

# Extreme Cold & Energy Cost FAQ

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## **What caused the recent rolling power blackouts?**

Most utility companies in this region are part of one of two regional transmission organizations, the Midcontinent Independent System Operator and the Southwest Power Pool. Member utilities of SPP, managing the electric grid in a 14-state region in the central and western United States, were most affected by this unprecedented cold snap that lasted a week. The cold weather increased electricity needs for customers across the SPP region and created issues with natural gas supply due to frozen wells in the south. Although wind energy production in the SPP region was near forecasted during this event, it only provided 1.5 to 28% of the maximum installed wind capacity. During extraordinarily cold temperatures, wind turbines must be shut down to be safe. All of this caused electricity usage to exceed available generation. After SPP exhausted its available reserve energy, it was forced to instruct its member utilities to reduce usage, resulting in rolling blackouts. These brief interruptions of service, typically less than an hour, were necessary to ease stress on the electric grid and prevent more widespread and uncontrolled outages, such as those experienced in Texas. Managing the production and usage of electricity is a balancing act. During this recent cold snap, consumption was up and generation was down, creating this situation.

## **Why didn't the utilities plan for this extreme cold event to prevent rolling blackouts?**

This weather event was characterized by SPP as a 1-in-85-year weather event, similar to a 1-in-100-year flood. For reliability purposes, electric utilities plan to a loss of load standard of 1 day every 10 years. SPP will conduct an analysis to learn from this event and improve future performance. The Federal Energy Regulatory Commission opened an inquiry into the operations of the electric grid to identify problems and find solutions. The South Dakota Public Utilities Commission will be involved in the SPP analysis.

## **As an individual consumer, how can I help to ease the stress on the electric grid?**

You can help by conserving electricity until temperatures warm up, especially during the morning and evening. Examples of ways to lower your usage include turning down your thermostat, not running large appliances such as clothes dryers, and refraining from or minimizing time spent showering and cooking. Peak times are typically 5 to 9 a.m. and 5 to 9 p.m.

## **Is the utility company liable through the PUC for any damages, such as spoiled food, if I have an outage?**

The PUC does not have jurisdiction to award damages. Utility companies are not liable for damages cause by power outages in situations such as this. To protect yourself from any loss, plan ahead and take precautions, such as not opening your refrigerator while the electricity is off.

## **What is the FCA or PGA on my bill?**

Utility companies are allowed by state law to file rates recovering costs for wholesale fuel for electric generation and natural gas purchased. These costs are the Fuel Clause Adjustment or Purchase Gas Adjustment portion of your bill. The costs are passed through to customers dollar-for-dollar as the utility is not allowed to profit from them. These costs are separate from base rates on your utility bill. Base rates allow the utility to recover expenses and investments in providing service, including infrastructure necessary to provide and maintain the utility's system.

## **Why did my electric and natural gas bills increase for this event?**

The nation, and more specifically this region, experienced an extreme stretch of cold weather the second and third weeks of February. First, this meant that you likely consumed more electricity and/or natural gas during this period, but second, you likely noticed an increase in the FCA or PGA on your bill. Depending on how your utility's FCA or PGA is calculated, there may be a lag between when you notice a spike due to increased usage and when you notice an increase due to the higher rate.

## **Why will this fuel clause or PGA rate increase?**

During the recent cold stretch, there was an unprecedented increase in the demand for natural gas. Not only were consumers with natural gas heat using more to keep their homes and businesses warm, but consumers with electric heat were also using more electricity, causing electric companies to use more natural gas in the generation of electricity. This historic increase in the demand for natural gas caused historic increases in the price of natural gas during this period.

**What are my options if I cannot afford to pay my increased energy bill?**

You should first talk with a representative of your utility company to ask about your options. That may be moving to a budget or balanced billing plan if your utility offers that, to help level out your monthly payments so you can better budget and pay for them. There may be local organizations that can help you pay for your spike in energy costs. Another option is to seek assistance from the South Dakota Department of Social Services' Low Income Energy Assistance program, <https://dss.sd.gov/economicassistance/energyassistance/>.

**How is the PUC working with investor-owned utilities relative to this event?**

The commission opened a docket on Feb. 17, 2021, to deal with this event and the resulting high costs passed on to investor-owned utility customers. Those interested are encouraged to review these filings and follow along as the GE21-001 docket is processed, <https://puc.sd.gov/Dockets/GasElectric/2021/GE21-001.aspx>.