

## Power Cost Adjustment

The City's electric rates include a Power Cost Adjustment Clause ("PCAC") that automatically passes through any incremental changes (increases or decreases) in the City's cost of power. The PCAC was adopted in 2006 and has served to keep the Electric Division financially sound.

The Power Cost adjustment (PCA) is calculated monthly and applied to the following month's customer bills. There are three major components to the PCA; first is the **Cost of Power** for the month. Second component is **All Retail kWh Sales** for the month and the last component is the **Base Power Cost Adjustment Factor**, which is the amount of power included in electric rates at the time of rate changes.

The PCA varies from month to month; the yearly increases in the PCA are due to recent changes in power agreements. The seasonal swings are due to higher power costs during summer peaks and the monthly swings are due to the mismatch of monthly retail kWh sales to monthly power costs, due to meter reading schedules.

Recently, City Council rolled the PCA into the base rates. The result to Geneva's electric consumer is that on the electric bill, electric usage costs will go up and power cost adjustment will go down. The net effect over a year is that the average resident is neutral.