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 1to 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.