Rate Setting and Maximizing PCE for a Successful, Small Independent Utility

Be Resourceful, Pro-Active and Persistent with Long-Term Goals

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SET RATES HIGH ENOUGH TO COVER ALL COSTS

- Review costs, sales, collections and rates each year. Most of the information is in the Annual Report you file with the RCA.
  - Additional Data – kWh sales, charges and collections for each rate class

- Most basic method is to add up costs and divide by how many kWh you can sell.
  - Power Cost Equalization subsidy formula adds options.
    - PCE customer rates can be higher, providing some relief to Commercial customers.

- Higher **allowable** costs equals a higher PCE rate.
  - Be sure to read the RCA review of your latest Annual Report.
    - Describes in detail which costs from your report were allowed and which were denied.
DOCUMENT COSTS IN AN ORDERLY FORMAT

• Makes the Annual Report less of a burden if costs are coded to match with the Income Statement (page 4) from the Annual Report.
• Use the Income Statement as the basis for your Rate Analysis

AIM FOR 100% COLLECTIONS
INCLUDING COMMUNITY FACILITIES OWNED BY THE SAME ENTITY THAT OWNS THE UTILITY

• The utility will be better financed to cover all the costs.
• The utility will bring in additional money from the State PCE program.
• The burden of the costs is equally shared amongst customers, preventing unnecessary rate hikes for those who do pay.
Higher Expenses = Higher PCE Rate

- If fuel is hauled from the delivery point to the fuel farm, document a per gallon cost for the RCA. RAFS has a great spreadsheet for this. Add this cost to the per gallon price on the Fuel Report under Delivery/Mark-Up per Gallon.

- If the utility can’t afford to cover all expenses, buy fuel with other monies. The RCA will not count non-fuel expenses paid for by an entity other than the utility when calculating the PCE rate, but it doesn’t matter in their calculations who pays for fuel.
  - Document any such subsidies on Page 4A of the Report Form under “Other Revenue”.

- If you get a Power Project Loan from AEA, make sure it is run through the electric utility even if the loan had to go through the City, Tribe or Corporation due to financial requirements at AEA. The equipment purchased/installed through the loan is a Depreciable Asset and the interest is an allowable expense.

- If any City or Tribal staff do any work for the utility in addition to their other job – bill the utility and collect from the utility for their time. It can be on an annual % basis or tracked hourly.

- Pay higher wages as staff successfully completes training or valuable work experience.
Customer Rate Considerations

- If your utility can carry more load, consider 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 your utility has a high PCE rate, consider raising PCE eligible customer rates and providing some relief to small Commercial customers.
- Look at your most recent RCA Annual Report Review. Look at Appendix 1, Line H. Eligible Costs. Your rate should be no lower than that amount per kWh.

  - If your rate is lower than that amount, you are leaving PCE money “on the table”.
  - Raise your rates to at least this level in order to get all the PCE funding to which your utility is eligible.
A Locally Owned and Operated Electric Utility is 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

• Consider hiring student interns.
  • If paid minimum wage they can be covered under Workman’s Comp. You only pay for their additional wages, no higher premium because they are under 18.

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

• 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
Office of Indian Energy Technical Assistance

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

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