Applicability
This Schedule is applicable to customers who were served by the District on or after September 1, 2007, and have displaced all or a portion of their load with service from a utility other than Modesto Irrigation District.

Territory
This Schedule applies within the Modesto Irrigation District electric service boundary and any other area served by Modesto Irrigation District pursuant to the laws of the State of California and the District's Electric Service Rules.

Charges
1. Investment Recovery Charges Definition
   Investment Recovery Charges (IRC) consist of the following two components:
   1.1 Stranded Energy Resource Costs
   Stranded Energy Resource Costs (SERC) are based on incremental District resource costs. Incremental resource costs consist of any power purchase or other resource procurement contracts or commitments that were entered into during the period of time the customer was served by the District that extend beyond the customer's departure date.
   1.2 Stranded Debt Service Costs
   Stranded Debt Service Costs (SDSC) are comprised of the costs of capital projects that the District undertook to develop infrastructure to serve customers during the period of time the customer was served by the District. SDSC are calculated by dividing the cumulative debt service incurred by the District for such projects by the forecasted load for the area.

2. Investment Recovery Charges Calculation
   2.1 Stranded Energy Resource Costs
   SERC are determined based on the difference between dollars per MWh for the incremental resource costs minus the dollars per MWh for the market price benchmark as determined pursuant to Section 2.4 below. In the event that the SERC calculation results in a value less than zero it will not be factored into the total calculation for the IRC.
   2.2 Stranded Debt Service Costs
   SDSC are determined by amortizing each capital expenditure over thirty years. To determine the SDSC for a given year, the debt service payments for previous years will be added together with the debt service for the current year and divided by the forecasted load for that area.
   2.3 Total IRC
   The total IRC, expressed as dollars per MWh, will be calculated by adding SERC to SDSC. This result will be multiplied by the customer's Reference Period Load Profile as determined pursuant to Section 2.5 below.
   2.4 Market Price Benchmark
   The market price benchmark will be based on an average of Megawatt Daily published forward price indications for the coming calendar year at NP15. The average will be calculated over the period of October 1 through October 31 of the year prior to that being considered. This average published price multiplied by 0.87 will be the market price benchmark for resources that the District classifies as base load. The 0.87 factor is the average ratio of 7X24 spot prices to 6X16 spot prices and is used to convert the published price, which is for a 6X16 product, to a base load price. For resources that the District classifies as peaking, the market price benchmark will be the average published price without such adjustment.
   2.5 Reference Period Load Profile
   For customers who have occupied a premises and consumed load for a period of at least 12 months prior to customer's Notice of Departure provided pursuant to Section 3.2 below, the customer's reference period billing determinants will be based upon the lower of: (1) the customer's demand and energy usage over the 12-month period prior to the date of District's receipt of customer's Notice of Departure; or (2) the customer's average 12-month demand and energy usage, with such average measured over the prior 36 months of usage.
   2.6 Vintaging
   To implement this schedule it will be necessary to keep track of the dates of District customer departures to ensure that departing customers bear cost responsibility for commitments made by the District in the years they were a customer. For

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1 Area as defined by Public Utilities Code section 9610.
example, if a customer leaves the District in 2008, it will be responsible for any IRCs that may arise in connection with new commitments entered into in 2008 and prior years during which the customer received service from the District. However, the customer will not be responsible for IRCs that may arise in connection with commitments entered into 2009, 2010, or any other future year.

3. Payments and Collections

3.1 Payments

Upon departing the District, customers may elect to make (a) a lump sum payment for the total IRCs owed the District, or (b) monthly payments over the duration of the IRCs. The District will issue annual or monthly bills in accordance with the provisions of this Schedule.

3.2 Procedures for Implementation

Customers are obligated to notify the District of their intent to discontinue or reduce District electric service in accordance with the following procedure:

A customer shall notify the District in writing of its intent to displace all or a portion of its load with service from another utility (the Notice of Departure). The customer shall specify in its Notice of Departure the following:

1) The date on which the customer will reduce or discontinue its electric service (Date of Departure);
2) A description of the load that will be displaced;
3) The name of the other utility from which the customer will take service; and
4) The customer’s preferred billing determinants (12-month or 36-month) for its Reference Period Load Profile, as described in Section 2.5. At the customer’s election, metered data can be used on a prospective basis.

Failure to provide a Notice of Departure including all the elements specified above will constitute a violation of this tariff and a breach of the customer’s obligations to the District, entitling the District to collect the applicable IRCs from the customer on a lump sum basis.

3.3 Departing Premise

When a customer moves out of the premise they will be required to pay the total lump sum amount owed or make appropriate arrangements for future payment.

3.4 Dispute Resolution

Customers may appeal the IRC and request an investigation. Any customer whose complaint or request for an investigation has resulted in an adverse determination may appeal the determination within ten (10) business days to the District’s Board of Directors.

3.5 Provisions for Non Payment

Failure to make IRC payments will result in the total IRC amount due immediately.