



Alta Municipal Utilities

223 Main St. *Established 1895* Alta, IA 51002
Phone: (712) 200-1122 Fax: (712) 200-9600

POWER COST ADJUSTMENT

What is Power Cost Adjustment (PCA or PA on your statement)?

The Power Cost Adjustment is a separate line item on each Alta Municipal Utility billing statement. It reflects the increase/decrease in the utilities cost of power purchased wholesale from Western Area Power Administration (WAPA), Walter Scott #4 (MidAmerican Energy WS#4), and North Iowa Electric Cooperative Association (NIMECA). The change in the PCA from year to year is primarily caused by increases in the cost of generation. Changes in the PCA from month to month are caused by the consumption patterns of AMU's customers.

How much is the PCA?

AMU's cost of wholesale power is over 55% of our total operating expenses so it is critical that AMU makes sure it recovers all of its wholesale power costs in its retail sales. The cost is collected from the customers through the electric use charge and the Power Cost Adjustment.

Rising fuel costs directly affect electricity bills because they are a pass-through expense. The PCA is an increase or decrease, depending on the cost of generating and purchasing electricity. Periods of peak energy demand caused by cold or hot weather that last only a few days can cause your utility's average power costs to increase dramatically. Other causes that affect increases are government regulations affecting coal generation, storm repair for plants and transmission lines, scheduled maintenance repairs, and open market costs for replacement power.



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2015 POWER COST ADJUSTMENT

The Fuel Cost Adjustment has been on your utility bill since January 15, 2005. AMU and other utilities have firm contracts to build a basic rate structure to cover the costs for electricity, maintaining their systems, labor, and improvements. The FCA is a variable rate that can fluctuate month to month as AMU's fuel and purchased power costs rise and fall. The fuel we talk about is coal and the transportation/handling to get it to the power plants to burn to generate power. There is also a drought adder that WAPA has for hydro generation when the Missouri River is low. 2014 was a big year for increased costs for power with EPA's Clean Air Act and two of our coal fired plants down for scheduled maintenance and improvements. Going on the open market for power has increased costs during peak power usage and lower costs during non-peak times. The FCA allows utilities to help match costs with revenues and expenses. Without it, AMU would have been selling electricity for less than it was paying. AMU uses a six month rolling average to blend the sharp increases and decreases. With your January 2015 utility bill, you might have noticed a decrease in the FCA, but the total cost of electricity remained about the same. At the October 2014 Utility Meeting, the Trustees change the name of the Fuel Cost Adjustment to Power Cost adjustment to save confusion on how fuel is involved in the cost of electricity. They raised the base rate 1.16 cents which lowers the PCA charge and added the 1.16 cents to the kilowatt charge in each class of customer to cover the increase in power costs since our last increase in 2012. Electricity is still a good value and has not increased over the years like commodities such as bread and gasoline. We appreciate your concern and AMU will continue to strive to keep its costs in line.