

Understanding Your Cost of Power Adjustment

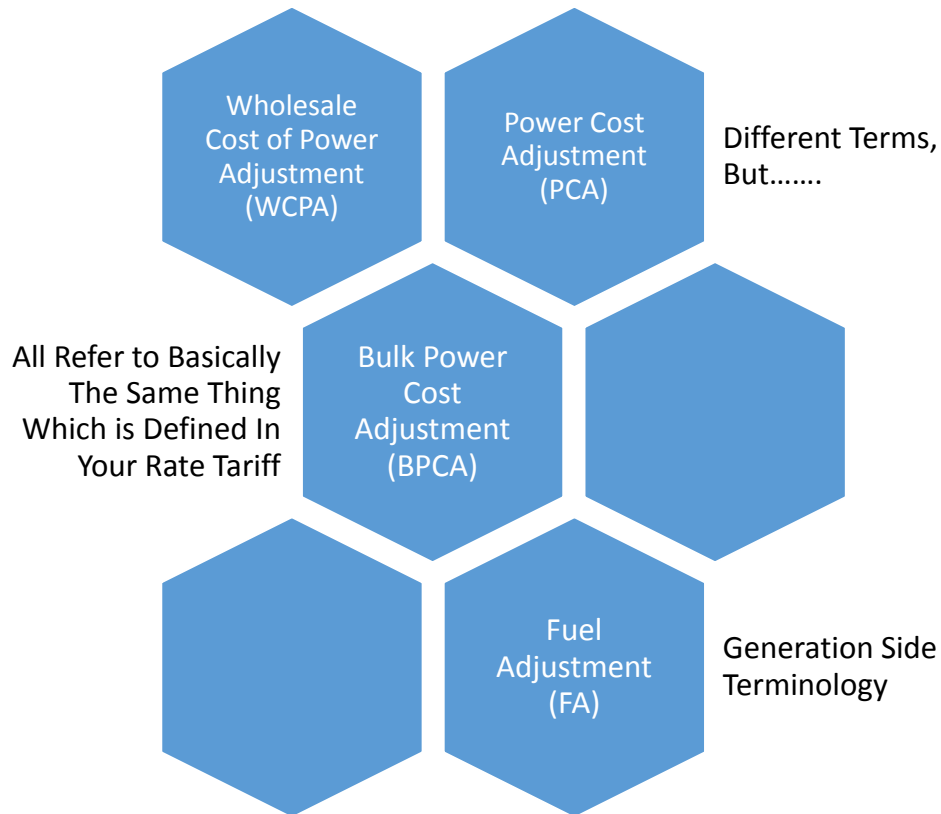
FMEA Summer Conference, Bonita Springs Florida, July 18, 2019

Mike Poucher, Director of Electric Utility, City of Ocala, Florida

Mark White, CPA, Audit Partner, Purvis Gray & Co., Ocala, Florida



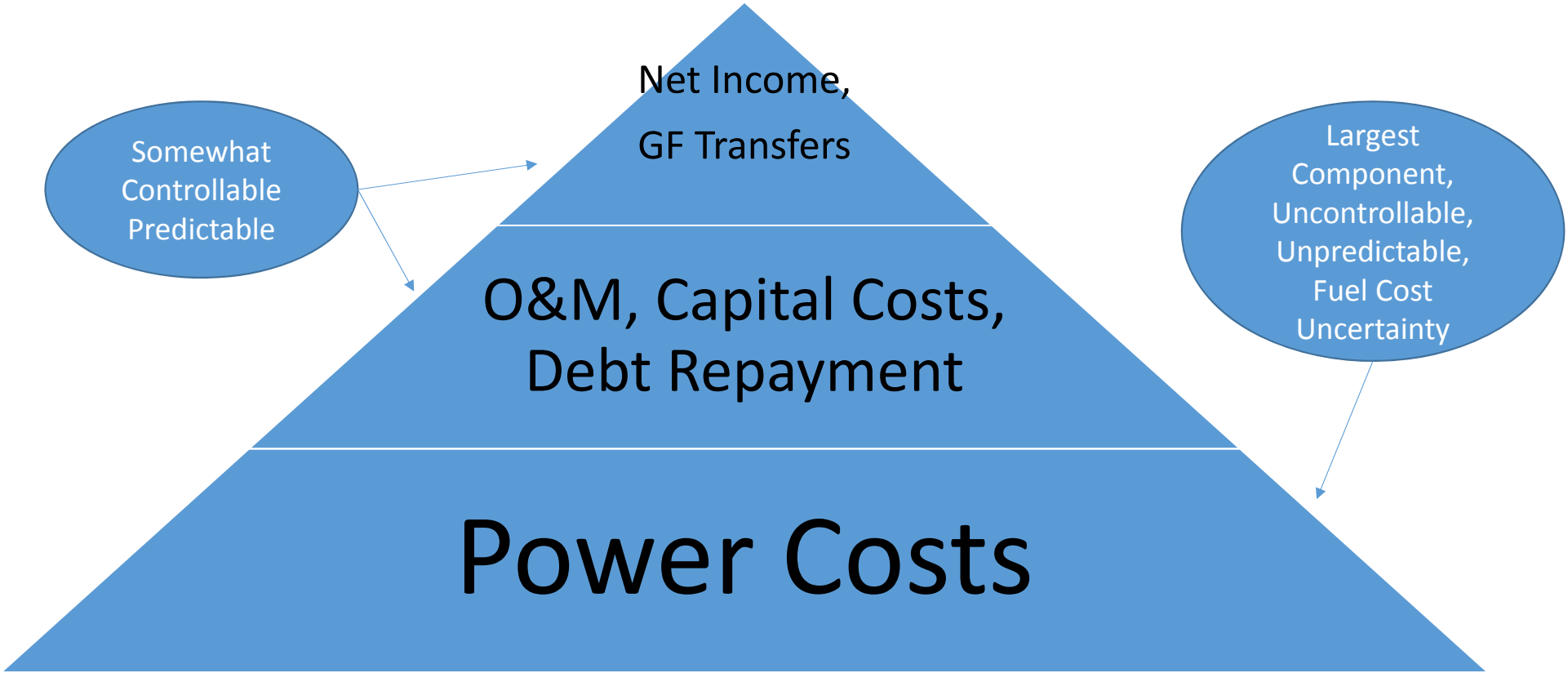
Terms and Definitions



Possible Definition

A separate variable charge or credit on the retail electric bill over and above the base power cost portion of the energy rate, which reflects variations in the cost of purchased power from the wholesale power provider, generally from changes in the cost of fuel or other costs incurred by the wholesale power provider.

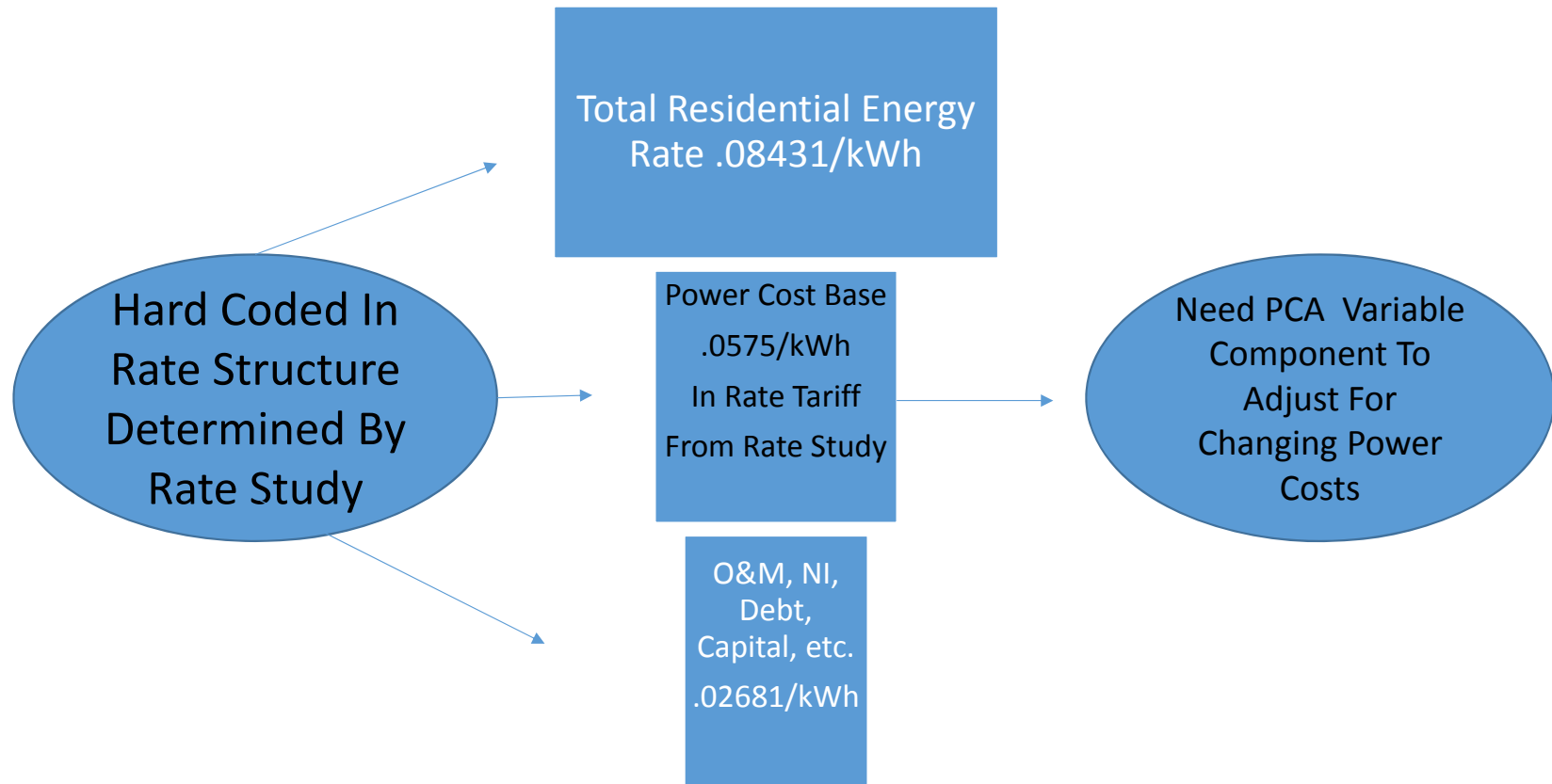
The Retail Electric Rate – Cost Recovery



Residential Bill Components

Basic Electric Revenues;	Customer Charge	\$9.33
	Energy Charge	.08431/kWh
	PCA Charge	.0024/kWh
GRT, Taxes, Other;	Gross Receipts Tax	2.5641%
	Utility Tax	10.00%
	Other Charges	Various

Ocala Residential Energy Rate Components



Big Picture - Simple Math

**The Estimated Annual Cost of Power Divided by Estimated kWh Sales
From Wholesale Power Provider and Your Own Experience;**

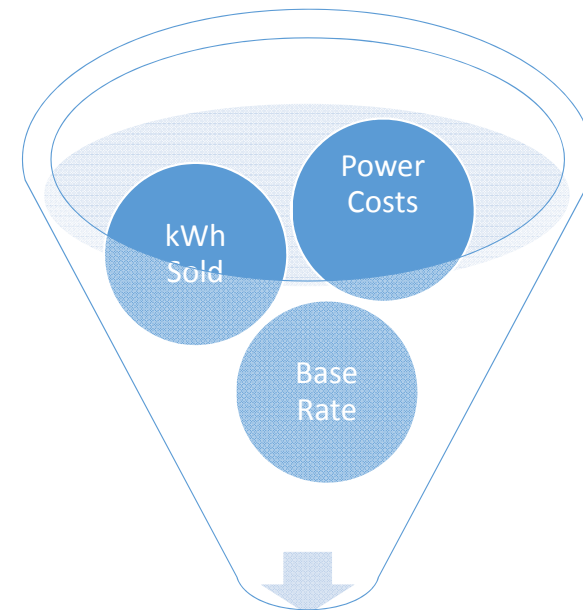
\$103,000,000 / 1,250,000,000 kWh	.0824
Less Base Power Cost Portion of Energy Rate	.0575
Equals Average Break Even PCA Charge Needed (Fluctuates Seasonally)	.0249

Levelized vs. Changing Monthly Approach

Changing Monthly Approach;

$$PCA = \frac{PC + PCT + RSFA}{\text{kWh Sold}} - PCB$$

PCA – Power Cost Adjustment
PC – Power Costs
PCT – Power Cost True Up
RSFA – Rate Stabilization Factor Adjustment
PCB – Power Costs In Base Rate



PCA Rate Changes Monthly

Levelized vs. Changing Monthly Approach

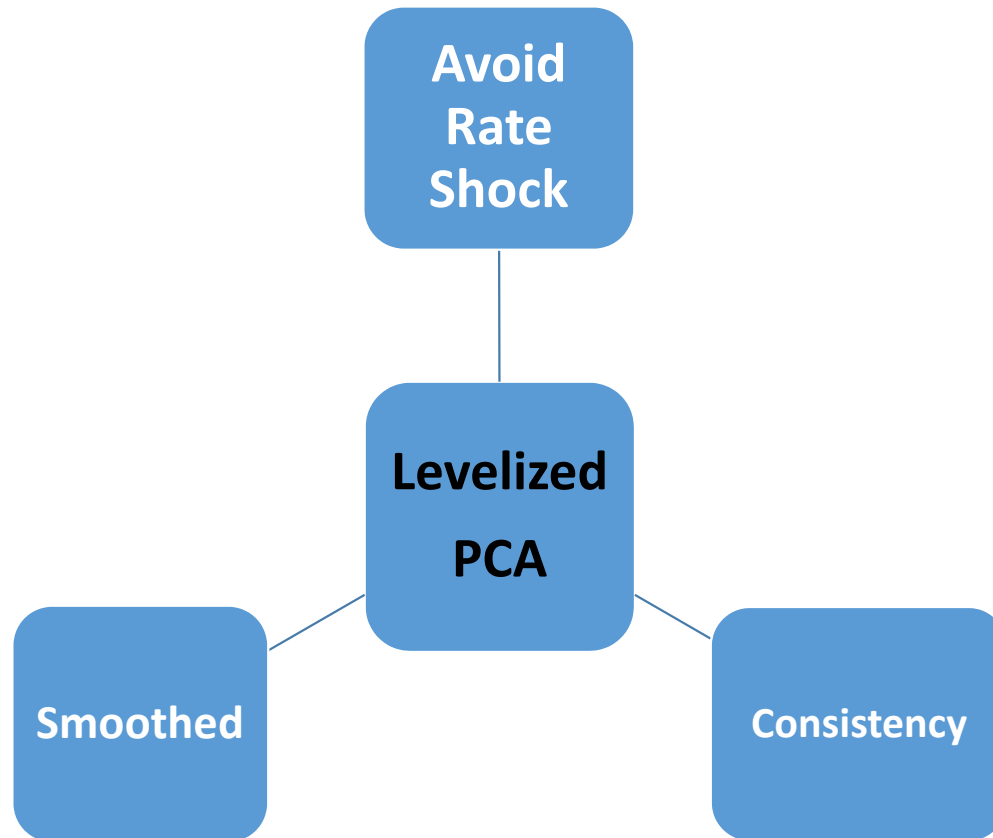
Levelized Approach;

The Estimated Annual Cost of Power Divided by Estimated kWh Sales
From Wholesale Power Provider and Your Own Experience;

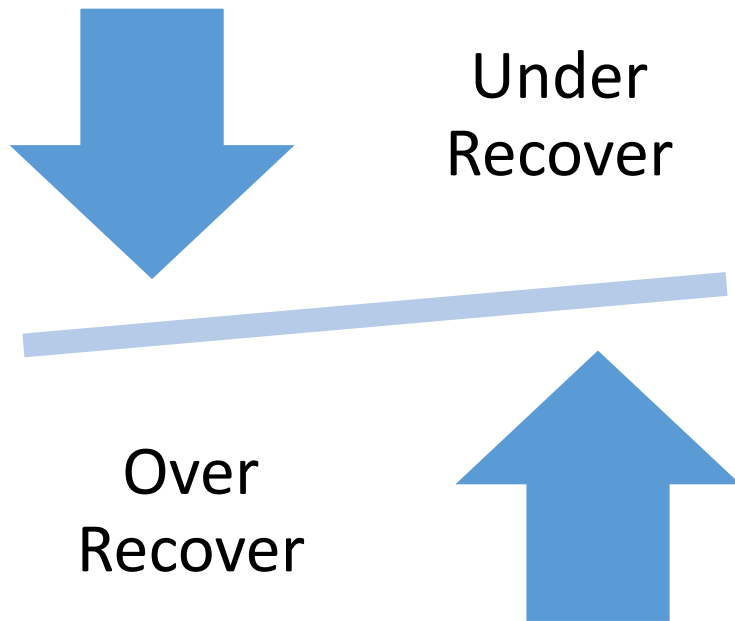
\$103,000,000 / 1,250,000,000 kWh	.0824
Less Base Power Cost Portion of Energy Rate	.0575
Equals the Average Break Even PCA Charge Needed (Fluctuates Seasonally)	.0249



Levelized Approach is Generally Preferred



PCA - An Inherent Estimate That Should Be Net Income Neutral



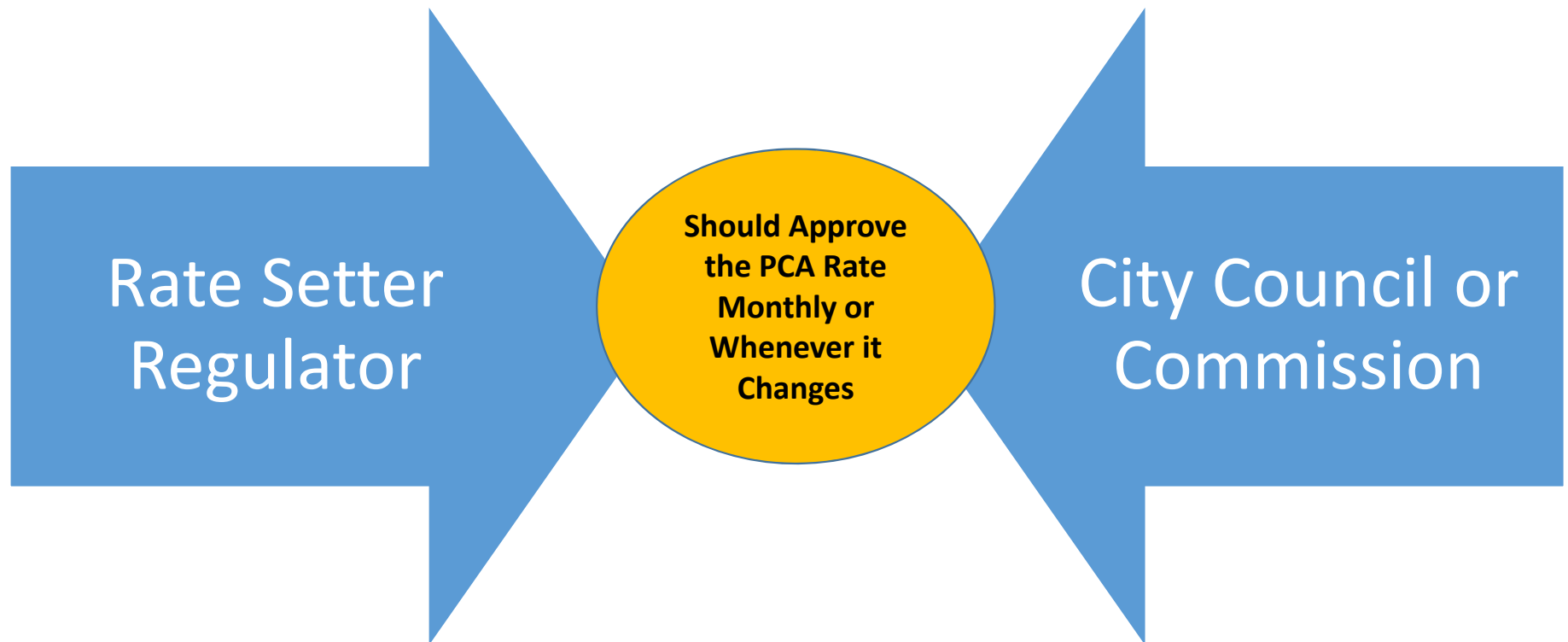
Designed to break even on power costs, not create Net Income, but you will never hit it exactly so you must track over and under recoveries and adjust sales accordingly with a corresponding Unbilled Receivable for Under Recoveries or a Deferred Revenue for Over Recoveries

Inter-period Equity Issues - Over/Under Recoveries

Date	Total	Base PC Rate	CPA Billed	Total	Amount Recovered	Actual Power Costs	Over (Under) Recovered	Cumulative Bal. Over (Under)	Accounting Treatment
	KWH Sold			PC Rate					
Bal Fwd								\$ 4,897,024	Due To Customer
Oct	119,017,625	0.05750	0.01700	0.07450	\$ 8,866,813	\$ 6,630,158	\$ 2,236,655	7,133,679	Due To Customer
Nov	86,649,291	0.05750	0.01700	0.07450	6,455,372	6,475,039	(19,667)	7,114,012	Due To Customer
Dec	87,740,441	0.05750	0.01700	0.07450	6,536,663	7,596,746	(1,060,083)	6,053,929	Due To Customer
Jan	100,096,272	0.05750	0.01700	0.07450	7,457,172	8,490,750	(1,033,578)	5,020,351	Due To Customer
Feb	84,245,770	0.05750	0.01700	0.07450	6,276,310	7,046,335	(770,025)	4,250,326	Due To Customer
Mar	87,713,999	0.05750	0.01700	0.07450	6,534,693	8,312,463	(1,777,770)	2,472,556	Due To Customer
Apr	90,278,123	0.05750	0.01896	0.07646	6,902,665	10,074,929	(3,172,264)	(699,708)	Due From Customer
May	101,421,713	0.05750	0.01896	0.07646	7,754,704	10,461,773	(2,707,069)	(3,406,776)	Due From Customer
Jun	121,031,343	0.05750	0.01896	0.07646	9,254,056	9,983,468	(729,412)	(4,136,188)	Due From Customer
Jul	122,926,579	0.05750	0.01896	0.07646	9,398,966	10,025,606	(626,640)	(4,762,828)	Due From Customer
Aug	127,578,775	0.05750	0.02400	0.08150	10,397,670	9,968,603	429,067	(4,333,761)	Due From Customer
Sep	127,612,172	0.05750	0.02400	0.08150	10,400,392	7,720,095	2,680,297	(1,653,463)	Due From Customer
Total	<u>1,256,312,103</u>				<u>\$ 96,235,478</u>	<u>\$ 102,785,965</u>	<u>\$ (6,550,487)</u>	<u>\$ (1,653,463)</u>	Due From Customer

1% of Sales

City Council/Commission Approval Needed



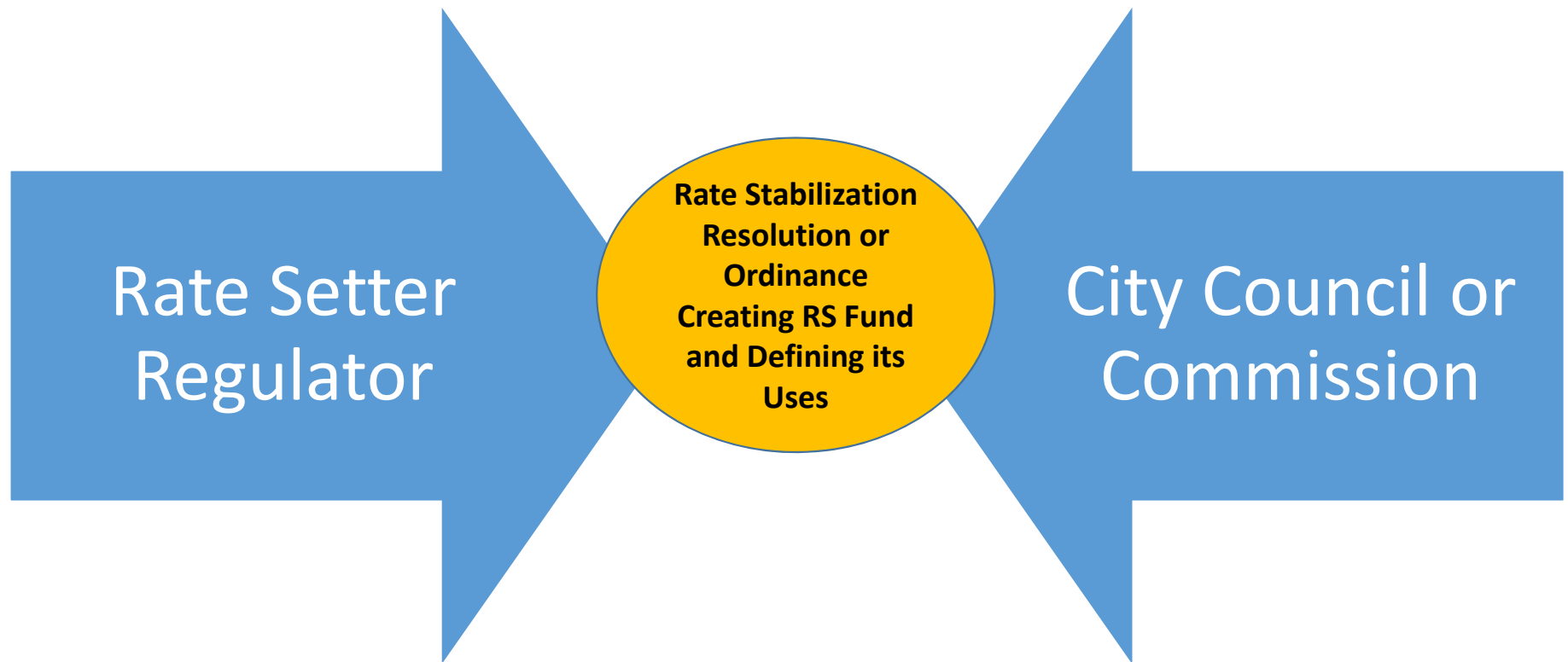
City Council/Commission Approval Needed

City Council Report
Power Cost Adjustment Projection
April 2019

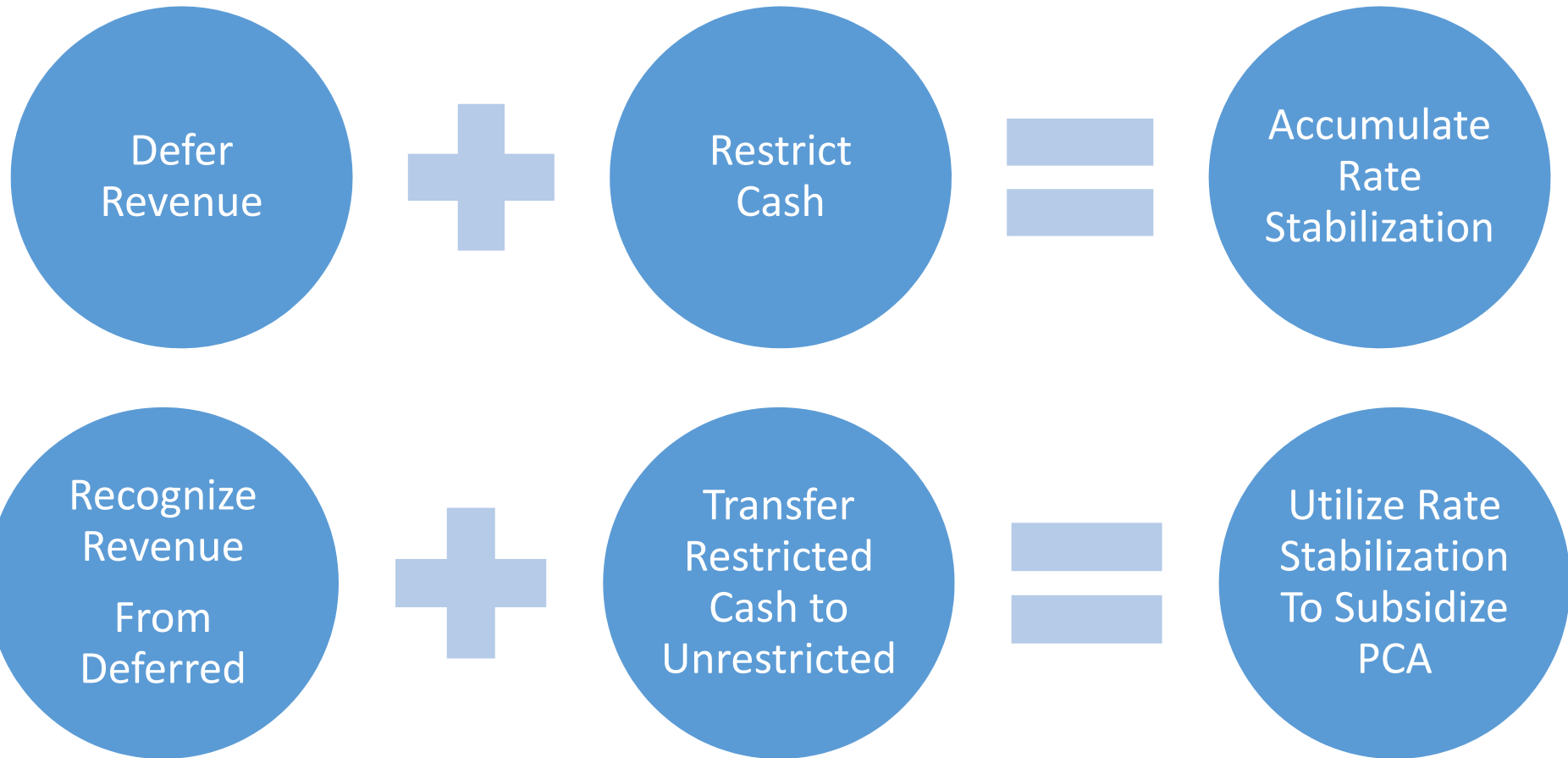
On May 14, 2019 staff participated in a rate call with FMPA. Based on their current rate projections and our sales projections, an over collection of \$1,997,516 is estimated for fiscal year end if we maintain the current rate of \$0.02100 per kWh. Staff is recommending reducing the rate effective July 2019 to \$0.01700 per kWh. This would result in an estimated over collection of \$490,266.

Projected Annual Power Costs	\$102,410,980
Projected Annual kWh Sales	1,279,562,850
PCA Rate for: April 30 2019	\$0.02100
Cumulative Over(Under) Collection: 4/30/2019	(\$744,969)
Projected Over(Under) Collection: 9/30/2019	\$1,997,516

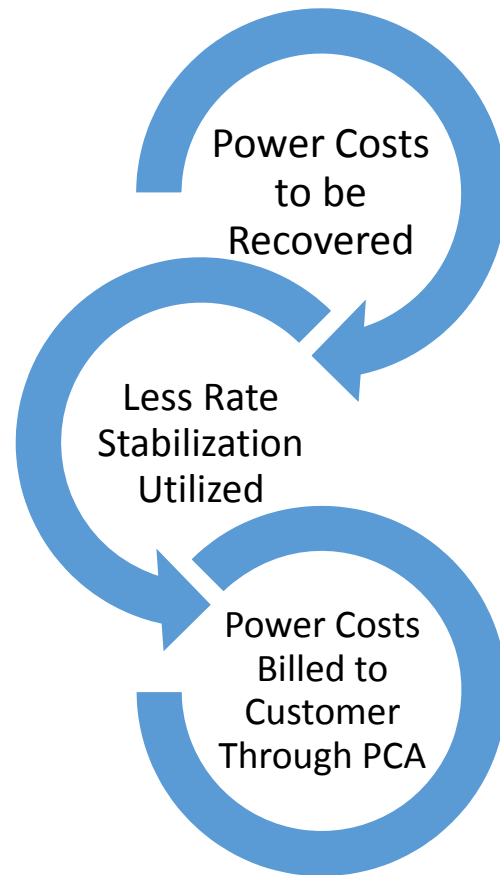
Rate Stabilization – Regulatory Accounting



Rate Stabilization – Regulatory Accounting



Rate Stabilization Usage To Offset Power Costs



The Determination of How Much Rate Stabilization Will be Used to Offset Power Costs Can be Done Monthly as you go, or Just Once at Year End When all Results of Operations are Better Known.

Questions?