

Paying the Price

Winter Storm Elliott's Legacy and the Hard Choices Facing Your Co-op



STEVE BRAME

CHRISTMAS EVE 2022. I remember it well — and not for the reasons you may think.

Sure, there were presents under the tree, holiday favorites playing in the background and family gathered around the table.

It felt safe, just like Christmas should. Outside, though, it was a different story.

Winter Storm Elliott had come to town, putting Pennsylvania and several other states in its icy grip. Blizzards, high winds and record-breaking cold temperatures did more than ruin travel plans: The storm crippled power plants and led to unprecedented demand as families cranked up their thermostats to stay warm.

As problems mounted, rolling blackouts — intentional power shutoffs used as a last resort to avoid a total grid collapse — started taking shape in places like Tennessee and the Carolinas. PJM Interconnection, our regional grid operator, warned of the potential for blackouts impacting generators in the Commonwealth, including Allegheny Electric Cooperative, Inc. (Allegheny), which provides the power Pennsylvania's cooperatives distribute to local homes and businesses.

So while most people settled into their Christmas Eve traditions, cooperative leaders across the state spent those early holiday hours closely monitoring the grid. We watched energy demand climb as temperatures plummeted — the last thing anyone wanted was to cut power to rural members on Christmas Eve.

Fortunately, our part of the grid avoided blackouts. But that doesn't mean we escaped Elliott unscathed. The crisis exposed just how vulnerable the grid had become — and how unprepared it was for extreme conditions. We may have avoided paying the price that night, but we're certainly paying it now.

Your local cooperative leaders understand their responsibility: to provide you with safe, reliable, and — most important — affordable electricity. Yet today, co-op boards across Pennsylvania face a tough reality. To keep the lights on, they must raise rates — rates they pay themselves as fellow members and neighbors.

No one likes higher bills. But it's important to understand the "why."

Winter Storm Elliott revealed major flaws in the system. But since then, policymakers have made decisions that have increased electricity demand, accelerated the closure of always-available generation, and sidestepped meaningful energy policy. Meanwhile, new data centers are requiring staggering amounts of power — enough to serve millions of homes.

The markets have responded, and not in a good way. The cost of securing reliable power has climbed to levels no cooperative can absorb alone. These increases are not driven by your local board or by the men and women who work at the co-op. They stem from market conditions and policy decisions well beyond your cooperative's control.

Even so, your co-op leaders have worked hard with Allegheny to soften the impact on consumer-members — including using our "rainy day fund" to lessen the pressure on rates. Thanks to these efforts, your generation rates remain among the lowest in the region.

We shouldn't need another Winter Storm Elliott to remind us not to take reliable power for granted. As we head into another holiday season, I know I'll be watching the thermometer. And you can trust that your cooperative's top priority is ensuring your family has the energy you need to stay safe and warm. 🌨️

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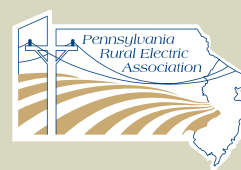
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Rising G&T Costs and What They Mean for Our Members

CASEY WOOD, C&T VICE PRESIDENT OF COMMUNICATIONS

AS WE CLOSE OUT 2025 and finalize our budget for the year ahead, we would like to share what members can anticipate from electric rates in 2026.

Your electric bill has two main components: distribution expenses and generation and transmission (G&T) costs. The distribution portion encompasses Claverack REC's local operations, including line maintenance, system upgrades, and the linemen and employees who keep your power reliable. The G&T portion reflects the cost of producing electricity and delivering it to Claverack's substations for distribution to your home. In 2026, we anticipate a modest increase on the distribution side; however, a larger adjustment is expected for G&T costs passed through from Allegheny Electric Cooperative, Inc. (Allegheny), our generation and transmission provider. These changes stem from ongoing supply and demand pressures that we strive to mitigate. However, rising market costs nationwide, and especially in the Northeast and Mid-Atlantic regions, are impacting all utilities, and Claverack REC is not immune to these challenges.

Understanding the drivers

Rising power supply costs

The cost of generating and delivering reliable electricity

continues to increase, driven by a shifting imbalance between supply and demand. As electricity demand grows — fueled by economic development, data centers, and electrification — we are simultaneously losing dependable generation resources, such as coal and older natural gas plants.

This imbalance contributes to fuel price volatility, inflationary pressures and supply chain disruptions, all of which are key drivers of rising energy costs. These challenges affect all utilities, including cooperatives, and ultimately impact the rates that members pay.

PJM market dynamics

PJM Interconnection (PJM) operates the electric grid across Pennsylvania, New Jersey, Maryland, and 10 other states in the mid-Atlantic region. You may have heard about PJM in the news — and Pennsylvania Gov. Josh Shapiro's recent efforts to cap its 2026 capacity auction prices. Electric utilities within the PJM footprint are facing higher costs driven by several factors.

First, generating capacity prices in the PJM region have climbed sharply as the balance between power generation and customer demand has tightened. Transmission system upgrades and congestion have added a further expense as the system must deliver more energy. Prices for capacity

in the 2025-2026 delivery period jumped by more than 800%, followed by a further 22% increase in the most recent auction. Meanwhile, transmission-related costs have more than doubled for Claverack REC members over the past five years. These rising costs in PJM are impacting all electric utilities, including cooperatives, and they ultimately affect the rates paid by consumers.

Why did PJM capacity prices spike?

- ▶ **Power plant retirements** (*high impact, already occurring*)

A wave of coal and natural gas plant closures is reducing supply faster than replacements can come on-line.

- ▶ **Increased demand** (*rapidly growing*)

Electricity use is rising sharply due to the growth of data centers, electrification and economic expansion.

- ▶ **Delays in new generation and transmission projects** (*persistent bottlenecks*)

Many energy projects are stuck in planning or permitting stages, limiting new capacity.

- ▶ **Lack of baseload generation** (*results in inability to meet increased demand*)

Baseload generation — or energy sources that provide a consistent output of energy regardless of time of day — is necessary to meet rising demand. Intermittent energy sources, like wind and solar, are unable to provide baseload generation.

- ▶ **Auction mechanics and price caps** (*structural factor*)

PJM's market rules and price caps have allowed prices to spike under conditions of tight supply.

- ▶ **Limited demand-response growth** (*under-utilized resource*)

Programs that reduce peak use haven't scaled enough to ease grid stress.

Federal policy shifts

While recent changes in federal energy policy have delayed certain infrastructure investments, Allegheny has been approved for millions in federal grant funding to boost our supply of affordable carbon-free power. This will help stabilize rates in the years ahead and further shield us from the energy market's volatility.

Our commitment to you

Despite today's energy challenges, our cooperative's long-standing partnership with Allegheny remains a cornerstone of our strategy to deliver reliable, affordable electricity. By maintaining ownership in approximately 65% of our generation assets through Allegheny, we significantly reduce exposure to volatile market conditions. This helps us cushion rate increases and avoid the much higher costs we would face if all of our power was purchased on the open market.

Allegheny's approach to owning generation assets — including the Susquehanna nuclear plant and the

Raystown hydroelectric plant — provides access to carbon-free, always-available power. Other initiatives, such as Allegheny's Coordinated Load Management System, help manage demand during peak periods, resulting in millions of dollars saved by avoided market purchases.

While national energy policy continues to evolve, often creating uncertainty and speculation in the marketplace, we will continue to work with Allegheny and our statewide partners to advocate for rural Pennsylvanians' access to affordable and dependable electricity.

How you can advocate for safe, reliable and affordable energy in rural Pennsylvania

As a member of Claverack REC, your voice matters. Here are a few ways you can support our mission to keep electricity safe, reliable and affordable:

- ▶ **Stay informed and engaged:** Join Voices for

Cooperative Power at voicesforcooperativepower.com to stay informed and engaged on policy decisions that will shape your family's and our cooperative community's access to affordable, reliable power for decades to come.

- ▶ **Share your story:** Let others know how reliable, affordable electricity impacts your family, farm or business. Member voices are influential in shaping policy. Email your stories to our communications team at ctcommunications@ctenterprises.org.

- ▶ **Take control:** Members can take control of their electric costs by being aware of how and when they use electricity and making small efficiency improvements around the home. Claverack has tips, tools and programs designed to help you manage your use of energy. Tips and bill-assistance resources can be found on claverack.com. If you prefer to speak with someone directly, our staff is always here to help. They can be reached at 800-326-9799.

Working together through change

We understand that rising energy costs are a concern for everyone. Please be assured that your board of directors and the Claverack REC management team are working diligently to minimize rate increases. At the same time, we're committed to maintaining the financial health of our cooperative and upholding the high level of service and reliability you deserve. We will continue to work closely with Allegheny and provide detailed information about the final 2026 member rates as soon as it is available. Members will not see any changes to rates until Jan. 1, and those adjustments will first appear on February bills. In the meantime, we encourage members to explore energy efficiency programs and tips to help manage usage and keep bills as low as possible.

We're here to help, and we are working hard for you. We appreciate your continued trust and support. 🙏