

# POWER COST ADJUSTMENT (PCA) EXPLANATION



CITY OF HEMPHILL  
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City Manager

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City Secretary / Accountant

# PCA INTRODUCTION

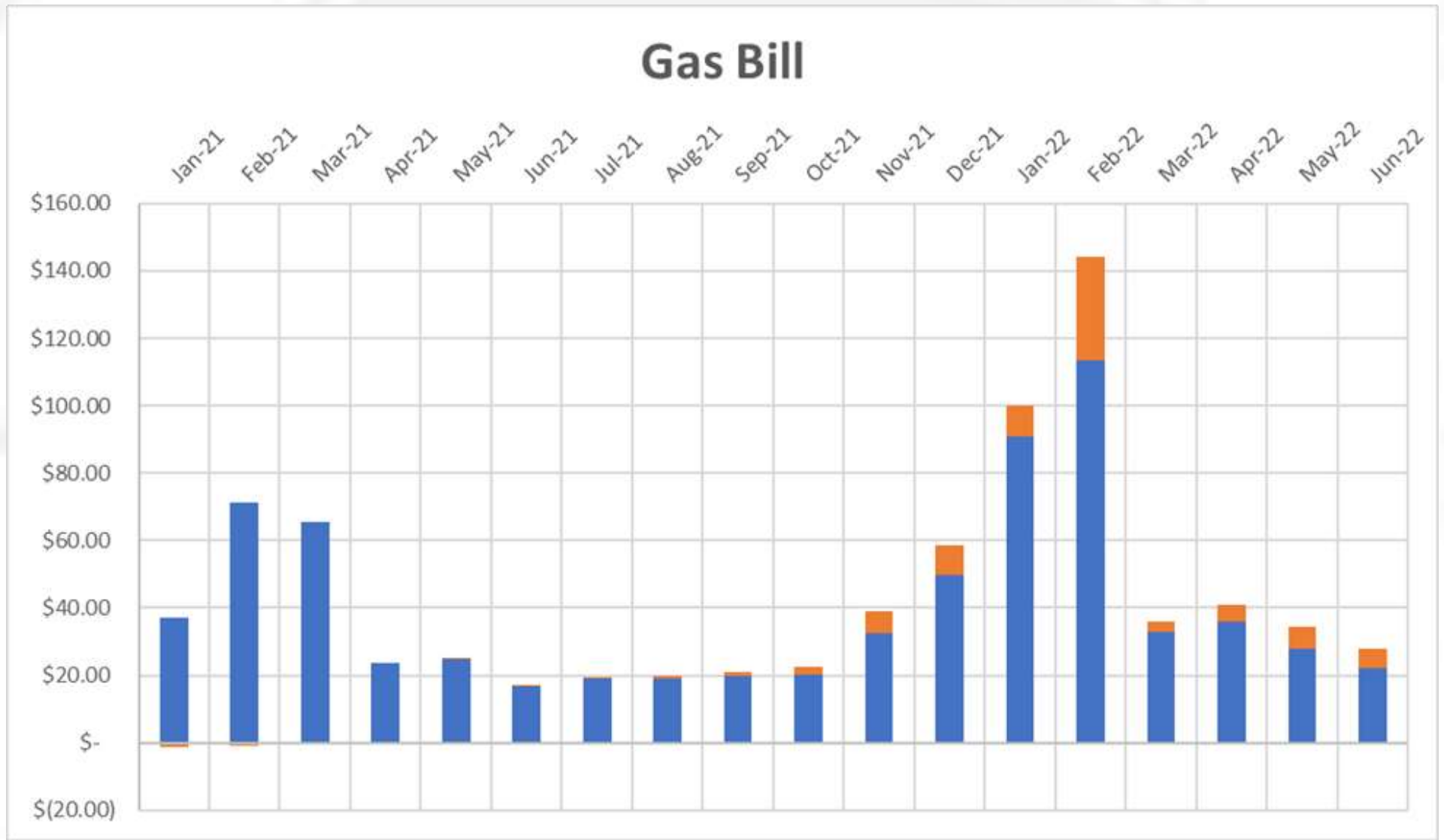
The electric and gas portion of your monthly utility bill include a PCA in the total. The city makes no additional money from the PCA; it is a direct pass-through cost. In some months the PCA is actually negative (the last time was January of 2021 for the electric PCA and April of 2021 for the gas PCA); in any case, the PCA is multiplied by the amount of kilowatt hours (KWH) of electricity you use or the cubic feet (ccf) of gas used and if it's positive it is added to your bill and if it is negative it is subtracted from your bill. Both PCA amounts are approved each month at the city council meeting and published on the agenda (available at City Hall or at [www.cityofhemphill.com](http://www.cityofhemphill.com) ).

- 6) Consent Agenda—All matters listed under Item 6, consent agenda, are considered to be routine by the city council, and will be enacted by one motion. There will not be separate discussion of these items. If discussion is desired, that item will be removed from the consent agenda and considered separately.
  - a. Approve Minutes of the January 18, 2022 Regular Meeting.
  - b. ~~Approve Accounts Payable Check Register January 2022.~~
  - c. Approve Gas Power Cost Adjustment of \$0.312 per ccf for February 2022.
  - d. Approve Electric Power Cost Adjustment of \$0.0381 per KWH for February 2022.

# PCA FOR GAS BILL

Many years ago the cost the city was being charged to purchase natural gas was used as a benchmark for planning purposes and for creating the rate the city would charge gas customers. However, natural gas is a commodity and the price fluctuates daily. To account for the variable nature of that cost and to avoid the confusion of constant rate changes every month it is industry standard for utility providers to implement a PCA or some other billing adjustment method.

The City of Hemphill's monthly Gas PCA is figured by subtracting the benchmark cost of gas from the current monthly actual cost of purchasing gas from Kinder-Morgan.



The blue bar is the amount of the average monthly residential bill with the current benchmark rate. The orange bar is the average monthly amount of the PCA charge either added or subtracted to/from the blue bar giving the total billed amount. The city's cost for gas goes up or down by the exact same amount as the PCA (orange part) of our customer's bill.

# PCA FOR ELECTRIC BILL

Many years ago the cost the city was being charged to purchase electricity from Deep East Texas Electric Cooperative (DETEC) was set contractually. That price was used as a base rate for planning purposes and for creating the rate the city charges electric customers. The cost of generating electricity fluctuates daily, mainly due to fuel (coal, natural gas, etc.) costs. To account for the variable nature of that cost, and to avoid the confusion of constant rate changes every month, it is industry standard for utility providers to implement a PCA or some other billing adjustment method. DETEC increased the city's base rate by \$0.01390 / KWH in 2009 and rather than increase rates, the city adds this to the PCA that DETEC charges the city.

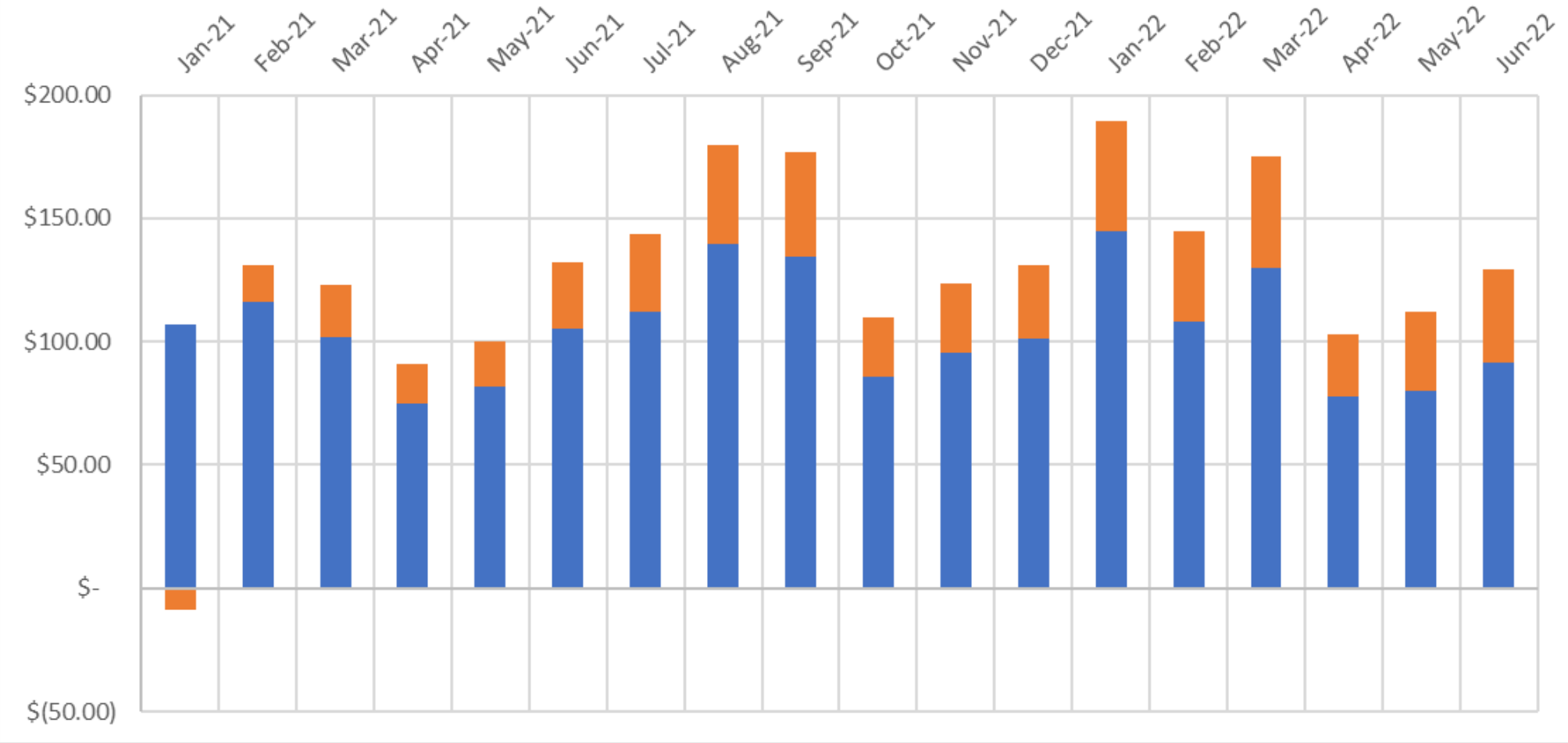
# PCA FOR ELECTRIC BILL

The City of Hemphill's monthly Electric PCA is figured by adding the DETEC PCA and the amount of the 2009 base rate change to determine the current monthly actual cost of purchasing electricity from DETEC. In the example below the city's February 2022 monthly PCA was \$0.024198 + \$0.01390 = \$0.038098 / KWH.

METER NUMBER	SERVICE PERIOD		NO. DAYS
	FROM	TO	
[REDACTED]	01/20/22	02/20/22	31
ENERGY CHARGE			
PCA @0.024198			
DEMAND:			RI
TOTAL CURRENT CHARGES			
PREVIOUS BILL AMOUNT			
THANK YOU FOR YOUR LAST PAY			
TOTAL DUE			

Example from the city's February DETEC bill

# Electric Bill



The blue bar is the amount of the average monthly residential bill with the current benchmark rate. The orange bar is the average monthly amount of the PCA charge either added or subtracted to/from the blue bar giving the total billed amount. The city's cost for electricity goes up or down by the exact same amount as the PCA (orange part) of our customer's bill.

# PCA SUMMARY

The city's Base Utility Rate for electric and natural gas service is the same every month and haven't changed in several years. However, the cost of the natural gas we purchase from Kinder Morgan and the electricity we purchase from DETEC changes from month-to-month. These price fluctuations are covered by the PCA each billing cycle. Both PCA amounts are approved each month at the city council meeting and published on the agenda (available at City Hall or at [www.cityofhemphill.com](http://www.cityofhemphill.com) ).

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