

FOR IMMEDIATE RELEASE

Monday, March 6, 2023

Olive Hill, Kentucky – The City of Olive Hill Utilities billed a PCA (price cost adjustment) of .1227 per KWH on the February 2023 customers' bills. This resulted in most customers having a PCA on their bill that was higher than the regular billing line on their February bills.

The AEP estimated invoice is received on the last day of the month just in time to complete the PCA calculation and apply to that month's bills.

The PCA calculation is performed monthly from the Estimated Invoice received from AEP for the current month, as well as comparing the estimate from the prior month to the actual invoice received for that month. This calculation is a strict formula and is independently calculated by two employees and verified for accuracy each month. The definition of the PCA from the City's Electric Utility Service Ordinance (2013-03) is,

“The Power Cost Adjustment (PCA) is applicable to all Residential, Commercial and Industrial customers and adjusts the rates therein for changes in the cost of wholesale power purchased. The changes in wholesale power cost are equal to the current cost of wholesale power per kWh sold less the average cost of power included in the currently effective rates. The PCA is determined on a monthly basis and will both increase and decrease consistent with the changes in wholesale power cost.”

The extraordinary costs on the City's February bill from AEP was a Fuel Adjustment Cost for December 2022. The Attorney General's office provided a description of the Fuel Adjustment Cost to the City today,

“The Fuel Adjustment Clause (FAC) is a mechanism that permits jurisdictional utilities to regularly adjust the price of electricity to reflect fluctuations in the cost of fuel, or purchased power, used to supply that electricity.”

The City immediately reached out to AEP to check the accuracy of the February bill to the City and were told it was accurate. The City also asked for an explanation and was given this response from AEP:

“The actual fuel rates for December are higher than normal due to Winter Storm Elliot. The costs associated with Winter Storm Elliot, Dec. 22nd through 27th, equated to ~50% of the PJM costs and ~36% of the coal costs for the entire month.”

The City has spoken to the state Attorney General's office today and they are reviewing the billing received from AEP as part of their ongoing review of Kentucky Power's use of the Fuel Adjustment Clause. The City also reached out to Vanceburg Utilities who are on the same contract and they received the same extraordinary Fuel Adjustment Cost on their billings.

Olive Hill Mayor, Jerry Callihan, said “To say that the staff was shocked by the AEP bill would be an understatement. Not only for the amount that will have to be paid to AEP by the City, but that it would so dramatically affect the customers' bills. Our residents have already used the Community Action Agency's funds to help with the high January bills. We are truly concerned and looking into anything that may help.”