

PCA - Power Cost Adjustment

PCA FAQs

What is the Power Cost Adjustment (PCA)?

As a not-for-profit cooperative, state law prevents NOVEC from earning a margin (profit) on electricity we purchase for delivery to customers. Instead, the actual cost of purchased power is passed through to our customers without any mark-up.

Each fall, the co-op forecasts how much energy all of its customers will use the next year. While NOVEC's forecasts for the cost of energy and the amount of energy are thoroughly researched, it's not surprising that they differ from the actual purchased power costs. For example, the amount of electricity customers use to heat or cool their home can vary widely depending on the weather.

NOVEC is required to reconcile the difference, and the reconciliation occurs through the PCA line item on your monthly bill. Periodic changes to NOVEC's PCA ensure that we recover the actual cost of the power we purchase without any margin (profit.)

The PCA can be a credit or a charge. From 2012 until 2021, customers enjoyed a PCA credit on their monthly bill.

Why did the PCA increase in July 2022?

NOVEC faces the same challenges as our customers. Inflation, post COVID-19 economic growth from pent up consumer demand, supply chain issues, increased energy exports in response to the Ukraine War, and Europe's demand for more non-Russian oil are among the factors that are causing substantial price increases in the wholesale power markets. For example, the cost of natural gas, a key fuel for the electric power industry, has more than doubled since the beginning of 2022.

Periodic changes to NOVEC's PCA ensure that the co-op recovers its actual power costs over time without any margin (profit.) NOVEC typically adjusts its PCA in January, but rapidly rising energy prices in the electric power markets make this year different.

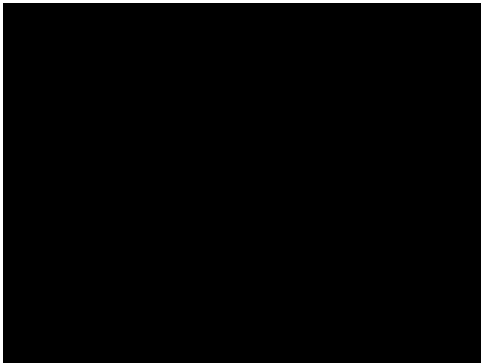
NOVEC is regulated by the Virginia State Corporation Commission (SCC). The SCC originally authorized the co-op's 2022 PCA rate ride e Cp V

stressed this week that the town's electric utility was a not-for-profit entity and that the PCA charge, which increased on the most recent bill, was primarily based on purchased power costs.

"If the cost of power for the town is higher, the PCA charge will be higher," Finance Director Natalie Saleh said.

On Friday, several Berlin residents expressed alarm with a significantly increased PCA charge on their most recent electric bill. Some said the PCA charge accounted for nearly half of their electric bill.

According to the town's website, the cost of fuel the town uses for generating electricity is subject to variations.



"The Power Cost Adjustment Charge (PCAC), is a calculated dollar amount per KWH to be added to or deducted from the customer's billing each month, reflecting the increase or decrease in the fuel cost of generating or purchasing power that can be passed on to the customer," the website reads. "The Maryland Public Service Commission reviews the PCAC calculation and collection on a monthly basis. The amount that results from this calculation is the PCAC applied to each kilowatt hour used and is shown on your bill each month."

In an interview Monday, Saleh said the PCA charge was reviewed not only by the Public Service Commission but also by the town's electric consultant. She said the PCA charge was essentially the cost of purchasing power.

"We buy the power and basically resell it," she said. "If we buy it at an elevated cost the PCA will be higher."

She said the PCA charge was applied to each kilowatt hour used and so the more electricity a home used, the more its PCA charge would be.

"People are staying home more, using more appliances, and it's been colder," she said. "But at the same time in the colder weather the cost of power to the town is a little higher."

She added that the December-January bill was for 35 days, a longer time period than the average bill.

At Monday's town council meeting, Councilman Jack Orris asked if there was a way for residents to be notified of potential PCA changes to help with their budgeting. Saleh said the rate itself varied by a minute amount and that the increase in cost was driven by the amount of kilowatts being used by the household.

Mayor Zack Tyndall pointed out that the town did offer a budget billing program for people who wanted to avoid huge spikes in their bills. Residents who enroll pay a fixed amount each month based on previous usage.

"If anybody's interested that is a program that we have," Tyndall said, adding that residents could call town hall if they were interested.

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Power Cost Adjustment | People's Energy Cooperative

What is a Power Cost Adjustment (PCA)?

People's Energy Cooperative members may see a PCA charge or credit on their electric bill as the cost of power on the energy market goes up or down. See below for more information.

A power cost adjustment (PCA) is a line item on electric bills that can be a charge or a credit.

When the cost to produce power is higher than expected a charge is used to recover the added costs.

When the cost to produce power is lower than expected a credit is applied to pass along those savings to members.

A PCA helps manage the fluctuating (increasing or decreasing) costs to purchase power. Members may see a PCA credit or charge on electric bills, depending on the wholesale power market.

When the cost to purchase power in our regional market is significantly more or less than anticipated, our wholesale power providers, Dairyland

Power Cooperative or Interstate Power and Light, pass the difference to People's Energy. In turn, we pass this charge or credit to our members. (Read more about MISO regional energy market below.)

We provide transparency on electric bills with a PCA, so our members know what they are paying for.

Members receive a PCA credit or charge based on the actual amount of energy they used during a billing cycle.

For example, the PCA charge on February 2022 electric bills was just under one cent (\$0.0008) per kilowatt-hour (kWh) used in January 2022. This was an increase of \$0.80 for a member using 1,000 kWh per month.

Members can calculate their own PCA each month by multiplying the PCA amount (listed on the electric bill) by the kilowatt hours (kWh) used during the billing period. This formula charges all PEC members equitably for the increase or decrease in the cost of generating electricity, based on their usage that month.

1. We are seeing higher costs to generate power because natural gas and coal prices are high; both natural gas and coal are used as fuel to generate electricity. In addition, many coal plants are in conservation mode due to inadequate coal supplies caused by rail shipping.
2. Transmission lines that move renewable energy from where it is generated to where it is needed are congested. This raises energy market prices.
3. ~~and this fall and spring~~ In the fall and spring, electricity needed by consumers is lower and power plants use this time to conserve that by rail and power plants.

to cover the costs. Therefore, implementing the PCA allows the City of Monroe to meet expenses related to purchased power and natural gas and create stability in the overall rate structures. The PCA has been implemented since the early 1990's.

Example of the PCA displayed on your bill:

The PCA has always been bundled into your total electric and gas cost on your bill. We now have the capability to separate the PCA charge as a detailed line item.

View the example photo to identify PCA on your bill.

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Power Cost Adjustment (PCA) | East Central Electric Cooperative

East Central Electric includes on its electric bills to consumers each month a charge called the Power Cost Adjustment (PCA).

The PCA reflects the changes in the cost of producing electric power from our wholesale power suppliers which is largely caused by changes in the cost of fuel for generation of electricity.

These wholesale power suppliers obtain their electricity from many sources.

Part of the power is produced at hydroelectric dams, and power purchased at this source fluctuates widely with the amount of rainfall.

Most electric power, however, is produced by steam generation plants which use coal, natural gas, and oil as fuels to produce the steam that turns the generators that produce the electric power. The Oklahoma Corporation Commission has developed a Power Cost Adjustment formula; most all the state's 28 Rural Electric Cooperatives and other power utilities are using it.

The adjustment passes on the difference between the actual cost of wholesale power each month and the base cost used in determining rate schedules. The formula charges all consumers equally for increases and decreases in the cost of producing electric power. It is important to realize that it is not due to a change in your electric rates, but due to the changing costs of the fuel used to generate the electricity that you use.

The Cooperative's base wholesale power cost used in determining rates is 41 mills per kWh. Billing statements are adjusted each month by the amount the Cooperative's average cost per kWh purchased varies from this amount.

Members can calculate their own Power Cost Adjustment each month by multiplying the "factor" (indicated as Power Cost Adjustment on the electric bill) by kWh used for the billing period. This "factor" changes each month, depending on the average price paid to wholesale power suppliers.

To summarize, the PCA:

- Is not a change in rates.
- Does not make extra revenues for your cooperative.
- Covers the monthly change in the cost of fuel that is used to generate some of your electricity.

What is the PCA Charge on my monthly Berea Municipal Utility Electric Bill?

What is the PCA Charge on my monthly Berea Municipal Utility Electric Bill?

What is the Power Cost Adjustment (PCA)?

The PCA is a rate mechanism electric utilities use to recover fluctuating purchased power costs. BMU currently purchases electricity from Kentucky Utilities at wholesale rates which are adjusted annually and fluctuate monthly with changes in fuel cost. The PCA enables BMU to recover these fluctuating wholesale power costs as they occur without overcharging or undercharging customers through fixed retail rates.

How is the PCA calculated?

The PCA is a fixed charge for kilowatt hour (kWh). The PCA total will depend on the number of kWh's the customer uses during each billing period. BMU reviews and adjusts the PCA calculation on a monthly basis. The PCA calculation is determined by reviewing the difference between the amount BMU actually pays KU for wholesale power and the amount BMU collects through its monthly electric rates to the customer. The PCA is then increased or decreased to reconcile the amount that BMU under collects or over collects.