

## **PURCHASED POWER ADJUSTMENT**

We are often asked what this charge is on your electric bill. The Village is billed each month for the kwh sold, demand, and wheeling and transmission charges (the cost of delivering power to the Village). The Village receives its power from two sources. The first source is hydroelectric power from the New York Power Authority's Niagara Project\*, which is one of the lowest cost sources of power in the country. We have a maximum demand of 4,469 KW that we can receive from this source. If we exceed this demand, we have to purchase the balance (the second source, which we call incremental power) through a joint action agency that the Village participates with other municipal electric systems, the New York Municipal Power Agency. This source of power is three times more expensive than the hydropower. The Village usually exceeds the hydro demand during the months of November thru April.

Your base rate basically covers a portion of the cost of hydropower and all other costs that are needed to run the Dept., which is what we consider the base cost of power. Once we exceed this base cost, the remainder is billed through the PPA. This obviously is much greater during the months of November thru April, since we have to purchase power through the more expensive source.

In addition, the Village purchases special contracts, called TCC's, that mitigate excessive charges that the New York Independent System Operator can assess the Village when congestion in the grid occurs. These contracts are added as riders to the Purchase Power Adjustment.

Example:

Village's Total Power Bills for the month from suppliers:	\$100,000		
Divided by:		=	\$0.04
		_____	
Total kwh sold to the Village during the month:	2,500,000		
Less the Base Cost of Power			\$0.012556
			_____
<b>PPA (which is the difference)</b>		<b>=</b>	<b>\$0.027444</b>

\*In accordance with a license from the Federal Energy Regulatory Commission (FERC), municipal electric systems are entitled to 40% of the power generated by the New York Power Authority's hydro-electric plant at Niagara Falls.