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**SECTION D**  
**RATE SCHEDULES**

Power Supply Cooperative Clause

This clause permits the monthly adjustment of rates for power supply to allow recovery of the booked costs of purchased power incurred under reasonable and prudent policies and practices.

For purposes of this clause, the following definitions apply:

"Power supply cost recovery factor" means that element of the rates to be charged for electric service to reflect power supply costs incurred and made pursuant to a power supply cost recovery clause incorporated in the rates or rate schedule.

"Power supply cost recovery plan" means a determination by the Cooperative made annually describing the expected sources of electric power supply and changes over a future 12-month period specified by the Cooperative's Board of Directors and specifying for each of those 12 months a specified power supply cost recovery factor.

"Power supply costs" means those elements of the costs of purchased power as determined by the Cooperative's Board of Directors to be included in the calculation of the power supply cost recovery factor.

The Power Supply Cost Recovery factor shall consist of 0.01088 mills per kilowatthour for each full .01 mills per kWh, of power supply costs, less the allowance for cost of power supply included in base rates, rounded to the nearest .01 mills per kilowatthour. The power supply cost recovery factor to be applied to the Cooperative's retail Member-Consumers' monthly kilowatthour usage represents the power supply costs as established by the Cooperative's Board of Directors pursuant to a power supply and cost review hearing conducted by the Cooperative's Board of Directors. The power supply and cost review will be conducted not less than once a year for the purpose of evaluating the power supply cost recovery plan submitted by Cooperative to the Cooperative's Board of Directors and to authorize appropriate power supply cost recovery factors.

Not less than once a year and not later than 4 months after the end of the 12-month period covered by Cooperative's most recently authorized power supply cost recovery plan, a power supply cost reconciliation will be submitted by the Cooperative to the Cooperative's Board of Directors to reconcile the revenues recorded pursuant to the power supply cost recovery factor and the allowance for cost of power included in the base rates as established by the Cooperative's Board of Directors under Cooperative's most recent power supply cost recovery plan, among other things.

(Continued on Sheet No. D-1.01)

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By: Brian Burns  
President and CEO  
Onaway, Michigan

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Cooperative shall be required to refund to Member-Consumers, or to credit to Member-Consumers' bills any net amount determined to have been recovered which is in excess of the amounts actually expensed by Cooperative for power supply. Cooperative shall recover from Member-Consumers any net amount by which the amount determined to have been recovered over the period covered was less than the amount determined to have been actually expensed by Cooperative for power supply.

For the twelve (12) months ending December **2018**, the Power Supply Cost Recovery Factor is **-\$0.00059** per kWh. The allowance for cost of power supply included in base rates is \$0.08785 per kWh.

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By: Thomas Sobeck  
President and CEO  
Onaway, Michigan

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