Town of Cortland

"Current Electric Trends, Competitive Pricing, Market Dynamics, Cost Mitigation Strategies, and Influential Market Factors"

October 24, 2024

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Agenda

1. Discuss Current Status of Electric Contract
2. Review Directional Pricing in the Current Energy Market
3. Discuss Market Trends and What's Driving Nationwide Cost Increases
4. Discuss Energy Cost Mitigation Strategies to Lower Town of Cortland's Bill
5. Determine a Move Forward Energy Management Plan Conducive to Capturing Favorable Market Movement while Capping Risks.
6. Go to Energy Market to Seek Final Pricing and Implement Strategic Plan.
7. Return to the Town of Cortland Board with Executable Contracts.

Review of Existing Contracts

Electric Supply

- Currently under contract with Smartest Energy through January 2025. Contract is for a fixed supply rate of $0.05442/kWh. Contract does have force majeure language, and we are anticipating June 2025 capacity cost increases being applied as a pass through. (See slide 6 for specifics)

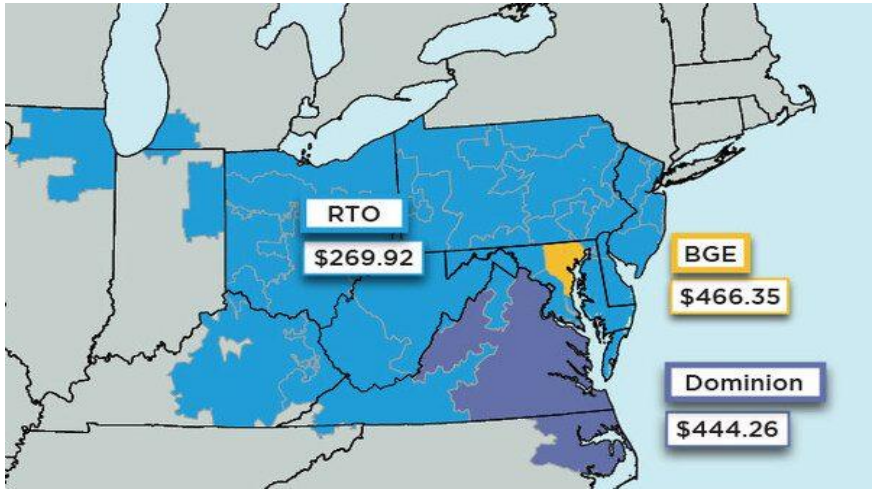
- Preliminary pricing beginning February 2025 with the new capacity cost ranges from $0.05957 for 12 months to $0.06416 for 48 months (term dependent).
  - Annual budget impact from $7,806 - $14,764/year based on 1,515,857 kWh's

Preliminary Electric Renewal

SUPPLIER QUOTES - All-In Fixed				
Supplier	12 Months	24 Months	36 Months	48 Months
Constellation NewEnergy:	$0.06399	$0.06600	$0.06758	$0.06877
Smartest Energy:	**$0.05957**	**$0.06214**	**$0.06342**	**$0.06416**
AEP Energy:	$0.06425	$0.06734	$0.06936	$0.07148
Direct Energy:	$0.06167	$0.06448	$0.06568	$0.06631
Aggressive Energy:	$0.06362	$0.06604	$0.06665	-
Dynegy Energy:	$0.06112	$0.06487	$0.06736	$0.06937
Hudson Energy*:	$0.06310	$0.06530	$0.06610	$0.06640
Shell Energy:	$0.06082	$0.06338	$0.06488	$0.06584
Eligo Energy:	$0.06490	$0.06829	$0.07161	-
Nordic Energy:	$0.06751	$0.07000	-	-
Freepoint Solutions:	$0.06122	$0.06366	$0.06473	$0.06435
APG&E:	Did Not Provide Pricing			
MC Squared Energy:	Did Not Provide Pricing			
SFE Energy:	Did Not Provide Pricing			
CleanSky Energy:	Did Not Provide Pricing			

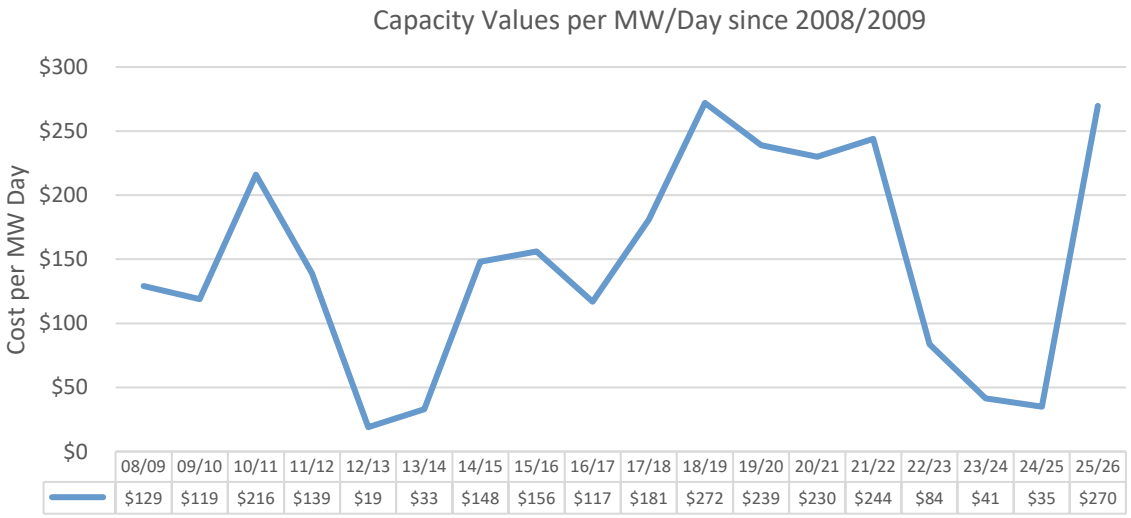
*Annual Capacity True-Up

Capacity Cost – What's Happening?



Prices at PJM Interconnection's June 2025/ May 2026 base residual auction (BRA) spiked to $269.92/MW-day for most resources in the wholesale power market, pointing to a tightening supply-demand balance that could have significant implications for the regional transmission organization (RTO).

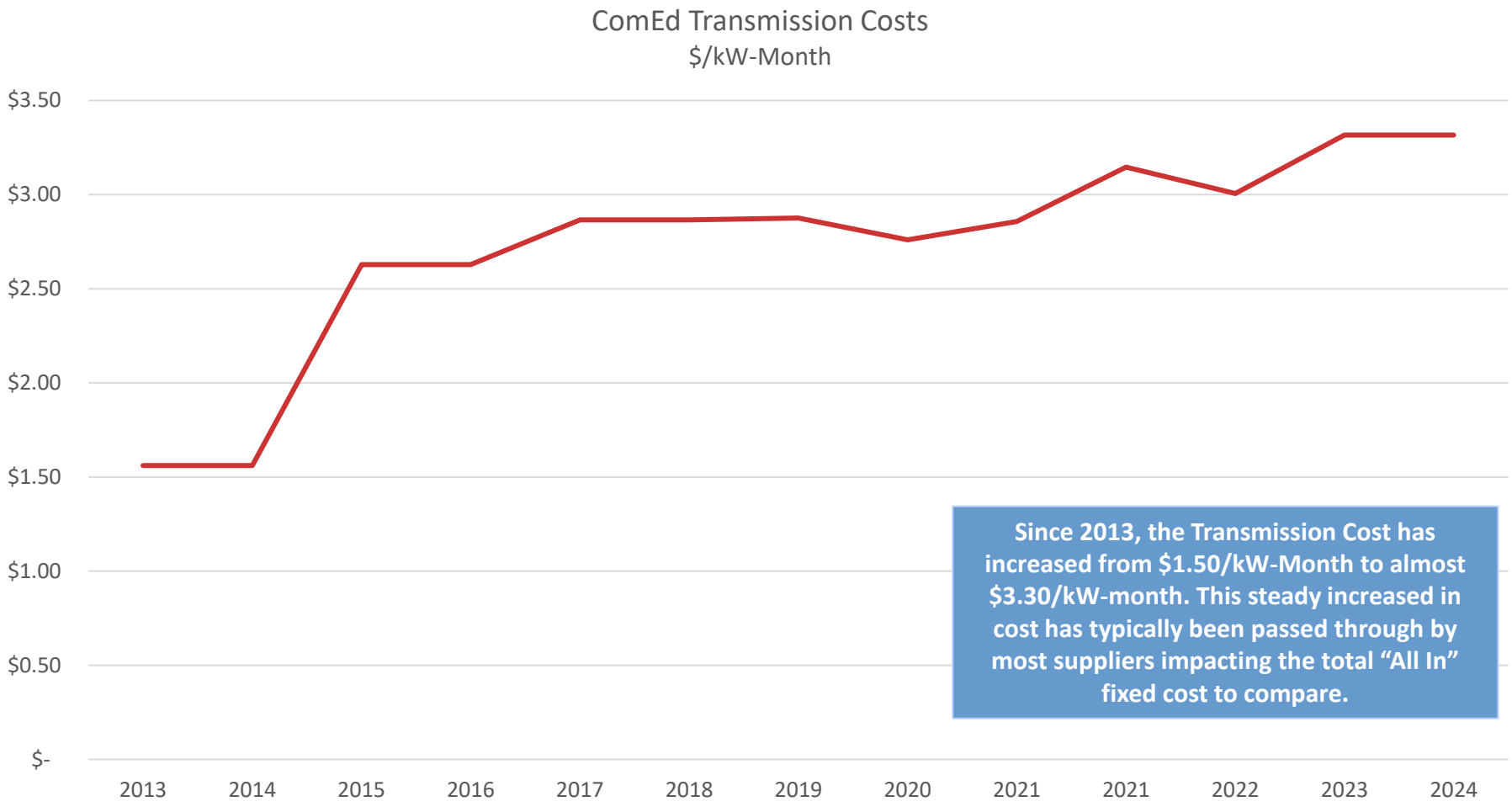
ComEd is part of the PJM Interconnection coordinates the movement of electricity through all or parts of Delaware, Illinois, Indiana, Kentucky, Maryland, Michigan, New Jersey, North Carolina, Ohio, Pennsylvania, Tennessee, Virginia, West Virginia and the District of Columbia.



The impact of the increase in Capacity per the 2025/2026 auction results increases the total cost per kWh on the supply side to around $0.009-0.010/kWh..

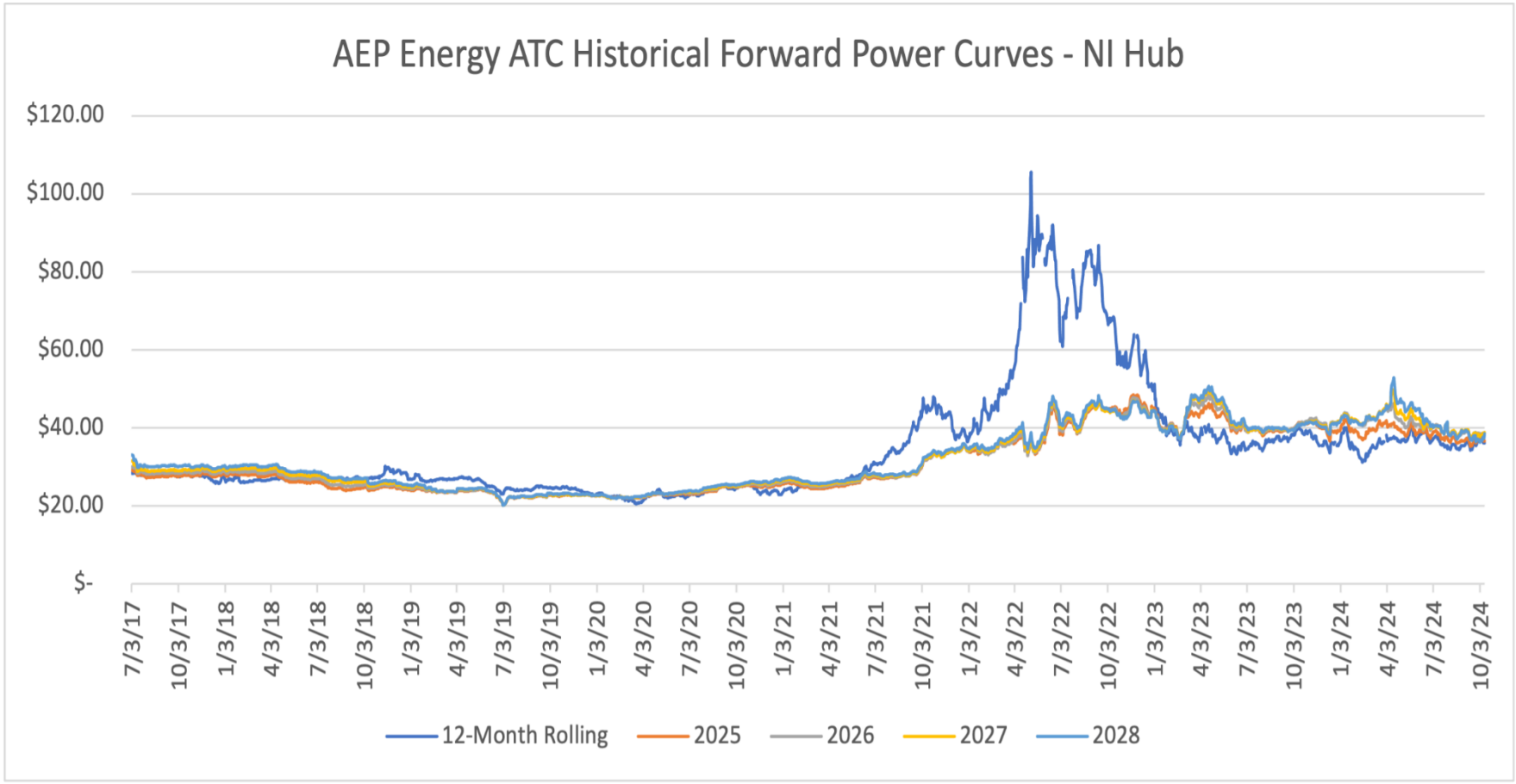
Capacity Year	PLC Value	PJM Capacity Charge	PLC	Annual Cost	Per kWh
2024 / 2025	150.9	$0.02892	$ 139.65	$1,676	$0.00111
2025 / 2026	150.9	$0.26997	$ 1,303.67	$15,644	$0.01034

Transmission Costs History

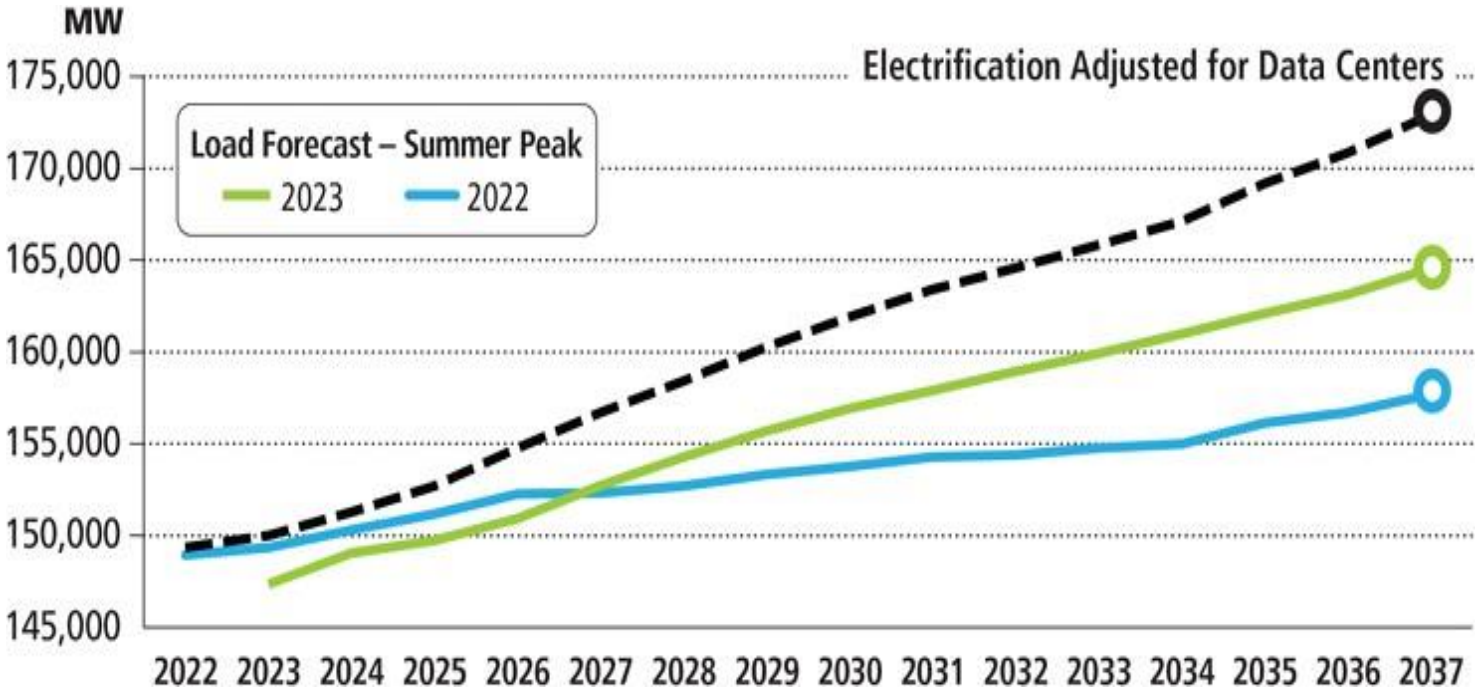


Since 2013, the Transmission Cost has increased from $1.50/kW-Month to almost $3.30/kW-month. This steady increased in cost has typically been passed through by most suppliers impacting the total "All In" fixed cost to compare.

Wholesale Electric Market Conditions

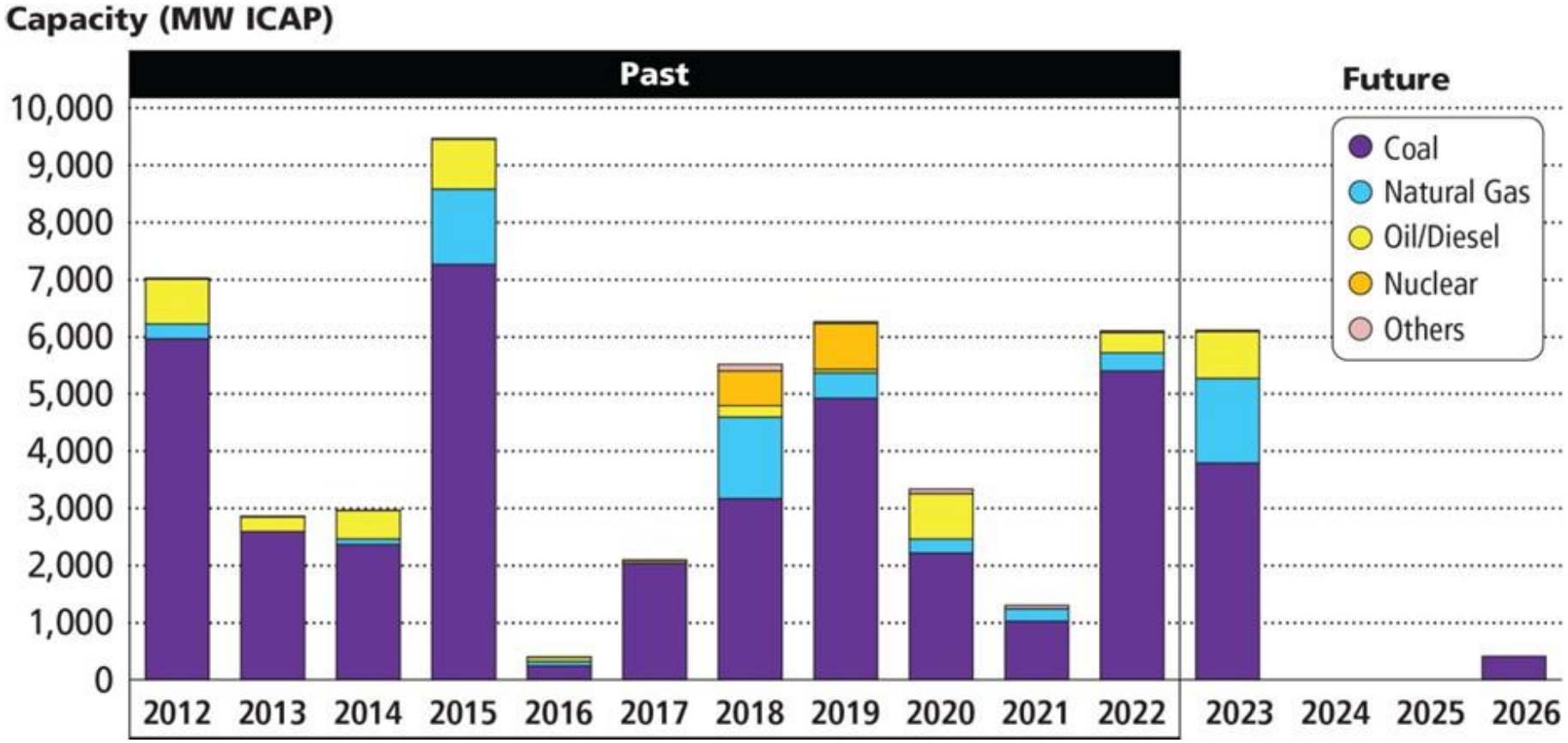


Drivers of New Demand



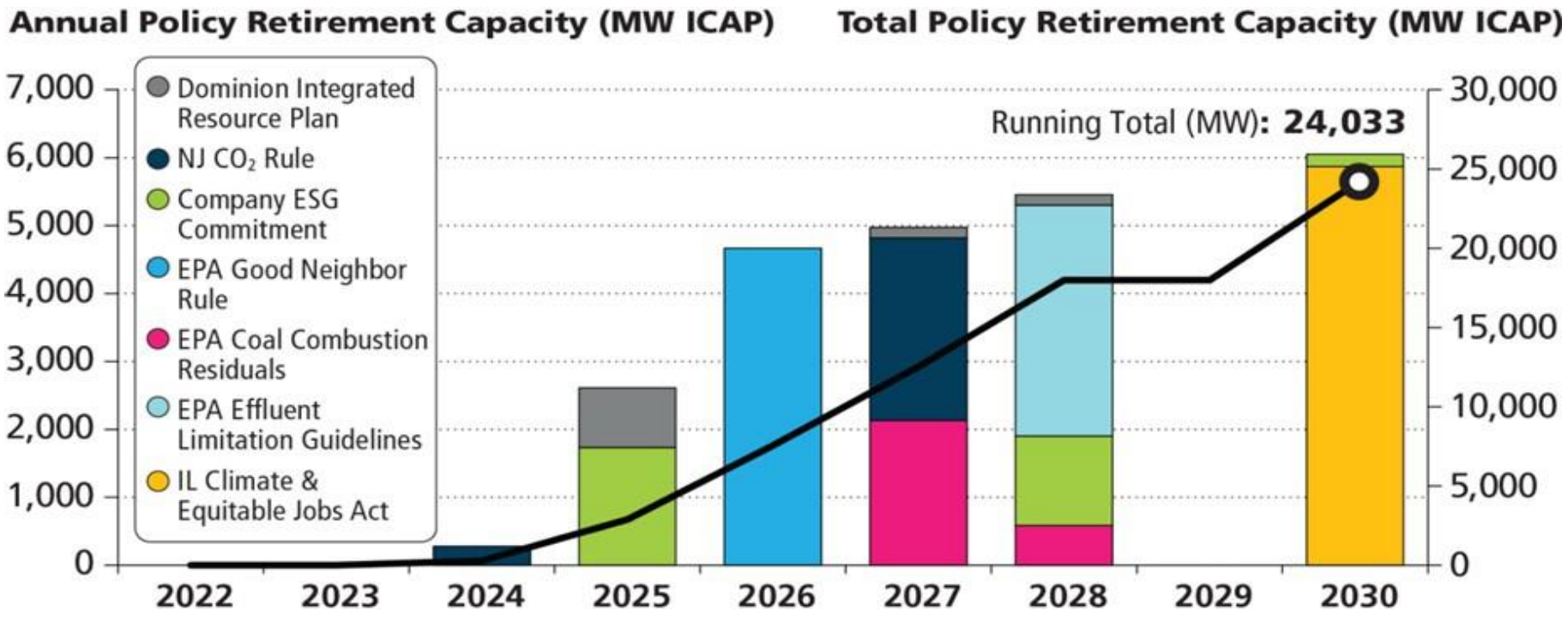
Source: Energy Transition in PJM: Resource Retirements, Replacements & Risks

Generation Plant Retirements



Largely since 2012 the largest sector of generation plant retirements, have been in the Coal sector. Impending future retirements to natural gas generation facilities have placed a strain and gap between current reliability based on these assets vs. new technologies coming online.

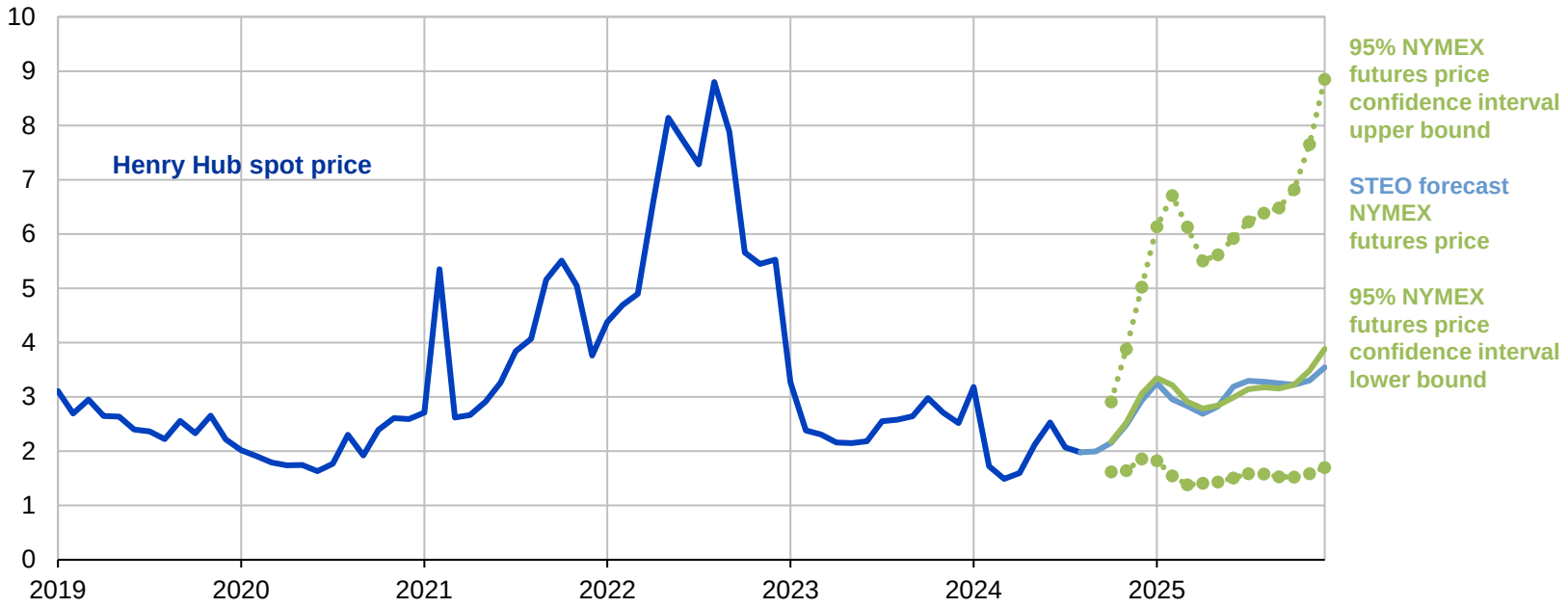
Future Generation Retirements



State Mandated Retirements, through 2030, continue to pressure the market for base load capacity on the grid

Natural Gas Pricing Forecast

Henry Hub natural gas price and NYMEX confidence intervals
dollars per million British thermal units

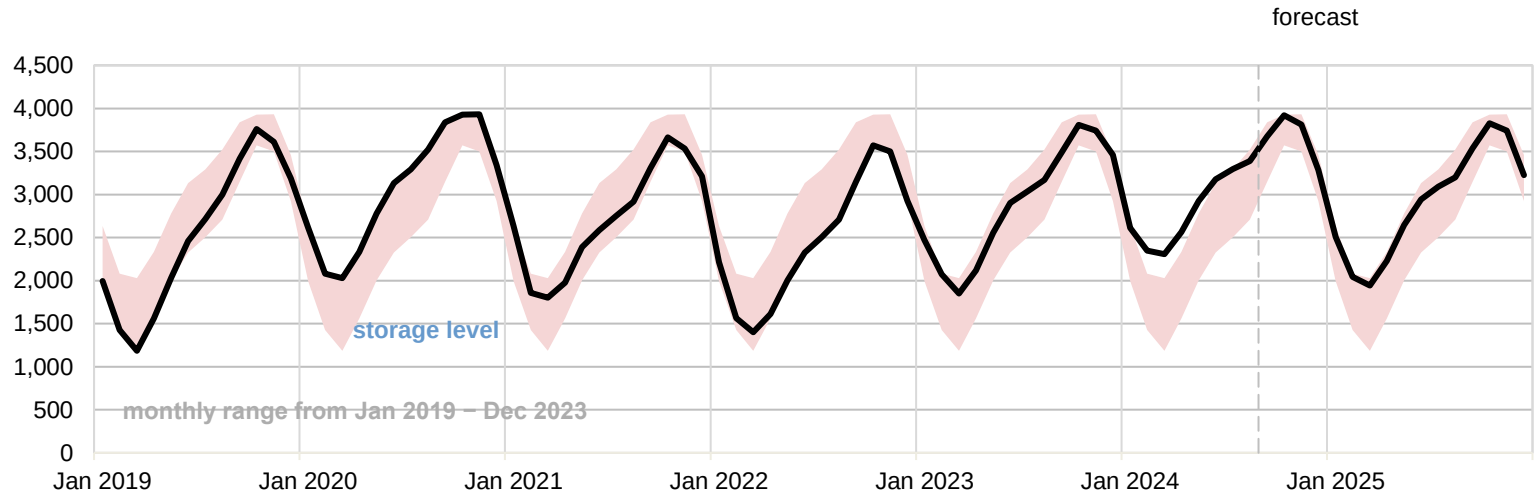


Data source: U.S. Energy Information Administration, Short-Term Energy Outlook, September 2024, CME Group, and Refinitiv an LSEG Business

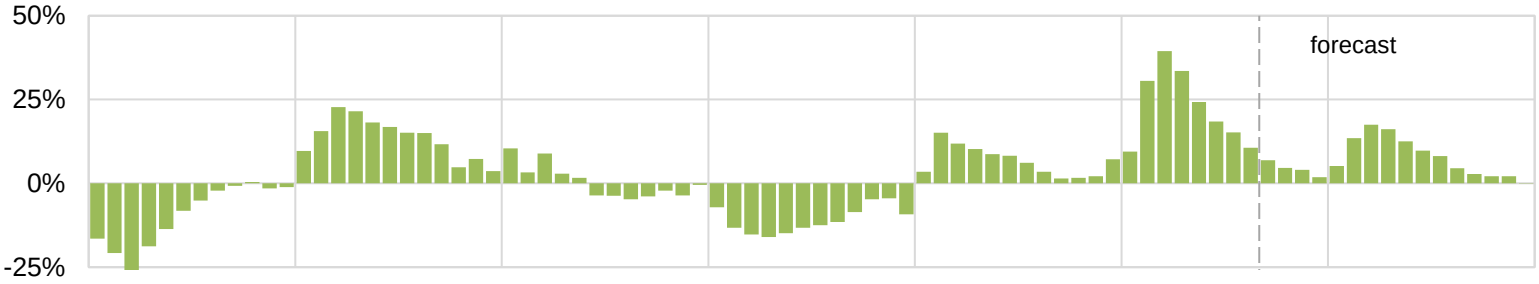
Note: Confidence interval derived from options market information for the five trading days ending September 5, 2024. Intervals not calculated for months with sparse trading in near-the-money options contracts.

Natural Gas Storage

U.S. working natural gas in storage
billion cubic feet



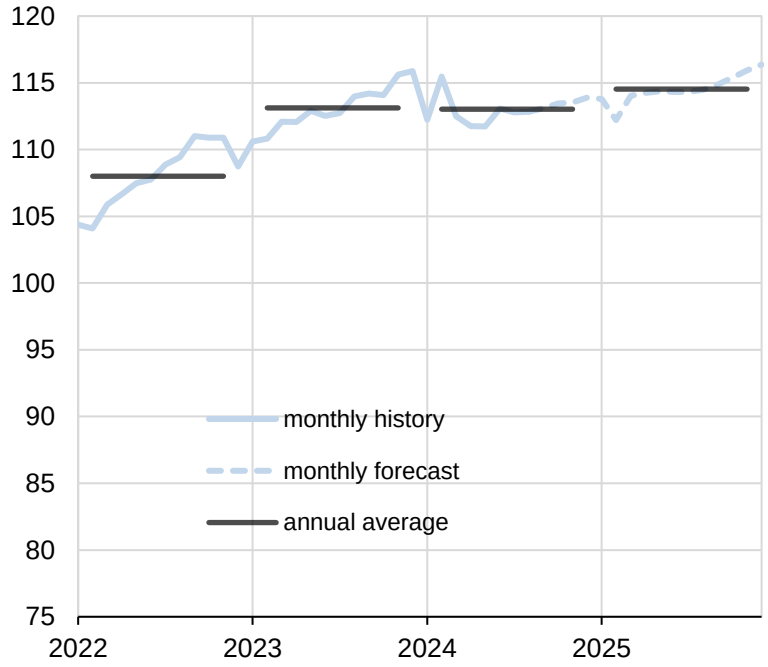
Percentage deviation from 2019 − 2023 average



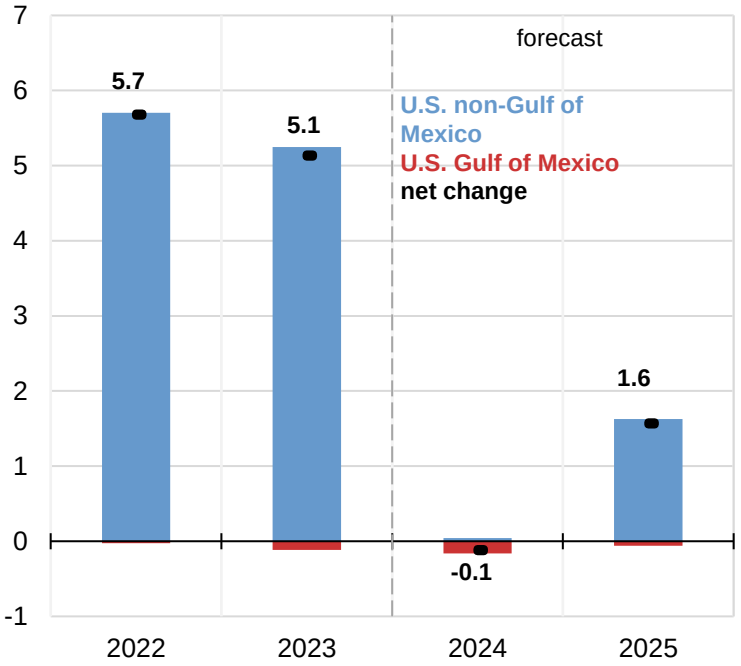
Data source: U.S. Energy Information Administration, Short-Term Energy Outlook, September 2024

Natural Gas Production

U.S. marketed natural gas production
billion cubic feet per day

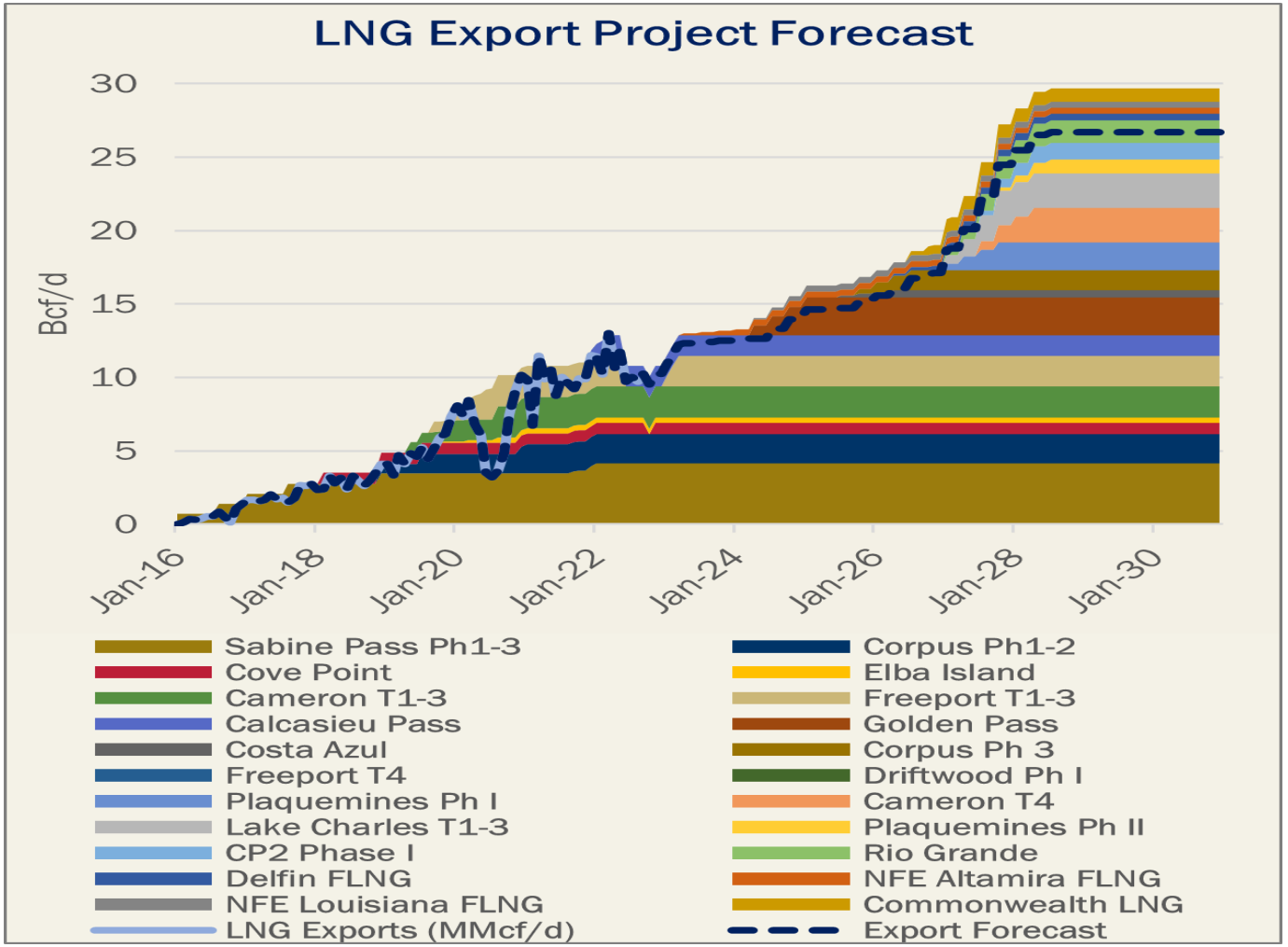


Components of annual change
billion cubic feet per day



Data source: U.S. Energy Information Administration, Short-Term Energy Outlook, September 2024

LNG Exports Continue to Rise



Carbon Free Resource Adjustment Explained (ComEd Delivery Charges)

What is the Carbon-Free Resource Adjustment (CFRA)?

The Carbon-Free Resource Adjustment (CFRA) was created by a provision in the 2021 **Climate and Equitable Jobs Act** , or CEJA, groundbreaking energy legislation in Illinois. The CFRA was meant to give a subsidy over five years to Illinois nuclear power plants (Bryon, Dresden and Braidwood) to support lower-cost carbon-free energy when market prices were below a certain level. CEJA also requires nuclear plant owners to pay consumers in the form of a bill credit if whole energy prices skyrocketed above a certain level. The idea was that if energy prices were high, the nuclear plants would earn more and wouldn't need the extra subsidy. That led to the CFRA being a credit over most of the past year. The CFRA, which is in effect through 2027, appears as a per-kilowatt-hour charge or credit on bills.

2022	
	Total Invoiced Rate/kWh
January	-
February	-
March	-
April	-
May	-
June	$ (0.043060)
July	$ (0.043060)
August	$ (0.043060)
September	$ (0.043060)
October	$ (0.041150)
November	$ (0.041150)
December	$ (0.023840)

2023	
	Total Invoiced Rate/kWh
January	($0.02384)
February	($0.00330)
March	($0.00033)
April	($0.00033)
May	($0.00333)
June	$0.01241
July	$0.01241
August	$0.01241
September	$0.01241
October	$0.01092
November	$0.01354
December	$0.01562

2024	
	Total Invoiced Rate/kWh
January	$0.016080
February	$0.016120
March	$0.020600
April	$0.023390
May	$0.013350
June	$0.008800
July	$0.006980
August	$0.006060
September	$0.008750
October	$0.01106
November	
December	