

## POWER COST ADJUSTMENT SCHEDULE (PCA)

### APPLICATION

This schedule is applicable to electric service furnished under all retail rate schedules. The Power Cost Adjustment Schedule is comprised of the following two components:

**Operating Cost Adjustment (OCA) = \$0.000/kWh**

**Wholesale Power Cost Adjustment (WPCA) = \$0.00203/kWh**

The Power Cost Adjustment (PCA) applied to each affected bill rendered will be the sum of the OCA and the WPCA multiplied by the total energy billed in that month. It will apply to all bills rendered following the Board's approval of a change to the PCA amount. Such approval will be made by Board resolution stating the new PCA amount and the date for which it shall become effective.

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

### 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. Operating Times Interest Earned Ratio (OTIER): 1.8 to 2.2
  - b. Equity to Total Asset Ratio: 30 to 40%
  - c. Patronage Capital Rotation Cycle: Not greater than 30 years
2. On a quarterly basis, Management will evaluate the Cooperative's financial performance for the preceding twelve months and the projected results for the current calendar year, and present those results during the regular board meeting. This report will include the outcomes of the financial measures listed above.
3. If financial performance during the most recent twelve-months-to-date (12MTD) period results in an OTIER within the range established, no rate adjustment will be proposed. If financial performance results in an OTIER below the established range, the revenues required to increase OTIER to the mid-point of 2.0 will be determined. If financial performance results

in an OTIER higher than the established range, the revenues required to decrease OTIER to the mid-point of 2.0 will be determined.

4. In considering a change to the OCA, the Board may consider the Cooperative's other stated financial objectives. When deemed necessary, the Board may adjust revenues as necessary to produce the stated OTIER as a means of regulating these other financial objectives within the parameters established.
5. To accurately determine the revenue necessary to sustain the financial parameters stated herein, any wholesale rate increases affecting our cost of power, and operating results, will be removed from the development of OTIER 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 sold during the preceding 12 months;

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

### **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 BPA and other sources in excess of the base rate cost of wholesale power from the Cooperative's last 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 last 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 last 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 rate 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 last 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 last 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 last rate case or current WPCA;

E = The kWh sold for the most recent calendar year;

B = The base rate from the first calendar year following the last 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

WPCA<sub>T-1</sub> = Current PCA rate

**These rates are effective for billings rendered subsequent to October 1, 2018.**