

PRICE REGULATION & ACCOUNTING:

Natural Gas and Electric Utilities in Iowa

NARUC Energy Regulatory Partnership Program

The Public Services Regulatory Commission of Armenia
and The Iowa Utilities Board



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ELECTRIC AND GAS BASE RATES

What's Included:

- Customer Charge
- Rate Base
- Income Statement
- Return on Investment



Electric and Gas Base Rates cont ...

What's Not Included

Electric

- Fuel Costs (EAC)
 - Coal, Gas, Wind
- Energy Efficiency Costs

Gas

- Fuel Costs (PGA)
 - Gas Costs
 - Transportation Costs
- Energy Efficiency Costs



GAS BASE RATES

PURCHASE GAS ADJUSTMENT (PGA)

- Allows recovery of the cost of gas supplied to system customers.
- Allows for automatic passthrough of projected gas costs each month.
- Charges set by FERC.
- PGA factors are set annually.
- Annual reconciliation.



PGA cont ...

$$PGA = \frac{(C \times R_c) + (D \times R_d) + (Z \times R_z) + R_b + E}{S}$$

- S = Anticipated yearly gas sales volume for each customer class.
- C = Volume of gas purchased to meet Sales.
- R_c = Weighted average of prices or rates to be in effect annually.
- D = Total volume of applicable reservation charges.
- R_d = Weighted average of reservation charges.
- Z = Total quantity of storage service purchases required to meet Sales.
- R_z = Weighted average of storage service rates to be in effect annually.
- R_b = Adjusted amount necessary to obtain the anticipated balance for the remaining PGA year. Can be added to PGA factor monthly.
- E = Per unit over or under collection from the previous PGA period. Certain over-collections are refunded directly to customers.



PGA cont ...

- PGA factor or rate can be filed each month by utility and is put into effect immediately.
- Rate is set by formula and is separate charge to customers.
- Rate is a dollar amount per dekatherm (example - \$0.4730/dth).



ELECTRIC BASE RATES

ELECTRIC ADJUSTMENT CLAUSE (EAC)

$$E_0 = \frac{EC_0 + EC_1}{EQ_0 + EQ_1} + \frac{A_1}{EJ_0 + EJ_1}$$

E_0 = Automatic Energy charge to be used in billing customers to 0.001¢/kWh.

EC_0 = Estimated expense for energy in the current month.

EC_1 = Estimated expense for energy in the prior month.

EQ_0 = Estimated electric energy consumed in the current month.

EQ_1 = Estimated electric energy consumed during the prior month.

A_1 = Beginning of the month EAC balance for the month of estimated consumption.

EJ_0 = Estimated electric energy to be consumed in the current month.

EJ_1 = Estimated electric energy consumed during the prior month.



EAC cont ...

- First instituted in early 1970's to address volatility in fuel prices.
- Allows utility to recover fuel costs from customers on a monthly basis outside of a rate case.
- Based on two estimated months and the immediate actual prior month. Estimated months are reconciled when actual numbers are available.
- Difference in estimated to actual are applied an over/under account that offsets EAC value.
- Utilities file two months of cost data yearly for Board review. Months are chosen by Board and change annually.
- Iowa has one investor-owned utility that uses an EAC and one that does not.



DIFFERENCES BETWEEN ELECTRIC AND GAS

Exclusive Service Territories

Gas – No

Electric - Yes



Weather Normalization

Gas- Yes

Electric - No



QUESTIONS?



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