

# **EXPLANATION OF AMHERST'S POWER SUPPLY COST ADJUSTMENT**

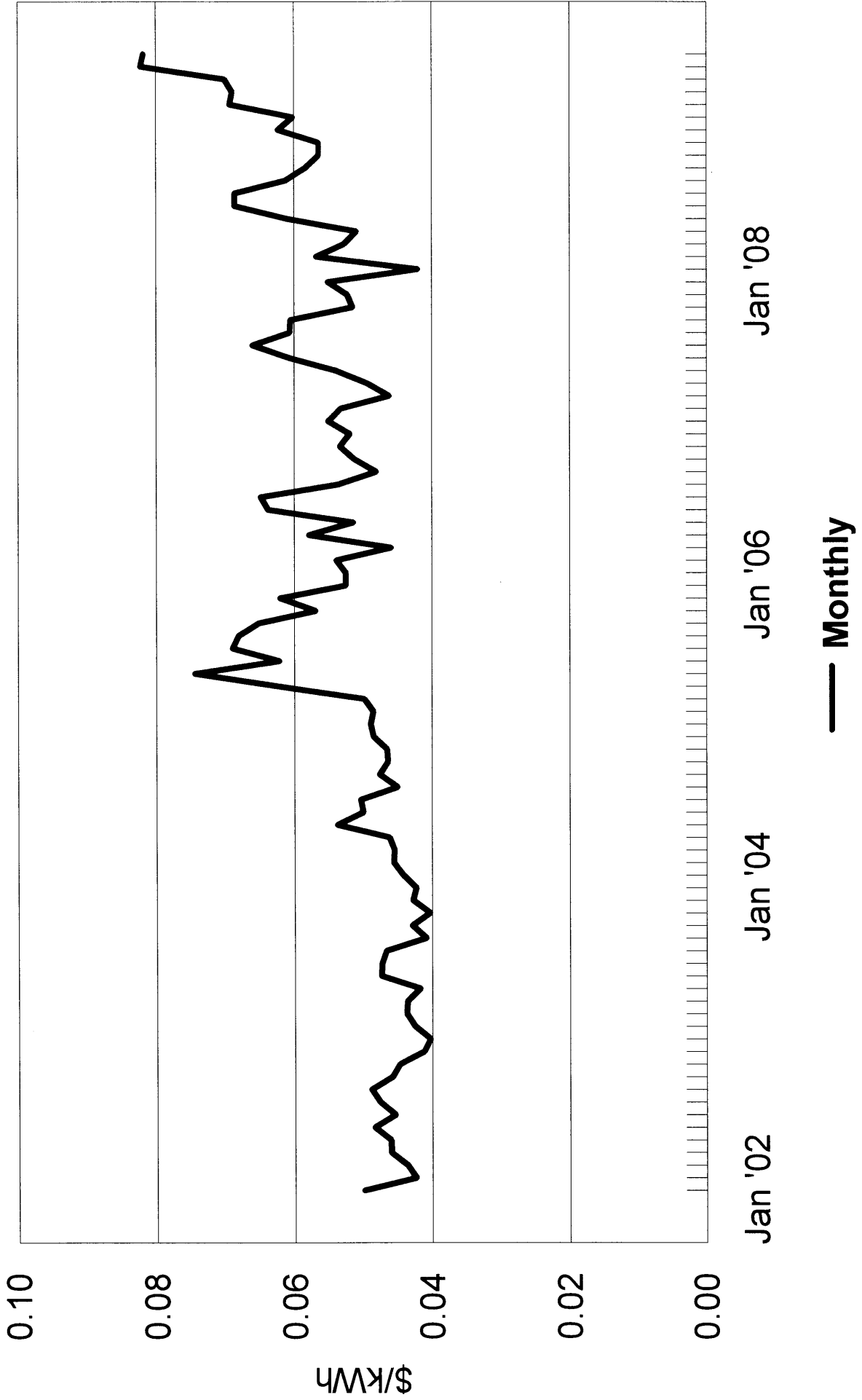
The City of Amherst owns and operates an electric distribution system that provides electric service to homes and businesses located in and around the City. The City's Electric System receives power and energy from a number of different power supply sources through a pooling arrangement with other municipalities located in northeastern Ohio, which is managed by the City's power supply agent American Municipal Power (AMP). These power supply sources include hydroelectric power generated at the Niagara Falls Generating Station in New York, power generated at a coal-fired power plant located near Marietta, Ohio known as the Richard H. Gorsuch Station, and power purchased from a number of other sources.

Due to the nature of the City's power supply arrangements, the City's cost of power fluctuates up and down from month to month, as indicated on the attached graph. In order to accommodate these fluctuations in power supply costs, the City's electric rates include a provision that allows the rates to automatically adjust for increases, or decreases in the City's power supply costs. This provision is referred to as the Power Supply Cost Adjustment (PSCA), which is reflected on the customer's bills. The PSCA only recovers increases in power supply related costs, and does not provide additional revenues for other operating costs.

The PSCA is determined each month by subtracting the base power supply costs that is being recovered through the City's base electric rates, which is referred to as the Base Power Supply Cost (BPSC), from the City's running 3-month average power supply cost, and then multiplying the difference by 110%. The 110% adjustment is to compensate for the losses in the system. The City only sells about 90% of the energy it receives. The other 10% reflects unbilled losses in the system, which includes losses in transformers and conductors and unbilled services, such as street lights, municipal facilities, etc.

Attached is a recent calculation of the monthly Power Supply Cost Adjustment. Also attached is a copy of Rider "A", which is the Power Supply Cost Adjustment Applicable to City's Electric Rate Schedules.

# City of Amherst, Ohio AVERAGE POWER SUPPLY COST



(1) Effective with the January 2002 usage month, power supply cost includes an allowance for recovery of OMEGA JVZ capital costs over 10 years at an assumed 5 percent interest rate (\$23,568.75/mo.).

# COURTNEY & ASSOCIATES

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09/24/2009

Mr. Ron Merthe  
Superintendent of Utilities  
480 Park Avenue  
P. O. Box 470  
Amherst, Ohio 44001

Subject: Purchased Power Cost Adjustment to be Applied to October 1, 2009 Billings

Dear Ron:

A Purchased Power Cost Adjustment factor of \$ 0.042277 is to be applied to the October 1, 2009 billings. This month's purchased power cost factor is to be applied to each consumer's bill in addition to the base rates.

The derivation of this month's Purchased Power Cost factor is shown in the following tabulation:

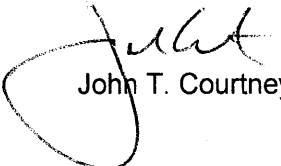
Running 3-Month Purchased Power Cost - all sources . . . . .	\$	2,125,846.77
Running 3-Month Power Cost per kWh( 27,103,850 kWh)	\$	0.078433
Less Amount Included in Base Rates . . . . .		<u>0.040000</u>
Increased Cost Above Base . . . . .	\$	0.038433
Plus Losses @ 10% . . . . .		<u>0.003843</u>
Current Month's Adjustment Factor . . . . .	\$	0.042277

Also, the monthly outdoor security lighting rate is to be adjusted as a result of this month's purchased power cost adjustment. The adjusted rate to be applied this month is shown in the following tabulation:

Lamp Wattage	Base Rate	Purch. Pwr. Cost Adj.	Total Rate To Be Applied
175	\$ 7.00	\$ 3.17	\$ 10.17

If you have any questions, please call.

Very Truly Yours,

  
John T. Courtney

DETERMINATION OF MONTHLY POWER SUPPLY COST ADJUSTMENT FACTOR

Usage Month	Net kWh Delivered (a)	Power Supply Cost (b)	Running 3-Month Totals kWh (c)	Cost (d)	Running 3 Month Average Cost (e)	Base Power Supply Cost (f)	Difference (g)	PSCAF (h)
Jan '09	10,465,951	\$ 652,674.55	29,557,085	\$ 1,729,104.65	0.058501	\$ 0.040000	\$ 0.018501	0.020351
Feb '09	8,731,028	525,209.95	29,521,568	1,760,123.52	0.059622	0.040000	0.019622	0.021584
Mar '09	8,917,191	618,319.99	28,114,170	1,796,204.49	0.063890	0.040000	0.023890	0.026279
April '09	8,101,733	558,879.67	25,749,952	1,702,409.61	0.066113	0.040000	0.026113	0.028724
May '09	8,155,009	571,395.81	25,173,933	1,748,595.47	0.069461	0.040000	0.029461	0.032407
June '09	9,006,446	740,812.72	25,263,188	1,871,088.20	0.074064	0.040000	0.034064	0.037470
July '09	9,942,395	813,638.24	27,103,850	2,125,846.77	0.078433	0.040000	0.038433	0.042277

(1) Effective with the January 2002 usage month, power supply cost includes an allowance for recovery of OMEGA JV2 capital costs over 10 years at an assumed 5 percent interest rate (\$23,568.75/mo.).

ELECTRIC UTILITY DEPARTMENT OF  
CITY OF AMHERST, OHIO

RIDER "A"  
POWER SUPPLY COST ADJUSTMENT  
APPLICABLE TO CITY'S ELECTRIC RATE SCHEDULES

APPLICABILITY: The Power Supply Cost Adjustment set forth herein shall apply to the City's Electric Rate Schedules that are subject to this Rider "A". The applicable adjustment shall be applied to the Total kWh Billed to Consumer for the meter reading period that City determines as most nearly corresponding to the meter reading period(s) set forth in City's purchased power billings from its supplier(s).

BASE POWER SUPPLY COSTS: The rates and charges set forth in City's Rate Schedules are based on the cost of City's power requirements as furnished by American Municipal Power-Ohio (AMP-Ohio). The Base Power Supply Cost included in City's Rate Schedules is \$0.040000 per kWh.

MONTHLY DETERMINATION OF POWER SUPPLY COST ADJUSTMENT: Each month the City's Power Supply Cost adjustment shall be determined as follows:

- (a) The City's Running Three Month Average Power Supply Cost per kWh shall be determined to 6 decimal places by dividing (1) the sum of the previous two month's and current month's total purchased power billings from all suppliers, including costs associated with ownership and operation of generating facilities owned in whole, or in part, by the City, wheeling charges and AMP-Ohio Service Fees, by (2) the total energy delivered to City in the previous two month's and the current month.
- (b) The Base Power Supply Cost of \$0.040000 per kWh shall then be subtracted from the Running Three Month Average Power Supply Cost determined in (a) above.
- (c) The Power Supply Cost Adjustment per kWh shall be determined by multiplying the differential derived in (b) by 1.10 to compensate for City's Distribution System Losses. The result should then be rounded out to the nearest 0.10 mill (\$0.0001) per kWh.

The above adjustment shall be applicable to the Security Light Charges, as set forth in Schedule "SL".

Authorized by the Service Director on November 25, 2008.

EFFECTIVE: For all bills rendered after February 1, 200<sup>9</sup>.