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PALAU PUBLIC UTILITIES CORPORATION (PPUC)

Summary of Electricity Rates

Monthly Fixed Charge

	<u>Conventional Meter</u>	Schedule A <u>Prepaid Meter</u>
Residential Customer	\$ 3.00 per month	\$ 0.00 per month
Commercial Customer	\$11.00 per month	\$11.00 per month
Government Customer	\$11.00 per month	\$11.00 per month

Base Rate

Residential:

		Schedule B <u>All Meters</u>
First 150	kWh per month	2.0 cents/kWh
From 151 to 500	kWh per month	9.4 cents/kWh
Over 500	kWh per month	14.3 cents/kWh

Commercial/Government:

First 150,000	kWh per month	14.3 cents/kWh
From 150,001 to 250,000	kWh per month	13.3 cents/kWh
Over 250,000	kWh per month	12.3 cents/kWh

Fuel Rate and AFPAC

Schedule C

The fuel charge (\$/kWh) shall be adjusted quarterly based on projected fuel cost of next quarter, previous quarter's actual fuel cost and an energy loss reduction program.

Renewable Energy Feed-in Rate (FiR)

Schedule E

Renewable energy rate shall be computed based on technical data of the system and its contribution to the PPUC grid. FiR shall not exceed PPUC's cost of generation per kWh

Special Energy Credit

Schedule F

Depending on availability of funds, PPUC may extend, at the direction of the Board of Directors, a special energy credit to eligible customers at an amount approved by the Board of Directors. Refer to Schedule F for details.

Demand Charge, Power Factor and Stand-By Charge

Schedules G, H and I

Charges shall be computed based on methodologies detailed in the appropriate schedules. Applicable only to Stand-By customers and large commercial customers.

Infrastructure Impact Fee

Schedule J

An impact fee to be determined and collected over the recovery period.

New Installation Fee

Schedule K

New installations shall be charged a minimum fee of \$50 for Residential single phase meters or \$100 for all other meter installations, plus the actual cost of installation less a PPUC credit. Other installation charges apply for other installation services.

**SCHEDULE
A
Monthly Fixed Charge**

Applicability:

This schedule is applicable to all metered customers served by PPUC.

Purpose:

This charge covers PPUC's monthly fixed costs of providing service to each customer, without regard to connected load demand or energy consumption.

Conventional Meter Service Charge:

RESIDENTIAL	\$ 3.00 per month
COMMERCIAL	\$11.00 per month
GOVERNMENT	\$11.00 per month

Prepaid Meter Service Charge:

RESIDENTIAL	\$ 0.00 per month
COMMERCIAL	\$11.00 per month
GOVERNMENT	\$11.00 per month

SCHEDULE B Base Charge

Applicability:

This schedule is applicable to all customers served by PPUC.

Purpose:

The Base Charge recovers for PPUC its non-fuel cost of operation. This represents the per-kilowatt-hour (kWh) charge for energy supplied and covers all operating costs except for fuel.

Calculation of Base Charge Rate

The total base charge rate is obtained by multiplying the number of kilowatt-hours (kWh) billed by the base charge rate per kWh.

Base Rate: CONVENTIONAL METER

RESIDENTIAL:

First 150 ¹	kWh per month	2.00 cents/kWh ²
From 151 to 500 ³	kWh per month	9.40 cents/kWh ⁴
Over 500 ⁵	kWh per month	14.30 cents/kWh ⁶

COMMERCIAL/GOVERNMENT:

First 150,000	kWh per month	14.30 cents/kWh ⁷
From 150,001 to 250,000	kWh per month	13.30 cents/kWh ⁸
Over 250,000	kWh per month	12.30 cents/kWh ⁹

¹ Formerly was 0-500 kWhs - June 2008 Electric Rate Schedule

² Formerly was 0.0 cents/kWh under the June 2008 Electric Rate Schedule

³ Formerly was 501-2000 kWhs under the June 2008 Electric Rate Schedule

⁴ Formerly was 5.8 cents/kWh under the June 2008 Electric Rate Schedule

⁵ Formerly was 2000+ kWhs under the June 2008 Electric Rate Schedule

⁶ Formerly was 10.3 cents/kWh under the June 2008 Electric Rate Schedule

⁷ Formerly was 10.3 cents/kWh under the June 2008 Electric Rate Schedule

⁸ Discounted rate applies only to customers who maintain their accounts current for a minimum period of 12 months. A default on payment (late payment received by PPUC after the due date stated on the bill or nonpayment) automatically disqualifies the customer from these discounted brackets until the default is corrected and customer qualifies after a 12-month probation.

⁹ Same as footnote 8.

SCHEDULE C

Quarterly Automatic Fuel Price Adjustment Clause (AFPAC)

Applicability:

This schedule is applicable to all customer classes served by PPUC.

Purpose:

The quarterly fuel charge is designed to recover PPUC's cost of fuel consumed for the purpose of generating electricity. Fuel cost shall include cost of diesel fuel, related transportation cost and lubricating oil used by the PPUC power plants. The AFPAC Fuel Rate shall be based on three key factors: (1) fuel price forecast for three months, (2) correction of prior quarter over (under) recovery, and (3) energy loss reduction targets.

The cost of fuel presently constitutes over 60% of PPUC's operating expenses and is outside the control of PPUC. The purpose of the Automatic Fuel Price Adjustment Clause (AFPAC) is to ensure that any increase or decrease in the cost of fuel (incurred by PPUC) is 'passed- through' to ensure PPUC maintains sufficient revenues to meet operating fuel cost.

Calculation of AFPAC Fuel Rate:

The Fuel Charge is obtained by multiplying the number of kilowatt-hours (kWh) billed by the AFPAC Fuel Rate per kWh. The AFPAC fuel rate is calculated using the AFPAC mechanism outlined below. The starting effective fuel rate shall be the current or published fuel rate at the time of this implementation.

Methodology:

The current fuel rate shall be adjusted up or down for projected fuel price increase in the forthcoming quarter and the prior quarter's over (under) recovery of fuel cost, and next quarter's energy loss reduction target (commences FY2013 – refer Table 1 below).

Table 1: Energy Loss Reduction Targets	FY2012	FY2013	FY2014	FY2015	FY2016
Allowable Non Technical Losses	8.100%	8.019%	7.940%	7.865%	7.795%
Allowable T&D Losses	6.000%	5.940%	5.881%	5.826%	5.774%
Allowable Station Usage	6.500%	6.435%	6.371%	6.311%	6.255%
Allowable Energy Loss (%)	20.600%	20.394%	20.192%	20.002%	19.824%
Loss Reduction Targets (%)	0%	1.00%	0.99%	0.94%	0.89%

SCHEDULE C

Quarterly Automatic Fuel Price Adjustment Clause (AFPAC) (continued)

The AFPAC methodology is more explicitly outlined below. (Table below is for illustration purpose only.)

Fuel Rate Computation	FY 2012			
	Q1	Q2	Q3	Q4
CR: Current Fuel Rate (USD¢ per kWh)	0.319	0.327	0.335	0.344
FP: Fuel Price projected increase (USD¢ per kWh)	0.008	0.008	0.008	0.009
PQ: Prior Quarter Fuel Price Adjustment (USD¢ per kWh)	-	-	-	-
ET: Loss Reduction Program Adjustment (%)	-	-	-	-
EA: Loss Reduction Program Adjustment (USD¢ per kWh)	-	-	-	-
NR: New Fuel Rate (USD¢ per kWh)	0.327	0.335	0.344	0.352

CR: The current AFPAC rate.

FP: The projected fuel price adjustment is calculated by multiplying the current fuel rate with the projected fuel price factor. For example, if we anticipate, based on statistics and market trends, that fuel price will increase by 2.5%, then the fuel price factor will be 2.5%.

PQ: The previous quarter adjustment is determined by taking the actual fuel cost of the previous 3 months and dividing this by the total kWh sold for that quarter. The result less last quarter's fuel rate is added or subtracted from this projection for next quarter's rate.

ET: Loss reduction targets are laid out in Table 1 above.

EA: Loss reduction adjustment is calculated by estimating energy saved (kWh) during the next quarter if we were to achieve the energy loss target specified in Table 1 above, multiplying this with the current AFPAC rate and dividing it by the projected kWh sold for the next quarter.

NR: The new AFPAC rate for next quarter.

SCHEDULE D

Renewable Energy Feed-in Rate

Applicability:

This schedule is applicable to all customers with renewable energy systems that feed into the PPUC grid.

Purpose:

The purpose of this schedule is to provide an appropriate rate for customers that contribute to the PPUC power generation through solar or other alternative/renewable energy systems.

Calculation:¹

Rate shall be computed based on technical data of the connected system including but not limited to system size, generation output, system location and projected contribution to the PPUC grid. The rate shall be computed based on actual realized cost reduction to PPUC's fossil-based generation cost, but may not exceed the current AFPAC rate per kWh.

This rate shall be computed on a net billing basis. Specifically, a customer's consumption shall be billed at gross consumption readings and netted against the calculated bill for the customer's contribution to the PPUC grid at the rate established in this schedule.

¹ This is a new Electric Rate item.

**SCHEDULE
E
PPUC Energy Credit**

Applicability:

Applies to certain classes of customers as approved by the Board of Directors.

Purpose:

Dependent on availability of funds, this provision allows PPUC to extend a special energy credit to certain group(s) of customers as directed by ROP legislation or upon approval by the Board of Directors.

Monthly energy credit shall be a credit amount, approved by the Board of Directors, applied to total kWh billed to each customer that falls within the eligible category of customers, as defined by the Board of Directors. In the event the total amount approved for credit becomes insufficient to cover the combined kWh billed to all customers within the eligible category, the remaining funds shall be rationed among all customers in the eligible category on a pro-rata basis based on kWh consumed by each customer to the total kWh consumed by the entire group.

Amount of energy credit is subject to change by the Board of Directors at anytime during the fiscal year.

**SCHEDULE
F
Demand Charge**

Applicability:

This schedule is applicable to customers who must be required to be metered and pay for their electricity in the manner set forth in this schedule.

Purpose:

This schedule is provided for customers that place a high KW demand on the PPUC power system. Customers determined by PPUC to fit this category shall be subjected to the charges set forth in this Schedule.

The charge is to cover PPUC's costs for providing capacity and energy to each customer. This charge is directly related to the connected load (maximum demand), and energy consumed.

Monthly Demand Rate and Energy Charge per Meter per Month:

Applies to major commercial and government customers at PPUC's discretion.

\$18.60 per kW of Maximum demand plus the appropriate electricity charges outlined in Schedules A, B, C, D and G.

SCHEDULE G Power Factor

Applicability:

This schedule is applicable to large customers whose load is 100KW or greater and whose power factor is determined to exceed or fall below the standard power factor. Technically, this is the ratio of active power (kw) to apparent power (kva). At high power factor, KVA essentially equals KW, at a lower power factor it increases the reactive power (KVAR).

Purpose:

Customers must have a power factor not less than 0.85 lagging. Large customers with power factors of less than 0.85 will be charged according to this Penalty Schedule to compensate for the energy loss resultant from the power factor deficiency. Large customers whose power factor exceeds 0.95 will be awarded credit in accordance with this Credit Schedule.

Calculation:

Penalty

Customers that fall below the standard power factor of 0.85 will be charged by compounding their kWh consumption for the month with a power factor correction percentage applied to their total month kWh consumption.

For Penalty:

74 % or below
75 - 79 %
80 - 84 %

Penalty will be computed based on customer's load impact but not less than 5% applied to customer's kWh consumption.
3% applied to customer's kWh consumption.
2% applied to customer's kWh consumption.

Credit

Customers that exceed a power factor of 0.95 will be credited accordingly by reducing their monthly electric bill by kWh consumption multiplied by a pre-determined credit percentage below.

For Discount:

96 % and above

2% applied to customer's kWh consumption.

The power factor must be properly metered and read by PPUC SCD metering technicians. Accuracy of PF reading shall be subject to correction and change at any time as determined by the PPUC CEO/General Manager.

**SCHEDULE
H
Stand-By Charges**

Applicability:

This schedule is applicable to large customers who request PPUC to supply stand-by or backup power.

Purpose:

Applies to customers on stand-by, customers who wish to use PPUC as a stand-by source for backup power. Customers will be charged a monthly demand charge fee based on their expected (assessed) demand. Where PPUC energy is taken, then customers will be charged demand charges at their assessed demand or actual maximum demand for the month whichever is higher, plus an energy charge for all kWh consumed.

Monthly Demand and Energy Charge per Meter per Month:

\$5 per kW of demand (estimated) and the appropriate electricity charges outlined in Schedules A, B, C, D and G.

SCHEDULE I

Infrastructure Impact Fee

Applicability:

This schedule is applicable to a customer whose connected load requires PPUC to install additional generation, transmission, distribution system, and/or any other asset to serve the customer.

Purpose:

Since capital expenditure may become stranded cost, that customer must pay exclusively for the estimated capital expenditure. The customer will be charged an impact fee at their assessed capital cost or actual capital investment amount for an estimated recovery period. Recovery period shall not exceed estimated useful life of installed assets or customer's estimated period of ability to pay, whichever is shorter.

Monthly Impact Fee per Meter per Month:

As estimated in each of the customer's separate agreement for impact fee.

SCHEDULE J New Installation Fees

Applicability:

This schedule is applicable to all customers who apply for connections to the PPUC power grid.

NEW INSTALLATION FEE:

Single Phase for Residential Customers Only.

\$50.00 plus cost below.

Installations within 300 feet will not be charged additional costs to the fee stated above. Installations beyond 300 feet from an existing power pole shall be charged in addition to the installation fee, an infrastructure charge which equates to the total cost of installation less \$1800 credit from PPUC, the estimated cost of the basic service drop within 300 feet. Subsequent connections to the same infrastructure with excess credits (\$1800) over the cost of installation shall be refunded as credits to the initial customer who bore the cost of the infrastructure, up to the initial infrastructure charge paid by that customer. Total cumulative credits shall not exceed the initial infrastructure charge amount.

The customer shall be entitled to credits as described above up to a period of eight years, commencing on the effective date of this Rate Schedule. There will be no retroactive application of this Schedule to past connections. It shall be the customer's responsibility to notify PPUC of possible credits owed to customer for any subsequent new connections to the same infrastructure. PPUC shall not be liable for credits potentially due to customer under this provision if not informed within 30 days of line installation for new customers.

ILLUSTRATION:

Customer A pays \$2,500 to extend the distribution infrastructure to his house. Six months later, Customer B connects to the same infrastructure. Customer B's cost was only \$100 thus there remains an excess credit of \$1,700 from the PPUC credit. That \$1,700 excess credit shall be refunded to Customer A as a credit to his account. Credits may not be refunded as cash payments.

Single Phase - All Other Customers

\$100.00 plus cost below.

Installations within 100 feet will not be charged additional costs to the fee stated above. Installations beyond 100 feet from an existing power pole shall be charged, in addition to the installation fee, an infrastructure charge which equates to the total cost of installation less \$400 credit from PPUC, the estimated cost of the basic service drop within 100 feet. Subsequent connections to the same infrastructure with excess credit (\$400) over the cost of installation shall be refunded as credits to the initial customer who bore the cost of the infrastructure, up to the initial infrastructure charge paid by that customer. Total cumulative credits shall not exceed the initial infrastructure charge amount.

SCHEDULE J New Installation Fees, (continued)

The customer shall be entitled to credits as described above up to a period of eight years, commencing on the effective date of this Rate Schedule. There will be no retroactive application of this Schedule to past connections. It shall be the customer's responsibility to notify PPUC of possible credits owed to customer for any subsequent new connections to the same infrastructure. PPUC shall not be liable for credits potentially due to customer under this provision if not informed within 30 days of line installation for new customers.

ILLUSTRATION:

Customer A pays \$2,500 to extend the distribution infrastructure to his store. Six months later, Customer B connects to the same infrastructure. Customer B's cost was only \$100 thus there remains an excess credit of \$300 from the PPUC credit. That \$300 excess credit shall be refunded to Customer A as a credit to his account. Credits may not be refunded as cash payments.

Three Phase: Actual Cost of Installation is the Installation Fee for 3-phase connection.

Conversion to Prepaid Meter: **\$100.00**

Conversion to Conventional Meter: **\$150.00**

OTHER FEES

All Other Distribution System Relocation/Construction: Actual Cost of Installation

Temporary Service: Actual cost of installation plus estimated cost of removal less estimated salvage value of facilities necessary for furnishing service, which will be returned to PPUC.

SCHEDULE K General Service Charge

Applicability:

This schedule is applicable to all customers served by the Utility.

DISCONNECTION / RECONNECTION FEES

Residential: 1st incident - \$25.00; 2nd incident - \$ 50.00; 3rd incident - \$75.00

Commercial: 1st incident - \$50.00; 2nd incident - \$100.00; 3rd incident - \$150.00

Government: 1st incident - \$50.00; 2nd incident - \$100.00; 3rd incident - \$150.00

Late payment made same day of disconnection will not be charged. But, late payment received later than day of disconnection shall be subject to above reconnection fees.

PPUC reserves the right to automatically convert delinquent customers to prepaid metering. Customers charged a reconnection fee more than once during any twelve-month period may be required to pay a security deposit of twice the average monthly energy consumption on top of the reconnection fee before reconnection to the grid.

Disconnection and Reconnection as a result of customer request for repair and maintenance purpose:

Disconnection/Reconnection Fee	\$25.00
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Disconnected meters beyond one week will be permanently disconnected from the system and returned to PPUC.

METER SERVICES

Meter Name Change

No Charge

(Account name MUST be changed whenever the account owner changes. New account owners may not be subjected to Security Deposit provisions below if account history is considered good .)

Meter Accuracy – All Customers (within 12 months)

1 st accuracy check	No Charge
2 nd accuracy check	\$ 25.00
3 rd accuracy check	\$ 50.00
Beyond 3 rd accuracy check	\$ 200.00
Commercial or CT Meters	\$ 200.00 per accuracy check

CIU Error Checks – All Prepaid Meter Customers

CIU check	No Charge
Subsequent CIU checks	\$ 10.00
Meter reset	No Charge
CIU errors or replacement	\$ 10.00
Re-issuance of token issued to a wrong account:	
Residential	\$ 20.00
Commercial/Government	\$ 50.00

SCHEDULE K General Service Charge (continued)

Meter Relocation (if same service drop) \$ 25.00

Other meter relocations shall be charged at cost.

Meter Tampering, Unauthorized Connection, or Fraudulent Activity - Immediate disconnection with Penalty Charges as follows:

- 1st reconnection - \$500 plus equipment repair/replacement cost and back billing;
- 2nd reconnection - \$1000 plus equipment repair/replacement cost and back billing;
- 3rd reconnection - \$1500 plus equipment repair/replacement cost and back billing;
- 4th permanent termination of services;

Plus estimated kWh unbilled for the past year (for Residential) or two years (for Commercial/Government) billed at the current electric rate, plus any cost to repair and cost to replace the meter, reconnection fees, security deposit, collection fees, legal fees, court cost and any other damages;

Tampering or fraudulent activity by customers on prepaid meters shall, in addition to the above fines, immediately be converted to conventional meter.

All fees must be paid in full before reconnection of customer.

Vandalism – Cost of parts plus a penalty charge of \$500.00

Property Damage – Actual cost of materials, labor and revenue loss.

Energy Audit – \$50 Residential; \$200 Commercial and Government accounts.

Energy audit services shall be extended to current paying customers only. Amount will be credited back to customer if customer complies with audit recommendations within 6 months.

DEPOSITS

(Required for conventional meters only; prepaid meters are exempted from this provision)

Residential: \$100.00 or two months estimated usage, whichever is greater.

Commercial: \$200.00 or two months estimated usage, whichever is greater.

Customer Deposits shall be refunded after 12 months, except in the following circumstances:

- a. account has been issued a disconnection notice; account history may be assessed to determine if deposit is excessive by averaging the last three months energy charges. If the deposit exceeds twice (2x) the average, the difference between the deposit amount and two times the average may be refunded.
- b. customer is a tenant of an apartment/house unit. The deposit may only be refunded when tenant vacates the premises.

Security deposits may be waived at the discretion of the General Manager provided the customer proves to management its credit worthiness by meeting/providing the PPUC a guarantee letter of support from the owner or major stockholder in the event customer defaults on its bills

SCHEDULE
K
General Service Charge (continued)

LATE CHARGES FOR COLLECTION OF PAST DUE AMOUNT

PPUC shall exact a late charge at 1% per month on any balance past due. Accounts past 120 days due must be disconnected and referred to an attorney or a collection agency for collection. The customer shall be liable for all collection costs, including attorney fees and court costs as applicable.

Accounts with overdue balances shall be subjected to automatic conversion to prepaid metering.

MISCELLANEOUS

Used Oil Drums	\$ 15.00
Returned checks (NSF)	\$ 25.00 per account

SCHEDULE L Terms and Definitions

Division of customers:

PPUC electricity customers will be classified for rate purposes as follows:

RESIDENTIAL	Domestic use / private households
COMMERCIAL	Are offices, industrial structures, hotels, stores or an establishment declared as a business operation.
GOVERNMENT	Are all entities, agencies or enterprise accounts where a national, state or foreign government exercises over 50% control of its operation and existence, including street lighting and public sports facilities as well as churches and Bais.

Definitions

UTILITY	Utility means "Palau Public Utilities Corporation"
FUEL	Fuel means diesel or generator fuel, lubricant, chemicals and associated costs including transportation.

Power Factor

Schedule G

(PF): Is a number that can be expressed in terms of a decimal or a percentage. Technically it is the ratio of active power (KW) to apparent power (KVA). This simply means the larger number that is closer to one (1.0 or 100%), the better. A high power factor typically means less unnecessary current; therefore it reduces losses in the utility system. Power factor is affected by the equipment that the customer uses and can be corrected by either the customer or the utility. It is usually most cost effective for the customer to correct the power factor. Therefore, demand charges would be the most effective place to address power factor correction.

KVA or kVa

Schedule G

KVA: Is the quantity that is used to measure the K = "1000", V = "volt", A = "ampere" of the customer load. At a high power factor, KVA essentially equals kW, at a lower power factor it is much higher. Therefore, the utility industry commonly uses KVA demand meters to urge the customer to correct his power factor.

KW or kW

Schedule G

KW: Is the quantity that is used to measure the K "1000", W = "watts" of the customer load. A "KW" is the demand on energy to light 10 - 100 watt light bulbs. This is a "Demand" term.

KWH or kWh

Schedule D, E

KWH: Is the same quantity as kW or KW, but used for one (1) hour. A "kWh" is the energy used to light 10 - 100 light bulbs for one(1) hour. This is an "Energy" term. This would be like the distance traveled on a car speedometer.

MAXIMUM DEMAND

Schedule G

Maximum Demand: Is load in KW during a specified time interval when the customer's use is greatest within a specified billing period (one month) as recorded by PPUC Demand Meter.

SCHEDULE

L

Terms and Definitions, (continued)

DEMAND METER

Schedule G

Demand Meter: Is a meter that is used to determine the maximum demand, or load that a customer places on the utility system. The larger the load, the more generation that the utility must have available to carry that load. Many customers can control when they turn their equipment on and off. A lower demand saves the utility and usually the customer money.

THREE PHASE

Schedule H

Three-Phase: A three-phase system consists of three voltage sources that are sinusoidal, equal in magnitude and differ by 120 degrees. The sources may be connected to form a balanced wye or delta power source. For detail on phase and voltage specifications refer to PPUC's Electric Service Regulations - Regulation 2 B:4 (page 9).

SINGLE PHASE

Schedule H

Single-Phase: Is a system where a voltage taken is from a single source such as a single-phase transformer or distribution system. For detail on phase and voltage specifications refer to PPUC's Electric Service Regulations - Regulation 2 B:3 (page 8).