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29. ENERGY COST ADJUSTMENT MECHANISM (Cont'd)

Market Price Charge (MPC) (Cont'd)

A Base MPC rate for each Service Classification will be established using the results of the Company's Embedded Cost of Service Study as approved by the Public Service Commission in Case 00-E-1273, and will remain in effect until changed as approved by the Public Service Commission. Each of the resulting class specific Base MPC rates will be multiplied by an estimate of that Service Classification's full service sales for the following month. The sum of the products for each Service Classification will determine the total Base MPC to be collected for the month. The total Base MPC to be collected will be adjusted to reflect the total actual MPC, as determined above, by allocating the difference between the Base MPC and the total actual MPC to each Service Classification based on the ratio of each Service Classification's current contribution to the total Base MPC.

The total MPC for each Service Classification, as so determined, will be divided by the aforementioned estimate of monthly sales for each Service Classification to determine the MPC factor. The factor so determined will be stated in whole $0.00001 amounts per kilowatthour.

Market Price Adjustment Factor (MPA)

The Company will reconcile, by Service Classification, actual MPC recoveries with total MPC costs and refund to or collect from customers any over or under recoveries on a monthly basis through a separate Market Price Adjustment factor. This MPA factor will be stated in whole $0.00001 amounts per kilowatthour and will be developed on a three (3) month lag.

Miscellaneous Charges Factor

The Miscellaneous Charges factor, also referred to as the Variable Cost Recovery mechanism in the Joint Proposal in Case 00-E-1273, as approved by the Public Service Commission in it's Order issued and effective October 25, 2001, is designed to recover from or refund to all delivery customers the cost or benefit of non-avoidable, variable energy related revenues and costs associated with the Company's remaining generating facilities and from mandatory IPP purchases, as well as all ancillary charges incurred on and after February 1, 2002, including reimbursements to ESCOs for ancillary service charges pursuant to General Information Section 35.K. The cost or benefit associated with the Company's remaining generating facilities and mandatory IPP purchases will be determined as the difference between the actual variable energy related costs of these facilities or purchases and either the revenue from the sale of output or the cost included in the MPC for these same facilities or purchases. An allowance for bad debts and working capital costs will also be included in the Miscellaneous Charges Factor.

Cancelled by 7 Rev. Leaf No. 105 Effective 08/01/2006