



USAID
FROM THE AMERICAN PEOPLE



National
Association of
Regulatory
Utility
Commissioners

Line Losses – Recovery and Law

Kevin Krause, MPSC Staff

May 21, 2014

Recovery

Electricity Line Loss Recovery occurs in

- Power Supply Cost Recovery (PSCR)
- Base Rates

Power Supply Cost Recovery (PSCR)

- Originally intended for recovery of fuel and purchased electricity
- Now includes other variable items that are tied directly to fuel use
 - Lime used in coal desulfurizing
- Collected based on volume
 - \$ per kWhr

PSCR

- Specific practices for using line losses in the PSCR vary among utilities
- When the kWhr portion of the charge comes from the point of generation– no adjustment for line loss should be necessary
- When the kWhr portion comes from another source, it may be necessary to take line losses into account

Base Rates

- Include everything for the utility not covered in the PSCR
- Collected on both a fixed and volumetric basis
 - \$ per month customer charge
 - \$ per kW peak demand charge (large customers)
 - \$ per kWhr
- Revenue requirement collected based on forecasted sales

Base Rates

- If actual sales = forecasted sales
 - all the necessary revenue will be collected
- If base rates were based on purchases and generation, then a separate method for recovery of line loss would be necessary
- Therefore basing the rates on kWhr of sales to the end user implicitly collects for line loss

Base Rates – Alternative Supplier

- Some customers get electricity from an Alternate Electric Supplier (AES)
- Utility still provides for distribution
- In order to account for line loss, the AES has to increase the amount of electricity supplied to the utility.

$$\text{Delivery} = \text{Contracted} * (1 + \text{line loss factor})$$

Laws and Rules

- No specific laws or rules directly related to line losses
- Several rules that are related to factors that make up line loss
 - Not meant to be a complete list

Act 3 of 1939

- This is a picture of the MPSC website with links to Michigan Compiled Laws.



The screenshot shows the Michigan Public Service Commission (MPSC) website. The header includes the LARA logo and the text "Public Service Commission Department of Licensing and Regulatory Affairs". The navigation bar contains links to "Michigan.gov Home", "MPSC Home", "Sitemap", "Contact MPSC", and "FAQ". A search bar is located on the right. The main content area is titled "Laws, administrative rules, guidelines & decisions" and is divided into three sections: "Laws", "General", and "Electric".

Laws

- [Carriers By Water Act 246 of 1921](#)
- [Do Not Call List PA 612 of 2002](#)
- [Gas Storage Laws](#)
- [Michigan Constitution - 1963](#)
- [Motor Carrier Safety Act](#)
- [Oil, Gas and Brine 483 MCL](#)
- [Public Utilities Laws 460 MCL](#)
- [Telephone, Telegraph and Radio 484 MCL](#)

General

- [Billing Practices Applicable to Non-Residential Electric and Gas Customers R 460.1601-460.1640](#)
- [Consumer Standards and Billing Practices for Electrical and Gas Residential Service R 460.101 - 460.169](#)
- [Electrical Supply and Communication Lines and Associated Equipment R 460.811 - 460.815](#)
- [Filing Procedures for Electric, Water, Steam, and Gas Utilities R 460.2011 - 460.2031](#)
- [Mergers and Acquisitions R 460.301 - 460.303](#)
- [Preservation Of Records Of Electric, Gas, And Water Utilities R 460.2501 - 460.2582](#)
- [Residential Conservation Program Standards R 460.2401 - 460.2414](#)
- [Rules of Practice and Procedure R 460.17101 - 460.17701](#)

Electric

- [Animal Contact Current Mitigation \(Stray Voltage\) R 460.2701 - 460.2707](#)
- [Electric Interconnect Standards and Net Metering Standards R 460.601 - 460.656](#)
- [Rate Case Filing Requirements for Major Electric Utilities](#)
- [Service Quality and Reliability Standards For Electric Distribution Systems R 460.701 - 460.752](#)
- [Technical Standards for Electric Service R 460.3101 - 460.3908](#)
- [Underground Electric Lines R 460.511 - 460.519](#)
- [Uniform System Of Accounts For Major And Nonmajor Electric Utilities R 460.9001, 460.9109](#)

Emergency Management

Shutoffs

- Act 3 of 1939
 - 460.9c – Active Duty Military
 - 460.9q – Conditions and Reasons
 - 460.9r – Municipal Utilities
 - 460.9s – Postponement of shutoff

Unauthorized Use

- Act 3 of 1939
 - 460.9d
- State Bill 1311 and State Bill 1312 – Sets forth penalties for theft
 - It is a felony to steal, attempt to sell, or transfer electricity or natural gas service
- State Bill 1310 – Holds landlords responsible for theft on their property

Theft Related Charges - Example

In addition to potential prosecution, energy thieves can be charged the following fees or penalties to have their service legally restored.

- Pole Reconnect Charge: \$25
- Equipment Tampering Charge (per occurrence): \$50
- Unauthorized Energy Use Charge: \$50
- Investigation Fee: As determined by our Revenue Protection Dept.

Any arrears from previous sites may be required to be paid prior to restoration of service, in addition to a deposit and possible fees.

Metering Inaccuracies

- Rule 309. (1) An adjustment of bills for service for the period of inaccuracy shall be made for over registration and may be made for under registration under any of the following conditions:
 - (a) If a meter creeps.
 - (b) If a metering installation is found upon any test to have an average inaccuracy of more than 2.0%.
 - (c) If a demand metering installation is found upon any test to have an average inaccuracy of more than 1.0% in addition to the inaccuracies allowed under R 460.3609.
 - (d) If a meter registration has been found to be inaccurate due to apparent tampering by a person or persons known or unknown.

Questions?