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February Polar Vortex Weather Event Update

As of April 1, 2021

As promised in the communication sent to our members last month, Rolling Hills Electric has obtained new information regarding the February polar vortex weather event. Although the total cost impact is still unknown, and likely won't be known for a number of months, a plan has been set in place by our power supplier, Kansas Electric Power Cooperative, Inc. (KEPCo), to amortize the costs attributable to the weather event over a 24-month period. The below information will hopefully help explain and answer some questions that our members may have.

How long will it take to know the final costs from the February polar vortex event?

- The Southwest Power Pool (SPP) requested and received an extension from the Federal Energy Regulatory Commission (FERC) to resolve and finalize the cost impacts.
- At this time, the final SPP review, settlement, and billing will not occur until approximately late fall. Even then, with state and federal regulatory agencies and lawmakers involved, the process could take longer to determine final, attributable costs.

Who is KEPCo (Rolling Hills Electric power supplier)?

- Rolling Hills Electric is a distribution electric cooperative, meaning we do not produce electricity but we distribute electricity that comes from our power supplier.
- Rolling Hills Electric's power supplier is KEPCo (Kansas Electric Power Cooperative, Inc.).
 - KEPCo is composed of 16 electric cooperatives in the state of Kansas.
 - Rolling Hills Electric has a very active role in KEPCo:
 - Doug Jackson, Rolling Hills General Manager, serves as KEPCo's Board President.
 - Paul Wilson, Rolling Hills Board Trustee, serves on the KEPCo Board of Trustees.

What are the advantages of Rolling Hills Electric being a member of KEPCo during this weather event?

As a member of KEPCo, their decision to amortize cost impacts from the polar vortex demonstrates the value of nearly all seven of the cooperative principles. Being self-governed, focused on community, economically responsible, and cooperating among our cooperative members to do the best we can to provide safe, economical, reliable power are valuable benefits of the cooperative model and never more so than now!

- KEPCo believes their members were more protected from market conditions than other utilities during the February weather event.
 - Although no utility was completely protected, Rolling Hills' relationship with KEPCo provided owned resources and capacity contracts that covered the vast majority of our energy needs.
- February energy costs paid by KEPCo for Rolling Hills Electric's usage in February were nearly twice the budgeted billing for February, compared to other utilities in Kansas whose costs were much higher (6 – 12 times higher).
- Due to KEPCo's cash position and access to low-cost financing, they can assist their member cooperatives by mitigating the cost of the extreme weather event over a 24-month period.

(Information continued on back)

How will the February polar vortex costs continue to impact my future electric bills from Rolling Hills Electric?

In times of a crisis, such as the February polar vortex event we all experienced, the benefits of being a member of Rolling Hills Electric as well as a member of our power supplier, KEPCo, shows how valuable and fortunate we are for being a member of a cooperative who has protected our members from much of the price increases on energy.

- The good news is that KEPCo, our power supplier, believes that Rolling Hills Electric had limited exposure to the market during the February polar vortex event.
- The cost impact as of today to KEPCo, who supplies energy to nearly 300,000 Kansas members, is nearly twice the February budgeted expense for energy.
 - The amount collected by KEPCo capping the power cost adjustment (PCA) was nearly 30% of the amortized value, leaving a current balance of approximately 70% of the amortized value yet to be collected.
- Realizing that there will be time before all of this will be settled, the KEPCo board elected to amortize the remaining 70% yet to be collected, plus any settlements, over the next 24 months.
- Amortizing the costs over a 24-month period will help mitigate the impact to the nearly 300,000 rural Kansans KEPCo's member cooperatives serve.
- No interest will be accrued throughout the amortization period.

What does this mean to Rolling Hills members?

- KEPCo's remaining amortized value from the February weather event is yet to be collected. This equates to approximately 70% of the cost impact through March 31.
- KEPCo will amortize 1/24 of this value for the usage incurred in March and billed in April.
- Because usage values for March are not finalized as of the time of this letter, the **estimated** factor that this value produced for the nearly 300,000 KEPCo members is approximately \$0.00193 per kilowatt hour.
 - For example, for an average residential Rolling Hills member using 1,000 kWh per billing cycle, the additional cost added to the PCA would have a less than \$2 impact on the PCA billing line for the month of March.
- As additional costs are incurred or credits are applied, the amortization will be adjusted with plans to fully recover all the costs over the next 24 months.

What happens next?

- Many regulatory agencies have opened investigations into the polar vortex event.
 - These entities include FERC, the North American Electric Reliability Corporation (NERC), Congress, the Kansas Corporation Commission (KCC), and the Kansas Legislature, which has not only been inquiring, but has already passed or is considering expedited legislation to assist utilities and customers across the state with the cost impacts of the weather event.
- Rolling Hills Electric will keep our members advised once we learn of the full impact from this event and will communicate to our membership.

Once again, we thank you, our members, for your understanding and patience during these unprecedented times. As always, please contact our office at 785-534-1601 if you have any questions. Thank you!