

**BEFORE THE  
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

WASHINGTON UTILITIES AND  
TRANSPORTATION COMMISSION,

Complainant,

v.

PUGET SOUND ENERGY, INC.,

Respondent.

Docket No. UG-040640

Docket No. UE-040641

**PARTIAL SETTLEMENT AGREEMENT**

In the Matter of the Petition of

PUGET SOUND ENERGY, INC.,

For an Order Regarding the Accounting  
Treatment For Certain Costs of the  
Company's Power Cost Only Rate Filing

Docket No. UE-031471

In the Matter of the Petition of

PUGET SOUND ENERGY, INC.,

For an Accounting Order Authorizing  
Deferral and Recovery of Investment and  
Costs Related to the White River  
Hydroelectric Project

Docket No. UE-032043

**INTRODUCTION**

1           This Partial Settlement Agreement ("Settlement Agreement") is entered into in order to compromise and settle all issues concerning rate spread and rate design raised in this consolidated proceeding, pursuant to WAC 480-07-730(2). This Settlement Agreement sets forth both the rate spread that the parties agree should be applied to any revenue deficiency

the Commission determines at the conclusion of litigation on contested revenue requirement issues and the rate design that will be applied to produce the total revenue requirement.

## **PARTIES**

2           This Settlement Agreement is entered into by: Puget Sound Energy, Inc. ("PSE" or "the Company"); the Staff of the Washington Utilities and Transportation Commission ("Staff"); the Public Counsel Section of the Attorney General's Office ("Public Counsel"); the Kroger Co., on behalf of its Fred Meyer Stores and Quality Food Centers divisions ("Kroger"); Seattle Steam Company ("Seattle Steam"); Industrial Customers of Northwest Utilities ("ICNU"); Federal Executive Agencies ("FEA"); AT&T Wireless Services, Inc. ("AT&T"); Cost Management Services, Inc. ("CMS"); Northwest Industrial Gas Users ("NWIGU"); NW Energy Coalition ("NWECC"); the Energy Project; and A World Institute for a Sustainable Humanity ("A W.I.S.H.") (collectively referred to hereinafter as the "Parties" and each individually as a "Party").

## **BACKGROUND**

3           On April 5, 2004, PSE filed revised tariff schedules to effect an increase in its base prices to its electric customers of \$81,600,777 (6.5%) and to its gas customers of \$47,242,425 (6.29%). The filing was based on normalized results of operations for the test period ending September 30, 2003. The Commission suspended the filing on April 28, 2004.

4           On the same day, the Commission consolidated PSE's electric and gas general rate case proceedings with Docket No. UE-031471, PSE's petition for deferral and recovery of legal and other outside costs associated with its 2003-04 power cost only rate case, and with

Docket No. UE-032043, PSE's petition for an accounting order authorizing deferral and recovery of costs associated with its White River Hydroelectric Project.

5           A prehearing conference was held in the consolidated proceeding on May 17, 2004. The Commission subsequently granted the petitions to intervene of Kroger, Seattle Steam, ICNU, FEA, AT&T, CMS, NWIGU, NVEC, the Energy Project, A W.I.S.H., and Citizens Utility Alliance ("CUA").

6           On June 3, 2004, the Company filed a motion for leave to file revised and supplemental testimonies to update PSE's original prefiled evidence in support of its electric general rate increase consistent with the Commission's orders in Docket No. UE-031725, PSE's power cost only rate case. The Commission granted the Company's motion on June 24, 2004. The Company's revised evidence purported to support an increase in its electric rates of \$82,819,884.

7           Staff, Public Counsel and other parties conducted discovery on the Company's prefiled direct testimony and tariff filing. On September 23, 2004, Staff, Public Counsel and several other parties prefiled their direct testimony responding to the Company's filings. On November 3, 2004, the Company prefiled rebuttal testimony in support of its case and other Parties filed cross-answering testimony to each other.

8           The Parties undertook settlement discussions for purposes of resolving or narrowing the contested issues in this proceeding. The Parties have reached agreement on the rate spread and rate design that should be applied to the revenue requirement that the Commission ultimately determines is appropriate in this case. Thus, the Parties have agreed to the manner in which PSE's increased revenue requirement should be allocated among the

various customer classes and rate schedules, and to the way in which PSE will recover its revenues from within its various rate schedules.

9           The Parties now wish to present their agreement for the Commission's consideration. The Parties therefore adopt the following Settlement Agreement, which is entered into by the Parties voluntarily to resolve matters in dispute among them regarding rate spread and rate design in the interests of expediting the orderly disposition of this proceeding. The Settlement Agreement is being filed with the Commission as a "Partial Settlement" pursuant to WAC 480-07-730(2).

10           The Parties understand that this Settlement Agreement is subject to Commission approval, and hereby respectfully request that the Commission issue an order approving this Settlement Agreement. In recognition that this is a Partial Settlement of this proceeding, the Parties request that the Commission hear evidence concerning their settlement of rate design and rate spread issues as part of the hearings that are set before the Commission commencing December 13, 2004, at the conclusion of the presentation of evidence on contested revenue requirements issues.

#### **AGREEMENT**

11           Rate Spread and Rate Design: The Parties agree to both the rate spread set forth in Attachment A to this Settlement Agreement to be applied to any revenue deficiency determined by the Commission in this proceeding and the rate design set forth in Attachment A to be applied to produce the total revenue requirement.

12           Peak Credit: Peak credit methodology will continue to be used in all future Power Cost Adjustment (PCA) and conservation rider adjustments that take effect prior to the

conclusion of the next general rate case. Based upon this proceeding, the peak credit shall be 86% energy and 14% demand.

13            Cost Basis: The electric rate spread is based on the cost study using the Commission basis methodology approved in Docket No. UE-920499 and the natural gas rate spread is based on Commission basis methodology approved in Docket No. UG-940814.

14            New Schedule 40: As an integral part of the agreed rate design and rate spread, but in order to avoid any dispute regarding procedural matters associated with development and notice of a new tariff schedule, the Parties agree that PSE will separately file with the Commission a proposed new Schedule 40 to be included in PSE's Electric Tariff G, in the form set forth as Attachment B. This tariff schedule will not apply to large load customers served by a dedicated feeder that otherwise can take service under Schedule 46 or 49. The Parties agree that the filed Schedule 40 should become effective after the statutory notice period and agree to support Schedule 40 in any proceedings before the Commission implementing the Parties' agreement regarding such schedule. PSE agrees to file the proposed Schedule 40 by the end of December 2004, using as placeholder figures the revenue requirement set forth in PSE's rebuttal testimony in this proceeding. The Parties intend that Schedule 40 should become effective only if this Settlement Agreement is approved and at approximately the same time as PSE's compliance filing putting into effect the new rates resulting from this proceeding. For purposes of such compliance filing, the Parties agree that the revenue loss associated with anticipated movement of customers to Schedule 40 will be recovered from Schedules 25, 26, and 31 in proportion to the revenues lost from each of those schedules.

15           Natural Gas Schedules 57 and 87: The parties agree to the proposed revised Schedules 57 and 87 to PSE's Natural Gas Tariff WN U-2, in the forms set forth in Attachment A, to be included in PSE's compliance filing for this proceeding.

16           Miscellaneous Provisions

a.           The Parties agree to support the terms and conditions of this Settlement Agreement as a settlement of all contested issues in the above-captioned consolidated proceedings regarding rate spread and rate design, including PSE's original proposal for three annual electric and gas rate adjustments purportedly to offset declining consumption. The Parties understand that this Settlement Agreement is subject to Commission approval.

b.           This Settlement Agreement represents an integrated resolution of rate spread and rate design issues. Accordingly, the Parties recommend that the Commission adopt this Settlement Agreement in its entirety.

c.           The Parties shall cooperate in submitting this Settlement Agreement promptly to the Commission for approval, and shall cooperate in developing supporting testimony as required in WAC 480-07-740(2)(b). The Parties agree to support the Settlement Agreement throughout this proceeding, provide witnesses to sponsor such Settlement Agreement at a Commission hearing, and recommend that the Commission issue an order adopting the Settlement Agreement in its entirety.

d.           In the event the Commission rejects the Settlement Agreement, accepts the Settlement Agreement upon conditions not proposed herein, or approves a rate spread or rate design which are different than recommended in this Settlement Agreement, the provisions of WAC 480-07-750(2)(a) and (b) shall apply. If for any of the foregoing reasons this Settlement Agreement is deemed rejected, the Parties agree that PSE will file its compliance

filing for this general rate proceeding based on the rate spread and rate design set forth in the Commission's order regarding this Settlement Agreement, if such order can be implemented through a compliance filing. If the Commission's order cannot be implemented through a compliance filing, the Parties agree that PSE will file its compliance filing for this general rate proceeding based on the rate spread and rate design set forth in this Settlement Agreement. In either case, the rates set forth in such compliance filing shall become effective without waiver of an objecting Party's right to request further hearings on rate spread and rate design. The Parties intend that such a compliance filing would remain in place until further proceeding on rate spread and rate design can be completed and implemented in a subsequent compliance filing. No surcharge or refunding shall result in the event a subsequent compliance filing changes the rates set forth in the initial compliance filing. In any further proceedings triggered by this paragraph, the Parties agree to cooperate in development of a hearing schedule that concludes such proceeding at the earliest possible date.

e. The Parties enter into this Settlement Agreement to avoid further expense, uncertainty, and delay. By executing this Settlement Agreement, no Party shall be deemed to have approved, admitted, or consented to the facts, principles, methods, or theories employed in arriving at the terms of this Settlement Agreement, and except to the extent expressly set forth in this Settlement Agreement, no Party shall be deemed to have agreed that this Settlement Agreement is appropriate for resolving any issues in any other proceeding.

f. This Settlement Agreement may be executed in counterparts, through original and/or facsimile signature, and each signed counterpart shall constitute an original document.

DATED: December 6, 2004

**PUGET SOUND ENERGY, INC.**

By Kimberly Harris  
Kimberly Harris  
Vice President Regulatory and Government  
Affairs

**PUBLIC COUNSEL SECTION, OFFICE  
OF THE ATTORNEY GENERAL OF  
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By \_\_\_\_\_  
Simon fitch  
Assistant Attorney General  
Public Counsel Section Chief

**KROGER CO.**

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Attorney for Kroger Co.

**ENERGY PROJECT and A W.I.S.H.**

By \_\_\_\_\_  
Ronald L. Roseman  
Attorney

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**NORTHWEST INDUSTRIAL  
GAS USERS**

By \_\_\_\_\_  
Edward A. Finklea  
Attorney for NWIGU

**INDUSTRIAL CUSTOMERS OF  
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By \_\_\_\_\_  
Bradley Van Cleve  
Attorney for ICNU

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Attorney for AT&T Wireless and CMS



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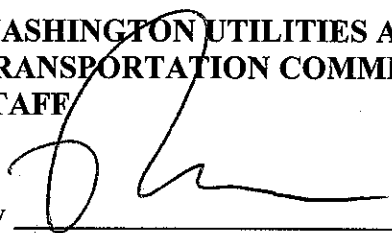
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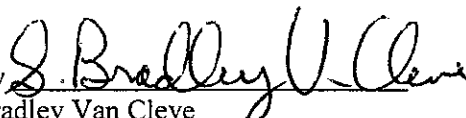
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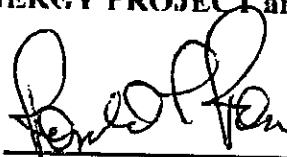
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**NW ENERGY COALITION**

**SEATTLE STEAM COMPANY**

By



\_\_\_\_\_  
Danielle Dixon  
Senior Policy Associate, NW Energy  
Coalition

By \_\_\_\_\_

[Print Name:]

Its \_\_\_\_\_

**FEDERAL EXECUTIVE AGENCIES**

By \_\_\_\_\_


Norman J. Furuta  
Associate Counsel  
Department of the Navy



**NW ENERGY COALITION**

By \_\_\_\_\_  
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**SEATTLE STEAM COMPANY**

By  \_\_\_\_\_  
Elaine Spencer  
Attorney for Seattle Steam

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By \_\_\_\_\_  
[Print Name:]  
Its \_\_\_\_\_

**FEDERAL EXECUTIVE AGENCIES**

By Norman Furuta  
Norman J. Furuta  
Associate Counsel  
Department of the Navy

## ATTACHMENT A

### RATE SPREAD/RATE DESIGN

*The following rate spread will be applied to any increase in the natural gas and electric revenue requirement as determined by the Commission in this proceeding.*

#### A. Electric Rate Spread

1. Any power cost-related increase will be spread to all customer classes except retail wheeling customers (449/459) on an equal cents per kWh basis. This value will be determined as the difference in the PCA Baseline rate resulting from the Commission order in this case and the current value of 4.6303 cents/kWh. Retail wheeling customers will not be assigned any power cost-related increase.
2. Any non-power cost increase will be spread using an equal percentage for all classes except Schedules 25 and 449/459. Schedules 25 and 449/459 will receive 75% of the average non-power cost increase.<sup>1</sup>

#### B. Natural Gas Rate Spread

1. Any gas increase will be spread to the rate classes set forth in the following table based upon the indicated percent of average increase factor using margin revenues:

	Percent of <u>Average Increase<sup>2</sup></u>
Residential	100%+ residual
C&I Heating	75%
Schedule 41	75%
Schedule 85	125%

---

<sup>1</sup> Likewise, any non-power cost decrease will be spread as an equal percentage to all classes except Schedules 25 and 459/449, which will receive 125% of the average non-power cost percentage decrease.

<sup>2</sup> Increase to water heater class will only be included in the event the Commission includes rental rate base and expense in the determination of the gas revenue requirement. In that event, the increase to the class will be 150%.

Schedule 86	100% + residual
Schedule 87/57	25%
CNG	150%

## C. Rate Design

### 1. Electric

- a. Residential Schedule 7 - retain existing structure, apply increases as follows:
  - i. Customer Charge - increase to \$5.75
  - ii. Energy Charge – uniform percentage increase to the two existing residential rate blocks.
  
- b. Secondary General Service Schedule 24 - retain existing structure, apply increases as follows:
  - i. Customer Charge - increase to \$6.50
  - ii. Energy Charge - apply remaining increase to energy and retain current seasonal differential
  
- c. Secondary General Service Schedule 25 - retain existing structure and apply class increases as follows:
  - i. Determine revenue requirement for Schedule 40.
  - ii. Apply difference in revenue collection (for customers taking service under Schedule 40, calculate recovery under proposed Schedule 40 rates vs. proposed Schedule 25 and 24) to total increase allocated to Schedule 25 and apply as noted across the following charges based on the remaining Schedule 25 billing determinants.
  - iii. Customer Charge - no increase to Schedule 25 customer charge,
  - iv. Energy Charge - apply class average increase to first energy block and no increase to second energy block
  - v. Apply twice the class average increase to the kVarh charge
  - vi. Demand Charge - apply remaining increase proportionally to seasonal demand charges subject to a customer impact test that no customers receive more than a 15% rate increase.
  
- d. Secondary Irrigation Service Schedule 29 - retain existing structure and apply class increases as follows:
  - i. Customer Charge - Schedule 29 customer charge increased to \$6.50
  - ii. Demand Charge – winter charge will be set equal to Schedule 25 winter charge and the summer charge will receive the same percent increase that the Schedule 25 summer demand charge receives
  - iii. Apply the class average increase to the kVarh charge

- iv. Energy Charge - apply remaining increase proportionally across energy blocks
  
- e. Large Secondary Schedule 26 - retain existing structure, apply increases as follows:
  - i. Determine revenue requirement for Schedule 40.
  - ii. Apply difference in revenue collection (for customers taking service under Schedule 40, calculate recovery under proposed Schedule 40 rates vs proposed Schedule 26) to total non power cost rate increase allocated to Schedule 26 and apply as noted across the following charges based on the remaining Schedule 26 billing determinants.
    - 1. Customer Charge - \$46 for Schedule 26,
    - 2. Energy Charge – set at \$0.048819 / kWh
    - 3. kVarh charge - apply increase at twice class average increase (before Schedule 40 transfer) to current kVarh rate
    - 4. Demand Charge - apply balance proportionally to the seasonal demand charges
  - iii. Apply the power cost related increase on the peak credit method
    - 1. Apply 14% to increase in demand charge
    - 2. Apply remaining increase on an equal percentage to the energy charges
  - iv. Primary voltage service to be allowed on Schedule 26 as proposed by PSE in prefiled case
  
- f. Primary General Service Schedule 31 - retain existing structure, apply increases as follows:
  - i. Determine revenue requirement for Schedule 40.
  - ii. Apply difference in revenue collection (For customers taking service under Schedule 40, calculate recovery under proposed Schedule 40 rates vs proposed Schedule 31 rates) to total increase allocated to Schedule 31 and apply as noted across the following charges based on the remaining Schedule 31 billing determinants.
  - iii. Target increase percentage (before Schedule 40 transfer) for Schedule 31 is equal to the class average increase percentage for Schedule 31 and 35 combined.
    - 1. Customer Charge - \$250 for Schedule 31
    - 2. Demand Charge - apply 1.5 times the average class increase
    - 3. kVarh charge - apply increase at twice the class average increase
    - 4. Energy Charge - apply remaining increase to energy
    - 5. Primary voltage service to be allowed on Schedule 26 as proposed by PSE in prefiled case

- g. Primary Irrigation Service Schedule 35 - retain existing structure, apply increases as follows:
  - i. Target increase percentage for Schedule 35 is equal to the class average increase percentage for Schedule 31 (before Schedule 40 transfer) and 35 combined.
    - 1. Customer Charge - \$250 for Schedule 35
    - 2. Demand Charge - apply 1.5 times the class average increase
    - 3. kVarh charge - apply increase at twice the class average increase
    - 4. Energy Charge - apply remaining increase to energy
  
- h. Large load general service Schedule 40 as set forth in Attachment B
  - i. Basic charges based on related charges for Schedules 25, 26 and 31. Production and Transmission charges based on related high voltage charges adjusted for parity and losses.
  - ii. Offered on a voluntary basis to eligible customers for initial three-year period; mandatory thereafter
  - iii. Revenue loss from customers electing Schedule 40 service will be assigned to the otherwise applicable rate schedules (customer's former schedules)
  - iv. Customer taking service at secondary and primary metering points will contribute to conservation funding, Schedule 120, at the same level as Schedule 26 and Schedule 31 respectively, until 2006, at which time Schedule 40 will be incorporated into the approved allocation methodology as a separate class. Customers shall be eligible for self-directed conservation under Schedule 258, beginning January 1, 2006. Self-directed funding levels will be subject to the same provisions as Schedule 46 / 49 customers.
  - v. Customer will contribute to low income assistance program funding (Schedule 129) at the same level as its otherwise applicable schedule (25, 26 or 31) until the next true-up period, at which time Schedule 40 will be incorporated into the approved allocation methodology as a separate class.
  - vi. Eligible customers will be notified by the Company such that they can make a choice prior to the Company completing the compliance filing in this proceeding whether to participate in this Schedule.
  - vii. The rates shaded in Attachment B are illustrative of the proposed methodology based upon the Company's rebuttal revenue requirement. The actual rates will need to be finalized upon the Commission's issuance of a final order in this proceeding.
  
- i. Interruptible Primary Service Schedule 43
  - i. Customer Charge - increase to \$250 (same as Schedule 31)
  - ii. Demand Charge - increase by class average increase

- iii. KVarh Charge – increase kVarh charge by 150% of the class average increase.
  - iv. Energy Charge - apply remaining increase to energy charges
- j. High Voltage General Service Schedules 46 and 49 - retain existing structure and apply increase as follows:
- i. The total revenue increase assigned to Schedules 46 and 49 (both power cost-related and non-power cost-related increases) will be recovered on an equal percentage basis to each schedule but the resulting rate design will have the same energy charge.
- k. Retail Wheeling Service Schedules 449/459
- i. Customer Charge - no increase
  - ii. The revenue increase assigned to Schedules 449 and 459 will be recovered through an equal percentage increase for both primary and high voltage customers and recovered through a change in the respective demand charges.
  - iii. Expand the number of decimals of resultant demand charge to accommodate (ii)
- l. Lighting
- i. Apply class average increase to all schedules and components, and equalize pole rental rates.

2. Gas

*Certain components of Schedules 57 and 87 apply to Schedules 85 and 86 as noted in the following terms.*

- a. Residential Schedule 23 - retain existing structure, apply increases as follows:
  - i. Customer Charge - increase to \$6.25
  - ii. Delivery Charge - apply remaining increase to Delivery Charge.
- b. Gas Lights Schedule 16 - increase per mantle charge while maintaining \$1.00 difference between current per mantle charges
- c. General Service Schedules 31, 36 and 51 - retain existing structure, apply increases as follows:
  - i. Customer Charge - Schedule 31 and 36 increase customer charge by 50% to \$15 and \$30 respectively, Schedule 51 increase charge to \$6.25 to retain relationship with residential schedule 23
  - ii. Delivery Charge - apply remainder on Delivery Charge.
- d. General Service Schedule 41 - retain existing structure, apply increases as follows:
  - i. Customer Charge - increase charge to \$70
  - ii. Demand Charge - no increase
  - iii. Delivery Charge - apply remaining increase on an equal percentage basis to Delivery charges
- e. CNG Service Schedule 50 - retain existing structure, apply increases as follows:
  - i. Customer Charge - no increase
  - ii. Delivery Charge - apply increase to Delivery charge
- f. Interruptible Sales Service Schedule 85 - retain existing structure and apply increases as follows:
  - i. Demand charge, procurement charge and last block (3<sup>rd</sup> step) Delivery charge as set in Schedules 87 and 57.
  - ii. Customer Charge - increase to \$500
  - iii. Delivery Charge for first 2 blocks - apply remainder equally across Delivery Charges such that there is no decrease in effective volumetric charges (procurement charge plus delivery charges)
- g. Interruptible Sales Service Schedule 86 - retain existing structure and apply increases as follows:
  - i. Demand charge and procurement charge as set in Schedules 87 and 57.



- ii. Customer charge - Increase to \$100
  - iii. Delivery Charge - apply remainder equally across Delivery Charges such that there is no decrease in effective volumetric charges (procurement charge plus delivery charges)
- h. Rentals – Increase only if the Commission includes rental rate base and expense in the determination of the gas revenue requirement.
- i. No increase for residential rental Schedule 71; and
  - ii. Differentiated increase to commercial rental Schedules 72 and 74.
- i. A procurement surcharge of up to 0.355 cents per therm will apply to Schedules 85, 86 and 87 (The procurement charge will be the lower of the spread of the rate increase and the 0.355 cent charge.)
- j. The revenue increase assigned to Schedules 87 and 57 will be recovered through the following priority sequence.
- i. The institution of the procurement surcharge up to 0.355 cents for Schedule 87
  - ii. Increasing the Schedule 87 customer charge up to a value no greater than \$500/month. (This would result in a \$300 customer differential between Schedules 57 and 87)
  - iii. Recovering any remaining amount through an equal cent per therm increment applied to the first volumetric block of Schedules 57 and 87.
  - iv. Firm Demand charge: current rate of \$0.99 per therm of firm demand will be retained on all interruptible sales schedules' and transportation schedules' firm demand.
- k. Implement Annual Service Election Period for switching between sales service and transportation service, with following provisions:
- i. 30 day notice after one year of service,
  - ii. Eligibility requirements apply,
  - iii. Subject to availability of needed metering facilities installed at location,
  - iv. Migration and conversion charges apply and may need to be enhanced to protect against stranded costs, and
  - v. Incorporate notice term language into tariff rather than it just being on service agreements.

**ATTACHMENT B**

**SCHEDULE 40  
LARGE DEMAND GENERAL SERVICE**

(Single phase or three phase at the available Primary and Secondary distribution voltage)

**AVAILABILITY:**

This Schedule applies to Customers with over 3 MVA of peak load on a distribution feeder where:

1. The sum of the Customer's coincident peak load for all of the customer's non-residential meters on a non dedicated distribution feeder is 3 MVA or larger; and
2. Is subject to completion of a cost study by the Company to establish the customer-specific distribution charge. Customers shall notify the Company if they wish to elect service under this Schedule in conjunction with the next general rate case subject to the results of the cost study.
3. Service under this Schedule is voluntary for three years after the date of approval of the original version of this Schedule. This rate will be mandatory for all eligible customers commencing with the first general rate case completed after the end of the three year voluntary period.

For Primary Service all necessary wiring, transformers, switches, cut-outs and protection equipment beyond the point of delivery shall be provided, installed and maintained by the Customer, and such service facilities shall be of types and characteristics acceptable to the Company. The entire service installation, protection coordination, and the balance of the load between phases shall be approved by Company engineers prior to availability of service under this Schedule.

**MONTHLY RATE:**

This tariff is for bundled retail service only and the customer will be billed for the Basic Charge, Production and Transmission Charges, and Distribution Charges.

1. **Basic Charge(s):** applies to each metering point

Primary Voltage Metering Points: \$250.00

Secondary Voltage Metering Points with annual peak demand  $\leq$  350 kW: \$24.90

Secondary Voltage Metering Points with annual peak demand  $>$  350 kW: \$46.00

2. **Production and Transmission Charges:**

Demand Charge: JAN-DEC

High Voltage Metering Point	\$2.97	per KW of Coincident Billing Demand
Primary Voltage Metering Point	\$3.03	per KW of Coincident Billing Demand
Secondary Voltage Metering Point	\$3.12	per KW of Coincident Billing Demand
Energy Charge:	<u>Base Rate</u>	<u>Low Income</u> <u>Effective Rate</u>
High Voltage Metering Point	4.3523¢	0.0062¢    4.3585¢ per kWh
Primary Voltage Metering Point	4.4354¢	0.0329¢    4.4683¢ per kWh
Secondary Voltage Metering Point	4.5764¢	0.0329¢    4.6093¢ per kWh
Reactive Power Charge:		
Primary Voltage Metering Point	0.090¢	per reactive kilovolt ampere-hour (kVARh)
Secondary Voltage Metering Point	0.093¢	per reactive kilovolt ampere-hour (kVARh)

**3. Distribution Charges Applicable to Customers on Schedule 40 at the time the Commission approves the Distribution Charges in this Section 3 in a general rate case<sup>2</sup>**

Demand Charge: Customer specific charge calculated by dividing the distribution costs (calculated according to the following procedures) by the estimated annual coincident-billed demand.

- a) Customers share of substation costs calculated as:
  - a. The customer's demand on the substation divided by the total demand on the substation multiplied by:
  - b. Substation Base Costs calculated using net book value at the time the customer goes on to Schedule 40 times:
  - c. The sum of the fixed charge and O&M multiplier.
    - i. Fixed charge rate based upon the average remaining life of the substation equipment and 9.5413% for land
    - ii. O&M charge rate of: 3.8234%
    - iii. A&G charge of 34% of the O&M rate
  - d. The substation cost in general rate cases following a customer first going on Schedule 40 will be adjusted as follow:
    - i. Substation Base Costs will be adjusted for substation equipment retired and changes in the cost of capital
    - ii. The cost for new equipment will be added using the formula used for the initial Substation Base Cost and in subsequent rate cases will be included in the Substation Base Cost
- b) Customer's share of primary distribution lines calculated as:
  - a. The estimated book value per mile of each distribution feeder on which the customer has over 3 MVA of load multiplied by:

- b. The number of miles on each distribution feeder between the customer's meter and the substation for each distribution feeder on which the customer has over 3 MVA of load multiplied by:
  - c. The customer's share of the peak load on the distribution feeder multiplied by:
  - d. The sum of the Distribution Fixed Charge Rate and the Distribution O&M rate
    - i. Fixed charge rate based upon the average remaining life of the feeder(s) used in the calculation of the Distribution Base Cost
    - ii. O&M charge rate of: 12.96%
  - e. The distribution cost in general rate cases following a customer first going on Schedule 40 will be adjusted as follow:
    - i. Distribution Base Costs will be adjusted for estimates of any plant on the customer's feeder that has been retired and changes in the cost of capital
    - ii. The cost for new investment to the feeder serving the customer will be added using the formula used for the initial Distribution Base Cost and in subsequent rate cases will be included in the Distribution Base Cost
- c) Customers allocation of line transformer costs where service is at secondary voltage
- a. Based upon the Transformer Rental Schedule

**4. Distribution Charges Applicable to Customers electing to commence service under Schedule 40 between general rate cases**

Demand Charge: Customer specific charge calculated by dividing the distribution costs (calculated according to the following procedures) by the estimated coincident-billed demand.

- a) Distribution cost calculated based upon the distribution costs times the historical consumption
  - a. Primary Voltage consumption: \$0.008637 / kWh
  - b. Secondary Voltage consumption (> 350 kW peak demand): \$0.008647 / kWh
  - c. Secondary Voltage consumption (<= 350 kW peak demand): \$0.013646 / kWh

ADJUSTMENTS:

Rates in this Schedule are subject to adjustment by such other schedules in this tariff as may apply.

**COINCIDENT BILLING DEMAND:**

Coincident Demand and Coincident Billing Demand refers to the coincident monthly 15 minute peak demand of the customer's meters for all accounts that qualify for Schedule 40 on the distribution feeder.

Billing months of December through March: the greater of the highest Coincident Demand established during the month. Billing months of April through November: the highest Coincident Demand established during the month, but not less than the greater of 60 per cent of the highest Coincident Demand established during the previous peak winter seasons (billing months of December through March).

Coincident billing demand will be calculated from interval metering where the Company determines that this would be cost effective; otherwise it will be the billed demand adjusted for a coincidence factor established from a customer study performed by the Company.

**REACTIVE POWER CHARGE:**

The reactive power charge shall apply only to those meters where the annual peak load is over 50 kW.

**CUSTOMER**

For the purpose of this schedule a Customer is a single legal entity that is both responsible for paying all the bills and directly using all the electricity associated with the meters being aggregated to 3 MVA on the feeder.

**GENERAL RULES AND PROVISIONS:**

Service under this schedule is subject to the General Rules and Provisions contained in this tariff.