SCHEDULE 123
DECOUPLING ADJUSTMENT

PURPOSE

This Schedule establishes balancing accounts and rate adjustment mechanisms to track and mitigate a portion of the transmission, distribution and fixed generation revenue variations caused by variations in applicable Customer Energy usage.

AVAILABLE

In all territory served by the Company.

APPLICABLE

To all Residential and Nonresidential Customers located within the Company's service territory except those Nonresidential Customers whose load exceeded one aMW at a Service Point (SP) during the prior calendar year or those Nonresidential Customers qualifying as a Self-Directing Customer. Customers so exempted will not be charged the prices contained in this schedule. **(C)**

DEFINITIONS

For the purposes of this tariff, the following definition will apply:

Energy Efficiency Measures (EEMs) – Actions that enable customers to reduce energy use. EEMs can be behavioral or equipment-related.

Self-Directing Customer (SDC) - Pursuant to OAR 860-038-0480, to qualify to be a SDC, the Large Nonresidential Customer must have a load that exceeds one aMW at a Site as defined in Rule B and receive certification from the Oregon Department of Energy as an SDC.

SALES NORMALIZATION ADJUSTMENT (SNA)

The SNA reconciles on a monthly basis, differences between:

a) the monthly revenues resulting from applying distribution, transmission and fixed generation charges (Fixed Charge Energy Rate) to weather-normalized kWh Energy sales; and

b) the Fixed Charge Revenues that would be collected by applying the Monthly Fixed Charge per Customer to the numbers of active Customers for each applicable SNA rate schedule, respectively, for each month. For Schedule 7, a Secondary Fixed Charge equal to 69% of the Monthly Fixed Charge will be used to calculate Fixed Charge Revenues for actual customer counts that exceed the projected customer counts used to establish base rates in a general rate review.

SCHEDULE 123 (Continued)

SALES NORMALIZATION ADJUSTMENT (SNA) (Continued)

The SNA will calculate monthly as the Fixed Charge Revenue less actual revenues and will accrue to the SNA Balancing Account. The monthly amount accrued may be positive (an under-collection) or negative (an over-collection). The SNA is divided into sub-accounts so that net accruals for each rate schedule will track separately. (C) (C)

The SNA is applicable to the following rate schedules: (N)

Schedule	Fixed Charge Energy Rate (¢ per kWh)	Monthly Fixed Charge	Monthly Secondary Fixed Charge
7	8.870	$71.45	$49.30
32	7.693	$111.66	
83*	3.790	$790.34	

*Applicable beginning in 2019. The Fixed Charge Energy Rate for Schedule 83 includes fixed generation charges only. (N)

NONRESIDENTIAL LOST REVENUE RECOVERY ADJUSTMENT (LRRA)

The Nonresidential Lost Revenue Recovery Adjustment is applicable to all customers except those served under Schedules 7, 32, 83 (starting in 2019), and 532 or as otherwise exempted above. Nonresidential Lost Revenue Recovery amounts will be equal to the reduction in distribution, transmission, and fixed generation revenues due to the reduction in kWh sales as reported to the Company by the Energy Trust of Oregon, resulting from EEMs implemented during prior calendar years attributable to EEM funding incremental to Schedule 108, adjusted for EEM program kWh savings incorporated into the test year load forecast used to determine base rates. Also included are differences in actual energy savings from a test year forecast associated with the conversion to LED streetlighting in Schedule 95 reported by the Company. When base rates are adjusted in the future as a result of a general rate review, the test year load forecast used to determine new base rates will reflect all energy efficiency kWh savings that have been previously achieved. The cumulative kWh savings are eligible for Lost Revenue Recovery until new base rates are established as a result of a general rate review; the kWh base is then reset to equal the amount of kWh savings that accrue from EEMs following an adjustment in base rates. (C)

The Lost Revenue Recovery Adjustment may be positive or negative. A negative Lost Revenue Recovery Adjustment for a given test year will occur if kWh savings reported by the Energy Trust of Oregon, plus the energy savings associated with the conversion to LED streetlighting in Schedule 95, are less than those estimated in setting base rates. A positive Lost Revenue Recovery Adjustment for a given test year will occur if kWh savings reported by the Energy Trust of Oregon, plus the energy savings associated with the conversion to LED streetlighting in Schedule 95, are greater than those estimated for the test year in setting base rates. The LRRA for each year subsequent to the test year will incorporate incremental kWh savings reported by the Energy Trust of Oregon for that year. (M)

SCHEDULE 123 (Continued)

NONRESIDENTIAL LOST REVENUE RECOVERY ADJUSTMENT (LRRA) (Continued)

For the purposes of this Schedule, the Lost Revenue Recovery Adjustment is the product of: (1) the reduction in kWh sales resulting from ETO-reported EEMs plus the energy savings associated with the conversion to LED streetlighting in Schedule 95, and (2) the weighted average of applicable retail base rates (the Lost Revenue Rate). Applicable base rates for Nonresidential Customers are defined as the schedule-weighted average of transmission, distribution, and fixed generation charges; including those contained in Schedule122 and other applicable schedules. System usage or distribution charges will be adjusted to include only the recovery of Trojan Decommissioning expenses and the Customer Impact Offset. Franchise fee recovery is not included in the Lost Revenue Rate. The applicable Lost Revenue Rate is 6.278 cents per kWh.

SNA and LRRA BALANCING ACCOUNTS

The Company will maintain a separate balancing account for the SNA applicable rate schedules and for the Nonresidential LRRA applicable rate schedules. Each balancing account will record over- and under-collections resulting from differences as determined, respectively, by the SNA and LRRA mechanisms. The accounts will accrue interest at the Commission-authorized Modified Blended Treasury Rate established for deferred accounts.

DECOUPLING ADJUSTMENT

The Adjustment Rates, applicable for service on and after the effective date of this schedule will be:

Schedule		Adjustment Rate		
7		0.178	¢ per kWh	(I)
15		0.010	¢ per kWh	
32		0.103	¢ per kWh	
38		0.010	¢ per kWh	
47		0.010	¢ per kWh	
49		0.010	¢ per kWh	
75				
	Secondary	0.010	¢ per kWh	
	Primary	0.010	¢ per kWh	
	Subtransmission	0.010	¢ per kWh	
83		0.101	¢ per kWh	(I)

SCHEDULE 123 (Continued)

DECOUPLING ADJUSTMENT (Continued)

Schedule	Adjustment Rate	
85		
Secondary	0.010 ¢ per kWh	(I)
Primary	0.010 ¢ per kWh	
89		
Secondary	0.010 ¢ per kWh	
Primary	0.010 ¢ per kWh	
Subtransmission	0.010 ¢ per kWh	
90	0.010 ¢ per kWh	
91	0.010 ¢ per kWh	
92	0.010 ¢ per kWh	
95	0.010 ¢ per kWh	
485		
Secondary	0.002 ¢ per kWh	
Primary	0.002 ¢ per kWh	
489		
Secondary	0.002 ¢ per kWh	
Primary	0.002 ¢ per kWh	
Subtransmission	0.002 ¢ per kWh	
490	0.002 ¢ per kWh	
491	0.002 ¢ per kWh	
492	0.002 ¢ per kWh	
495	0.002 ¢ per kWh	
515	0.010 ¢ per kWh	
532	0.103 ¢ per kWh	
538	0.010 ¢ per kWh	
549	0.010 ¢ per kWh	(I)

SCHEDULE 123 (Continued)

DECOUPLING ADJUSTMENT (Continued)

Schedule	Adjustment Rate	
575		
Secondary	0.010	¢ per kWh
Primary	0.010	¢ per kWh
Subtransmission	0.010	¢ per kWh
583	0.101	¢ per kWh
585		
Secondary	0.010	¢ per kWh
Primary	0.010	¢ per kWh
589		
Secondary	0.010	¢ per kWh
Primary	0.010	¢ per kWh
Subtransmission	0.010	¢ per kWh
590	0.010	¢ per kWh
591	0.010	¢ per kWh
592	0.010	¢ per kWh
595	0.010	¢ per kWh
689		
Secondary	0.002	¢ per kWh
Primary	0.002	¢ per kWh
Subtransmission	0.002	¢ per kWh

(I)

(I)

TIME AND MANNER OF FILING

Commencing in 2014, the Company will submit to the Commission the following information by November 1 of each year:

1. The proposed price changes to this Schedule to be effective on January 1st of the subsequent year based on a) the amounts in the SNA Balancing Accounts and b) the amount in the LRRA Balancing Account.

2. Revisions to this Schedule which reflect the new proposed prices and supporting work papers detailing the calculation of the new proposed prices and the SNA weather-normalizing adjustments.

SCHEDULE 123 (Concluded)

SPECIAL CONDITIONS

1. The Fixed Charge Energy Rate, Monthly Fixed Charge per Customer and the Lost Revenue Rate will be updated concurrently with a change in the applicable base revenues used to determine the rates.

2. Weather-normalized energy usage by applicable rate schedule will be determined in a manner equivalent to that used for determining the forecasted loads used to establish base rates.

3. No revision to any SNA or LRRA Adjustment Rate will result in an estimated average annual rate increase greater than 2% to the applicable SNA or LRRA rate schedule, based on the net rates in effect on the effective date of the Schedule 123 rate revisions. Rate revisions resulting in a rate decrease are not subject to the 2% limit.

4. The LRRA prices for Customers served under the provisions of Schedules 485, 489, 490, 491, 492, 495 and 689 will be calculated to apply to distribution services only. **(C)**

5. The SNA and LRRA mechanisms will terminate on December 31, 2022 if not extended by the Commission.