FUEL ADJUSTMENT CLAUSE

Q. What is the fuel adjustment clause?
The Fuel Adjustment Clause (FAC) is a mechanism that permits jurisdictional utilities to regularly adjust the price of electricity for fluctuations in the cost of fuel or purchased power used to supply that electricity.

Q. Does the fuel adjustment change with the price of gas?
It has nothing to do with the cost of gasoline. The fuel charge recovers a portion of the costs incurred by our power supplier for coal and natural gas to operate its electric plants and their costs to buy power from the market.

Q. Why does it go up and down so much?
Costs for coal, gas, and purchased power vary, along with the weather. Changes in weather will dramatically change the amount of fuel needed to generate power and the fuel charge.

Q. Does anyone check to make sure the fuel charge is accurate?
Yes. The monthly fuel adjustment charge filings are reviewed by the Kentucky Public Service Commission (PSC) for accuracy. A more detailed review is conducted every six months. At this time, the PSC may disallow earlier charges because of factors such as improper calculations or improper fuel procurement practices, and the order rate decreases accordingly. A final review occurs at two-year intervals and results in a resetting of the baseline fuel cost if necessary.

Q. How does the Public Service Commission know if the fuel adjustment accurately reflects fuel costs for a utility?
Utilities are required to fully document all of their fuel costs. This includes submitting fuel purchase contracts and other materials to the PSC. Based on that information, the PSC may determine whether or not a utility has done everything it reasonably can to keep fuel costs as low as possible while maintaining a reliable fuel supply.

Q. What else explains the differences I see compared to months last year?
Check electric usage in the months being compared. Because you typically use more electricity in the winter and summer than in the fall or spring, your fuel charge will generally be higher around the hottest and coldest months.

Q. Who decides what the charges are?
Our power supplier uses a formula approved by the PSC. Every penny goes directly to our power supplier to pay for their actual cost of fuel and purchased power.

Q. Is there anything I can do?
Absolutely. Homes can have leaks in ductwork and places where outside air gets in. Fixing those problems can reduce energy consumption. By being more energy efficient, you can help to reduce the fuel charge.

Q. What is the benefit of having a fuel adjustment clause?
Fuel costs make up a significant portion of the cost of generating electricity. Fuel prices, including the price of coal, can fluctuate widely over relatively short periods, as can the price of purchased power. A fuel adjustment allows the customer to pay only the directly incurred fuel costs and allows the utility to recover the actual costs more timely. The fuel adjustment enables utilities to reflect those fluctuations in their electric rates without having to request changes in their base rates. Without the fuel adjustment, utilities would likely be required to file for more frequent adjustments in their base rates, and the changes in base rates would be greater.

Environmental Surcharge

Q. What is the Environmental Surcharge?
A. The Environmental Surcharge Rate mechanism is adjusted monthly to recover charges related to environmental compliance of Federal Environmental Regulations such as the Coal Combustion Rule and the Effluent Limitations Guidelines, which are approved by the Kentucky Public Service Commission (PSC).
.

Q. What equipment is needed to comply with EPA rules?
A. The surcharge reflects the cost of equipment and other expenses our power supplier incurs as it complies with Environmental Protection Agency (EPA) regulations on power plant emissions. Our power supplier has installed expensive equipment like scrubbers. The surcharge covers operation and maintenance of this equipment, and other environmental costs.

Q. Is the charge from my co-op?
A. No. The charge is a pass-through from our wholesale energy supplier, Big Rivers Electric Corporation (BREC). Every penny goes directly to Big Rivers to pay its actual cost to comply with Federal Environmental Regulations.

Q. Who decides what my surcharge is?
A. It is based on a formula approved by state regulators. BREC bills our co-op, and then those costs are passed to our Members. State regulators make sure only proper expenses are included.

Q. What goes into the formula?
A. Each month, environmental costs are divided by the 12-month average revenues of the co-op. This produces a surcharge billing factor that is stated as a percentage. This surcharge billing factor is applied to the wholesale power bill of the co-op and then passed on to end-use Members.

Q. Is the EPA Clean Power Plan going to cause it to increase a whole lot more?
A. These complex and massive EPA regulations will likely put strong pressure on electricity rates to increase. We are working closely with our power supplier to find the right path to compliance that imposes the least cost on our members.

Q. Why does the surcharge go up and down?
A. It varies because revenues fluctuate with the weather and environmental costs change. An additional adjustment takes care of over- or under-collections of the surcharge.

Q. Will it ever be taken off the bill?
A. With the EPA regularly passing new regulations, the surcharge will probably be in effect for a long time.

Q. Can I lower the environmental surcharge?
A. The surcharge varies each month and applies to the total bill. One way to contain the amount you pay toward the surcharge is to reduce your electric consumption.

Non-FAC PPA

Q. What is the Non-FAC PPA?
A. The Non-FAC PPA stands for Non-Fuel Adjustment Clause Purchased Power Adjustment.

Q. What is the purpose of the Non-FAC PPA?
A. The Non-FAC PPA allows for recovery of certain costs of purchased power that are not recoverable through the fuel adjustment clause.

Q. How often does the rate change?
A. The rate changes annually in September and stays consistent for one year.

Q. Is this always a charge?
A. The rate could be either a charge or refund to Members (customers).

Member Rate Stability Mechanism

Q. What is the Member Rate Stability Mechanism (MRSM)?
A. The Member Rate Stability Mechanism is a method to return revenues from our power provider (Big Rivers Electric) to Members (customers) in a quick and seamless way.

Q. When was the Member Rate Stability Mechanism (MRSM) developed?
A. The mechanism has been in existence since July 2009. Since that time, it has been used to return credits on Member (customer) bills. The most recent modification was in Kentucky Public Service Commission Case Number 2020-00064.

Q. How is the Member Rate Stability Mechanism (MRSM) funded?
A. When Big Rivers Electric makes over a certain amount of revenue in a given year, those “excess” revenues are returned to their Member-Owners (customers) as bill credits in the next year.

Q. How much has been returned to the Members (customers) through the MRSM?
A. From 2009 through 2023, approximately $321 million has been returned by Big Rivers Electric to Members as bill credits through the MRSM.