

RAPPAHANNOCK ELECTRIC COOPERATIVE
Fredericksburg, VA

WHOLESALE POWER COST ADJUSTMENT CLAUSE-1-NT
SCHEDULE WPCA-1-NT

When the Cooperative's cost of power at wholesale is increased or decreased by a change in the price of power allowed to go into effect, or a change in the charge under a Fuel Cost Adjustment Clause or contracted energy allocation change, the rates of the Cooperative shall be increased or decreased as set forth in Paragraphs A and B below.

A. When a wholesale supplier is permitted to put an increase or decrease in rates into effect in conformance with a rate filed with a regulatory commission, the Cooperative may file a rider which will be applicable in accordance with the Cooperative's jurisdictional rate schedules applicable in the service territory acquired from Potomac Edison Company. If the Cooperative files such a rider, each kWh of energy sold by the Cooperative in the acquired territory shall be increased or decreased by an amount equal to the net revenue change which the wholesale supplier would have received during the base year divided by the Cooperative's sales for the same period. Since the adjustment in the changes per kWh under the rider is not subject to month-to-month variation, the charges under the rider will be included in the basic charge for energy on the Member's bill. If an adjustment is to be made, each Member will be notified of the amount of the adjustment on the first bill applying the adjustment or by other means of official notice. The rider shall become effective in the first billing period after the new wholesale rates become effective. The rider will remain in effect until the Cooperative files a rate case with the Virginia State Corporation Commission. In the event refunds are made to the Cooperative as a result of a final decision of the applicable regulatory commission related to increase rates, which have been adjusted in accordance with this paragraph, the Cooperative shall, within sixty (60) days after receipt of such refund, make refunds to each Member. The refund factor will be calculated by dividing the amount of the refund and interest by the kWhs sold during the period covered by the refund. The credit for each Member will be determined by multiplying the number of kWhs used by the Member during the refund period by the refund factor. The refund will be issued to each Member in the form of a credit on the bill or by check. In cases where it is impractical to refund in this manner, adjustments will be made in the Cooperative's rates such that the refund is estimated to be returned to Members within twelve (12) months.

B. Fuel Cost Adjustment

When the Cooperative receives charges or credits on its wholesale power bills under the provisions of a fuel adjustment clause or changes in energy allocations included in a rate or contract filed with a regulatory commission, a fuel adjustment factor will be calculated and applied to each kWh of energy sold by the Cooperative in the acquired territory. The calculation will exclude kWhs of energy sold under market based rates that include all fuel costs. A differential make-up factor will be calculated based upon the over or under recovery of the fuel adjustment clause or energy allocation change in the most recent six (6) month period ending in March or September. The fuel cost adjustment factor the Cooperative will use for the upcoming month will be the sum of these two factors as calculated below:

1. Monthly Fuel Factor

This factor will be the fuel factor received from the Cooperative's wholesale power supplier increased by the Cooperative's historical line loss. This monthly fuel factor will remain the same until a change in the fuel rate from the Cooperative's wholesale power supplier.

2. Differential Factor

This factor will be calculated by dividing the Cooperative's accumulated deferred fuel balance as of March or September by the Cooperative's kWh sales for the most recent six (6) months ending in March or September. A new differential factor will be calculated every six (6) months.

The fuel cost adjustment factor will be the sum of the factors calculated in Items 1 and 2 above. This resulting factor shall be applied to all kWhs sold by the Cooperative. The factor and the supporting calculations will be furnished to the Commission staff at six (6) month intervals prior to application on Members bills.

C. Rider RS11-1-NT

The Cooperative will file a Rider RS11-1-NT to be effective July 1, 2011 which will be applicable in accordance with the Cooperative's jurisdictional rate schedules applicable in the service territory acquired from Potomac Edison Company. Each kWh of energy sold by the Cooperative in the acquired territory shall be increased or decreased by the Rider RS11-1-NT amount per kWh determined by dividing: (a) the difference between, (i) the amount the wholesale supplier would have received from sales in the acquired territory during the base year under the wholesale rate in effect as of July 1, 2011, excluding fuel adjustment revenues and (ii) the amount that was billed by the Cooperative in the base year under the Energy Supply Service base rates of each acquired territory tariff; by (b) the Cooperative's sales in the acquired service territory for the same period. The amount of this charge will be adjusted each year according to the conditions prescribed in requirements 1) and 2) of the Final Order in Case No. PUE-20009-00101. Any over or under recovery will be treated as a deferred liability or asset and will credited or charge in the following year.

D. Definition of Terms

As used above, the base year means the most recent twelve (12) consecutive months for which actual data is available to the Cooperative, giving the effect of the wholesale rate change or such other twelve (12) month period as may be approved by the Virginia State Corporation Commission.

The adjustment factors as used in A and B above shall be calculated to the nearest 1/1000 of a cent.