

# How the Regulatory Commission of Alaska Calculates PCE Levels

# Non-Regulated Utilities

Brenda Cox, RCA



## Preparing for PCE Reports Begins With:

- Accurate Bookkeeping
- Accurate Meter Reading
- Organized Filing/Storage of Invoices



## Determine Eligible Costs From:

- Non-fuel costs reported on PCE Annual Report
- Fuel and purchased power costs reported on the Fuel and Purchased Power Cost Report Form
- Meeting Efficiency and Line Loss Standards



## Non-Regulated Utilities - Rates

- The RCA does not establish rates.
- A Regulated Utility would set its rates to cover its allowable costs.
- Per 3 AAC 52.610(h) ...total nonfuel costs include all nonfuel costs, except return on equity, that regulated electric utilities are allowed to include in the revenue requirement recoverable from ratepayers.



# PCE Annual Report

- Report ALL allowable costs paid by the Utility.
- Do not include - avoidable costs, lobbying costs, donations, grant funded assets, or R & R.
- Costs have to be supportable. If unable to provide an invoice the cost will not count towards PCE calculation.

# PCE Fuel and Purchased Power Report

- Cost of fuel or purchased power – include invoice.
- Report delivery charge – include invoice.
- Report mark-up and include schedule showing calculation of mark-up.



# Efficiency and Line Loss Standards

- If Utility doesn't meet standards, gallons consumed or kWh sales are adjusted to meet standard.
- These adjustments lower the per kWh cost.
- Can possibly lower PCE level.



## PCE Levels are Based on :

- Least of:
  - Cost Based - 95% of the eligible per kWh cost less the base rate
  - Rate Based - Per kWh rate less the base rate
  - 95% of the Maximum ( $84.18\text{¢} \times 95\% = 79.97\text{¢}$  per kWh)

## Appendix 2 Rate Based Example

### ABC Utility

SCHEDULE OF ELIGIBLE POWER COSTS, SALES AND EFFICIENCY

FOR TEST YEAR ENDING JUNE 30, 2015

### Annual Update

	Prior Commission Approval	Per Utility	Staff Adjustments	Per Staff
<b>Non-Fuel Costs:</b>				
A. Personnel Costs	117,711	150,000		150,000
			Adj.#1	
B. Operating Expenses	3,748	61,788	(10,524)	51,264
			Adj. #2	
C. General and Administrative	256	101,723	(73,497)	28,226
D. Depreciation	90,796	90,000	-	90,000
E. Interest Expense	-	-	-	-
F. <b>Total Non-Fuel Costs</b>	<b>212,511</b>	<b>403,511</b>	<b>(84,021)</b>	<b>319,490</b>

## Appendix 2 Rate Based Example

**Fuel Costs:**

G. Gallons Consumed for  
Electric Generation

H. Price of Fuel:(per gal.)  
Weighted Average

I. **Total Cost of Fuel**

Prior Commission Approval	Per Utility	Staff Adjustments	Per Staff
49,910	41,051		41,051
\$3.9976	3.9976		3.9976
<b>199,522</b>	<b>164,105</b>	<b>0</b>	<b>164,105</b>

## Appendix 2 Rate Based Example

			Prior Commission Approval	Per Utility	Staff Adjustments	Per Staff
J. KWH Generated			573,725	579,055		579,055
K. KWH Sales			504,850	518,182		518,182
L. KWH Station Service			N/A	5,000		5,000
		<u>Standard</u>				
M. Efficiency (J/ G)	≥	11.5	11.50	14.11		14.11
N. Line Loss						
(J -(K+L)) /J	≤	12%	12.00%	9.65%		9.65%

# Appendix 1 Rate Based Example

	Prior Commission Approval	Utility Request	Staff Recommended
A. Total KWHs Generated	573,725	579,055	579,055
B. Total KWHs Sold (Appendix 2)	504,850	518,182	518,182
C. Total Non-Fuel Costs (Appendix 2)	212,511	403,511	319,490
<b>D. Non-Fuel Cost/KWH (C / B)</b>	<b>\$0.4209</b>	<b>\$0.7787</b>	<b>\$0.6166</b>
E. Total Fuel Cost	199,522	164,105	164,105
<b>F. Fuel Costs/KWH (E / B)</b>	<b>\$0.3952</b>	<b>\$0.3167</b>	<b>\$0.3167</b>
G. Eligible Costs/KWH (D + F)	\$0.8161	\$1.0953	\$0.9332
<b>H. Eligible Cost/KWH (G)</b>			
less base rate in effect	<b>\$0.6579</b>	<b>\$0.9371</b>	<b>\$0.7750</b>

# Appendix 1 Rate Based Example

G. Eligible Costs/KWH (D + F)

**H. Eligible Cost/KWH (G)**

**less base rate in effect**

I. Lesser of (H) or 84.18 cents/kWh

J. Average Class Rates (Appendix 3)

All

K. Lesser of: (I) x 95%, or (J)

All

	\$0.8161	\$1.0953	\$0.9332
	<b>\$0.6579</b>	<b>\$0.9371</b>	<b>\$0.7750</b>
	\$0.6579	\$0.8418	\$0.7750
	\$0.1648	\$0.1648	\$0.1648
Class Power Cost Equalization Per kWh Payable			
	\$0.1648	\$0.1648	<b>\$0.1648</b>

# Appendix 1 Cost Based Example

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<b>H. Eligible Cost/KWH (G)</b> less base rate in effect	<b>\$0.6579</b>	<b>\$0.9371</b>	<b>\$0.7750</b>
I. Lesser of (H) or 84.18 cents/kWh	\$0.6579	\$0.8418	\$0.7750
J. Average Class Rates (Appendix 3) All	\$0.1648	\$0.8918	\$0.8918
Class Power Cost Equalization Per kWh Payable			
K. Lesser of: (I) x 95%, or (J) All	\$0.1648	\$0.7997	\$0.7362





# Summary of PCE Level

- Report All allowable costs.
- Does the kWh rate cover allowable costs?
- Review Letter Orders and attached documents received from RCA.

# Economically Regulated Utilities

Claire Knudsen-Latta, Utility Tariff Analyst



# Which utilities are regulated?

- Alaska Power Company
- Aniak Light & Power
- G & K, Inc.
- Gold Country Electric
- Gustavus Electric
- Gwitchyaa Zhee Utility
- Kipnuk Light Plant
- Inside Passage Electric Coop.
- McGrath Light & Power
- Middle Kuskokwim Electric Coop.
- Sand Point Generating
- Tanana Power Co.
- TDX Adak Generating
- TDX Manley Generating



# What is affecting my PCE Level?

- Line Loss and Efficiency Statistics!
  - If you've experienced an unusual or unexpected change in your line loss and/or efficiency statistics, talk to your engineer and check it out!
  - R-15-001 regulations change.
- Your rates for electricity
  - Regularly update your rates for electricity (approximately every 3-5 years).
  - Revisions to rates for electricity must be submitted to the Commission for review and approval.
  - Rate revisions require a revenue requirement study.
- Whether or not you've maxed out your PCE amount

# Efficiency and Line Loss Standards

- Efficiency and Line Loss standards are the same as for Non-Regulated utilities
  - 9.5-13.5 kWh/gal depending on annual generation
  - 12% Line Loss
- If a utility does not meet generation or efficiency standards, an **Imputed COPA** is calculated to find how much fuel would have been used or how many kWh of electricity would have been sold to meet the standards.
- **The Imputed COPA is only used to calculate the amount of PCE the utility receives.**
- When determining if we need to calculate an imputed COPA, RCA Staff looks at the utility's annual and monthly line loss and annual and monthly fuel efficiency.

# R-15-001 and You!

- Effective October 9, 2015, the Commission has changed how we calculate line loss to remove station service.

$$\text{Line Loss} = \frac{\text{All kWh Generated and Purchased} - (\text{kWh Sold} + \text{Station Service})}{\text{All kWh Generated and Purchased}}$$

- The goal of this revision is to ensure that line loss is not artificially inflated by station service.
- We have been working to ensure that everyone is using the new formula, if you have any questions, please call Claire Knudsen-Latta (me) at (907) 263-2175 or Becki Alvey at (907) 263-2139.

# What we need from utilities

- The filing requirements for a COPA/FCRA and PCE filing are found at 3 AAC 52.504 and 3 AAC 52.640(d)
- Generally put, we require:
  - A copy of every invoice for costs being recovered
  - A report showing the total generation for the utility
  - A report showing the total sales for the utility
  - A report showing the station service for the utility
  - A copy of the utility's COPA or FCRA spreadsheet
    - If you are using an imputed COPA, please include this spreadsheet too!
  - Copies of the COPA/FCRA and PCE calculations
  - There are additional requirements, please refer to the Regulations.



# Determining PCE Levels

- Submitted reports
  - Cost of Power Adjustment or Fuel Cost Rate Adjustment – Quarterly or Semi-Annual report filed with the RCA to determine COPA /FCRA surcharge amount. A utility's PCE update is submitted with their COPA/FCRA filing.
  - Annual Operations Report – Annual report filed with the Finance Section. **This report does not affect PCE levels.**
- Review of submitted information
  - RCA Staff reviews the COPA/FCRA filing to ensure only appropriate costs are being recovered.
    - The COPA/FCRA mechanism is only for recovery of fuel costs.
  - RCA Staff reviews the PCE filing to make sure the calculations are accurate.



A	Non-Fuel Power Costs	\$0.3070	<b>NON-FUEL COSTS - U-99-117</b>	
B	Fuel Power Costs	\$0.2127	Allowable Non-Fuel Cost	\$445,123
C	Total Power Costs (A + B)	\$0.5197	Twelve Month Total kWh Sales	1,453,185
			Regulatory Cost Charge	\$0.000732
D	Total Costs Less PCE Base (C - \$0.1582)	\$0.3615	Total Non-Fuel Power Costs	\$0.3070
E	95% of Total Power Costs	\$0.3434	<b>FUEL COSTS</b>	
F	Statutory Maximum [(1-0.1582)*0.95]	\$0.7997	Current Fuel Price	\$2.93
			Estimated Fuel Consumption (gallons)	21,143
G	Lesser of E or F	\$0.3434	Estimated Fuel Consumption (\$)	\$62,008.19
			Balancing Account Balance	\$(8,383)
H	Customer Class Rate*	\$0.4906	Estimated kWh Sales (kWh)	252,116
			Total Fuel Power Costs	\$0.2127
I	Power Cost Equalization - Lesser of G or H	\$0.3434		

\*The Customer Class Rate is the (((Energy Rate + COPA +RCC)\*500) + Customer Charge)/500) - PCE Base

The background is a solid blue gradient, transitioning from a lighter blue at the top to a darker blue at the bottom. At the very top, there are several thin, white, wavy lines that create a sense of motion or a horizon line.

Questions?