

## Revenue-Neutral Power Cost Adjustment (PCA) Shift of \$0.03

The Power Cost Adjustment (PCA) is a variable line item on electric bills that allows the City to recover the actual cost of purchased power.

- It goes up or down monthly depending on wholesale energy costs.
- It is designed to ensure the City neither profits from nor loses money on energy supply costs.
- It helps keep the base electric rate stable, while reflecting real-time market changes.

Since changing power suppliers last May, the City's average PCA has been \$0.0308 per kWh. This indicates that:

- Our current base electric rate is set below the actual cost of power, and
- A significant portion of the true cost of electricity is being collected through the variable PCA rather than through the base rate.
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A **revenue-neutral shift of \$0.03 per kWh** from the PCA into the base electric rate would:

- Increase the base electric rate by \$0.03/kWh
- Reduce the PCA by approximately \$0.03/kWh
- Keep total customer bills essentially unchanged (based on current averages)
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This is not a rate increase. It is a restructuring of how revenue is collected.

This is important because it will align the base rate with the actual cost of service, reducing customer confusion. Right now, the PCA appears high because our base rate is artificially low relative to our actual supply cost.

Additionally, many customers interpret PCA as a surcharge a penalty, or a hidden rate increase. Lowering the PCA and placing more cost into the published base rate makes bills easier to understand, improves rate transparency and hopefully reduces customer complaints during high-cost months

Again, I want to emphasize, this proposal **does not increase electric rates**. It simply shifts \$0.03 from PCA into the base electric rate to better reflect our actual cost of power. It is a structural correction, not a revenue increase.

Since we changed power suppliers last May, our Power Cost Adjustment has averaged just over three cents per kilowatt hour. That tells us something important — our actual cost of power is consistently higher than what is built into our base rate.

What I'm proposing tonight is not a rate increase. It's a structural adjustment. By moving three cents from the PCA into the base electric rate, we're simply aligning our published rate with the true, ongoing cost of power.

The total amount customers pay does not change based on current averages. What changes is stability and transparency. The PCA will better reflect short-term market swings instead of carrying what has clearly become a sustained cost level.

This improves financial predictability for the electric fund, reduces customer confusion about a high adjustment line, and puts our rate structure on more solid footing moving forward.

It's a revenue-neutral correction — not an increase — and it positions us better for the long term.