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PRESS RELEASE

Cost to Generate Electric Power Continues to Increase

--For Immediate Release--

Sallisaw, Oklahoma (March 21, 2022) – Due to the volatility of the natural gas market, the cost to generate electric power continues to increase for customers of the Grand River Dam Authority (GRDA). For Sallisaw’s electric customers, electric bills are increasing due to the costs that GRDA is incurring and must pass on to their customers.

City Manager Keith Skelton stated, *“Increasing cost for electricity is something we have had to deal with since the February 2021 winter storm. Not only did we have to deal with \$1.9 million in additional fuel costs related to the winter storm, but we have continued to deal with the unpredictability of the natural gas market. The natural gas market has forced GRDA to increase their normal Power Cost Adjustment (PCA). Since January 2021, the PCA has increased 79%, which has a tremendous impact on all GRDA customers.”*

In October 2021 the city addressed two issues affecting electric rates, both related to the cost of natural gas incurred by GRDA. The first issue, created by the February 2021 winter storm URI, was addressed by refinancing existing debt of the city. By refinancing existing debt, the city was able to pay \$1.9 million in additional power costs without passing on any cost to customers. If the expense had been passed on, repayment would have been over a ten year period.

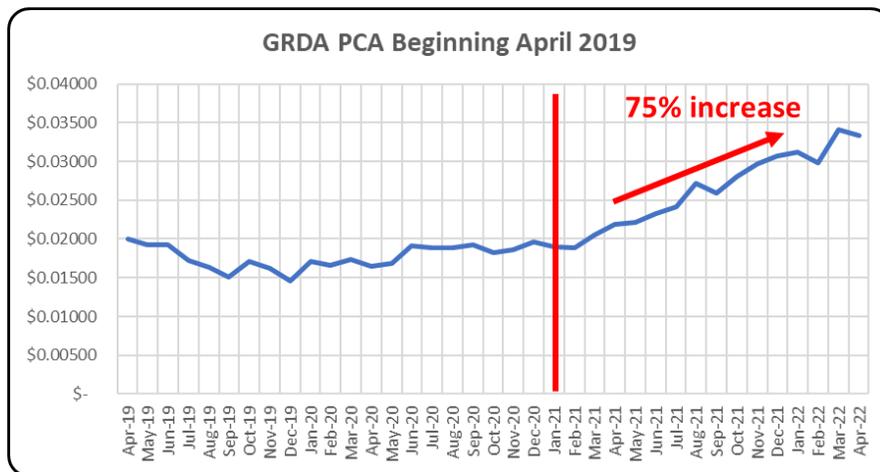
The second issue addressed was the increase in normal PCA costs passed on to the city from GRDA. At their October 11, 2021, meeting, the Board of City Commissioners reviewed information on the escalating cost of electric power because of rising natural gas prices. During the meeting, the City Manager discussed implementation of a Cost of Power Base Adjustment (CPBA) that would allow recovery of purchased electricity costs that is over the amount included in the city’s base electric rates.

What is the Cost of Power Base Adjustment (CPBA)? The CPBA is a calculation that allows the city to recover PCA costs over and above the rate component included in the base electric rates of the city. The city’s base electric rates include a Purchase Power Component (PPC) that allows the city to recover 100% of the GRDA PCA cost passed to the city. With the escalating fuel cost

GRDA is encountering, the cost of electric being purchased by the city is now surpassing the PPC component in the city’s rate structure. In order to recover these costs, the city had to begin adjusting rates monthly. This adjustment calculation shows up as a CPBA line charge on the customer’s electric bill. All customers of the city are receiving this charge. This additional cost will decrease as the cost of generation decreases. If the calculation equals the PPC component in the city’s base rates, then the CPBA will equal zero.

Skelton commented further, “We realize that escalating electric costs are not popular among our customers, nor is it with city staff or the Board of City Commissioners. The fact is, GRDA and GRDA communities have no control over these unpredictable costs. Neither entity can absorb the costs and not pass them on to their customers. City staff will continue to work with GRDA and the GRDA Customer Group to explore ways to minimize any of the costs we have to pass on to our customers.”

At the time of the October 21, 2021 meeting, the PCA of GRDA had increased 57% for the time period of February through November of 2021. Jump forward to the April 2022 PCA rate, this cost has now increased 75%.



For more information on natural gas prices, and other factors that may affect the cost of electricity, customers may visit the U.S. Energy Information Administration webpage at www.eia.gov.

GRDA Information on Power Cost Adjustment

With customer input, GRDA first developed its power cost adjustment (PCA) mechanism in the early 1980s, to help stabilize rates. The PCA is designed to recover actual fuel and purchased power costs for all contract sales to its wholesale municipal and other customers. GRDA captures these costs monthly and then recovers them from its customers over a rolling 12-month period to alleviate sharp variances from month to month.

Just as consumers have seen an increase at the gas pump in recent months, the fuel costs associated with generation of electricity have also increased for electric utilities, including GRDA. The increased costs is reflected in the PCA.

Many consumers have noticed the increased natural gas costs which, according to the Energy Information Administration (*eia.gov*), were approximately 59 percent higher at the end of February 2022 than in February 2021. Over that same time period, crude oil rose approximately 58 percent while gasoline costs were up roughly 42 percent.

Trending with the rising energy costs, and also driven somewhat by the impact of winter weather on wind and hydro generation, the GRDA PCA rose in the latter half of 2021 and has continued into early 2022.

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