

SUPPLY COST ADJUSTMENT

(1) APPLICATION

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

(2) SUPPLY COST ADJUSTMENT

There shall be added to each monthly bill for service an adjustment based upon applicable costs during the most recent calendar month for which actual costs are known. Such monthly adjustment factor will be billed on a per kW basis for all commercial customers with demand meters, rounded to the nearest \$.001. All non-demand metered customer's monthly adjustment factor will be determined on a per kWh basis, rounded to the nearest \$.000001. Such monthly adjustment factor will be determined as follows:

$$\text{Supply Cost Adjustment (SA)} = ((S - CF) * A) / K$$

Where: **S = Applicable supply costs** for the month consisting of

1. The monthly value of non-fuel expenses related to contracts with Qualifying Facilities not included in the test year last used for establishing the Company's Base Rates, plus
2. The monthly value of Base Revenues lost due to contracts with Qualifying Facilities, plus
3. The monthly incremental costs of supply contracts approved by the Commission after 12/31/03 above the level included in existing Base Rates, plus
4. The monthly carrying charges on Production-related construction projects certificated by the Commission and included in the appropriate Construction Work In Progress accounts.

Where **CF = Correction Factor** for the month is calculated as the difference in the applicable supply costs (**S**) from the second preceding month less the revenues collected under Rider SA from the second preceding month. A positive CF reflects an under recovery of applicable monthly supply cost adjustment factor costs while a negative CF reflects an over recovery of applicable costs.

Where **A = Allocation factors** is the applicable production plant in service allocation factors as filed with the LPSC for each applicable class of service. These production allocation factors will be updated each January based on the twelve months ended September from the prior calendar year.

Where **K = Applicable Billing Determinants** is the applicable kW and kWh billing determinants for each customer class to which applicable supply costs under this rider have been allocated. Such billing determinants shall be from the billing month for which the applicable supply costs above have been determined.

EFFECTIVE: 6/1/2004

Supersedes: None