

Winter Storm 2021: Fuel Cost Adjustment

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2021



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Financial Impact of Winter Storm 2021

- Independence and utilities across the Midwest experienced unprecedented costs to meet energy demands during the Winter Storm event in February.
- Natural gas prices increased more than 100x normal
- Energy prices soared as resources failed to respond
- Independence announced a higher Fuel Cost Adjustment (3.9915 cents per kwh) to be applied to customer April bills.



Fuel Cost Adjustment vs \$200 Credit

“Why did IPL issue a \$200 credit only to turn around and raise rates?”

- The FCA is totally unrelated to the \$193 credit recently issued to all electric utility customers
- The bill Credit was a Council action in response to a projected cash balance surplus as discussed in the Resiliency and Cash Balance Policy
- The FCA is an established utility practice for crediting or recovering expenses due to changes in fuel/energy costs and has been part of the IPL rate schedules since the 1970s.
- The FCA is not a rate increase.



Fuel Cost Adjustment: Schedule FA-1

INDEPENDENCE POWER & LIGHT DEPARTMENT
Independence, Missouri

Schedule FA-1
Power Supply Fuel-Energy Cost Adjustment

APPLICABILITY

The Power Supply Fuel-Energy Cost Adjustment Schedule FA-1 shall be applicable to the Department's Retail Rate Schedules RS-3, RS-4, GS-1, LGS-1, TEGS, LP-2, SCH-1, SP-1, GSSH-1, SCIS-1, TRS-2, PSL-2FR, PSL-3CF, and PSL-3DF.

POWER SUPPLY FUEL-ENERGY COST ADJUSTMENT

Purpose of Adjustment

The Power Supply Fuel-Energy Cost Adjustment Rate is to compensate the Department for the changes in the cost of fuel and purchased power including applicable taxes (adjusted for sale of energy to other Utilities and entities) that are not included in the energy rates per kilowatt-hour of the Department's Retail Rate Schedules.

Adjustment Formula Charge

When the Department's monthly adjusted unit Fuel-Energy cost for the preceding calendar month (adjusted for the purchase and sale of energy to other Utilities and entities) is less than or exceeds \$1.847 per million Btu, the Net Monthly Bill shall be decreased or increased respectively by a fuel-energy adjustment charge of 0.0015 cents per KWH of customer usage for each one tenth cents per million Btu change in the cost of fuel and purchase power. The 0.0015 cent per KWH adjustment rate is based upon a production efficiency at Net System KWH Input Level of 12,765 (Btu/KWH) of fuel heat used for each net KWH of generation produced or purchased.

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4/8/2021



FCA: Profits vs Costs

“If there are profits why are the increased fuel adjustment costs being passed on to the ratepayers?”



Economic Cost of Winter Storm 2021

- Gas prices increased 100x normal costs
- IPL purchases from SPP approx. \$57.7 M for February
- Generation credits from SPP approx. \$55.9 M
- **Net energy cost** for February approx. \$1.8 M
- IPL CTs generated nearly \$14 M in credits, second only to latan2 in our portfolio



FCA: Profits vs Costs

- February 2021 Expenses were nearly 4 times February 2020
 - February 2021 FCA Expenses
 - Fuel and expenses for IPL and Dogwood exceeded \$7 Million
 - All other resources was nearly \$5 Million
 - February 2020 FCA Expenses
 - Fuel and expenses for IPL and Dogwood less than \$700,000
 - All other resources was just over \$3.2 Million



Comparison to New Generation

- How much does it cost to start up and run new efficient resources compared to older, less efficient ones?

<u>Resource Type</u>	<u>Heat Rate</u>	<u>Energy Cost (@\$2.50 gas)</u>
Internal Comb.	8,295 Btu/kWh	\$20.37 / MWh
LM6000	9,124 Btu/kWh	\$22.41 / MWh
IPL CT (nominal)	15,000 Btu/kWh	\$36.84 / MWh
IPL CT (actual)	25,978 Btu/kWh	\$63.80 / MWh



Questions ?



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