

PRELIMINARY STATEMENT

(Continued)

5. GENERAL

A. Measurement

Measurement of Electric Energy: All electric energy as supplied by the Liberty Utilities (CalPeco Electric) LLC ("Liberty") to its customers shall be measured by means of suitable standard electric meters, except energy delivered under street lighting tariffs on a rate-per-lamp basis, and energy, estimated from load and operating time data, for highway sign lighting, traffic control, and other installations where metering is impractical.

B. Discounts

No discounts are allowed from bills, or minimum charges, except as specifically provided in certain schedules.

6. ENERGY COST ADJUSTMENT CLAUSE (ECAC)

A. Purpose

The purpose of the Energy Cost Adjustment Clause (ECAC) is to reflect in rates: (1) the cost of fuel and purchased power, and (2) certain other energy-related costs.

B. Applicability

The Energy Cost Adjustment Clause is applicable to all rate schedules.

C. Revision Date

The Revision Date for calculating the Energy Cost Adjustment Clause Billing Factors (ECACBFs) will be January 1 following a calendar year in which the Company did not submit a General Rate Case application filing, or on such other dates as the Commission may authorize. In calendar years in which the Company files a General Rate Case application, Liberty will revise the ECACBFs concurrently with, and as part of, revisions to Base Rates as a result of its General Rate Case application.

Applications for ECACBF revisions calculated in accordance with the provisions described herein shall be filed with the California Public Utilities Commission annually on July 1 in calendar years in which the Company is not submitting a General Rate Case application.

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6. ENERGY COST ADJUSTMENT CLAUSE (ECAC) (continued)

C. Revision Date (continued)

In a calendar year in which the Company files a General Rate Case application, CalPeco shall propose revisions to the ECACBFs calculated in accordance with the provisions herein concurrently with, and as part of, its General Rate Case application.

In calendar years in which the Company does not file a General Rate Case application, the Company shall submit an application for changes to the ECACBFs only if a change to total ECAC revenues of +/-5 % occurs as a result of the combination of revisions to the:

- i. Offset Rate based on the new fuel and purchased power forecast for the Forecast Period; and
- ii. Balancing Rate to amortize any projected over- or under-collection balance in the Energy Cost Adjustment Account as of the Revision Date.

The revised ECACBFs shall be applied to bills for service rendered on and after the Revision Date and shall continue thereafter until the next revised ECACBFs become effective.

D. Forecast Period

The Forecast Period for calculating the ECACBFs shall be the twelve calendar month period commencing with the Revision Date.

E. Interest Rate

The Interest Rate to be applied to the Energy Cost Adjustment Account shall be 1/12 of the interest rate on Commercial Paper, for the previous month as published in the Federal Reserve Statistical Release, H. 15. Should publication of the interest rate on Commercial Paper (prime, 3 months) be discontinued, interest will so accrue at the rate of 1/12 of the most recent month's interest rate on Commercial Paper, which most closely approximates the rate that was discontinued, and which is published in the Federal Reserve Statistical Release, H. 15, or its successor publication.

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6. ENERGY COST ADJUSTMENT CLAUSE (ECAC) (continued)

F. Franchise Fees and Uncollectible Accounts Expense Factor

The Franchise Fees and Uncollectible Accounts Expense Factor shall be the rate derived from the Commission's decision in the Company's most recent General Rate Case proceeding to provide for Franchise Fees and Uncollectible Accounts Expense.

G. Energy Cost Adjustment Clause Billing Factor

The ECACBFs shall become effective for service on and after each Revision Date and continuing thereafter until the next ECACBFs become effective in accordance herewith. The ECACBF for each rate component provided in Section L shall be set in the amount of the algebraic sum of the Offset Rate and the Balancing Rate corresponding to that component, multiplied by the Franchise Fees and Uncollectible Accounts Expense Factor, and carried to the nearest \$0.00001 per kilowatthour.

- (1) The system Offset Rate is calculated based on dividing the Fuel and Purchased Power Cost by either the total system kilowatt-hours sales or the demand billing determinants, as appropriate, estimated for the Forecast Period. The Offset Rate for each applicable component varies according to legislative and CPUC requirements for Liberty's tier structure and time-of-use considerations.
- (2) The Balancing Rate, as determined in Section I, shall be an amount per kilowatt-hour of sales necessary to amortize the accumulated balance in the Energy Cost Adjustment Account, included as a subaccount in CPUC Account Nos. 186 and 557 and maintained as described in Section J.

H. Fuel and Purchased Power Cost

- (1) The estimated Fuel and Purchased Power Cost shall be equal to:
 - (a) The volumes of diesel fuel to be used for electric generation during the Forecast Period expressed in gallons and multiplied by the Current Average Diesel Price as set forth in Section I.2, plus
 - (b) The total purchases of electric capacity, transmission services, and energy including variable wheeling, estimated to be made from each source during the Forecast Period multiplied by their respective latest tariff, contract, or delivered price forecasted to be in effect during the Forecast Period, plus

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6. ENERGY COST ADJUSTMENT CLAUSE (ECAC) (continued)**H. Fuel and Purchased Power Cost (continued)**

(1) The estimated Fuel and Purchased Power Cost shall be equal to:
(continued)

(c) The carrying costs of fuel inventory equal to the product of the following estimated items for the Forecast Period: (1) the average monthly number of gallons of diesel fuel in inventory, (2) the average inventory price per gallon, and (3) the Interest Rate.

(2) The Current Average Diesel Price shall be the estimated average cost in dollars per gallon from inventory computed at the end of each month of the Forecast Period, using estimated replacement price of such fuel for the Forecast Period and the estimated additions and withdrawals in each month.

J.

I. Balancing Rate

The Balancing Rate shall be determined by dividing (1) the estimated balance in the Energy Cost Adjustment Account as of the Revision Date by (2) the estimated kilowatt-hour sales or demand billing determinants applicable to the amortization period set by the Commission in the decision approving the change in ECACBF.

J. Energy Cost Adjustment Account

The Company shall maintain an Energy Cost Adjustment Account. Entries shall be made to this account at the end of each month as follows:

(1) A debit entry (credit entry, if negative) equal to:

(a) The recorded Fuel and Purchased Power Cost,
less the cost of fuel for economy or surplus sales, for the month.

(b) Less the amount of recorded Offset Rate revenue during the month
reduced by the Franchise Fees and Uncollectible Accounts Expense.

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6. ENERGY COST ADJUSTMENT CLAUSE (ECAC) (continued)

J. Energy Cost Adjustment Account (continued)

- (2) A credit entry (debit entry, if negative) equal to the amount of recorded Balancing Rate revenue during the month reduced by the Franchise Fees and Uncollectible Accounts Expense.
- (3) A credit entry equal to the amount of any cash refunds, including associated interest, received from its fuel or purchased power suppliers on and after the Revision Date and applicable to retail energy sales.
- (4) A debit entry (credit entry, if negative) equal to the average of the beginning and ending balance multiplied by the Interest Rate.

K. Billing Factors

The following factors are in effect for the period shown:

Energy Cost Adjustment Clause Billing Factor \$/kWh

Residential			
	D-1, DS-1, DM-1 Baseline	D-1, DS-1, DM-1 Excess	
Offset	0.03300	0.05009	
Balancing	<u>(0.00705)</u>	<u>(0.00705)</u>	
Total	0.02595	0.04304	
Commercial			
	A-1	A-2 Winter	A-2 Summer
			PA
Offset	0.04384	0.03092	0.06809
Balancing	<u>(0.00705)</u>	<u>(0.00705)</u>	<u>(0.00705)</u>
Total	0.03679	0.02387	0.06104
			0.03679

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6. ENERGY COST ADJUSTMENT CLAUSE (ECAC) (continued)**K. Billing Factors (continued)**

	Commercial				
	A-3 On-Peak Winter	A-3 Mid-Peak Winter	A-3 Off-Peak Winter	A-3 On-Peak Summer	A-3 Off-Peak Summer
Offset	0.04699	0.04789	0.03932	0.04688	0.03675
Balancing	<u>(0.00705)</u>	<u>(0.00705)</u>	<u>(0.00705)</u>	<u>(0.00705)</u>	<u>(0.00705)</u>
Total	0.03994	0.04084	0.03227	0.03983	0.02970

	SL (per bulb) 5,800 Lumens	SL (per bulb) 9,500 Lumens	SL (per bulb) 22,000 Lumens
Offset	1.42	1.80	3.46
Balancing	<u>(0.20)</u>	<u>(0.29)</u>	<u>(0.56)</u>
Total	1.22	1.51	2.90

	OL (per bulb) 5,800 Lumens	OL (per bulb) 9,500 Lumens	OL (per bulb) 16,000 Lumens	OL (per bulb) 22,000 Lumens
Offset	1.27	1.80	2.94	3.73
Balancing	<u>(0.20)</u>	<u>(0.29)</u>	<u>(0.47)</u>	<u>(0.60)</u>
Total	1.07	1.51	2.47	3.13

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