

## POWER COST ADJUSTMENT SCHEDULE (PCA)

### APPLICATION

This schedule is applicable to electric service furnished under all retail rate schedules. The Power Cost Adjustment (PCA) applied to each affected bill rendered will be the sum of the following adjustments multiplied by the total energy billed in that month:

Wholesale Power Cost Adjustment (WPCA)	\$ 0.01149
Operating Cost Adjustment (OCA)	<u>\$ (0.00097)</u>
<b>Power Cost Adjustment (PCA)</b>	<b>\$ 0.01053</b>

The PCA will apply to all bills rendered following the board's approval of a change to the PCA amount. Such approval will be made by the board of directors in conjunction with approval of the annual operating budget or when the board of directors feels it necessary to maintain the long-term financial health of the cooperative.

The PCA will be rounded to the nearest \$0.00001 / kWh.

### WHOLESALE POWER COST ADJUSTMENT

There shall be added to each monthly bill for service an adjustment per kilowatt-hour (kWh) based upon the estimated cost of purchasing or producing power. The cost of power may recognize the following components:

1. The cost of power secured from Bonneville Power Administration (BPA) and other sources in excess of the base rate cost of wholesale power from the cooperative's base rate case or the last time the WPCA was adjusted.
2. The change in energy conservation program funding provided by BPA that varies from their program funding included in the cooperative's base rate case or current WPCA.
3. The change in annual net cash flow anticipated from the Priest Rapids project that varies from the amount included in the cooperative's base rate case or current WPCA.
4. The change in net margins produced by the cooperative's Fighting Creek landfill gas generation project, and any similar future projects, that varies from the amount included in the cooperative's last base case or current WPCA.

5. A periodic adjustment to account for any over or under recovery in prior periods at the discretion of the board of directors. This may include adjustments necessary to reconcile differences between estimated and actual power costs and member consumption.
6. The monthly WPCA per kWh will be determined as follows:

$$\text{Wholesale Power Cost Adjustment (WPCA}_T) = (I*B) \pm ((R \pm C \pm F \pm S)/E) + \text{WPCA}_{T-1}$$

Where:

I = The anticipated percent change in BPA and other sources per kWh cost for the budget period, not currently in rates;

R = The change in annual net cash flow anticipated from the Priest Rapids project that varies from the amount included in the base rate case or current WPCA;

C = The change in energy conservation program funding provided by BPA that varies from their program design included in the base rate case or current WPCA;

F = The change in net margins produced by the cooperative's Fighting Creek landfill gas generation project and any similar future projects that varies from the amount included in the base rate case or current WPCA;

E = The total kWh forecasted to be sold during the following calendar year;

B = The base rate from the first calendar year following the base rate case;

S = A periodic adjustment to adjust for the variance in I, R, C, E and F recovery in previous periods. Over-recovery adjustments are subtractive and under-recovery adjustments are additive.

T = Future rate year

$\text{WPCA}_{T-1}$  = Current PCA rate

## **OPERATING COST ADJUSTMENT**

There shall be added to each monthly bill for service an adjustment per kilowatt-hour (kWh) as a result of sustained changes in non-power supply related revenues and expenses over time.

1. The cooperative has established an objective to manage financial performance within the following parameters:

- a. Modified Debt Service Ratio (MDSC): 1.5 to 2.0
  - b. Equity to Total Asset Ratio: 36 to 42%
  - c. Patronage Capital Rotation Cycle: Not greater than 30 years
2. As part of its budget process in the fourth quarter of each year, the cooperative will forecast financial performance, including the financial measures listed above for the year following. Based on those projections, the cooperative will assess whether forecasted financial performance will result in an MDSC and equity to total asset ratio within their respective established ranges.
  3. If forecasted financial performance results in an MDSC or equity to total assets ratio outside their established ranges, the revenues required to return them to those ranges may be recovered through modifying the OCA accordingly.
  4. In considering a change to the OCA, the board of directors may consider the cooperative's other stated financial objectives. When deemed necessary, the board may adjust revenues through the OCA as necessary regulate other financial objectives to preserve the financial health of the cooperative.
  5. To accurately determine the revenue necessary to sustain the financial parameters stated herein, any wholesale rate increases affecting the cooperative's cost of power will be removed from the development of MDSC and the equity to total assets ratio.
  6. The Operating Cost Adjustment will be determined as follows:

$$\text{Operating Cost Adjustment (OCA}_T) = (R / E) + \text{OCA}_{T-1}$$

Where:

R = The change in revenues necessary to maintain financial performance within stated parameters;

E = The kWh forecasted to be sold during the following 12 months;

OCA<sub>T-1</sub> = The current OCA

**These rates are effective for billings rendered subsequent to January 1, 2022.**