

Notice to City of Concord Electric Systems Customers – Change to Purchase Power Adjustment Beginning February 2022

As a community-owned, not-for-profit public power utility, we take great pride in our ability to consistently deliver exceptional reliability and superior service to our customers. We work hard to keep electric rates low and monthly utility bills as stable as possible. Unfortunately, rising natural gas prices have significantly increased the cost of the electricity that we purchase and distribute to our customers. As a result, beginning in February 2022, you will see a change in the Purchase Power Adjustment line item on your monthly statement to help us recover these costs.

What is a Purchase Power Adjustment?

The Purchase Power Adjustment (PPA) is a line item included in your monthly electric bill. It is either a credit or a charge, and is used when needed to adjust for increases or decreases in wholesale power and transmission costs. Events like natural disasters, hotter than expected summers or colder than normal winters, and other market factors such as tighter supply and demand balances and low inventory can all contribute to fluctuating wholesale power costs.

Since 2015, the PPA has been negative, resulting in a monthly discount on your electric bill. While we have tried to maintain our current pricing and discount for as long as possible, we can no longer absorb the full costs of recent price increases in our energy supply. As a result, we are using the PPA to cover a portion of these costs.

Beginning with the February 2022 billing statements, the PPA will be changed from a credit of -0.00393 to 0.00, effectively removing customers' monthly discount.

Why is the Purchase Power Adjustment Changing?

In November 2014, the City of Concord Electric Systems entered into a long-term contract with NTE Carolinas, now Carolina Power Partners (CPP), to purchase wholesale power from the Kings Mountain Energy Center, which is a natural gas-fired combined-cycle power plant. At the time, natural gas prices were stable and economic forecasts predicted prices to remain steady through the life of the 20-year contract, which took effect on January 1, 2019. Unfortunately, unpredictable changes in the market have caused natural gas prices to increase dramatically in recent months.

In 2021, natural gas market prices increased 92% compared to 2020 natural gas price averages. This has driven up our power supply costs by 34%. This upward trend in natural gas prices is expected to continue through 2022.

How will this impact my monthly bill?

The prior PPA was set to negative -0.00393 resulting in a discount each month on your electric bill. The new PPA is set to 0.00, which effectively removes the monthly discount and means you will pay more each month.

For the average Concord Electric Systems residential customer who uses 1058 kWh per month, the new 0.00 PPA will result in a 3.79% increase or approximately \$4.45 more per month in their electric bill. The average commercial customer will see a 4.16% increase, and the average industrial customer will see a 5.48% increase.

Please be assured that we have attempted to create the smallest possible impact on our customers while protecting the health of our electric system. As our customer, you are our number one priority and we appreciate your continued support.