
ADJUSTMENT CLAUSE

(1) The applicable energy or demand charges shall be increased or decreased (C) quarterly, by an adjustment amount per kilowatt-hour of sales (to the nearest 0.001¢) or KW of demand (to the nearest 1.0¢) equal to the difference between the delivered cost of energy, delivered cost of fuel, ad valorem taxes paid, and Commission approved fuel incentives pursuant to SDCL 49-34A-25 ("qualified costs") per kilowatt-hour of sales or KW of demand and the base cost per KWH or KW included in applicable standard base rates, if any.

(2) Qualified costs include: (C)

(I) Delivered cost of energy:

(a) The net cost of energy delivered to the distribution system pursuant to filed wholesale transmission rates as recorded in Accounts 456 and 565 of the Federal Energy Regulatory Commission's Uniform System of Accounts for Public Utilities and Licensees.

(II) Delivered cost of fuel:

- (a) Fossil and nuclear fuel consumed in the utility's own plants, and the utility's share of fossil and nuclear fuel consumed in jointly owned or leased plants; plus
- (b) The actual identifiable fossil and nuclear fuel costs associated with energy purchased for reasons other than identified in paragraph (2) (c) below; plus
- (c) The net energy cost of energy purchases, exclusive of capacity or demand charges (irrespective of the designation assigned to such transaction) when such energy is purchased on an economic dispatch basis. Included therein may be such costs as the charges for economy energy purchases and the charges as a result of scheduled outage, all such kinds of energy being purchased by the utility to substitute for its own higher cost energy; and less
- (d) The cost of fossil and nuclear fuel recovered through inter-system sales including the fuel costs related to economy energy sales and other energy sold on an economic dispatch basis.

(Continued)

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Exhibit A