

DISCUSSION PURPOSES ONLY

DETERMINING HOW TO APPLY LOWER of ACTUAL or REASONABLE COSTS (DEFAULT METHODOLOGY)

A. Conditions Under Which Actual Costs Are Allowed

1. Tariff rate adjudicated as just and reasonable, including periods given retroactive effect, unless condition B.3) or B.4) below happens.
2. Tariff rate that is the result of settlement that is cost-based and for which the state is a party, including periods given retroactive effect, for periods ending the later of:
 - December 31, 2013;
 - five years after the effective date of the settlement; or
 - three years after the state's right to re-open, if the state has the right to re-open every 3 years (beginning within 5 years of the effective date of the settlement)unless condition B.6) below happens.

B. Conditions Under Which Lower of Actual or Default Methodology Applies

1. No filed tariff
2. No protest to a filed tariff not the result of a settlement
3. Tariff rate adjudicated as just and reasonable, where a complaint challenging the rate has been filed with and accepted for investigation by the regulatory agency, for periods for which the tariff is not given retroactive effect
4. Tariff rate adjudicated as just and reasonable where it is more than five years after the end of the test period on which the tariff is based
5. Tariff rate that is the result of settlement that is either not cost-based, or for which the state is not a party, or both
6. Tariff rate that is the result of a settlement described in A.2) above, where a protest or complaint challenging the rate has been filed with and accepted for investigation by the regulatory agency, for periods for which the tariff is not given retroactive effect
7. Tariff rate that is the result of a settlement described in A.2) above after the later of the three periods described