

(iii) to facilitate cost allocation. Thus, the functionalization of certain costs is merely a ratemaking mechanism to apportion such costs to the common utility function. Ultimately, costs are functionalized so that they might be properly identified and further allocated to customer classes in later steps. Lighting, Production, Transmission, Distribution and Customer Costs are identified in this step.

Classify Costs

The classification of costs reflects usual regulatory practice. Costs are generally assigned as Demand (Fixed) Costs (defined as those costs incurred to maintain readiness-to-serve in an electric system, capable of meeting the total combined demands of all classes of customers), Energy (Variable) Costs (d

entire system, not specific customers. Through this design, rates from all lighting customers generate sufficient revenue to recover the cost of service allocated to the entire lighting customer class.

Conclusion

As part of a court-approved settlement, Santee Cooper is in a rate-lock period through the end of 2024, which means we cannot change current rates through that time period. That settlement benefits all customers, including lighting customers, through refunds and cost controls.