

Appendix 3
Energy Cost Adjustment Mechanism Formula

The Energy Cost Adjustment Mechanism ("ECAM") applies to approved basic rates for meter readings taken on or after March 1, 2016 as follows:

Base Cost of Purchased and Produced Electricity

The rate adjustment of ECAM will apply when the cost of purchased and produced electricity increases or decreases from the Base Cost. The forecast Base Rate Cost for purchased and produced electricity is \$0.08605/KWh and may be adjusted as ordered by the Commission.

Deferral of Increases or Decreases from the Base Cost

The deferral of increases or decreases in purchased and produced electricity from the Base Cost shall be calculated at the end of each month as follows:

1. Determine the total cost of purchasing and producing electricity in the month including any amounts amortized to ECAM as Ordered by the Commission;
2. Determine the net kilowatt hours of purchased and produced energy in the month;
3. Multiply the quantity of net purchased and produced energy determined in (2) above by the forecast Base Rate Cost of \$0.08605/KWh to determine the base cost of electricity;
4. Subtract the base cost of electricity determined in (3) above from the total cost of purchasing and producing electricity determined in (1) above to calculate the excess or deficiency of the cost of purchased or produced electricity from the base cost;
5. Add the excess (or deficiency) of the cost of purchased or produced energy calculated in (4) above to the corresponding excess (or deficiency) costs on the Balance Sheet.

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Calculation of ECAM Rate Adjustment Applied to Customers' Bills

The ECAM Rate Adjustment applied to Customers' bills shall be calculated as follows and applied to Customers' bills for not less than twelve months unless otherwise Ordered by the Commission.

6. Determine the total of the excess (or deficiency) costs on the Balance Sheet at the end of the third month proceeding the month in which the ECAM rate will be applied.

7. Determine the forecast total kilowatt hour sales for the twelve month period commencing with the month in which the ECAM rate will be applied.

8. Divide the amount calculated in (6) above by the amount calculated in (7) above to determine the ECAM rate adjustment required in cents per kilowatt hour sold and which will be applied to Customers' bills. Rate adjustment shall be calculated to the nearest three decimal places (five decimal places on the dollar).