

PACIFIC POWER & LIGHT COMPANY

WN U-75

Second Revision of Sheet No. 93.1
Canceling First Revision of Sheet No. 93.1

**Schedule 93
DECOUPLING REVENUE ADJUSTMENT**

PURPOSE:

This schedule implements an annual rate adjustment mechanism that decouples the recovery of the Company’s Commission authorized revenues and establishes a single balancing account for the residential schedules 16, 17, and 18, and separate balancing accounts for Schedules 24, 36, and 40.

APPLICABLE:

To all retail customers taking service under Residential Schedules 16, 17, 18, Small General Service Schedule 24, Large General Service Schedule 36, and Irrigation Schedule 40. This schedule does not apply to Large General Service Schedule 47—Partial Requirement Service Metered Time of Use 1,000 KW and Over, Large General Service Schedule 48—Metered Time of Use 1,000 KW and Over or to Street and Area Light Schedules 15 and 51 through 57. All bills calculated in accordance with the above applicable schedules contained in presently effective Tariff WN. No. U-75 shall have applied an amount equal to the product of all kilowatt-hours of use multiplied by the following cents per kilowatt-hour.

Schedule 16/17/18	0.000 cents
Schedule 24	-0.191 cents
Schedule 36	-0.178 cents
Schedule 40	-0.316 cents

DECOUPLING MECHANISM:

The decoupling mechanism includes a monthly deferral to capture the differences between the allowed and actual decoupled revenue. Decoupled revenue includes all revenue from the applicable rate schedules excluding net power costs and fixed monthly basic charges. The monthly allowed decoupled revenue per customer is determined as follows for each of the applicable rate schedule balancing accounts:

Calculation of Monthly Allowed Decoupled Revenue Per Customer:

Step 1 – Determine the Total Revenue – The Total Revenue will be the revenue for the 12-month period used to set rates for the applicable rate schedules.

Step 2 – Determine Net Power Cost Revenue – Total Net Power Cost Revenue is equal to the total net power cost in rates as approved in UE-140762 or the net power costs in rates from the Company’s latest general rate case.

Step 3 – Determine Fixed Basic Charge Revenue –Fixed Basic Charge Revenue is equal to the revenue for the fixed basic charge and the fixed minimum charge for the 12-month period used to set rates.

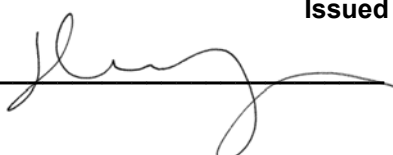
Step 4 – Determine Allowed Decoupled Revenue – Allowed Decoupled Revenue is equal to the Total Revenue (Step 1) minus Net Power Cost Revenue (Step 2) and minus Fixed Basic Charge Revenue (Step 3).

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Schedule 93
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DECOUPLING MECHANISM:

Calculation of Monthly Allowed Decoupled Revenue Per Customer: (continued)

Step 5 – Determine the Annual Allowed Decoupled Revenue per Customer – Annual Allowed Decoupled Revenue per Customer is equal to the Allowed Decoupled Revenue (Step 4) divided by the number of customers for the 12-month period used to set rates.

Step 6 – Determine the Monthly Decoupled Revenue per Customer – To determine the Monthly Decoupled Revenue per Customer, the Annual Allowed Decoupled Revenue per Customer (Step 5) is shaped based on the monthly kWh usage in the 12-month period used to set rates. Multiply the resulting monthly percentage of usage by month by the Allowed Decoupled Revenue per Customer to determine the 12 monthly values.

Calculation of Monthly Decoupling Deferral:

Step 7 – Determine Allowed Decoupled Revenue by Month – Multiply the actual number of customers by the applicable Monthly Decoupled Revenue per Customer (Step 6). The result is the Allowed Decoupled Revenue for the applicable month.

Step 8 – Determine the Decoupled Revenue per kWh Rate – Allowed Decoupled Revenue (Step 4) is divided by the annual kWh used to set rates.

Step 9 – Determine Actual Decoupled Revenue – Multiply the Decoupled Revenue per kWh Rate (Step 8) by the actual, non-weather adjusted kWh monthly usage.

Step 10 – The difference between the Actual Decoupled Revenue (Step 9) and the Allowed Decoupled Revenue (Step 6) above is calculated, and the resulting balance is deferred by the Company. Interest on the deferred balance will accrue at the quarterly rate published by the FERC.

EARNINGS TEST:


The Company proposes an earnings test based on the Company's year ended June 30 Commission Basis Report (CBR) operating results, which are filed with the Commission by October 31 of each year. This report is prepared using actual recorded results of electric operations and rate base, adjusted for any material out-of-period, non-operating, nonrecurring, and extraordinary items or any other item that materially distorts reporting period earnings and rate base. The earnings test will be based on return on equity (ROE) before normalizing adjustments, including adjustments to power supply-related revenues and expenses to reflect operations under normal conditions and will exclude any annualizing or pro forma adjustments.

(continued)

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EARNINGS TEST: (continued)

If the CBR ROE exceeds the most recently authorized ROE, the amount of the proposed surcharge (amount transferred to the balancing account) is reduced or eliminated to move the ROE down to, or toward, the Commission-authorized level. Should the Company have a decoupling surcredit balance at year-end, the entire surcredit will be returned to customers. If the CBR-earned ROE exceeds authorized ROE, the surcredit will be increased by one-half the actual ROE in excess of authorized ROE. Should the Company have a decoupling surcharge balance at year-end: 1) if the CBR ROE is less than authorized, no adjustment is made to the surcharge, if any, recorded for the year, 2) if the CBR ROE exceeds authorized, the surcharge recorded for the year will be reduced, or eliminated, by one-half the ROE in excess of authorized.

ANNUAL DECOUPLING RATE ADJUSTMENT:


On or before December 1 each year, the Company will file rate adjustments on this Schedule 93, to become effective February 1 to recover or return to customers the accumulated balances in the deferral accounts for the prior period as approved by the Commission in the final order for Docket No. UE-152253. For the initial year, the deferral period will begin on September 15, 2016. The amount of the deferral that the Company can request to surcharge is subject to the limitation based on the Earnings Test.

Following application of the earnings test, if the deferral balance for any decoupled rate schedule is greater than 2.5% (plus or minus) of the allowed revenue for the rate schedule, then the December 1 filing will include surcharge or surcredit rates on Schedule 93 to recover or refund the full deferral account balance for the rate schedule, subject to a 5% limitation on any surcharge. The 5% limitation will be calculated based on the total normalized revenues for the 12-month period ending June 30 each year. If the calculated percentage is less than the 5% limitation, previous year deferrals in the balancing account will be added to the current year deferral to the extent that the current year deferral remains less than the 5% limitation. Any amounts within the 2.5% (plus or minus) rate trigger or any amount exceeding the 5% limitation will remain in the balancing account for future collection. Interest will accrue on the unamortized balance at the quarterly rate published by the FERC. There is no limitation on the level of surcredits.

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