



ENVIRONMENTAL COST ADJUSTMENT

(1) **APPLICATION**

This adjustment clause is applicable to electric service furnished under all rate Schedules incorporating Adjustment Clause EA.

(2) **ENVIRONMENTAL COST ADJUSTMENT**

There shall be added to each monthly bill for service an adjustment per kilowatt-hour (kWh) based upon the environmental cost incurred during the most recent calendar month for which actual costs are known. This adjustment per kWh, rounded to the nearest \$0.00001, will be determined as follows:

$$\text{Environmental Cost Adjustment (ECA)} = (X / Y \times Z) \pm S$$

Where: X = environmental costs for the month consisting of:

- (1) the environmental cost incurred through the Company's own plants and the Company's share of such costs in jointly owned or leased plants.

Y = the system kWh requirements consisting of:

- (1) the Company's net generation, plus
- (2) inter-system purchases, less
- (3) inter-system sales.

Z = the average system loss expansion factor determined by dividing the system kWh requirements for the last 12 months by the system kWh sales for the same period. For service at the transmission and primary voltage level, the loss factor Z will be based on the most current approved loss study value.

S = an adjustment per kWh to correct for the variance in fuel expense and fuel recovery in previous periods. This value is determined by dividing the cumulative over-recovery or under-recovery of fuel costs by the system kWh sales for the last 12 months. Over-recovery adjustments are subtractive and under-recovery adjustments are additive.