

Notice to City of Concord Electric Systems Customers Change to Purchase Power Adjustment Beginning with August 2022 Billing Statements

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 for over 100 years. 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 August 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.

While we have tried to maintain our current pricing for as long as possible, we can no longer absorb the full costs of continued price increases in our energy supply. As a result, we are again using the PPA to cover a portion of these costs.

Beginning with the August 2022 billing statements, the PPA will change from 0.00 to 0.027382.

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 caused natural gas prices to increase dramatically over the last 18 months.

European demand for U.S. natural gas is increasing at the same time as domestic demand due to reduced coal-generated electricity in areas of the country, and natural gas storage levels reaching a five-year low. Transportation constraints are also contributing to higher natural gas costs in our region. All of this has again dramatically increased our wholesale power supply costs, and the upward trend in natural gas prices is expected to continue through 2022.

How will this impact my monthly bill?

For a residential customer who uses 1000 kWh per month, the new 0.027382 PPA will result in approximately \$27.38 more per month in their electric bill. The average commercial customer will pay an additional \$821.46 each month, and the average industrial customer will pay approximately \$8,214.60 more each month.

We understand that these are challenging times as the costs of many daily essentials have gone up. With natural gas prices at record highs, please be assured that we made every effort to minimize the 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.