

GENERAL INFORMATION

57. Recovery Charge

The Company shall implement the Recovery Charge on behalf of a Special Purpose Entity to recover costs that were the content of a Recovery Bond for the purposes of storm recovery costs and shall include the amounts authorized by the Commission to recover Recovery Costs and Financing Costs in accordance with the Commission's Financing Order issued in Case 24-E-0493.

1. Applicability:

The Recovery Charge is applicable to all customers taking service under Service Classification Nos. 1, 2, 3, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14 and 15.

2. Definitions:

"Financing Costs": means (a) interest on and principal of, and redemption premiums, if any, that are payable on Recovery Bonds; (b) any payment approved in the Financing Order and required under an ancillary agreement or other accounts established under the terms of any indenture, ancillary agreement, or other financing documents pertaining to Recovery Bonds; (c) provided that Recovery Bonds shall be the only method used to recover the costs identified in this paragraph, any other cost related to issuing, supporting, repaying, and servicing Recovery Bonds, including but not limited to servicing fees, accounting and auditing fees, trustee fees, legal fees, consulting fees, administrative fees, placement and underwriting fees, capitalized interest, rating agency fees, and filing fees, including costs related to obtaining a Financing Order; or (d) any federal, state or local taxes, payments in lieu of taxes, franchise fees or license fees imposed on Recovery Charge revenues.

"Financing Order": means the December 19, 2024, Order of the Commission in Case 24-E-0493, which authorizes, among other things: (a) the issuance of Recovery Bonds; (b) the imposition, collection, and periodic adjustments of Recovery Charges; (c) the creation or recognition of recovery property; and/or (d) the sale, assignment, or transfer of recovery property to an assignee.

"Recovery Bonds": means bonds, debentures, notes, certificates of participation, certificates of ownership, or other evidences of indebtedness or ownership that are issued pursuant to an indenture, contract, or other agreement of the Company or its assignee pursuant to a Financing Order, the proceeds of which are used directly or indirectly to provide, recover, finance, or refinance Commission-approved Recovery Costs and Financing Costs, to such level as the Commission may authorize in a financing order, and which are secured by or payable from recovery property, and that have a final maturity date of no longer than twenty years from the original issuance.

"Recovery Charge": the amounts authorized by the Commission in the Financing Order to recover Recovery Costs and Financing Costs.

"Recovery Costs": recovery costs identified for recovery in the Financing Order.

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57. Recovery Charge (Cont'd)

3. Cost Allocation:

The Recovery Charge to be collected shall be allocated to service classes based on the current rate year delivery service revenues at the time of the Recovery Charge calculation as approved by the Commission in the Company's current effective rate plan.

4. Cost Recovery:

The Recovery Charge shall be recovered from customers on a per kWh basis for non-demand service classes, on a per kW basis for demand service classes, and on a per On Peak As-Used demand basis for Standby Service customers (SC 11) and Optional Demand Service Rate customers (SC 15), based on each service classifications' forecast sales.

5. Adjustment Mechanism and Mathematical Formula:

a. Adjustment Calculation:

The Company will make adjustments to the Recovery Charge at least semi-annually, beginning no more than six months from issuance of the Bonds and continuing until the legal final maturity date of the Bonds (or any series of Bonds). The Semi-Annual True-up (defined below) and the Quarterly True-up (defined below) will both be performed on a mandatory basis; and the Interim True-up (defined below) will only be performed if the Company projects under collections. For each Semi-Annual True-up, Interim True-up, and any Quarterly True-up, the Company will file with the Commission an adjustment to the Recovery Charge Statement setting forth the Recovery Charge rates not less than five (5) days prior to the effective date of the compliance tariff statement which shall automatically become effective on the effective date set forth in the compliance tariff statement. The Commission's review of any adjustment pursuant to the true-up mechanism will be limited to mathematical or clerical errors and any such errors discovered in such review shall be addressed in a subsequent True-Up adjustment filing.

Semi-Annually, the Company will file a compliance tariff statement (i) to correct for any over-collections or under-collections to date and anticipated to be experienced up to the date of the next annual adjustment and (ii) to ensure that the expected collections of the Recovery Charge are sufficient to pay timely principal and interest on the Bonds when due pursuant to the expected amortization schedule, to make timely payment of all other Ongoing Financing Costs, and, if necessary, to replenish the capital subaccount (the "Semi-Annual True-up"). Additionally, the Company may file at any time an interim compliance tariff statement to ensure that the expected collections of the Recovery Charge are sufficient to pay timely principal and interest on the Bonds when due pursuant to the expected amortization schedule, to make timely payment of all other Ongoing Financing Costs, and, if necessary, to replenish the capital subaccount (the "Interim True-up").

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57. Recovery Charge (Cont'd)

5. Adjustment Mechanism and Mathematical Formula (Cont'd):

a. Adjustment Calculation (Cont'd):

Beginning twelve months prior to the scheduled final payment date of the latest maturing tranche of bonds, the Company will file quarterly adjustments (the “Quarterly True-up”) to the Recovery Charge to ensure that the Recovery Charge collections will be sufficient to pay timely interest and scheduled principal on the Bonds (or any series of Bonds) and to make timely payment of all other Ongoing Financing Costs.

The Company will, for each Semi-Annual True-Up, Quarterly True-up and Interim True-Up calculate a Recovery Charge for the Bonds in accordance with the True-Up Mechanism:

The Recovery Charge will be calculated as follows:

- i. The Company will calculate the Periodic Payment Requirement (as defined below) for the next six-month period, or if shorter the period from the adjustment date (or, in the case of the initial Recovery Charge calculation, the closing date of the Bonds) to and including the next bond payment date, as well as the Periodic Payment Requirement for the next succeeding six month period ending on the following bond payment date (each, a “Payment Period”). The “Periodic Payment Requirement” or “PPR” covers all scheduled (or legally due) payments of principal (including, if any, prior scheduled but unpaid principal payments), interest, replenishment of the capital subaccount (if any), and other ongoing financing costs to be paid during such Payment Period.
- ii. The Periodic Billing Requirement (as defined below) will be calculated for the upcoming Payment Period, using the most recent information of the Company regarding write offs, delinquencies, average days sales outstanding data, collection lags, or other collection data, to determine the amount of Recovery Charge revenue that must be billed during that upcoming Payment Period to ensure that sufficient Recovery Charge revenues will be received to satisfy the Periodic Payment Requirement for such Payment Period. Such amount is referred to as the “Periodic Billing Requirement” or “PBR”;
- iii. The PBR will also be calculated using the most recent information of the Company regarding write offs, delinquencies, average days sales outstanding data, collection lags, or other collection data, to determine the amount of Recovery Charge revenue that must be billed to ensure that sufficient Recovery Charge revenues will be received to satisfy the Periodic Payment Requirement for both the upcoming Payment Period and the next succeeding Payment Period (the “Combined Payment Periods”);
- iv. The PBR for the upcoming Payment Period and the Combined Payment Periods will each be allocated among the Company’s various Customer service classes based on applicable year delivery service revenues from the current rate plan and will subsequently be allocated to Customer service classes based on the delivery service revenue allocators approved by the Commission in the Company’s current effective rate plan at the time of the Recovery Charge calculation.

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57. Recovery Charge (Cont'd)

5. Adjustment Mechanism and Mathematical Formula (Cont'd):

a. Adjustment Calculation (Cont'd)

- v. The Recovery Charges for each Service Class for both the upcoming Payment Period and the Combined Payment Periods are determined on a per kwh basis for non-demand Customers, on a per kw basis for demand billed Customers and on an on-peak as-used demand basis for standby service and optional demand service Customers; and
- vi. Finally, after the calculations for the periods described in paragraphs (ii) and (iii) above are made, the rates that return the higher overall revenue based on the forecasted billing units for the upcoming six-month effective rate period will be the Recovery Charge effective on the next adjustment date.

All true-up adjustments to the Recovery Charges will ensure the billing of Recovery Charges necessary to satisfy the Periodic Payment Requirement for the Bonds for each Payment Period during such 12-month period (or shorter period) following the adjustment date of the Recovery Charge. True-up adjustments will be based upon the cumulative differences (either positive or negative), regardless of the reason, between the Periodic Payment Requirement and the actual amount of Recovery Charge collections remitted to the trustee for the Bonds.

6. Billing and Statement

A Recovery Charge Statement setting forth the Recovery Charge rates shall be filed with the Public Service Commission not less than five (5) days' prior to the effective date. Such statement can be found at the end of this Schedule (P.S.C. 120 – Electric).