

PRELIMINARY STATEMENT

Sheet 1

P. TREE MORTALITY NON-BYPASSABLE CHARGE BALANCING ACCOUNT

1. Purpose

The purpose of the Tree Mortality Non-Bypassable Charge (TM-NBC) Balancing Account (TMNBCBA) is to record the “net costs,” as defined in Decision (D.)18-12-003, of biomass generation procured pursuant to Resolution E-4470 and Resolution E-4805 (Tree Mortality Resources).

Pursuant to D.18-12-003, the “net costs” that are to be recovered through the TM-NBC from all of SCE’s customers shall be the cost of the biomass generation, less (1) the California Independent System Operator (CAISO) revenue received through the sales of its energy and ancillary services; (2) the value of its renewable energy credits (RECs), as determined by the sales of these RECs in the marketplace (or a benchmark value if such sales are impossible); and (3) the value of its resource adequacy (RA) capacity as determined by the sales of the RA capacity (or a benchmark value if such sales are impossible).

2. Definitions

a. Total Authorized TM-NBC Revenue Requirement

Total Authorized TM-NBC Revenue Requirement shall be the current Commission-adopted TM-NBC revenue requirement.

b. Total Authorized Public Purpose Programs Charge Revenue Requirement

Total Authorized Public Purpose Programs Charge (PPPC) Revenue Requirement shall be the sum of the current Commission-adopted Public Purpose Programs Adjustment Mechanism revenue requirement and the current Commission-adopted TM-NBC revenue requirement.

c. TM-NBC Revenues

TM-NBC Revenues shall be determined as follows:  $A / B \times \text{Billed PPPC Revenues}$

Where:

A = Total Authorized TM-NBC Revenue Requirement  
 B = Total Authorized PPPC Revenue Requirement

d. Net California Independent System Operator (CAISO) Market Revenues

Energy and ancillary services revenues earned by the Tree Mortality Resources, less any CAISO expenses (e.g., forward scheduling, market usage, bid transaction, and system operation charges) incurred for the Tree Mortality Resources.

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(To be inserted by utility)  
 Advice 3955-E  
 Decision 18-12-003

Issued by  
R.O. Nichols  
President

(To be inserted by Cal. PUC)  
 Date Submitted Feb 19, 2019  
 Effective Jan 1, 2019  
 Resolution Jan 01, 2019

PRELIMINARY STATEMENT

Sheet 2

(Continued)

P. TREE MORTALITY NON-BYPASSABLE CHARGE BALANCING ACCOUNT (Continued)

2. Definitions (Continued)

e. Value of the Tree Mortality Renewable Energy Credits (RECs)

The Value of Tree Mortality RECs will be the revenue received from SCE's REC sales. If the RECs were not purchased even though they were offered for sale, and they were not used for compliance purposes by any load-serving entity, then the Value of Tree Mortality RECs will be zero. However, if the Tree Mortality RECs cannot be offered for sale as Portfolio Content Category 1 RECs, the Value of Tree Mortality Renewable Energy Credits will be equal to \$15.04/MWh.

f. Value of the Tree Mortality Resource Adequacy (RA) Capacity

The Value of Tree Mortality RA capacity will be the revenue received from SCE's RA sales. If the RA capacity was not purchased even though it was offered for sale, and it was not used for compliance purposes by any load-serving entity, then the value deducted will be zero. However, if the Tree Mortality RA capacity cannot be offered for sale, the Value of Tree Mortality RA Capacity will be the then-effective "RA Adder," as established in Decision (D.)18-10-019.

g. 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.

h. Franchise Fees and Uncollectibles Accounts Expense.

Franchise Fees and Uncollectibles (FF&U) accounts expense shall be the CPUC-authorized rate derived from SCE's most recent General Rate Case (GRC) decision to provide for FF&U accounts expense.

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(To be inserted by utility)

Advice 3955-E  
Decision 18-12-003

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(To be inserted by Cal. PUC)

Date Submitted Feb 19, 2019  
Effective Jan 1, 2019  
Resolution Jan 01, 2019

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Sheet 3

(Continued)

P. TREE MORTALITY NON-BYPASSABLE CHARGE BALANCING ACCOUNT (Continued)

3. Operation of the TMNBCBA

Entries to the TMNBCBA shall be determined as follows (on a monthly, quarterly or annual basis as recorded data is available):

- a. An initial transfer of the BioRAM Memorandum Account and BioMass Memorandum Account ending balances to the TMNBCBA;
- b. A debit entry equal to the costs of the Tree Mortality Contracts;
- c. A credit entry equal to the Net CAISO Market Revenues;
- d. A credit entry equal to the Value of the Tree Mortality RECs, including a credit entry equal to \$15.04/MWh for every REC generated prior to the date that energy and Portfolio Content Category 1 RECs are first sold under a TM REC sales contract;
- e. A credit entry equal to the Value of the Tree Mortality RA Capacity;
- f. A credit entry equal to the TM-NBC Revenues; and
- g. An entry to record interest expense by applying the Interest Rate to the average monthly balance in the TMNBCBA.

4. TMNBCBA Review Procedures

SCE will include the recorded operation of the TMNBCBA for the previous year in SCE's annual ERRR Review applications. This review of the TMNBCBA will ensure that the entries made in the TMNBCBA are stated correctly and are consistent with Commission decisions.

5. Rate Level Changes:

Pursuant to D.19-01-019, the TM-NBC rate shall be added to the other components of the PPPC rate for billing. SCE shall update its PPPC rate levels to reflect the most current Commission-adopted TM-NBC revenue requirement authorized in its annual ERRR Forecast application. The balance forecast to be recorded in the TMNBCBA (either overcollected or undercollected on December 31st of the current year, plus an amount for FF&U), shall be included in the TM-NBC revenue requirement to either be returned to, or recovered from, SCE's retail electric customers in PPPC rate levels. Prior to implementing consolidated Commission-authorized revenue requirements and rate levels, the TMNBCBA balance will be updated to reflect the latest recorded balance available.

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 Effective Jan 1, 2019  
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