

Managing Energy Costs Cooperatively

BY SUZANNE LANE, STUART LOWRY AND PAT PARKE

HOUSEHOLD BUDGETS have been strained by the increasing costs of nearly everything, from groceries to gasoline. Consumers experienced additional hits to their pocketbooks over the summer with higher energy bills. Unfortunately, with colder temperatures approaching, consumers will continue to experience higher energy costs.

Your not-for-profit Kansas electric distribution co-ops and generation and transmission (G&T) co-ops work diligently to keep costs down. However, a main reason for higher energy bills is beyond their control: *pressure on natural gas supplies*.

Electricity prices nationwide have jumped 15.8% in the last year, largely a result of high-priced natural gas, which is used to generate nearly 40% of the nation's power. Four main factors have contributed to this increase.

1 MORE ELECTRICITY NOW GENERATED BY NATURAL GAS.

The U.S. continues to retire coal-fired power plants, replacing that generation with natural gas-fired generation and renewables like wind and solar. G&Ts source electricity from the Integrated Marketplace in the Southwest Power Pool — which oversees, manages and balances the dispatch of energy based on reliability and economics — in 14 states including Kansas. Demand in the SPP market increases during the peak summer months of July–September. Coincidentally, wind speeds are lowest in Kansas during this time, meaning more natural gas-fired generation is used, pressuring wholesale electric prices.

2 INCREASE IN NATURAL GAS EXPORTS.

The U.S. exports three times the natural gas it did in 2015. This is due to many countries voluntarily halting imports of Russian gas, and higher demand for natural gas in countries using less coal, or in Germany's case, closing nuclear plants. Rising electricity costs are tied to natural gas prices, which in turn are impacted by European nations turning away from Russia as a major supplier of natural gas.

3 SLOWED DOMESTIC OIL EXPLORATION.

Much U.S. natural gas is associated with oil production, which primarily comes from shale gas formations. Oil companies pulled back on exploration during the pandemic for profitability reasons. Rising interest rates and sustainability goals of investors make it difficult for exploration companies to attract new capital to quickly ramp up exploration and production. The pressures of increasing demand, particularly for export, while supply has been unable to increase as rapidly, have contributed to increasing prices.

4 WEATHER.

On average, 55%-60% of your utility bill is made up of heating and cooling costs. The bigger the difference between inside and outside temperatures coupled with extended consecutive days of sustained cold or



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hot temperatures, the more energy consumers use. Severe weather strongly influences residential and commercial demand for natural gas, which pushes prices upward. The SPP experienced record high demand for energy in July, requiring more expensive generators to serve that load.

Analysts are cautious about offering long-term natural gas price forecasts because of the market's volatility; however, natural gas prices are expected to remain high through at least the first part of 2023.

While it is difficult to predict the impact these market changes will have on individual consumers. Kansas electric co-ops share information in this magazine each month, and on kclonline.com/energy-wise, offering ways for their consumer-members to help manage energy costs. A few small changes can make a big difference:

- ▶ Bump thermostat settings up a couple of degrees on hot days and down a few degrees in the colder months.
- ▶ Switch the most-used light fixtures to LED bulbs.
- ▶ Lower the temperature setting on gas or electric water heaters.

A number of co-ops offer payment options, such as average monthly payment plans, so consumer-members know what to expect each month and can budget accordingly. In addition, eligible households may apply for assistance through the Low-Income Energy Assistance Program (800-432-0043). Income-eligible homeowners and renters may also be eligible for assistance through Kansas Housing Resources Corporation (<https://kshousingcorp.org>).

In these uncertain times, be assured that our Kansas G&T co-ops will continue to pursue the most economical energy sources for their distribution co-ops as we all weather the current economic climate. **KCL**