
RIDER RPS-RELIABILITY PROJECTS SURCHARGE

APPLICABILITY

The Reliability Projects Surcharge Rider (Rider RPS) is applicable to Rate DS-1 – Residential Delivery Service (Rate DS-1), DS-2 - Small General Delivery Service (Rate DS-2), DS-3 - General Delivery Service (Rate DS-3) and DS-4 - Large General Delivery Service (Rate DS-4). The charges applied under this Rider shall be monthly charges that recover Qualifying Costs. This Rider may be terminated only after all remaining unrecovered Qualifying Costs have been included in the base rate charges of Company and upon the conclusion of the reconciliations set forth below.

PURPOSE

The purpose of this Rider is to provide for the timely recovery of Qualifying Costs related to the Company's implementation of Liberty Audit recommendations. Such Qualifying Costs shall consist of incremental operating expenses, as well as capital projects, collectively referred to as "Projects" for purposes of this Rider. To be eligible, such Projects must first be included in an implementation plan accepted by the Commission. Cost recovery of capital Projects shall include both the return 'on' and the return 'of' such investments, as further defined within this tariff.

QUALIFYING COSTS

To be classified as Rider RPS Qualifying Costs, the Projects must meet the following criteria:

- 1) Projects must be responsive to a recommendation from the Liberty Audit.
- 2) The Commission must first approve the Company's implementation plan for Projects responsive to the Liberty Audit Recommendations. The Projects within such plan are not necessarily limited to a calendar year in terms of duration or for purposes of cost estimates and recovery.
- 3) The costs of such Projects are not being recovered from customers via any other means.

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COMMISSION APPROVALS

Prudently incurred costs for Projects that are approved by the Commission shall be eligible for Rider RPS recovery and will be subject to a Commission reconciliation review process as set forth in this tariff. To the extent the Commission authorizes changes to delivery service charges or takes other actions pursuant to an Order of the Commission as a result of a rate case or other proceeding, the then current Rider RPS amount may be revised immediately in accordance with the provisions of the Determination of the Rider RPS Amount section of this tariff.

DETERMINATION OF RIDER RPS AMOUNT

The RPS amount shall be determined for each applicable rate classification and included in the monthly customer charge component of the Delivery Services monthly bill for each effective period an RPS amount is determined. For purposes of Rider RPS, an effective period shall be the billing periods occurring during a calendar quarterly period. An RPS amount may be revised during an effective period to the extent necessary to better align cost recovery and expected costs. The RPS amounts shall be determined as follows:

$$\frac{((\text{NetFGP} \times \text{PTR} \times .25) + \text{NetQDep} + \text{QIncExp}) \times \text{R}_C + \text{AB}_C + \text{O}_C}{\text{EDB}_{\text{EP}_C}}$$

Where:

- RPS_C = Reliability Projects Surcharge amount shall be expressed in dollars (\$), rounded to two decimals, and, applicable to retail customer designations, C, during the effective period (EP) for which the computed RPS is applicable. The RPS may be modified during an effective period due to Commission ordered adjustment amounts, Company determined automatic balancing adjustments, or for other reasons requiring a recalculation.
- C = Customer Designation as set forth in Applicability Section.
- NetFGP = Original cost of RPS projects less accumulated depreciation. NetFGP shall be the level of investment in RPS projects existing at the end of the calendar month preceding the month in which an information sheet is filed.

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PTR = Pre-tax return, calculated using the weighted cost of debt and weighted cost of equity determined in the Company's last rate case. The weighted cost of equity is multiplied by the gross revenue conversion factor (GRCF). The product is then added to the weighted cost of debt to obtain the pre-tax return. The pre-tax return is calculated using the following formulas:

$$PTR = ((WCCE + WCPE) \times GRCF) + WCLTD + WCSTD$$

Where:

WCCE = Weighted cost of common equity from the Company's last rate case.

WCPE = Weighted cost of preferred equity from the Company's last rate case.

GRCF = Gross Revenue Conversion Factor calculated using the following formula:

$$GRCF = 1 \div [(1 - SIT) (1 - FIT)]$$

Where:

SIT = Illinois State income tax rate in effect at the time of filing.

FIT = Federal income tax rate in effect at the time of the filing.

WCLTD = Weighted cost of long term debt from the Company's last rate case.

WCSTD = Weighted cost of short term debt from the Company's last rate case.

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- NetQDep = Net quarterly depreciation expense applicable to NetFGP less the quarterly depreciation applicable to plant being retired.
- QIncExp = Quarterly Incremental Expense for contractors, outside professional services, payroll and related expenses for new positions, materials, supplies, software, travel and other expenses incurred for the purpose of complying with one or more Liberty Audit recommendations that have been accepted by the Commission as a part of the Company's implementation plan.
- R_C = Revenue Requirement Ratio used to allocate costs to each applicable customer rate classification. The (R) factor, expressed as a percentage, is derived from the compliance Delivery Services annual revenue requirements for each applicable customer rate classification resulting from the final Commission order in the prior Delivery Services rate case of Company.
- AB_C = Company-determined Automatic Balancing component for each customer designation C, equal to the cumulative debit or credit balance (over-or-under recovery) resulting from application of the RPS for a prior period. The (AB) amount shall be expressed in dollars (\$).
- O_C = Commission ordered adjustment amount, in dollars (\$), for customer designation C, resulting from a Commission Order in a reconciliation proceeding, plus the calculated interest attributable to the O component. Interest shall be at the rate established by the Commission under 83 Ill. Adm. Code 280.70(e)(1). Interest on the O component shall be applied from the end of the reconciliation period until the O component is refunded or charged to customers through the RPS.
- EDB_{EPc} = Expected Delivery Services Bills issued by the Company during the effective period (EP) the applicable RPS will be in effect for customer designation, C. This value shall represent the estimated number of times the monthly customer charge for each customer designation, C, will be billed during the RPS effective period.

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ANNUAL RECONCILIATION

On or before May 15th of each year, if the Company had an RPS amount in effect for all or part of the immediately preceding calendar year, it shall file a petition seeking initiation of the annual review to reconcile amounts accrued pursuant to this Rider with Qualifying Costs. The Company shall submit information covering the reconciliation period to the Commission for its review. The annual reconciliation information shall be verified by an officer of the Company. The Commission shall determine the amount of the adjustment, if any, that should be made (through the O component) to the level of revenue collected by operation of this Rider during the reconciliation period, so that the amount of such revenue is equal to the actual level of prudently-incurred Qualifying Costs for the reconciliation year (to the extent that such adjustment has not already been reflected through an adjustment made by the Company to the AB component of the RPS).

INFORMATION SHEET FILINGS

Information sheet filings must be filed with the Commission and shall include supporting information no later than the 20th of the month preceding the effective date of the RPS amounts. An information sheet with supporting information filed after that date, but prior to the effective date, shall be accepted only if it corrects an error or errors from a timely filed information sheet for the same effective date. Any other information sheet with supporting data, not otherwise required or anticipated pursuant to the terms of this Rider, nor ordered as a compliance filing by the Commission, shall be accepted only if submitted as a special permission request to become effective on less than 45 days notice under provisions of Section 9-201 (a) of the Act.

ANNUAL AUDIT AND REPORTS

Annually, subsequent to completion of RPS adjustments for a calendar year, the Company must conduct an internal audit of its costs and recoveries of such costs pursuant to this Rider. The internal audit shall determine if and to what extent incremental adjustments recovered or credited through this Rider are: 1) appropriately calculated pursuant to the provisions of this tariff; 2) RPS amounts are being properly billed to customers; and, 3) revenues resulting from application of RPS are recorded in appropriate accounts. The above list of determinations does not limit the scope of the audit. The Company must also prepare a report each year summarizing the results of such audit. Such report must be submitted to the Commission in an informational filing, with copies of such report provided to the Manager of the Staff's Accounting Department by June 30. Such report must be verified by an officer acting on behalf of the Company. The first such Audit report shall be for the 2010 reporting year and shall be submitted by June 30, 2011.

The Company shall also provide the Manager of the Staff's Accounting Department by May 31, a report showing the jurisdictional rate of return earned by the Company's electric business for the

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300 Liberty Street, Peoria, IL 61602

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prior calendar year, in the format currently provided ICC Staff on a quarterly basis. If such report shows Company's rate of return exceeds its authorized rate of return, as ordered by the Commission in prior rate case(s) for rates in effect for such calendar year, the amounts recovered via this Rider during such calendar year shall be reduced to an amount that eliminates the over-earning amount, not to exceed the entire amount accrued pursuant to Rider RPS for such calendar year. The amounts of such refund shall include interest on the monthly balances from the date such refunded amounts were accrued to the date of refund, at the rates established by the Commission under 83 Ill. Adm. Code 280.70(e)(1).

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