

City of Monett
217 Fifth Street
Monett, Missouri 65708

Mike Brownsberger,
Mayor

Jerry Dierker,
Commissioner

Al Dohmen,
Commissioner

Dennis Pyle,
City Administrator

Building Inspector
235-5306

Casino Reservations
235-3544

Cemetery
235-3495

City Administrator
235-3355

City Clerk
235-3763

Fire Non-Emergency
235-7799

Golf
235-6076

Human Resources
235-3763

Municipal Airport
476-5112

Municipal Court
235-4677

Police Non-Emergency
235-4241

Street/Sanitation
235-3495

Utilities
235-3300

Waste Treatment Plant
235-7455

Website
www.cityofmonett.com

Frisco Line News



August 2018

WHOLESALE ELECTRIC RATE INCREASE FROM EMPIRE DISTRICT ELECTRIC AND SOUTHWEST POWER POOL WILL IMPACT MONETT CUSTOMERS

The City of Monett buys its power from Empire District Electric company, now known as Liberty Utilities. The City has a ten-year contract that expires in June, 2020. Under the terms of the current contract, wholesale energy and transmission charges are reset on an annual basis and are determined by the previous year's cost of service plus a return on investment for Empire's stockholders. This year's annual rate adjustment will impact the City's August utility bills to its customers...and they will increase. How much will they increase? It depends on some variables that change each month and how much electricity your household or business uses.

Let's begin with the changes in wholesale costs to the City. The City is charged for power in four ways: energy usage, fuel adjustment, demand and transmission. The usage and fuel adjustment charges from Empire have remained fairly constant as a result of Empire's participation in the regional energy marketplace. The framework established by the Southwest Power Pool has introduced a competitive market among power suppliers and Empire has benefitted from their off-system sales to other utilities within the region. These savings have been passed on to Monett and we've passed them along to our customers through the Power Cost Adjustment portion of your monthly utility bill.

The third component of the utility bill relates to "demand" charges. Demand means the total amount of electricity demanded by a customer during a certain time period, typically measured in fifteen minute intervals throughout the billing cycle. How does this affect a utility like the City of Monett? It means that the City has to contract for enough energy to meet the total demand from all of their customers, whether they use it or not.

It's this demand charge that is primarily moving our rates upward. Empire must build or maintain enough firm power supply (typically coal plants and natural gas plants) to be able to meet the peak demand whenever it is need-

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ed. Renewable energy (wind and solar) now comprises a significant portion of Empire's power supply resources but they are not ideal sources for the type of power that has to be available to customers on a 24/7 basis. The cost of upgrades in recent years to coal plants in Riverton and Asbury have impacted Monett's demand rates that are paid to Empire.

The fourth major component of your utility bill is transmission. This is the portion that carries electrical current at a high voltage from the source (coal plant, gas plant, wind turbine) to the City and then our distribution system steps down the voltage to a level that can be used by our residential and commercial customers. This cost is determined by SPP, not Empire. The cost of transmission has increased significantly in recent years due to various reasons. These include congestion on the existing transmission network which drives up costs which leads to construction of new transmission lines which also adds to the cost of electricity.

Our customers will notice these increased costs in the Power Cost Adjustment portion of your utility bill. This cost fluctuates from month to month and will appear as either a positive or negative number. If it is a negative, which is a credit to your bill, it generally means that we are passing through cost savings from Empire's participation in the regional integrated market. If the costs are positive, which is an additional charge to your bill, it means that the City's costs exceeded our rates for that month and we've passed those costs on to our customers. The City does this to keep our retail rates stable and allows our customers to benefit from savings (a negative PCA) in a given month. Otherwise, the City would have to set rates to cover all of our expenses and any savings would likely not be passed on to our customers. This rate structure has served Monett's utility customers well over the past several years.

How is the City addressing these increased costs? The City of Monett has partnered with the City of Mt. Vernon to form the Southwest Missouri Public Energy Pool. By aggregating the electrical loads of each city, we are able to access the energy markets and negotiate better contracts for our energy needs. Our energy pool is currently negotiating with power suppliers that will provide energy, effective June, 2020 at a reduced cost. These proposed contracts are for five years and should allow Monett and Mt. Vernon to take advantage of current market conditions that are favorable for renewables with a balanced portfolio of coal, gas, and wind.

So, the increased costs that we'll experience for the next two years will be something we must adapt to. We believe that the long-term outlook for Monett's retail electric prices will trend downward thanks to these new contracts beginning in 2020 and the expanded use of more cost-efficient renewable sources of power.