



## What is a PCAF?

The Power Cost Adjustment Factor (PCAF) is a charge on a ratepayer's electric bill which reflects an adjustment for the actual cost of wholesale power during each billing period – above or below RCMU's base rate.

## Why is a PCAF necessary?

In order to generate the electricity you consume, RCMU has a mix of short term and long term fixed priced power contracts, with the remaining balance of our portfolio supported by our wholesale power operator, California Independent System Operator (CAISO). The CAISO obtains electricity from many different sources, including natural gas, hydro, nuclear, wind and solar.

The CAISO electricity market is still highly reliant on natural gas as a resource, therefore, the recent price volatility in the natural gas market led to an increase in the CAISO electricity prices.

RCMU has reached a point where the increased market costs can no longer be absorbed. The PCAF is designed as a pass-through cost to the customer and RCMU will only collect what is necessary to recover our energy costs and nothing more.

## How is my total PCAF calculated?

The Power Cost Adjustment Factor (PCAF) is expressed as cents per kWh and is multiplied by the energy (kWh) used during each billing period to each customer.

The PCAF is designed to be calculated monthly based on actual power supply costs using the most recent (two-month lag) from when the wholesale costs occurred to when billed. This formula charges all RCMU customers equally for the increase or decrease in the cost of generating electricity, based on fluctuating costs.

The PCAF Adjustment shall be calculated according to the following formula:

$$\text{PCAF} = ((P/S) + L) - B$$

**P** = Wholesale power supplier costs

**S** = Number of kilowatt-hours used during the same time period as factor "P"

**L** = System annual average losses (5.6%)

**B** = This amount reflects the average cost of power per kilowatt-hour sold and recovered through base retail rates (\$0.0807).



### **What does the “Wholesale power supplier costs” include?**

The costs of power supply include, but not limited to: power production, power purchases, transmission, losses, CAISO fees, capacity, renewable energy, environmental allowances, and dispatch & scheduling; reduced by third party power sales revenue.

### **Do other electric utilities use a PCAF?**

Yes! Wholesale power cost is one of RCMU’s largest expense and the PCAF is a passthrough from the wholesale power bill to our ratepayer’s bills. In fact, all energy suppliers have a monthly adjustment for fluctuating fuel costs related to power production. The terminology may vary and can also be referred to as a “Wholesale Power Adjustment”, “Fuel Cost Adjustment” or “Power Charge Indifference Adjustment”.

### **How is the PCAF going to affect my bill?**

While wholesale power costs remain high, you will see an increase to your bill. We are unable to forecast what that estimated cost will be since it will be based on current market rate conditions.

### **Will the PCAF charges be a line-item on my bill?**

Yes, the charge is reflected as a line item on your bill as Power Cost Adjustment Factor.

### **Will the PCAF ever decrease and when?**

Unfortunately, RCMU cannot predict the market fuel cost with our wholesale operator, but we are hopeful that the market will correct itself and stabilize to reduce wholesale rates, which would reduce the PCAF. As a not-for-profit utility, RCMU only collects what is necessary to recover our costs.