Maximizing PCE for Small Independent Utilities

Connie Fredenberg, Utility Management Assistance aka UMA

Alaska Rural Energy Conference April 26, 2016

A locally owned and operated electric utility should be the first line of economic development for a community.

Use utility operations and maintenance as a teaching tool at the school:

- **Math**
- **Science**
- **Business**
- **Vocational Training**

Cross-train multiple people to do the jobs required to have a successful utility and work them on a rotational basis so no one forgets.

Pay a living wage – it will keep good employees and the expense will increase your PCE rate.

Pay Attention to Line Loss and Fuel Efficiency!

The RCA will dock your PCE Rate for exceeding line loss or fuel efficiency standards.

Maximum Acceptable Line Loss is 12%

Line Loss is the missing electricity after you subtract the Station Service and kWh Sold from the kWh Generated. The RCA likes to see that number as a percentage, so the formula looks like this:

kWh Generated – (Station Service +kWh Sold)/kWh Generated x 100%

Fuel Efficiency equals the number of kWhs Generated divided by the Gallons of Fuel Used.

Annual kWh Generated (>80% Diesel)		Annual kWh Generated (<80% Diesel)	
<100,000 kWh	9.5 kWh/Gallon	<100,000 kWh	8.5 kWh/Gallon
100,000 – 499,000 kWh	10.5 kWh/Gallon	100,000 – 499,000 kWh	10 kWh/Gallon
500,000 - 999,999 kWh	11.5 kWh/Gallon	500,000 - 999,999 kWh	11 kWh/Gallon
1,000,000 - 9,999,999 kWh	12.5 kWh/Gallon	1,000,000 - 9,999,999 kWh	12 kWh/Gallon
> 10,000,000 kWh	13.5 kWh/Gallon	> 10,000,000 kWh	13 kWh/Gallon

Higher Expenses = Higher PCE Rate

- Unless your staff is really good with QuickBooks, make a separate checking account for your utility so expenses are easier to track. Cash vs. Accrual (Cash is easier… but make sure bills paid are within the reporting year!)
- Make sure fuel is marked up properly – send documentation to RCA
- Make sure ALL Community Facilities are eligible for PCE and ALL pay their bills:
  - Clinic, Tribal Office, City Office, W/WW Plant, Washeteria, Tank Farm, SRE Building (if village owns airport), Fire Department/Code Red, Utility Storage, City/Tribe Garage or Warm Storage, Streetlights
- If any City or Tribal staff do any work for the utility – bill and collect from the utility for their time. It can be on an annual % basis, rather than hourly, to make the transaction and accounting easier.
- Make a two tiered rate structure for PCE customers. Make the subsidized rate as high as PCE can cover then drop the rate to the subsidized rate for any usage over 500 kWhs for Residential customers.
- If the utility needs subsidizing, do it by purchasing fuel with General Funds or Revenue Sharing or Fish Tax. Count that as "Other Income" on your Annual Report Income Statement.
- If your community applies for a Power Project Loan from the Alaska Energy Authority, make sure it is in the utility's name – or it won't count as an allowable expense for increasing PCE. If, due to financial circumstances, the utility is not eligible for the loan – bill the utility for payments and interest.

Office of Indian Energy Technical Assistance

http://energy.gov/indianenergy/office-indian-energy-policy-and-programs

Utility Management Assistance

Connie Fredenberg (907)444-6220 conniefredenberg@mtaonline.net

Utility Management Provider

Grace Oomittuk (907)631-2867 graceoomittuk@mtaonline.net

Fax: 866-420-2532 or 907-746-7286