ZZ. ENERGY RESOURCE RECOVERY ACCOUNT

1. Purpose

The Energy Resource Recovery Account (ERRA) is established pursuant to D.02-10-062. The purpose of the ERRA is to record SCE’s: (1) ERRA Revenue (2) short-term purchased power-related expenses, excluding California Department of Water Resources “DWR” power contract expenses. Electric Energy Transaction Administration (EETA) costs should be excluded from the ERRA consistent with D.02-12-074. Pursuant to Resolution E-4112, SCE established the SO2 Credit-Account (SO2CSA) to track the revenue and cost associated with the sale and purchase of both Mohave and non-Mohave SO2 allowances.

2. Definitions

   a. 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.

   b. ERRA Billed Revenues:
      
      The generation billed revenues received from bundled service customers will be allocated to ERRA as follows:

      \[ \frac{A}{B} \]

      Where:

      \[ A = \text{Total System Average Rate for ERRA} \]

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

   c. ERRA Unbilled Revenues:
      
      Unbilled Revenues are accrued (“earned” revenue for financial statement purposes) ERRA revenues associated with electric customer kWh usage that has not yet been billed by SCE. (ERRA Unbilled Revenues will be allocated using the same percentage as used to determine the ERRA Billed Revenue).
Preliminary Statement (Sheet 2)

ZZ. Energy Resource Recovery Account (Continued)

2. Definitions (Continued)
   
d. ERRA Revenue:
   
   1. ERRA Billed Revenue;
   3. Plus: the change (plus or minus) in the amount of ERRA Unbilled Revenues (i.e., the reversal of prior month’s estimate, plus the current month’s estimate;
   4. Less: ERRA-related FF&U.
   
e. Franchise Fees (FF) Factor

   The current Commission FF factor adopted in SCE’s most recent General Rate Case (GRC) to provide recovery for Franchise Fees.

<table>
<thead>
<tr>
<th>GRC Decision</th>
<th>Factor</th>
</tr>
</thead>
<tbody>
<tr>
<td>D.04-07-022</td>
<td>0.00847</td>
</tr>
<tr>
<td>D.06-05-016</td>
<td>0.00893</td>
</tr>
<tr>
<td>D.09-03-025</td>
<td>0.00906</td>
</tr>
<tr>
<td>D.12-11-051</td>
<td>0.00906</td>
</tr>
<tr>
<td>D.15-11-021</td>
<td>0.00909</td>
</tr>
<tr>
<td>D.19-05-020</td>
<td>0.00914</td>
</tr>
</tbody>
</table>

   (T)

   f. Uncollectible (U) Accounts Factor

   The current Commission U factor adopted in SCE’s most recent General Rate Case (GRC) to provide recovery for Uncollectible expense.

<table>
<thead>
<tr>
<th>GRC Decision</th>
<th>Factor</th>
</tr>
</thead>
<tbody>
<tr>
<td>D.04-07-022</td>
<td>0.00324</td>
</tr>
<tr>
<td>D.06-05-016</td>
<td>0.00225</td>
</tr>
<tr>
<td>D.09-03-025</td>
<td>0.00240</td>
</tr>
<tr>
<td>D.12-11-051</td>
<td>0.00205</td>
</tr>
<tr>
<td>D.15-11-021</td>
<td>0.00238</td>
</tr>
<tr>
<td>D.19-05-020</td>
<td>0.00211</td>
</tr>
</tbody>
</table>

   (T)
ZZ. ENERGY RESOURCE RECOVERY ACCOUNT (Continued)

2. Definitions (Continued)

   g. ERRA-Related FF&U
      ERRA-Related FF&U is determined as follows in order to calculate franchise
      fees and uncollectible and municipal surcharges:

      ERRA FF: (ERRA Revenue + DWR Revenue) * FF Factor
      ERRA U: (ERRA Revenue) * U Factor
      ERRA-Related FF&U = ERRA FF + ERRA U

   h. DWR Revenue

      Total monthly amount DWR Power Charge and DWR Bond Charge revenue
      including DWR revenue billed to Direct Access Customers through the DA
      Cost Responsibility Surcharge.

   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.
Energy Resource Recovery Account

2. Definitions (Continued)

j. Franchise Fees and Uncollectibles Account Expense

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

k. Independent System Operator Expenses

Independent System Operator (ISO) Expenses include load-related amounts actually incurred and paid by SCE including ancillary services, grid management charges (uplift), wheeling charges, demand relief, summer reliability, voltage support, spinning reserve, non-spinning reserve, replacement reserve, neutrality adjustments, black start energy and capacity, long-term voltage support, and supplemental reactive energy.

l. Imputed Resource Adequacy (RA) Costs:

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

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

D.XX-XX-XXX approved the following RA MPBs to be used in 2019:

<p>| | | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>i. System RA MPB: $37.08/kW-Year</td>
<td>(D)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ii. Local RA MPB: $37.08/kW-Year</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>iii. Flexible RA MPB: Not Applicable</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

m. Imputed Renewable Energy Credit (REC) Costs:

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

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

D.XX-XX-XXX approved a REC MPB of $18/MWh to be used in 2019.
**PRELIMINARY STATEMENT**

(Continued)

**ZZ. ENERGY RESOURCE RECOVERY ACCOUNT** (Continued)

3. Operation of the ERRA

Entries to the ERRA shall be made on a monthly basis as follows:

a. Credit entry equal to the recorded ERRA Revenue;

b. A debit (or credit) entry to record the difference between the net capacity costs recorded in the NSGBA and the net capacity costs as calculated using the JPP proxy method established in D. 07-09-044;

c. A debit entry equal to recorded ERRA-eligible Bilateral contracts expenses;

d. A debit entry equal to other expenses associated with SCE’s ERRA-eligible purchased power activities to the extent not recovered elsewhere;

e. A credit entry equal to recorded CAISO revenues associated with SCE’s ERRA-eligible Bilateral contracts;

f. A debit entry equal to recorded CAISO expenses;

g. A debit entry equal to the Imputed RA Costs;

h. A debit entry equal to the Imputed REC Costs;

i. A credit entry equal to proceeds received from the sale or exercise of hedging instruments;

j. A credit entry equal to recorded revenues billed under Schedule PC-TBS, Procurement Charge Transitional Bundled Service;
ZZ. ENERGY RESOURCE RECOVERY ACCOUNT (Continued)

3. Operation of the ERRA (Continued):

Entries to the ERRA shall be made on a monthly basis as follows: (Continued)

k. A debit entry equal to recorded independent evaluator expenses associated with the procurement of new generation contracts for current Bundled Service Customers.

l. A debit entry equal to the fees associated with participation in Western Renewable Energy Generation Information System, including Certificate Retirement fees and the allocated share of Certificate Issuance and Transfer fees;

m. A credit entry equal to the proceeds received (net of book cost) from the sale of sulfur dioxide (SO₂) credits.

n. A debit entry equal to the cost associated with the purchase of sulfur dioxide (SO₂) allowances.

o. A debit equal to costs related to congestion charges and CRRs.

p. A credit equal to congestion revenue and CRRs.

q. A debit equal to costs associated with CAISO convergence bidding.

r. A credit equal to CAISO convergence bidding revenues.

s. A debit entry equal to costs related to Tradable Renewable Energy credits (TRECS).

t. A credit entry equal to the proceeds of the sale of TRECS.

u. A debit entry equal to power purchase payments provided to eligible Net Energy Metering customers for energy produced by on-site generation in excess of consumption over a 12-month period. Power purchase payments may include additional compensation for renewable attributes where applicable.
ZZ. ENERGY RESOURCE RECOVERY ACCOUNT (Continued)

3. Operation of the ERRA (Continued):

Entries to the ERRA shall be made on a monthly basis as follows: (Continued)

v. A debit entry equal to costs incurred for Aggregator Managed Portfolio Program energy costs pursuant to D.08-03-017, D.13-01-024, D.14-05-025, and D.16-06-029.

w. A debit entry equal to SCE’s share of costs incurred for the Energy Storage Procurement evaluation program, pursuant to D.14-10-045.

x. A credit entry (monthly, quarterly or annually as recorded data is available) in the amount of the Green Tariff Shared Renewables (GTSR) Renewable Power Rate (RPR)-related costs recorded in the GTSR Balancing Account related to the cost of contracts in the Interim Green Rate Pool plus any other credit entries associated with costs recorded in the GTSR Balancing Account, if required.

y. 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;

z. A debit entry equal to the allocated share of credit and collateral expenses;

The sum of (a) through (z) equals the activity recorded in the ERRA each month.

Interest shall accrue monthly to the ERRA by applying the Interest Rate to the average of the beginning and ending monthly ERRA balances.
ZZ. ENERGY RESOURCE RECOVERY ACCOUNT  (Continued)

4. Tracking Mechanism

In accordance with Section XII.B.2 (page 65) of D.02-10-062, SCE shall track the difference between:

a. Recorded fuel and purchased power expenses in the ERRA; and
b. Annual fuel and purchased power expenses as adopted in D.02-04-016 (UG decision).

5. ERRA Adopted Fuel and Purchased Power Revenue Requirement and System Average Bundled Service Rate

<table>
<thead>
<tr>
<th>Year</th>
<th>Fuel and Purchased Power</th>
<th>GHG Cap and Trade Costs</th>
<th>ERRA Balancing Account</th>
<th>Cost Responsibility Surcharge Contribution</th>
<th>Energy Settlement Refunds</th>
<th>SONGS OII</th>
<th>ERRA Balancing Account Revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>($000)</td>
<td>($000)</td>
<td>($000)</td>
<td>($000)</td>
<td>($000)</td>
<td>($000)</td>
<td>($000)</td>
</tr>
<tr>
<td>2015</td>
<td>4,248,215</td>
<td>348,801</td>
<td>275,461</td>
<td>(45,700)</td>
<td>(204,800)</td>
<td>(78,364)</td>
<td>4,194,812</td>
</tr>
<tr>
<td>2016</td>
<td>3,850,978</td>
<td>313,776</td>
<td>(358,553)</td>
<td>(6,414)</td>
<td>(1,149)</td>
<td>-</td>
<td>3,833,663</td>
</tr>
<tr>
<td>2017</td>
<td>3,899,757</td>
<td>317,232</td>
<td>(94,007)</td>
<td>(36,629)</td>
<td>-</td>
<td>-</td>
<td>4,082,897</td>
</tr>
<tr>
<td>2018</td>
<td>3,874,918</td>
<td>299,039</td>
<td>393,030</td>
<td>(135,162)</td>
<td>(7,102)</td>
<td>-</td>
<td>4,442,916</td>
</tr>
<tr>
<td>2019</td>
<td>3,639,325</td>
<td>252,944</td>
<td>824,898</td>
<td>(252,944)</td>
<td>(27,939)</td>
<td>-</td>
<td>4,482,379</td>
</tr>
</tbody>
</table>

System Average ERRA Generation Rate
Applicable to Bundled Service Customers

<table>
<thead>
<tr>
<th>Year</th>
<th>System Average Rate c/kWh</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>6.2</td>
</tr>
<tr>
<td>2011</td>
<td>5.3</td>
</tr>
<tr>
<td>2012</td>
<td>4.8</td>
</tr>
<tr>
<td>2013</td>
<td>4.9</td>
</tr>
<tr>
<td>2014</td>
<td>6.1</td>
</tr>
<tr>
<td>2015</td>
<td>5.7</td>
</tr>
<tr>
<td>2016</td>
<td>5.2</td>
</tr>
<tr>
<td>2017</td>
<td>5.6</td>
</tr>
<tr>
<td>2018</td>
<td>6.2</td>
</tr>
<tr>
<td>2019</td>
<td>7.4</td>
</tr>
</tbody>
</table>

(Continued)
ZZ. ENERGY RESOURCE RECOVERY ACCOUNT (Continued)

6. Generation Rate Level Changes:

Pursuant to D.04-01-048 and D.04-03-023, SCE shall update its Generation rate levels to reflect the most current Commission-adopted revenue requirements in its May ERRA Forecast application. The balance forecast to be recorded in the ERRA (either overcollected or undercollected on December 31st of the current year, plus an amount for FF&U, shall be included in the Generation revenue requirement to either be returned to, or recovered from, SCE’s retail electric customers in Generation rate levels. Prior to implementing consolidated Commission-authorized revenue requirements and rate levels, the ERRA balance will be updated to reflect the latest recorded balance available.

7. Review Procedures

Pursuant to D.04-01-048 and D.04-03-023, the recorded operation of the ERRA for the Record Period (or previous calendar year 12-month period) shall be reviewed by the Commission in SCE’s annual April ERRA application to ensure that the entries made in the ERRA are stated correctly and are consistent with Commission decisions.

SCE shall provide a monthly report showing the activity in the ERRA to Energy Division within 30 days of the end of the each month.

8. ERRA Trigger Applications

In accordance with Conclusion of Law 15 of D.02-10-062, SCE shall file an expedited ERRA trigger application with the Commission (for approval within 60 days) if the ERRA balance, excluding the SO2CSA balance, reaches 4 percent of the prior calendar year’s recorded annual generation revenues (excluding DWR-related revenues. Customer notice shall be sent as soon as the application is filed for a rate increase or decrease.

Expedited ERRA trigger applications shall include:

a. A forecast of the ERRA balance for a period 60 days or more from the date of filing the expedited application. The ERRA balance estimate shall depend on when SCE forecasts the ERRA balance will reach the five percent threshold established in Assembly Bill (AB) 57;
8. ERRA Trigger Applications (Continued)
   b. A proposed ERRA over/undercollection amortization period of not less than 90 days; and
   c. A proposal for allocation of the ERRA over/undercollection using the adopted rate design methodology.

In accordance with Conclusion of Law 18 of D.02-10-062 and AB 57, the ERRA trigger mechanism shall not be used for ERRA overcollections until it has been in operation for 12 full months.

<table>
<thead>
<tr>
<th>Year</th>
<th>Trigger Point ($000)</th>
<th>AB 57 Threshold ($000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>209,888</td>
<td>262,360</td>
</tr>
<tr>
<td>2011</td>
<td>201,627</td>
<td>252,034</td>
</tr>
<tr>
<td>2012</td>
<td>189,998</td>
<td>237,497</td>
</tr>
<tr>
<td>2013</td>
<td>223,563</td>
<td>279,454</td>
</tr>
<tr>
<td>2014</td>
<td>231,175</td>
<td>288,968</td>
</tr>
<tr>
<td>2015</td>
<td>269,842</td>
<td>337,302</td>
</tr>
<tr>
<td>2016</td>
<td>260,467</td>
<td>325,583</td>
</tr>
<tr>
<td>2017</td>
<td>182,991</td>
<td>228,738</td>
</tr>
<tr>
<td>2018</td>
<td>197,179</td>
<td>246,473</td>
</tr>
<tr>
<td>2019</td>
<td>212,812</td>
<td>266,015</td>
</tr>
</tbody>
</table>

In accordance with D.04-01-050, SCE shall file an advice letter by April 1 of each year to update the Trigger Point and the AB 57 Threshold.

9. SO\textsubscript{2} Credit Sub-Account (SO2CSA)

1. Purpose:

The purpose of the SO\textsubscript{2} Credit Sub-Account (SO2CSA) is to record the sale and purchase of sulfur dioxide (SO\textsubscript{2}) credits created by the temporary shut down of Mohave Generation Station (Mohave) and other SCE Corporate SO\textsubscript{2} allowances. The SO2CSA is established in accordance with Resolution E-4112.

2. Definitions:

   a. Effective Date:

   The Effective Date of the SO2CSA is October 18, 2007.

   (Continued)
ZZ. ENERGY RESOURCE RECOVERY ACCOUNT (Continued)

9. SO₂ Credit Sub-Account (SO2CSA) (Continued)

1. Definitions: (Continued)

b. Income Taxes:

SO₂ allowances are capital assets that are taxable and subject to capital gains and losses. SCE will seek to avoid adverse income tax implications from the sale of SO₂ allowances and associated hedges by returning net proceeds from such transactions through ERRA. To the extent SO₂ allowances are sold at a loss and that loss is a capital loss, the tax benefits of that loss can only be recognized as an offset to capital gains. If transactions for any year in total yield a net capital loss which cannot be recognized, SCE will reduce the refund (i.e., capital loss multiplied by the composite tax rate multiplied by currently effective net-to-gross multiplier) to customer through ERRA. In the first year in which that loss can be utilized, such amount will be credited to ERRA.

2. Operation of SO2CSA:

SCE shall maintain the SO2CSA by making monthly entries as follow:

a. A credit entry equal to the proceeds credits, less book costs, from the sales of Mohave and other SCE Corporate SO₂ allowances.

b. A debit entry equal to the cost associated with the purchase of sulfur dioxide (SO₂) allowances.

Interest shall accrue monthly by applying 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) to the average monthly balance. If in any month a non-financial rate is not published, SCE shall use the Federal Reserve three-month Commercial Paper Rate – Financial.

3. Disposition of Balances:

No amounts will be disbursed from the SO2CSA account until the Commission issues a final decision in Application 06-12-022 or another proceeding on the distribution of the SO₂ allowance proceeds.
(Continued)

ZZ. Not Used

(D)