

## **What is the Purchase Power Adjustment (PPA)**

The PPA is a calculated rate that allows the utility to collect the difference between the “base cost of power” included in the tariff and the actual cost of power paid by the utility each month, which includes transmission and State surcharges.

## **Why does a Municipal Electric Utility (MEU) have to pay for transmission and wholesale power?**

MEUs generally do not generate their own electricity, so to supply power to its customers, the MEU must purchase the power. MEUs have a contract with the New York Power Authority (NYPA) for an allotment of low-cost hydro power generated by the Niagara Project. However, in months where customer power use exceeds the allotment, additional power is purchased from the market.

## **Where does supplemental power come from?**

Supplemental power is purchased from the New York Municipal Power Agency (NYMPA). This power is purchased from the open market, and its cost fluctuates based on current market conditions.

## **How does the power get to the MEU?**

The power travels to an MEU through transmission lines. These transmission lines are owned by utilities throughout New York State, such as National Grid and NYSEG. An MEU must pay the utility to get the power into the Village, Town, City, etc.

## **What other charges are included in the PPA?**

The PPA also includes State imposed surcharges, like RECs and ZECs. The MEU calculates the PPA for each month, and files the rate with the public service commission in advance of it being applied to customer bills. These statements are publicly available online.

## **Why is the PPA so high some months?**

In addition to market conditions, the PPA fluctuates with the seasons. During the winter months, from November to April, usage tends to be higher. When more power is used throughout the MEU, it can cause usage to exceed the allotment of hydro power from NYPA. Basically, the colder it is, the more supplemental market is needed. In addition, the colder it is, the more expensive that power is. This causes

the total purchased power costs to be higher, resulting in a higher PPA rate. In addition, each customer bill is higher, because their usage is typically higher as well.

**Does the MEU profit from the PPA collected?**

No, the MEU does not profit from the PPA dollars collected from customers. The PPA is a direct recovery of purchased power costs.