



POST OFFICE BOX 15659
BATON ROUGE, LA 70895
1-844-MyDEMCO (1-844-693-3626)
DEMCO.org

Dear Member,

In “*Louisiana experiences a dramatic 12% average increase in electricity bills during October*”, The Advocate’s Capitol Bureau Editor Mark Ballard wrote, “The price of natural gas which fuels 70% of electricity-making plants in Louisiana, increased 78% since last October.”

And, “An October report compiled by the Louisiana Public Service Commission is cited, stating two million or so electricity customers are facing higher bills in October this year compared to last.”

Clearly high bills are not a DEMCO-specific issue, but I know that high bills are affecting every DEMCO member, so I want to address it.

Not only is the price of natural gas up by 78%, but as stated in the article “Cleco had to fire up its aged and expensive Dolet Hills plant in Mansfield to provide enough power to cover its additional needs this year. Those costs will be on bills until the plant is closed at the end of the year.”

The bottom line is that DEMCO members are experiencing high bills due to the structure of our current wholesale power contract.

Know that even before the last four months of high bills, and at the direction of the DEMCO board of directors, a new wholesale power contract has been negotiated, signed and submitted to the Louisiana Public Service Commission (LPSC) for review and approval.

If approved by the LPSC, the new wholesale power contract will go into effect when the current contract expires in early 2024. In the meantime, DEMCO members should see some rate relief in the near future.

The story below is featured on Page 8 of the DEMCO member magazine, Along these LINES, November/December issue. I’m sharing it here in case you missed it, and I hope it reassures you of the progress we are making to secure an excellent wholesale power contract on behalf of our members.

DEMCO members are experiencing high bills due to the structure of our current wholesale power contract. At the direction of the DEMCO board of directors, a new wholesale power contract has been negotiated, signed and submitted to the Louisiana Public Service Commission (LPSC) for review and approval. If approved by the LPSC, the new wholesale power contract will go into effect when the current contract expires in early 2024. In the meantime, DEMCO members should see some rate relief in the near future. — Randy Pierce

New Wholesale Power Contract: Economical, Reliable, Renewable

Solar power from local subsidiary will be part of NextEra contract in 2024

When DEMCO embarks on a new contract in 2024 to buy wholesale power, its members will benefit. That contract will be with NextEra Energy. According to DEMCO CEO and General Manager Randy Pierce, NextEra offers reliable product and pricing, and new renewable technology, which means better service and pricing for DEMCO members.

“We want our members to know that while we are facing high electricity costs right now, we are working and have been working for about two years to get the best wholesale power supply contract in place for our members,” Pierce said.

The cost of wholesale power is typically 65% to 70% of a member’s bill each month, according to Pierce.

“Obviously, if the cost of wholesale power is such a large percentage of the financial puzzle, it’s important to pay attention to getting that as economically as you can,” Pierce said. “Right now, we’re under a 10-year contract with Cleco Power. That contract expires in the spring of 2024. What DEMCO did—what all co-ops have to do—is years before the expiration of that contract, you have to go out and look and see what’s available on the market, what are the options we have.”

Using Public Service Commission guidelines, DEMCO has undertaken a two-year process to explore options, prepare requests for proposals and negotiate terms to get the best wholesale agreement for the long-term benefit of its members. After looking throughout the country for the best option to fit DEMCO’s needs, an agreement was reached with NextEra Energy.

NextEra is one of the world’s largest utility companies. It generates more wind and solar energy than any other company in the world. The proposed agreement includes two parts. One is an all-requirements contract that provides 85% of DEMCO’s needs. That power will be provided through a portfolio of wholesale sources—some traditional and some renewable. The other 15% will be covered by a contract to buy from a solar plant NextEra is building in Amite, Louisiana.

“This company is one of the largest of its kind on the planet,” Pierce says. “We just feel really good about the resources that



Randy Pierce

they’ll bring to the table for us. The new contract is designed to give us much more input. It gives us a year at a time to know what our cost is going to be. It won’t change from month to month. Every quarter we will meet with NextEra to strategize to make sure we are purchasing power ahead, so we can ensure stability and price—an economical and stable price for months and months at a time so we don’t have erratic rate changes that we have month to month in our current situation.

“This price will be driven by a much larger utility that has access to many more resources in any given moment in time. So, that will bring many more options to the table. It will be based on a huge fleet of plants of all types.”

Pierce noted many of those are producing renewable energy, like what will come from the Amite plant. Expected to cost \$100 million to build, the project is under construction on approximately 1,200 acres near Interstate 55. It is expected to be connected to the utility grid in 2024.

“The solar part of the contract has options to increase the percentage of renewables as they develop over time,” Pierce said. “It’s really a burgeoning new industry in terms of utility-scale investment and utility-scale construction. We’ve got a lot in the queue in Louisiana. Several will be developed here, and we’d like to be part of supporting and really taking advantage of that on behalf of our members.”

“We think more and more will be built into the other part of our contract over the decade. With NextEra, we anticipate the renewable level of capacity and energy to go up as it’s developed.”

Pierce believes the Public Service Commission’s six to eight-month review of the contract will result in approval. With that, beginning in March 2024, the 10-year all-requirements contract and 25-year agreement for solar power will go into effect across the 113,000 homes and businesses in DEMCO’s seven parish service area. ■

Randy Pierce joined DEMCO as CEO and general manager in 2018 after serving 22 years as CEO of the Association of Louisiana Electric Cooperatives. His years of experience in the industry include regulatory affairs, emergency preparedness, job safety, employee training, disaster response and power supply. He is dedicated to guiding DEMCO in providing superior service to its members while promoting a well-trained workforce and a culture of ethical integrity.

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Randy Pierce, CEO and General Manager