



Borough of Butler

To: *Butler Electric Customers*

1/2025

RE: *LEAC Rate Increase*

As some of you have already, or soon will be, noticing a price increase on your January bill, please find this correspondence as explanation. The rate increase is specifically tied to the Levelized Energy Adjustment Clause (LEAC) portion of your bill. In short, the LEAC means that Butler Electric purchases all of its power through wholesale contracts and the cost is directly passed onto the customer. This charge includes transmission charges, demand charges, etc. which are set by both State and Federal agencies. The LEAC is adjusted quarterly. PJM Interconnection, or PJM, is a Regional Transmission Organization (RTO) that manages the flow of electricity and the reliability of the electric grid in 13 states and the District of Columbia. As an RTO, PJM coordinates the flow of electricity across the high-voltage, long-distance electric lines in the PJM region and develops market and reliability rules so that the wholesale electricity transmission system operates reliably and safely. PJM's capacity market design is known as the Reliability Pricing Model ("RPM"). RPM is designed to ensure the reliability of the electric grid by having enough generation resources available to supply power when needed. Capacity Resources are obtained through an auction process for capacity in PJM. This past year's auction brought capacity charges in at never-before-seen high numbers that will unfortunately have to be passed on to consumers. PJM attributes this significant increase to decreasing supply (fossil fuel generators being retired early without adequate replacement) and increasing demand (data centers and home/vehicle electrification). While our contracted bulk energy costs have risen slightly as well, our conservative budget practices would have generally allowed us to maintain our current rate structure. However, it is impossible to address a 400% increase in capacity costs without a rate increase. This year's electric budget requires an adjustment to the LEAC charge to cover this increase. As the supply and demand mix for energy changes, so will the capacity charges. We are cautiously optimistic that forces will apply downward pressure on these costs in the future. Conversely, others predict they will go even higher. These increases will be felt by 50 million consumers throughout the PJM territory. Unfortunately, this translates to a \$4 million dollar increase to Butler Electric from June 2025 to May 2026.

With all of that said, our auditor under the recommendation of PJM decided to increase the LEAC approximately 5 cents per kilowatt January 1st 2025 to get ahead of the dramatic increases. I apologize this was not better communicated to our customers. I'm very proactive with public information regarding the utility and outage response. I'm admittingly

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Borough Offices: (973) 838-7200
Fax: (973) 838-3762

Public Works: (973) 838-0063

Police: (973) 838-4100
Fax (973) 838-3454

disappointed that this information was not given to me in a timely fashion. Had it have been, I would have gotten an explanation out to our consumers. Again, to be clear this increase is a pass-through charge, not an increase in the operating side of the utility. Our rates continue to be among the lowest in the State by approximately 20%. We will continue to operate the utility with the utmost regard for our customers both in the areas of service and rates. Should you have questions, please email me at jricker@butlerborough.com.

Sincerely,

A handwritten signature in blue ink, appearing to read "JRicker", with a long horizontal flourish extending to the right.

Line Superintendent Jeff Ricker

A handwritten signature in blue ink, appearing to read "Matthew Guilder", with a long horizontal flourish extending to the right.

Butler Barough Administrator Matthew Guilder