates will apply for this usage.
 - Space heating and water heating are the two biggest drivers of energy use in most households, accounting for over 50% of a home's energy use during the winter months.
- **POWER COST ADJUSTMENT:** Our power supplier, KEPCo, determines this adjustment every month which is dependent upon the fluctuating costs of fuels. This is where our members will see the price adjustments for the energy emergency crisis. The good news is that through KEPCo, **a cap has been set for the month of February usage to \$0.033 per kilowatt hour used for the Power Cost Adjustment Factor.**

This adjustment will add approximately \$0.016 to the typical PCA Factor that Rolling Hills has been charging. Last month the PCA Factor was a credit of (\$0.0146). Because member demand and energy also affect the monthly cost of energy, it is difficult to predict an accurate PCA Factor at this time. It would be reasonable to assume that the PCA Factor for February may be in the \$0.002 to \$0.01 range.

What's the good news?

- Rolling Hills resources (Wolf Creek, IATAN 2, Hydropower allocations and 20 Megawatt Diesel) generated at their best during the extreme weather situation.
- KEPCo's contract with Evergy, which supplies a majority of the remaining energy needs, was also producing very well during this event. Although we feel we had a very small portion of our power supply exposed to the market during this crisis, we are still concerned about how the exorbitant natural gas prices will affect costs moving forward.
- Any increase in prices caused by this phenomenon has been capped on February's billing (see power cost adjustment section above).
- Members' bills should not be as high as some of the variable price spikes reported by some Texas customers of retail electric companies. Because of long-term, stable contracts between KEPCo, Evergy, and Rolling Hills, our situation is different than Texas. Texans' rates are compounded due to the fact they are deregulated at the retail level, which means many consumers have chosen to pay wholesale prices for their power. This approach can be cheaper during good weather but spikes when there is a high demand for electricity, such as what occurred in February.

What happens next?

- It will take some time for the SPP to finalize all the costs associated with the February energy crisis. Rolling Hills will deal with the costs on a monthly basis and communicate with our members the cost effects from this February event.

What are my options for assistance to pay my electric bill?

Members are encouraged to contact our office to review payment assistance resources and discuss payment arrangement options.

- **BUDGET BILLING** is an available payment option to help keep monthly electric bills predictable and manageable. This free option averages electric use over a 12-month rolling period to avoid big fluctuations in monthly bills.
- **LIEAP PROGRAM (Low Income Energy Assistance Program)** is a Federally funded program that helps eligible households pay a portion of their home energy costs by providing a one-time per year benefit. Applications are due by March 31st, 2021. The link to apply can be found on our website at www.rollinghills.coop.
- **SMART HUB** is an online portal where members can pay their bill online as well as see their usage down to an hour timespan! Visit our website to sign up for an account at www.rollinghills.coop.

Most importantly, we want to thank you, our members, for your patience and understanding during this unprecedented time. You all did your part to help keep us from more controlled rolling outages while Mother Nature wreaked havoc on us all. We have outstanding communities and members we serve. As always, please contact our office at 785-534-1601 if you have any questions. Thank you!