WW. Portfolio Allocation Balancing Account (PABA)

1. Purpose

The Portfolio Allocation Balancing Account (PABA) is established pursuant to D.18-10-019. The purpose of the PABA is to determine and pro-ratably recover from responsible bundled service and departing load customers the “above-market” costs of all generation resources that are eligible for cost recovery through the Competition Transition Charge (CTC) and Power Charge Indifference Adjustment (PCIA) rates.

The PABA will have a subaccount for each vintaged portfolio that records the costs (debits), market revenues (credits), and imputed market revenues (credits) of all generation resources (contracted and utility owned) executed or approved by the Commission for cost recovery for the subject portfolio. The billed revenues collected from bundled service and departing load customers (credits) will also be recorded in the PABA subaccounts on a vintaged basis.

2. Definitions

a. Resource Vintage:

Each generation resource will be assigned a Resource Vintage based on the calendar year the resource was originally executed (contracts) or approved by the Commission for cost recovery (utility-owned generation). The PABA will have a sub-account for each Resource Vintage year that records the costs and revenues of all resources assigned to that Resource Vintage year.

b. Customer Vintage:

Departing load customers are assigned a Customer Vintage that generally corresponds to the date in which they depart bundled service. Departing load customers with Customer Vintage X are responsible for the above-market costs of all generation resources with Resource Vintage X, X-1, X-2, etc. See D.08-09-012 and D.16-09-044.

i Specifically, the PABA has the following sub-accounts: CTC-Eligible, One-Time Refunds and Costs, Legacy UOG (i.e., UOG installed before 2002), 2004-2009, and an individual sub-account for each calendar year after 2009. Additionally the PABA will have a Department of Water Resources (DWR) Energy Credit sub-account that records the DWR Energy Credits revenue distributed to departing load customers through the cent-per-kilowatt hour reduction to their PCIA. See D.11-12-005.

ii For example, departing load customers with a 2013 Customer Vintage are responsible for resources procured prior to December 31, 2013, and are thus responsible for resources with Resource Vintage 2013, 2012, 2011, 2010, etc. Departing load customers with a 2013 Customer Vintage are not responsible for resources procured (contracts) or approved (utility-owned generation) after December 31, 2013, and are thus not responsible for resources with Resource Vintage 2014, 2015, etc.
Preliminary Statement

(Continued)

WW. Portfolio Allocation Balancing Account (PABA) (Continued)

2. Definitions: (Continued)
   c. System Average Rate:
      
      The "system average rate" associated with a balancing account is defined as follows:
      System Average Rate = Authorized Balancing Account Revenue Requirement / Forecast kWh Sales of All Customers Responsible for the Costs in that particular Balancing Account
   
   d. PABA Billed Revenues:

      Billed revenues received from customers will be allocated to each sub-account of PABA for which those customers are responsible.

      i. The PCIA and CTC billed revenues received from departing load customers with Customer Vintage X will be allocated as follows:

         % of PCIA Billed Revenues Received from Departing Load Customers with Customer Vintage X to be Allocated to PABA sub-account: $A_n / B$

         Where:

         $A_n =$ System Average Rate for the PABA sub-account
         $B =$ Sum of all PABA sub-account System Average Rates for which customers in Customer Vintage X are responsible.

         ii. The generation billed revenues received from bundled service customers will be allocated as follows:

            % of Generation Billed Revenues Received from Bundled Service Customers to be Allocated to the PABA sub-account: $A_n / C$

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i CTC is a standalone rate component on departing load customers’ bills. As such, 100% of the CTC billed revenues will be allocated to the CTC sub-account of PABA.


(Continued)
PRELIMINARY STATEMENT

WW. Portfolio Allocation Balancing Account (PABA) (Continued)

2. Definitions: (Continued)

d. PABA Billed Revenues: (Continued)

Where:

\[ A_n = \text{System Average Rate for the PABA sub-account} \]
\[ C = \text{Sum of the (1) Energy Resource Recovery Account System Average Rate, (2) Base Revenue Requirement Balancing Account (BRRBA) generation sub-account System Average Rate, (3) total Portfolio Allocation Balancing Account (PABA) System Average Rate (i.e., sum of the System Average Rates for all sub-accounts within PABA). This is also referred to as the total System Average Bundled Service Generation Rate.} \]

The currently-effective PCIA and Generation Billed Revenues Allocation Percentages Table can be found in Advice 4006-E. PABA Billed Revenues refer to the sum of PCIA/CTC billed revenues and generation billed revenues in each PABA sub-account.

e. PABA Unbilled Revenues:

Unbilled Revenues are accrued ("earned" revenue for financial statement purposes) PABA revenues associated with electric customer kWh usage that has not yet been billed by SCE. PABA Unbilled Revenues will be allocated using the same percentages as used to determine the PABA Billed Revenues.

f. PABA Revenue:

PABA Billed Revenue;

Plus: the change (plus or minus) in the amount of PABA Unbilled Revenues (i.e., the reversal of prior month’s estimate, plus the current month’s estimate);

Less: PABA-related FF&U.
## PP. Portfolio Allocation Balancing Account (PABA) (Continued)

2. Definitions: (Continued)

   g. Authorized Generation Base Revenue Requirement: The Authorized Generation Base Revenue Requirement (AGBRR) is the most current Commission GRC-authorized Generation-related base revenue requirement. The current AGBRR is listed below:

<table>
<thead>
<tr>
<th>Year</th>
<th>AGBRR ($000)</th>
<th>Decision</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>$665,890</td>
<td>D.19-05-020</td>
</tr>
</tbody>
</table>
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(Continued)

WW. Portfolio Allocation Balancing Account (PABA) (Continued)

2. Definitions: (Continued)

h. Franchise Fees and Uncollectibles Account Expense:

Franchise Fees and Uncollectibles Account (FF&U) expense shall be calculated by multiplying the PABA Revenue by the most current Commission-adopted FF&U factors. FF&U expenses shall not be included in recorded fuel and purchased power expenses.

i. Interest Rate:

The Interest Rate shall be one-twelfth of the Federal Reserve three-month Commercial Paper Rate – Non-Financial, from Federal Reserve Statistical Release H.15 (expressed as an annual rate). If in any month a non-financial rate is not published, SCE shall use the Federal Reserve three-month Commercial Paper Rate – Financial.

j. California Independent System Operator (CAISO) Market Revenues:

Includes, but not limited to, energy, spinning and non-spinning reserve, regulation up and down capacity settlements, imbalance energy, Capacity Procurement Mechanism (CPM) settlements, Bid Cost Recovery settlements, Residual Unit Commitment Availability settlements, Flexible Ramp Up and Ramp Down settlements, and Resource Adequacy Availability Incentive Mechanism settlement.

k. CAISO Expenses:

Includes, but not limited to, forward scheduling, market usage, bid transaction, and system operation charges.

(Continued)
WW. Portfolio Allocation Balancing Account (PABA) (Continued)

2. Definitions: (Continued)

i. Imputed Resource Adequacy (RA) Revenues:

Revenues credited from bundled service customers for the un-transacted RA from the PABA portfolio of generation resources. The Imputed RA Revenues will be a credit entry in PABA and will correspond directly with an Imputed RA Costs debit entry in ERRA for the same amount.

The “prices” used to determine the Imputed RA Revenues are the most current Commission-adopted RA Market Price Benchmarks (MPB).

D.19-02-024 approved the following RA MPBs to be used in 2019: (T)

   i. System RA MPB: $37.08/kW-Year
   ii. Local RA MPB: $37.08/kW-Year
   iii. Flexible RA MPB: Not Applicable

m. Imputed Renewable Energy Credit (REC) Revenues:

Revenues credited from bundled service customers for the un-transacted RECs from the PABA portfolio of generation resources. The Imputed REC Revenues will be a credit entry in PABA and will correspond directly with an Imputed REC Costs debit entry in ERRA for the same amount.

The “price” used to determine the Imputed REC Revenues is the most current Commission-adopted REC MPB.

D.19-02-024 approved a REC MPB of $18/MWh to be used in 2019. (T)

n. Fuel and Fuel-related Expenses:

SCE’s fuel and fuel-related expenses include:

   a. Variable fuel expenses (commodity and fuel transportation);
   b. Fixed fuel expenses;
   c. Fuel inventory carrying charges;
   d. Fuel contract settlement, buy-out, and renegotiation costs; and
   e. Other costs as approved by the Commission.
WW. Portfolio Allocation Balancing Account (PABA) (Continued)

2. Definitions: (Continued)

o. PABA-related Credit and Collateral Expenses:

Credit and collateral expenses refer to a pro-rata share of the costs of SCE’s multi-year revolving credit facility (“revolver”) that supports its short-term borrowing requirements.

% of Revolver Costs to be recorded in sub-account n of PABA: $A_n / (A+B+C)$

Where:

$A_n$ = Authorized revenue requirement in PABA sub-account n
$A$ = Total authorized PABA revenue requirement
$B$ = Total authorized ERRA revenue requirement
$C$ = Total authorized New System Generation (NSG) revenue requirement

3. Operation of the PABA sub-accounts

- A credit entry equal to the recorded PABA revenue.

Resource cost-related entries to the PABA shall be made on a monthly basis as follows:

Utility Owned Generation (UOG):

b. A debit entry equal to the monthly amount of the AGBRR calculated by multiplying the applicable Monthly Distribution Percentages (as defined in Preliminary Statement YY, Base Revenue Requirement Balancing Account) by the annual AGBRR, less a provision for FF&U;

c. A debit entry equal to fuel and fuel-related expenses;

d. A debit entry equal to gas transportation expenses;

e. A debit entry equal to direct greenhouse gas (GHG) expenses;¹

f. A debit entry equal to CAISO-related expenses associated with UOG;

g. Debit or credit entries equal to recorded Mountainview-related costs or incentives including:

i. Available incentives;

ii. Heat rate incentives;

iii. Amortization of emission credits;

iv. Gain or loss on sales of emission credits;

¹ Pursuant to D.14-10-033, direct GHG expenses will be calculated based on GHG compliance costs in the year the GHG emission obligation was incurred (the accrual method) with interest for cash outlays to meet GHG procurement.

(Continued)
WW. Portfolio Allocation Balancing Account (PABA) (Continued)

3. Operation of the PABA sub-accounts (Continued)

Contracts:

h. A debit entry equal to contract payments;
i. A debit entry equal to fuel and fuel-related expenses;
j. A debit entry equal to the gas transportation expenses;
k. A debit entry equal to the direct GHG expenses;
l. A debit entry equal to the purchase of Firm Transmission Rights;
m. A credit or debit entry equal to other revenues or expenses associated with SCE’s eligible contracts, as authorized by the Commission, and to the extent not recovered elsewhere;
n. A debit entry equal to the CAISO-related expenses associated with the contracts;

Resource revenue-related entries to the PABA shall be made on a monthly basis as follows:
o. A credit entry equal to the CAISO Market Revenues;
p. A credit entry equal to the proceeds received from the bilateral transactions of products from the generation resources;
q. A credit entry equal to the Imputed RA Revenues;
r. A credit entry equal to the Imputed REC Revenues.

Common and Indirect Costs and Revenues:

s. A debit or credit entry equal to the allocated share of gas-related indirect costs, including but not limited to: pipeline expenses, imbalance penalties, and gains or losses related to the sale of excess gas;
t. A debit entry equal to the allocated share of credit and collateral expenses;
u. A debit entry equal to the allocated share of Certificate Issuance and Transfer fees associated with participation in Western Renewable Energy Generation Information System;
v. A debit entry equal to the recorded independent evaluator expenses associated with the sale of products from the eligible resources; and
w. A credit or debit entry to the “One-Time Refunds/Costs” sub-account equal to any net litigation settlement proceeds as authorized by the Commission.
WW. Portfolio Allocation Balancing Account (PABA) (Continued)

4. Interest shall accrue monthly to the PABA by applying one-twelfth of the three-month Commercial Paper, as reported by the Federal Reserve, to the average monthly balance in the PABA.

5. Review Procedures

The recorded operation of the PABA for the Record Period (or previous calendar year 12-month period) shall be reviewed by the Commission in SCE’s annual ERRA Review of Operations application to ensure that the entries made in the PABA are stated correctly and are consistent with Commission decisions. SCE shall provide a monthly report showing the activity in the PABA to Energy Division within 30 days of the end of each month.