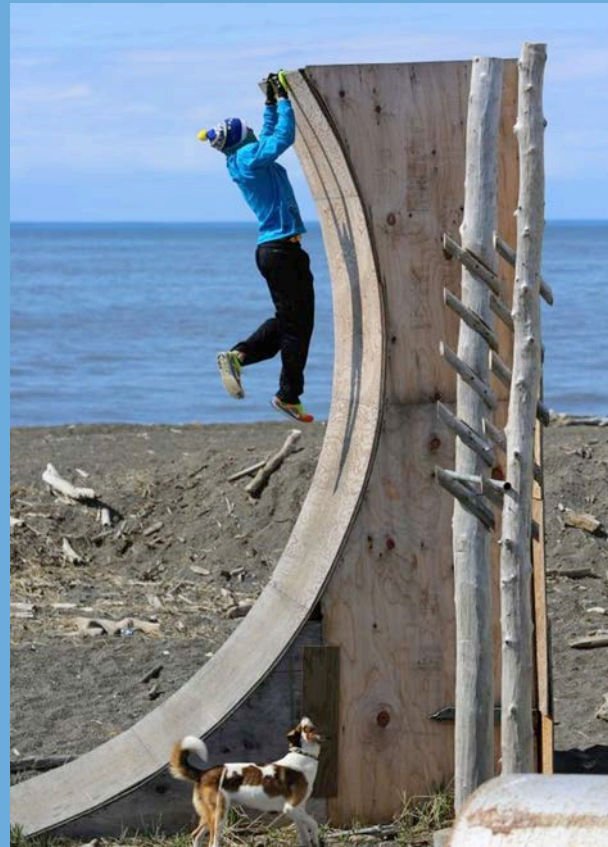


Survival Tips

for Small, Independent Electric Utilities in Rural Alaska Rate Setting, Reporting, and Power Cost Equalization



There is Strength in Numbers



Be Agile and Resourceful



Engage Youth

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ELECTRIC RATE = EXPENSES/KWHS SOLD

1. SET RATES HIGH ENOUGH TO COVER ALL COSTS

- Add up costs and divide by how many kWh you can sell
 - But the Power Cost Equalization subsidy formula adds options -
 - PCE customer rates can be higher, providing some relief to non-PCE customers

2. IF YOU MUST SUBSIDIZE THE UTILITY'S EXPENSES, SUBSIDIZE WITH FUEL

- The RCA tracks fuel purchases through fuel reports. Fuel invoices from vendors must be included with the report, but no payment information is required.

A Locally Owned and Operated Electric Utility is Economic Development

Use the utility business as a real life teaching tool at the school:

- Math – calculate customer electric usage, billing, line loss, fuel efficiency
- Science – electric generation methods, distribution systems, metering
- Business – bookkeeping, budgeting, rate setting
- Vocational Training - equipment maintenance and operations, business administration
- History – changes since introduction of central power to the community

Hire student interns:

- Ages 16+ can work at the power plant with a State work permit
- If paid minimum wage students can be covered under Workman's Compensation Insurance
- **Intern wages are allowable expenses for PCE**

Pay a living wage and provide incentives for staff training/improvement/longevity:

- Long term employees improve operations and administration
- **Wages and training costs are allowable expenses for PCE**

Train multiple people for each job and cross train staff as much as possible. Rotate staff. Job share.

AIM FOR 100% COLLECTIONS

- Track collections vs. billed. If collections are not 100%, rates must be raised on those who do pay to make up for those who don't. Show this calculation at a community meeting.

MAXIMIZE POWER COST EQUALIZATION PROGRAM

Capture ALL expenses.

- If utility shares staff or office supplies with another program, bill the utility for a % of shared staff or supplies.
- 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. Submit this spreadsheet with the report to the RCA.

Bill Community Facility customers owned by the parent company of the utility, such as the City or Tribal Government.

- If the utility's office space was formerly traded for Community Facility (CF) electric bills – the arrangement can remain the same, just create a paper trail. The rent paid by the utility can equal the electric charges for the CFs (minus PCE subsidy) each month. Write invoices and checks to document the exchange.
 - Rent is an allowable expense for PCE
 - Billed CFs are eligible for PCE

MAXIMIZE POWER COST EQUALIZATION PROGRAM (cont.)

Line loss above the 12% standard and fuel efficiency can substantially dock a utility's Power Cost Equalization subsidy.

- Hybrid power plants require additional equipment to maintain power quality.
 - Depending on the system design, this equipment should either be counted as a metered load or included in with station service. But it must be counted! Otherwise, it looks like line loss.

If your utility has a wind farm, but another entity owns one or more of the wind turbines, be sure to present that clearly on the Annual Report to the RCA.

- See table on page 5 of annual report form. If you check the box for purchasing power, subtract the purchased kWhs from the monthly wind production noted for the wind farm on the table at the top of the page. Otherwise the kWh production from the purchase will be counted twice and increase line loss in the RCA calculations.

Higher Expenses = Higher Power Cost Equalization Subsidy Rate

Don't spend money just to spend money, but invest in your equipment and staff!

- Do Not Scrimp on Maintenance! Follow preventive maintenance schedules religiously to minimize expensive repairs.
- Increase wages as staff successfully complete training or gain valuable work experience. The goal is to keep trained staff long term.
- 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.

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 a lower 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.

	PC55-1011J Prior Commission Approval	PC55-1014 Utility Request	Staff Recommended
A. Total KWHs Available	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	516,600	411,916
D. Non-Fuel Cost/KWH (C / B)	\$0.4209	\$0.9969	\$0.7949
E. Total Fuel Cost	199,522	157,587	157,587
F. Fuel Costs/KWH (E / B)	\$0.3952	\$0.3041	\$0.3041
G. Eligible Costs/KWH (D + F)	\$0.8161	\$1.3010	\$1.0989
H. Eligible Cost/KWH (G) less base rate in effect	\$0.6579	\$1.1428	\$0.9407
I. Lesser of (H) or 84.18 cents/kWh	\$0.6579	\$0.8418	\$0.8418
J. Average Class Rates (Appendix 3) All	\$0.1648	\$0.1648	\$0.1648
Class Power Cost Equalization Per kWh Payable			

- If your customer 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.

Office of Indian Energy Technical Assistance

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

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