

# Greenwood Commissioners of Public Works

## Electric Rate Stabilization Policy

Effective Date: February 1, 2013

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### Purpose

The purpose of the Electric Rate Stabilization Fund is to provide a reserve that can be utilized to pay for unanticipated changes in budgeted costs that may otherwise require additional charges through increased base rates or Purchased Power Cost Adjustment (“PPAC”) charges.

### Background

The Greenwood Commissioners of Public Works (“CPW”) currently charges for electric service through base rates and the PPCA. Each year, the CPW prepares a budget that includes all costs of providing service such as electric operations and maintenance expenses, administrative expenses, debt service payments, and construction expenditures. The purchased power component of electric operations expenses is by far the greatest expense incurred by the CPW, making up over 75% of total revenue requirements. In January, 2010, the CPW began taking power supply service from Duke Energy under a new contractual arrangement. This arrangement provides for rates that are estimated each calendar year with a true-up or true-down charge or credit that is applied in July of the following year. This charge or credit is based on Duke Energy’s actual costs of providing wholesale power supply service during the preceding calendar year and on the CPW’s actual energy and annual peak demand as compared to Duke’s total energy sales and annual peak demand.

In the event that Duke Energy’s calendar year estimated rates and resulting charges to the CPW are lower than actual, the CPW will receive a true-up invoice in July of the succeeding year. While the PPCA allows for the pass-through of purchased power costs, the level of such charges is uncertain and represents a contingency.

In addition to the Duke Energy power supply agreement, the CPW has a separate agreement for transmission of power by Duke Energy Transmission (“Duke ET”). This agreement is based on a formula rate that also incorporates a true-up provision.

The Electric Rate Stabilization Fund allows the CPW to accrue a contingency reserve to protect ratepayers by alleviating or lessening the impact of power supply and transmission true-ups and potential timing issues associated with such true-ups.

### Electric Rate Stabilization Fund

The Electric Rate Stabilization Fund was established in August, 2010 as a funded reserve. The CPW hereby modifies the Electric Rate Stabilization Fund as described herein. The Electric Rate Stabilization Fund will be funded at the rate of \$.00355 per kilowatt-hour sold until a reserve balance of \$5 million is reached. When an Electric Rate Stabilization Fund balance of \$5 million is reached, the CPW may suspend funding until such time as the Reserve funds are drawn down below \$5 million.

True-up charges for power supply or transmission will first be charged against the balance in the Electric Rate Stabilization Fund, with any balance charged through the PPCA. Any true-down credits for power supply or transmission may be applied to the Electric Rate Stabilization Fund or returned to ratepayers through the PPCA, at the discretion of the CPW.

The CPW retains the right to utilize the Electric Rate Stabilization Fund to meet other unanticipated changes in costs or revenues.

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Funding for the Electric Rate Stabilization Fund will be incorporated into the CPW's base rate tariffs for each class of service.

## Greenwood Commissioners of Public Works Electric Rate Stabilization Policy

The Electric Rate Stabilization Fund is a funded reserve established by the Greenwood Commissioners of Public Works ("CPW"). The purpose of the Electric Rate Stabilization Fund is to provide a reserve that can be utilized to pay for unanticipated changes in budgeted costs that may otherwise require additional charges through increased base rates or Purchased Power Cost Adjustment ("PPAC") charges.

The Electric Rate Stabilization Fund Rate shall be the amount that will be funded from base rate charges under all of the CPW's electric rate schedules and shall be \$.00355 per kilowatt-hour. Funding from the Electric Rate Stabilization Fund Rate shall be suspended when the Electric Rate Stabilization Fund balances reaches \$5 million.

Charges to the Electric Rate Stabilization Fund may include true-up payments to the CPW's power suppliers and transmission provider and any other cost of providing service authorized by the CPW. Any true-down payments from the CPW's power suppliers and transmission provider may be added to the Electric Rate Stabilization Fund.