
RIDER EEA
ELECTRIC ENVIRONMENTAL ADJUSTMENT
(Applicable Only to Customers Receiving Service In Rate Zone I or III)

APPLICABILITY

This rider is applicable to all Customers receiving service in Rate Zone I or III under this Schedule.

PURPOSE OF RIDER

The purpose of Rider EEA is to establish an adjustment factor to recover the Costs of Environmental Activities (commonly referred to as Coal Tar Costs) from Customers taking electric service.

DEFINITIONS

As used in this Rider, the following terms are defined as follows:

Calendar Year

Calendar Year refers to the time period over which Costs of Environmental Activities are incurred or are projected to be incurred by Company.

Costs

Costs refer to all payments by Company to outside vendors in connection with Environmental Activities associated with the investigation and cleanup of former Manufactured Gas Plants. Such costs also include but are not limited to consultant and legal fees, land acquisition costs, litigation expenses, costs or expenses associated with judgments, orders or decisions (including settlements) by a court, a governmental agency or department, or other adjudicatory or quasi-adjudicatory body related to Manufactured Gas Operations/Sites.

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Costs will be credited to reflect proceeds received from insurance carriers or other entities which represent reimbursement of costs associated with Environmental Remediation Activities and, in Rate Zone III only, proceeds from the sale of any real property whereby said property was purchased for Environmental-Remediation Activities and the purchase costs were recovered from Customers. EAC Costs shall not include accrued costs not expected to be paid in the recovery year or the salaries of Company employees, or any benefits related thereto.

Environmental Activities

Environmental Activities refer to the investigation, sampling, monitoring, testing, removal, disposal, storage, remediation or other treatment of residues associated with Manufactured Gas Operations, or with other operations that generated substances subject to federal, state or local environmental laws conducted at locations where Manufactured Gas Plants operated, or the dismantling of facilities utilized in Manufactured Gas Operations.

Manufactured Gas Operations

Manufactured Gas Operations refer to any operations relating to the manufacture of gas; the storage, treatment, transportation and disposal of residues; and/or the storage of manufactured gas.

Residues

Residues include, but are not limited to, any hazardous substance, raw material, by-product, waste or other residual substance arising from Manufactured Gas Operations.

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Tracking Account

Tracking Account refers to the Tracking Account created to maintain the balance of the Incremental Costs of Environmental Activities from the operation of Rider EEA. The opening balance of the Tracking Account shall be the sum of:

- i) The forecasted balance of Incremental Costs of Environmental Activities for the Calendar Year.
- ii) Other Incremental Costs of Environmental Activities that are authorized by the Commission.

The Tracking Account shall be credited by an amount equal to the revenues received through Rider EEA which are associated with the estimated Incremental Costs of Environmental Activities, and in Rate Zone III only, along with proceeds received from insurance carriers and proceeds from the sale of any real property whereby said property was purchased for Environmental-Remediation Activities and the purchase costs were recovered from Customers. Any balance remaining in the Tracking Account at the end of the Calendar Year shall be included in FACTEEA in the Annual Reconciliation Amount for the immediately succeeding Calendar Year.

DETERMINATION OF BILLING ADJUSTMENT

The Costs of Environmental Activities recovery factor (FACTEEA) shall be calculated for each applicable Rate Zone and Rate Class using the following formulas and shall be applied monthly as a separate line item to Customer bills on a cents per kWh basis.

SUM = The opening balance of the Tracking Account.

AC = SUM + ARA

PC = AC X (ER / TR)

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MPC = $PC / 12$ (months)

MCC = $MPC \times (CBR/EBR)$

FACTEEA = $(MCC + MOU) /$ billing month forecasted billed kWh for each rate class

Where:

AC = Annual Cost is the amount of Costs of Environmental Activities to be recovered during the Calendar Year. Annual Cost is the sum of the amounts of: i) the factor SUM and; ii) any applicable Annual Reconciliation Amount (ARA).

ARA = The Annual Reconciliation Amount is a dollar adjustment necessary to reflect the i) difference between projected Costs of Environmental Activities for the Calendar Year and the level of Costs of Environmental Activities which actually occurred during the Calendar Year; and ii) results of an Annual Review conducted by the Commission in accordance with the provisions of this Rider.

CBR = Class Base Revenue represents the electric base rate revenue (excluding any base fuel cost which is included in the energy charges of the base rates) for an applicable rate class (i.e., Residential, Commercial/Municipal, Industrial) which is forecasted to be received during the billing month.

TR = Total Revenue represents the combined electric and gas operating revenues forecasted to be received from the applicable rate classes (i.e., Residential, Commercial/Municipal, Industrial) during the Calendar Year.

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- FACTEEA** = FACTEEA shall be calculated for each applicable rate class (i.e., Residential, Commercial/Municipal, Industrial) to recover the Monthly Class Cost associated with each such rate class. FACTEEA shall be calculated by dividing: i) the sum of the MCC and MOU for each rate class by; ii) the kWh forecasted to be billed during the billing month to all Customers in the rate class.
- EBR** = Electric Base Revenue represents the total base rate revenue (excluding any base fuel cost which is included in the energy charge of the base rates) for applicable rate classes (i.e., Residential, Commercial/Municipal, Industrial) which is forecasted to be received during the billing month.
- ER** = Electric Revenue represents the total electric operating revenues forecasted to be received during the Calendar Year from the applicable rate classes (i.e., Residential, Commercial/Municipal, Industrial).
- MCC** = Monthly Class Cost is the amount of Costs of Environmental Activities to be recovered from an applicable rate class during the billing month. The MCC for each applicable rate class is the product of: i) MPC and ii) a ratio, the numerator of which is the CBR, and the denominator of which is EBR.
- MOU** = Company will compute the Monthly Over or Under Recovery of Monthly Proportional Cost during each billing month for each applicable rate class (i.e., Residential, Commercial/Municipal, Industrial). This computation will be made to minimize over or under recoveries of revenues under Rider EEA due only to variances between projected and actual kWh sales. The MOU adjustment shall be applied during the billing month two months subsequent to the billing month in which the over or under recovery occurred.

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MPC	=	Monthly Proportional cost shall be calculated by dividing Proportional Cost by 12 (months).
PC	=	Proportional Cost shall be the product of: i) AC and; ii) a fraction, the numerator of which is ER, and the denominator of which is TR.
SUM	=	The opening balance of the current Tracking Account which contains the estimated Incremental Costs of Environmental Activities for the current Calendar Year.

If Company shall determine during the Calendar Year that it is appropriate to revise FACTEEA to better match revenues recovered under this Rider with actual coal tar cleanup costs incurred during the Calendar Year, Company may from time to time calculate a revised FACTEEA for each rate class to become effective as of the beginning of any billing month during the Calendar Year.

REPORTS/RECONCILIATION

The amount of the FACTEEA for each applicable Rate Zone shall be shown on a monthly Information Sheet supplemental to this Rider and filed with the Commission not later than the 15th day of the billing month immediately preceding the billing month in which the FACTEEA is to become effective. The Information Sheet shall be accompanied by backup data showing the calculation of the FACTEEA. Unless otherwise ordered by the Commission, each FACTEEA shown on an Information Sheet filed in accordance with this paragraph, shall become effective as indicated in the Information Sheet and shall remain in effect for all kWh billed during the effective billing month.

Company will file an Annual Report with the Commission for each Calendar Year, no later than April 1 of the year following the end of the Calendar Year. The Annual Report will provide a reconciliation, for each applicable Rate Zone, between the Proportional Cost to be recovered through Rider EEA and the actual Rider EEA revenue for the immediately preceding Calendar Year as well as provide a summary of Company's Environmental Remediation Activities. The Annual Report shall include information which will demonstrate the prudence of Company's Incremental Costs of

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Environmental Activities included in the filings, based upon but not limited to the following criteria: (a) reasonable and appropriate business practices; (b) the requirements of state and federal authorities; (c) minimization of costs to Customers, consistent with safety, reliability and quality assurance; and (d) based on facts and knowledge Company knew or reasonably should have known at the time the costs were incurred. The total amount of any over or under recovery of Incremental Costs of Environmental Activities for the immediately preceding Calendar Year will be included in the ARA component of Annual Costs and thereby be reflected in the FACTEEA for the Calendar Year following the reconciliation period. The Tracking Account for the Calendar Year will be adjusted to reflect the actual level of Costs of Environmental Activities, including insurance recoveries and/or recoveries from other potentially responsible parties and, in Rate Zone III only, proceeds from the sale of any real property whereby said property was purchased for Environmental-Remediation Activities and the purchase costs were recovered from Customers, which have been or are subject to this Rider, for the Calendar Year.

Upon review of the Annual Report filed by Company, the Commission may, by order, require a hearing (Annual Review) to receive evidence regarding Costs of Environmental Activities collected in the preceding Calendar Year and any aspect of Company's Environmental Remediation Activities associated therewith, including a prudence review of Costs of Environmental Activities that have not been previously reviewed. If, within ten months after the filing of any Annual Report under this Rider, the Commission has not ordered an Annual Review of such filing, Company may at any time thereafter file a petition with the Commission to initiate an Annual Review to reconcile the amounts theretofore collected under this Rider or from any other source for coal tar cleanup costs not previously reviewed in an Annual Review, with expenses prudently incurred by Company for coal tar cleanup costs. If the Commission finds, after hearing, that any amounts were incorrectly included in the Rider EEA during a Calendar Year, the Commission may by order require that the ARA component of the FACTEEA be appropriately adjusted. Any such adjustment made by order of the Commission shall be included in the ARA adjustment, and be in effect for twelve billing months, beginning with the next billing month following such order.