

INDEPENDENCE POWER & LIGHT DEPARTMENT
Independence, Missouri

Schedule FA-1
Power Supply Fuel-Energy Cost Adjustment

APPLICABILITY

The Power Supply Fuel-Energy Cost Adjustment Schedule FA-1 shall be applicable to the Department's Retail Rate Schedules RS-3, RS-4, GS-1, LGS-1, TEGS, LP-2, SCH-1, SP-1, GSSH-1, SCIS-1, PSL-2FR, PSL-3CF, PSL-3DF and TRS-1.

POWER SUPPLY FUEL-ENERGY COST ADJUSTMENT

Purpose of Adjustment

The Power Supply Fuel-Energy Cost Adjustment Rate is to compensate the Department for the changes in the cost of fuel and energy including applicable taxes (adjusted for fuel displaced through the purchase or sale of energy to other electric utilities) that are not included in the energy prices per kilowatt-hour of the Department's Retail Rate Schedules.

Adjustment Formula Charge

When the Department's monthly adjusted unit Fuel-Energy cost for the preceding calendar month (adjusted for the purchase and sale of energy to other utilities) is less than or exceeds \$1.847 per million Btu, the Net Monthly Bill shall be decreased or increased respectively by a fuel-energy adjustment charge of 0.0015 cents per KWH of customer usage for each one tenth cents per million Btu change in the cost of fuel and energy. The 0.0015 cent per KWH adjustment rate is based upon a production efficiency at Net System KWH Input Level of 12,765 (Btu/KWH) of fuel heat used for each net KWH of generation produced or purchased.

Application of Adjustment

The application of the monthly fuel-energy adjustment charge for each billing month shall apply to meter readings on approximately the 20th day of the month (billing cycle one) following each preceding month's unit fuel cost determination.

Monthly Unit Fuel-Energy Cost Determination

The monthly unit cost per million Btu will be determined from the following formula:

$$A = \frac{\$(B + C - D)}{(E + F - G) \text{KWH} \times (12,765 \frac{\text{Btu}}{\text{KWH}}) \times \frac{(1 \text{ MBtu})}{1,000,000 \text{ Btu}}}$$

Where A = Adjusted Cost per Million Btu of equivalent heat used.

B = FOB cost of fuel used at the Department's Generating Stations including storage and handling costs and environmental credit purchase costs made by the Department in order to comply with State and Federal environmental regulations.

C = The cost of purchased electric energy including any transmission costs from other Utilities less any demand or capacity charge (exclusive of Border Customers purchases).

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- D = The Net Sales Revenue (after gross receipts tax payment to City of Independence) from the sale of electric energy to other Utilities less any demand or capacity charge (exclusive of Border Customer sales).
- E = The net Kilowatt-hour generation of the Department's generating plants.
- F = The delivered Kilowatt hours into the Department's system of purchased electric energy from other Utilities (exclusive of Border Customer purchases).
- G = The net Kilowatt-hour sale of electric energy to other Utilities (exclusive of Border Customer sales).

PAYMENT IN LIEU OF TAXES TO CITY OF INDEPENDENCE

The net monthly formula charge of this service schedule include charges for the Department's payment in lieu of taxes (PILOT) to the City's General Fund as authorized by Section 3.17 of the City Charter. The Department's PILOT payment to the City is equal to the amount of City taxes and fees charged on privately owned utilities, including the 9.08 percent franchise fee, applicable utility property taxes and sales taxes.

TERMS OF SERVICE

Service rendered under this schedule is subject to the Department's standard rules and regulations.

EFFECTIVE DATE OF SERVICE SCHEDULE

Billing cycle one (1), January 2006 and thereafter as approved by City Council Ordinance No. 15886.