

ELECTRIC RATES

TRANSMISSION COST ADJUSTMENT

APPLICABILITY

All rate schedules for electric service are subject to a Transmission Cost Adjustment (TCA) to reflect the ongoing capital costs associated with transmission investment in TCA Qualified Projects that are not being recovered through the Company's base rates. The TCA amount will be subject to annual changes to be effective on January 1 of each Year.

DEFINITIONS

Over/Under Recovery Amount

The Over/Under Recovery Amount is the balance, positive or negative, of TCA revenues received less the Transmission Cost intended to be recovered each Year through the TCA.

True-Up Amount

The True-Up Amount is equal to the difference, positive or negative, between the Transmission Cost, calculated based on the projected net transmission plant and transmission construction work in progress (CWIP) balances, and the Transmission Cost calculated based on the actual net transmission plant and transmission CWIP balances.

If any projects included in the Year-end CWIP balance were placed in service sometime during the subsequent Year when the TCA was effective, then the CWIP balance will be reduced accordingly. Specifically, the component of the Year-end CWIP balance attributable to any such project will be reduced by the following:

$$\text{Year-End Project CWIP Balance} \times (\text{Number of Months Project Was in Service During Subsequent Year} / 13)$$

TCA Qualified Projects

Capital costs associated with transmission investment that results in a net increase in transmission capacity.

Transmission Cost

For the purpose of this tariff, the Transmission Cost is defined as (1) a return, equal to the Company's weighted average cost of capital, on the projected increase in the retail jurisdictional portion of the thirteen (13) Month average net transmission plant of TCA Qualified Projects for the Year in which the TCA will be in effect; (2) the plant-related ownership costs associated with such incremental transmission investment, including depreciation, accumulated deferred income taxes, income taxes and pre-funded AFUDC, and (3) a return, equal to the Company's weighted average cost of capital, on the projected Year-end transmission CWIP balance of TCA Qualified Projects as of December 31 of the Year immediately preceding the effective date of the TCA.