

## **Electric Base Rate increase due to Capacity Price Increase Next Year**

**As a result of the significant spike in PJM (Pennsylvania-New Jersey-Maryland interconnection) capacity prices, our community's energy rates will increase starting next year.** All electric consumers in PJM's 13-state footprint will experience a surge in energy rates in response to these new capacity prices. AMP Public Power Partners will continue to work with the Borough of Ellwood City and other municipalities to mitigate the rate impacts in the coming years.

**What is installed capacity?** As the regional transmission grid operator that spans New Jersey to Chicago, PJM ensures that the electric grid remains balanced between load and generation. If there is not enough generation at any time, the load must be reduced through rolling blackouts.

**How is the capacity price determined?** PJM runs an auction to acquire capacity based on supply and demand. Generators offer a price that needs to be paid for their capacity, and peak demand is based on PJM's load forecast plus an adequate reserve margin. When there is less generation (supply) than load (demand), the price of capacity increases.

A few years ago, capacity prices were slightly higher when some power plants (mostly coal) were retiring. In recent years, capacity prices have been low as more national gas generation came online and electric demand remained flat. This dynamic changed dramatically in the auction of June 2025-May 2026, which was held at the end of July 2024.

**What is the cost of installed capacity?** The auction's result determines the generators' payments, passed on to the consumers through their electric rates. PJM will pay \$2.2 billion in fixed annual payments to generators, costing the average residential customer 0.3 cents/kilowatt-hour (kWh), or approximately a \$15 to \$30 a month increase in their electric bill.

**What caused the price increase?** There are several factors contributing to the rise in capacity prices:

- 1.) PJM's forecasted peak demand has increased substantially, with much of the new load coming from large data centers, which can consume as much power as a small city.
- 2.) Recent reliability challenges during cold weather events and more intermittent generation (mostly from solar and wind) have caused PJM to expand its generation capacity requirement.
- 3.) Several power plants have retired for financial and regulatory reasons in the past few years. Meanwhile, new generation has not been constructed quickly enough to offset the loss of supply.

**What can be done to reduce costs?** AMP has many projects in the works to help to offset some costs in the future. Hopefully find ways to generate revenue to offset the capacity expenses within our power costs. The next auction that was scheduled for December 2024 has been delayed to June 2025. Hopefully it won't go up 9 to 10 times higher like the last auction. Although it is unlikely that any significant new generation will come online in time to mitigate high capacity prices for at least the next three years.

**What does this mean for the Borough of Ellwood City resident's electric bill?** Borough residents will see the PPA decrease from 0.018 to 0.008. On the other hand the Base Rate will increase by .03672 per (kWh). Although the Borough base rates are going up they are still considerably lower than other local providers. Hopefully future auctions will come down and prices can be adjusted accordingly. The future costs of these capacity costs are still unclear at this time.

For any other questions on capacity costs and how they affect your community, please reach out to Kevin Swogger, Ellwood City Borough Manager ([kswogger@ellwoodcityborough.com](mailto:kswogger@ellwoodcityborough.com))