

# The Victory Electric Cooperative Assn., Inc

## Victory Electric's January electric bills reflect a wholesale cost of power rate decrease

One of our most important rights as citizens living in a democratic society is the right to have a voice and to elect our leaders. Cooperatives are small-scale version of a democratic republic. However, I'm sure you are wondering what democratic rights have to do with your electric rates?

### Fighting for our members

In true democratic fashion, at every annual meeting you elect fellow Victory Electric members to represent you on the local board of trustees. In turn, the Victory Electric board elects a representative to sit on the board of directors of our wholesale power providers, Sunflower and Mid-Kansas. Those representatives are responsible for lobbying and making decisions with their local Victory Electric members in mind.

Because the wholesale component of your electric bill is substantial at 70 percent, anytime we can work with the Sunflower and Mid-Kansas boards to realize savings on the wholesale level, Victory Electric's members see a bigger impact and savings on your individual electric bills.

Recently, your local representatives have been working diligently on your behalf on efforts to decrease the wholesale cost of power. In January, the rate decrease became a reality.

### Impact on Electric bills

Victory Electric member's January electric bills reflected an energy cost adjustment (ECA) credit of 1 cent/kilowatt-hour (kWh), or \$10 for every 1,000 kWh of energy used. This rate decrease is due to the January 1, 2019, expiration of the Jeffrey Energy Center Power Purchase Agreement (PPA), which allowed Sunflower and Mid-Kansas to rebalance resources by replacing its existing generation with more economical options.

Originally, the PPA with Jeffery, a 173-megawatt coal facility, was intended to hedge against high natural gas prices. But with unnaturally low natural gas prices in recent years, the expenses related to that contract were not ideal. The rebalancing of resources spurred by the expiration of the PPA agreement helped realize price savings for wholesale energy, which in turn, saves you money.

On average, the one-cent ECA credit decreased Victory Electric member's bill by approximately eight percent. To put that into perspective, the average residential bill is \$118, which meant a savings of almost \$10 on January's bill.

### Why is the rate decrease in the form of an ECA credit?

Your electric bill is made up of an energy charge (base rate), ECA, service availability charge, and franchise fees. The energy charge is a fixed charge per kWh determined by Victory Electric rate tariffs, while the ECA is a pass-through adjustment and varies each month. The variance is based on whether wholesale power and transmission costs exceed, or fall below, the amount budgeted into the base rate. But ECA's aren't always bad! It also provides a credit to members when wholesale power costs are less than expected.

Wholesale power costs ARE included in formula for the base rate energy charge, but if there are any fluctuations in the price of fuel for power generation inputs, such as natural gas and coal, the ECA is a way for our wholesale power providers to recover or refund the cost of electricity it procures for its members. To simply it, when the cost of power is greater than the amount included in the base rate, the ECA is a debit on your bill. When the cost is less, the ECA is a credit on your electric bill.

In essence, the ECA allows the cooperative to respond to market fluctuations, and without it, we would constantly be implementing rate changes to reflect increases and decreases in the cost of power.

While energy markets, weather, natural gas supplies and prices, and government regulations constantly fluctuate and influence energy prices and the ECA, we are hopeful this is a positive move in the right direction to lowering energy costs for Victory Electric members.

### Our Promise

The team at Victory Electric, in combination with your democratically member-elected board of trustees, actively monitors wholesale power pricing and consistently works with our power providers on solutions to help our members save on their electric bill. This concept is essential to the cooperative business model because we operate as close to cost as possible. Which means when Victory Electric wholesale power costs are reduced, so are our members' bills. This is how we add value to our membership, every day.

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