



ENERGY COST ADJUSTMENT

The Energy Cost Adjustment permits the monthly adjustment of rates for the costs of energy incurred in supplying electricity to retail customers. All residential and general service rates are subject to the Energy Cost Adjustment. In applying the Energy Cost Adjustment, the applicable rate per kWh shall be increased or decreased by the amount of the current Energy Cost Adjustment. The following definitions and procedures will be followed in calculating the monthly Energy Cost Adjustment.

Definitions

Energy Cost Adjustment - the amount per kWh by which the applicable rates shall be adjusted for billing in each month.

Energy Costs - those costs incurred in supplying retail and wholesale electricity. Such costs include fuel burned, energy costs associated with firm power purchases, net interchange power costs, and costs associated with other temporary power transactions. The cost of fuel burned shall include the delivered cost of fuel (base cost, escalations, premiums/penalties, transportation, demurrage), outside lab fees and other outside costs related to fuel procurement, and fuel additives such as freeze proofing.

Over/Under Recovery - the difference between actual Energy Costs for prior months and the amount of energy cost recovered by means of the Base Cost of Energy and the Energy Cost Adjustment. The Over/Under Recovery shall be added to the Energy Costs for purposes of computing the Energy Cost Adjustment for each month. Energy costs will be offset with wholesale revenues.

Base Cost of Energy - the average Energy Cost included in the energy rates of the various rate schedules. Such amount shall not be recovered by means of the Energy Cost Adjustment. The current Base Cost of Energy is \$0.047934 per kWh sold.

Procedures

Estimated Energy Cost shall be projected for a twelve-month period. Any amount of Over/Under Recovery (positive or negative) shall be added to the Energy Cost to determine the total cost basis for the Energy Cost Adjustment. The total cost basis shall be divided by the projected total retail billed sales for the twelve-month period resulting in the average energy cost per kWh. The Base Cost of Energy shall be subtracted from the average energy cost to result in the Energy Cost Adjustment.

The Energy Cost Adjustment shall be reviewed and, as necessary, revised periodically in accordance with the provisions of this schedule, but not less frequently than every twelve months.