

E-1

Applies to Mt Carmel, Illinois

RULES, REGULATIONS, AND CONDITIONS OF SERVICE

RIDER B

ELECTRIC FUEL ADJUSTMENT CLAUSE

Applicable to all Rates Except Ill CC No 8, 3rd Revised Sheet No 7 and 5th Revised sheet No 7.1, Ill C C No 8, 9th Revised Sheet No 11 and Ill CC No 8, 7th Revised Sheet No 12.

This rider is applicable to all kilowatt-hours (KWHs) of energy supplied to customers served by the Company under the above designated rates and individual contracts on file with the Illinois Commerce Commission (Commission) where the charge for such energy is subject to adjustment for increases and decreases in the cost of fuel.

Costs passed through the FAC are required to represent estimates of actual costs to be incurred, with adjustment to actual costs as they become available. The fuel charge passed through the FAC is the total amount of allowable fuel and fuel related charges as identified herein.

The fuel adjustment clause shall be of the following form:

$$FAC = \frac{(CF + CPP - CNS) \times 100}{S} - BFC + Ra + Ro + D$$

where:

FAC = Fuel adjustment charge per KWH. The amount in cents per KWH, rounded to the nearest 0.001¢, to be charged for each KWH billed during any monthly billing period, in excess of that amount included in Base Fuel Costs. The FAC is subject to refunds or increases due to over-collection or under collection, depending on the results of the automatic reconciliation factor (Ra) and the ordered reconciliation factor (Ro) as defined under "Administration".

CF = Allowable fuel cost associated with company owned generating plants. Fuel cost shall be interpreted in accordance with "Interpretation" to include all fossil and nuclear fuel to be consumed in the utility's own plants or in plants owned by wholly-owned subsidiaries of the utility and/or the utility's share of fossil and nuclear fuel to be consumed in jointly owned or leased plants during the period for which the FAC is being determined.

Applies to Mt Carmel Illinois

RULES, REGULATIONS, AND CONDITIONS OF SERVICE

RIDER B (continued)

CPP =Allowable energy cost associated with purchased power. Purchased power shall be interpreted to include emergency, contract, and economy purchases. Except for power purchased for economy reasons, only the energy portion of the power to be purchased during the period for which the FAC is being determined is to be included. All other associated charges are specifically excluded. The demand charges for power to be purchased for economy reasons are allowable energy cost.

Under the provisions of the Commission Order entered in docket No 83- 0275, Mt Carmel Public Utility Co is allowed to include in their computation of purchased power cost (CPP) the demand charges associated with such purchases.

CNS =Fuel costs associated with sales not subject to FAC. Non-jurisdictional sales, including sales for resale; interdepartmental sales; energy furnished without charge; and other sales not subject to FAC. Such fuel costs shall be assumed to be average fuel costs during the period for which the FAC is being determined except in the case of fuel costs associated with interchange power sales which shall represent the amounts recovered with respect to fuel in such sales, ordinarily the incremental cost of such fuel.

S =KWH subject to FAC estimated to be delivered to ultimate consumers, during the period for which the FAC is being determined, and represented in fuel costs recorded in the billing period.

BFC =Base Fuel Cost in cents/KWH. This base cost is equal to 0.760 cents/KWH.

R_a =Automatic Reconciliation factor in cents/KWH.

R_o =Ordered Reconciliation factor in cents/KWH.

D =Desulfurization fee in cents/KWH.

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RULES, REGULATIONS, AND CONDITIONS OF SERVICE

RIDER B (continued)

A. INTERPRETATION

1) Economic dispatch. Economic dispatch means the operation of the electric utility's system, utilizing the source of available power to achieve minimum overall costs, taking into consideration the utility's voltage, frequency, reliability, environmental, safety and service quality requirements, as well as the utility's existing contractual obligations. The utility shall adhere to the principles of economic dispatch unless under unusual circumstances the prudent operation of the utility's system dictates otherwise. If there is a deviation from economic dispatch or any use of less than 100% of the fuel cost of any resource in the dispatch, the deviation shall be fully explained in the initial monthly filing after the facts giving rise to such deviation first occur. Subsequent filings which continue to be affected by facts previously explained need not be accompanied by such explanation.

2) Billing period. The billing period is defined as the period beginning with the first billing cycle of the month for which the FAC is being determined and ending with the last billing cycle thereof.

3) Allowable fuel and fuel-related charges (CF):

The cost of fuel shall include the direct cost of fuel delivered at the generating plants. The direct fossil fuel costs are limited to costs entered into fuel expense Accounts #501 and # 547 which have been cleared upon consumption from Fuel Stock Account #151, or in the case of gas fuel the amount which is charged directly to accounts #501 or # 547. Costs cleared from Fuel Stock Accounts #152 and #153 are specifically excluded. The cost of fuel used in the generation or production of electric power shall not include transportation costs of coal (this exclusion includes items 2, 4, and 5 of Fuel Stock Account #151) except as otherwise provided in this subsection. Such costs of fuel shall, when requested by a utility or at the conclusion of the utility's next general electric rate proceeding, whichever shall first occur, include transportation costs of coal purchased under existing coal purchase contracts. For purposes of this subsection "existing coal purchase contracts" means contracts for the purchase of coal in effect on August 27, 1991, as such contracts may thereafter be amended, but only to the extent that any such amendment does not increase the aggregate quantity of coal to be purchased under such contract (Section 9-220 of the public Utilities Act ("Act") [220 ILCS 5/9-220]).

The cost of nuclear fuel shall be that as expensed in Account #518, including provisions for storage and disposal of spent fuel disposal fees, except that handling costs for nuclear fuel assemblies or any expense for fossil fuel which has already been included in the costs of fossil fuel, are specifically excluded.

The consumed fuel costs associated with test generation shall be included in allowable fuel and fuel related charges to the extent they are equal to or less than the average fuel costs of the utility's other units operated during the period for which the FAC is being determined. Average fuel costs equal total fuel costs of a utility's generating facilities less the cost of test generation, divided by total net generation less test generation.

Applies to Mt Carmel, Illinois

RULES, REGULATIONS, AND CONDITIONS OF SERVICE

RIDER B (continued)

INTERPRETATION (continued)

Where the cost of fuel includes fuel and/or transportation costs from company owned or controlled services (in whole or in part), that fact shall be noted and described as part of any filing.

With respect to the price of fuel purchases or transportation services from company or controlled sources pursuant to contracts which are not subject to regulatory authority, the utility company shall file such contracts and amendments thereto annually with the Commission.

Fuel or transportation charges by affiliated companies which do not appear to be reasonable may result in the suspension of the fuel adjustment clause or cause an investigation thereof to be made by the Commission on its own motion. Any suspension of the fuel adjustment clause may occur if, after a hearing, a finding is made that such charges of a utility are unreasonable.

The cost of fuel shall include the direct cost of purchasing or otherwise acquiring, for utility operations purposes, emission allowances, created under the Federal Clean Air Act Amendments of 1990 (Pub L 101- 549) including the emission allowances allocated to the utility by the United States Environmental Protection Agency, limited to the following:

- i) The costs cleared from Account #158.1 - Allowance Inventory, and charged to Account #509 - Allowances, concurrent with the monthly emission of sulfur dioxide;
- ii) The gains cleared from Account #254 - Other Regulatory Liabilities, and credited to Account #411.8 - Gains from Disposition of allowances; and
- iii) The losses charged to Account #411.9 - Losses from Disposition of Allowances.

4) Allowable Energy Costs Associated with Purchased Power (CPP). Allowable Energy Costs Associated with Purchased Power (CPP) represents only the energy cost portion of emergency and contract purchase. It represents the energy and demand cost portions of economy purchases. Non-monetary exchanges of power are not included. Mt Carmel Public Utility Company is permitted to include in its computation of purchased power cost (CPP) the demand charges associated with such purchases.

5) Base Fuel Cost (BFC). The base fuel costs in cents per KWH rounded to the nearest 0.001¢ included in the energy charges of the utility's rates.

6) Non-jurisdictional sales. Fuel costs associated with sales to other privately owned electric utilities under interchange power agreements.

Applies to Mt Carmel, Illinois

RULES, REGULATIONS, AND CONDITIONS OF SERVICE

RIDER B (continued)

INTERPRETATION (continued)

7) Desulfurization Cost. Payment for professional services, licenses, etc for the implementation and operation of a process for the desulfurization of the flue gas when burning high sulfur coal at any location within the State of Illinois irrespective of the attainment status designation of such location, except for any fees or costs related to a service contract to the extent that recovery of comparable costs would not be permitted through the FAC if incurred directly by a utility owning and operating such a facility (Section 9-220 of the Act).. If fees are more than 10% of the estimated fuel cost for the month (CF + CPP - CNS) excluding the desulfurization fees, they shall be deferred (Account # 186, Miscellaneous Deferred Debits) and amortized at a rate which will permit the charge off of the deferred amount in the shortest time frame, while conforming to the 10% restraint.

B.ADMINISTRATION

- 1) Reporting. Utilities are to report monthly in a format designated by the Commission.
- 2) Annual reconciliation. In conjunction with a docketed reconciliation proceeding, the Company shall file with the Commission a statement showing the determination of the reconciliation balance for the reconciliation year. This annual reconciliation shall be accompanied by the opinion of the Company's outside public accountants on the reconciliation and verified by an officer of the Company.
- 3) Ordered Reconciliation. Costs and revenues associated with the clause shall be subject to an ordered reconciliation factor (R_o) as required by the Commission.
- 4) Automatic Reconciliation. The automatic reconciliation factor (R_a) will consist of the difference between actual allowable costs incurred and FAC recoveries for each month so identified in the second month prior to the billing month. This difference shall be divided by the KWHs subject to FAC estimated to be delivered to ultimate customers during the billing period.

E-2

MT CARMEL PUBLIC UTILITY CO - DOCKET NO 03-0692

FAC Reconciliation - Electric Energy Charge for the year ended December 31, 2003

Line No

1	FAC Rec Balance at Dec 31, 2002	\$42,443.47
	Factor O to be Collected/(Refunded) During 2003	(\$754.00)
	Balance to be Collected/(Refunded) During 2003	\$41,689.47
2	2003 FAC Recoverable Costs	\$4,110,164.86
3	2003 FAC Revenues	(\$3,405,400.91)
4	2003 Base Fuel cost Revenues	(\$693,900.88)
5	(Over)/Under Recovery	\$10,863.07
6	FAC Rec Balance @ Dec 31, 2003	\$52,552.54
7	Ra Balance at Dec 31, 2003	\$47,538.98
8	Requested Ordered Rec Factor	\$5,013.56

