

**[ ERC AMENDMENT TO THE GUIDELINES FOR THE GENERATION COMPONENT, December 22, 2004 ]**

**AMENDMENT TO THE GUIDELINES FOR THE RECOVERY OF COSTS FOR THE GENERATION COMPONENT OF THE DISTRIBUTION UTILITIES' RATES**

*SECTION 1.* The following provisions of the Guidelines are hereby amended as follows:

1. Section 3 of Article IV of said Guidelines is amended to read as follows:

Secondary Limitation on the Recovery of Costs through the Retail Rates - The limitation on recovery of costs for the generation component in the supply of electricity within the Retail Rate of a Distribution Utility determined pursuant to Section 2, Article IV shall not apply to any amount of electricity available under the applicable Regional TSC as demonstrated by the relevant Regional TJC Availability Record. The relevant Regional TSC Availability Record shall be the latest record, as updated, on file with the ERC at the time the Distribution Utility files a rate application with the ERC. In such cases where the Distribution Utility seeks to include generation costs for the supply of electricity in excess of that which is available to the Distribution Utility under the applicable Regional TSC, the ERC shall, using an appropriate methodology of benchmarking, evaluate the reasonableness of such generation costs with reference to technical, environmental, economic and financial criteria including but not limited to the characteristics of the technologies used to provide capacity and energy under the contract, the diversity of fuel sources, the compliance with the existing legislation and government policy, the cost over the term of the arrangement under various scenarios of demand, fuel costs, foreign exchange rates and capital costs, the balance of costs and financial risks incurred, and with reference to the Power Development Plan of the DOE. The ERC shall develop specific guidelines on appropriate methodology for benchmarking on or before March 31, 2005. The evaluation methodology shall be applied to all new contracts or amendments to existing contracts. The Distribution Utilities shall submit all relevant technical, economic and financial data as well as cost analyses supporting the contractual costs it seeks to recover through the generation component in its Retail Rates.

2. Section 1 of Article V of said Guidelines is amended to read as follows: