## B. Proposed Schedule 139 Rate

Q. Have you calculated the initial rates for electric Schedule 139 that recover allowed delivery revenue beginning in 2013?

A. Yes. Please see the Tenth Exhibit to the Prefiled Supplemental Direct Testimony of Mr. Jon A. Piliaris, Exhibit No. \_\_\_(JAP-18), at page 1, for this calculation. As shown on line 28, the initial Schedule 139 rate for electric customers will be $0.001631 per kWh. The initial Schedule 139 rate for non-residential customers will be $0.000338 per kWh.

Q. Please describe the calculation of electric Schedule 139 rates.

A. There are three primary steps in the calculation of electric Schedule 139 rates on page 1 of Exhibit No.\_\_\_(JAP-18). First, the Test Year Delivery Revenue Per Unit (“RPU”) is calculated by dividing Test Year Volumetric Delivery Revenue by Test Year Base Sales. Next, Rate Year Delivery RPU is calculated by first projecting the allowed revenue in the rate year and adjusting for the prior year’s deferrals. Schedule 139 rates are then calculated, subject to the three percent rate cap, as Rate Year Delivery RPU minus Test Year RPU. These calculations are performed separately for each rate group.

Q. How are the proposed electric Schedule 139 rates tested against the three percent rate cap?

A. This calculation is provided on page 2 of Exhibit No. \_\_\_(JAP-18). In simple terms, these calculations first determine an average rate per kWh for each rate group. This average rate includes the cost of energy supply and the then-current

**REVISED**

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