

Rate Stabilization Schedule (RSS)

Energy Cost Adjustment (ECA) and IOU/CPUC Adjustment (ICA)

A. ENERGY COST ADJUSTMENT (ECA)

1. An ECA may be included in DCE's generation rate to customers under CCA service schedules as part of DCE's per kWh generation charge or as a separate surcharge. The ECA is intended to recover the costs of purchased power including renewable resources, energy and energy hedges, resource and capacity adequacy products, demand side management (DSM) costs (including revenue losses), and other energy and/or capacity products not otherwise included in DCE's retail generation rates or current total revenue requirement. ECA related DCE rate adjustments shall be subject to Board-authorized Desert Saver discount and 100% Carbon Free premium levels in effect at the time of such ECA. The Desert Saver discount and 100% Carbon Free premium levels may be changed from time-to-time by the Board.

2. The ECA shall be calculated no more often than monthly and expressed in \$ per kWh to five decimal places. In order to apply any calculated ECA pursuant to this RSS, such ECA, when added or subtracted from DCE's current generation rate, shall not result in a 100% Carbon Free average total bill premium for DCE's largest residential rate class, "Domestic," exceeding 14% greater than Southern California Edison's (SCE's) bundled base product monthly average total bill. Any single ECA which results in a total 100% Carbon free product average total bill premium for the "Domestic" rate exceeding 14% above SCE's bundled base product average total bill is to be brought to the Board for further consideration and approval and may not be implemented subject to this RSS. The Desert Saver discount and Carbon Free product average total bill premium guidelines may be revised from time-to-time by the DCE Board. Any ECA implemented pursuant to this RSS shall be subject to the most current Desert Saver discount and Carbon Free premium levels approved by the Board. Application of a calculated ECA resulting in an average DCE generation rate change of less than +/- 2.0% may be delayed and combined with a subsequent ECA calculation. DCE's Risk Management Team (RMT) must review and concur with any ECA prior to implementation.

The ECA formula, expressed to the nearest \$0.00001 per kilowatt-hour (kWh):

$$\text{ECA} = \frac{(a)+(b)+(c)+(d)}{(e)}$$

Where:

(a) is the estimated change in total wholesale power supply cost for the 12-month period commencing with either: i) the current 12-month budget, or ii) the effective date of ECA implementation. This cost increase or decrease is to be measured from the next prior ECA calculation date, if any. This expense shall include all charges associated with resource adequacy and other capacity requirements, transmission service, CAISO charges and fees, energy purchased by CCA from all sources including the CAISO, and any energy purchase prepayment expenses for which expenditures have been approved in advance by the DCE Board for inclusion in the purchased power component of the ECA.

(b) is the estimated change in total costs/expenses associated with procurement and acquisition of renewable portfolio standard (RPS) resources for the 12-month period commencing with either: i) the current 12-month budget, or ii) the effective date of ECA implementation. This cost increase or decrease is to be measured from the next prior ECA or the current rate calculation date, if any. This expense shall include all charges associated with renewable resource energy, capacity, RPS related prepayment expense, operation and maintenance, depreciation, and interest expenses for generation

and or transmission as and which have been approved in advance by the DCE Board for inclusion in the RPS component of DCE's revenue requirement.

(c) is the estimated change in total Demand-Side Management (DSM) cost, reduced by funding received from other sources, for qualified DSM projects for the 12-month period commencing with either: i) the current 12-month budget, or ii) the effective date of the ECA implementation. This increase or decrease is to be measured from the next prior ECA calculation date, if any. DSM costs are those incurred for the acquisition and installation of devices and systems, including incentive payments, audit costs related to DSM, and administrative costs, which are part of those programs or projects designed to lower and control power system demand or consumption, and for which expenditures have been approved in advance by the DCE Board for inclusion in the Demand-Side Management component of the ECA.

(d) any unallocated balance in the ECA account, subject to currently approved rate discount and premium guidelines.

3. An RSS implementation history log shall be established and maintained by DCE staff.
4. Any given ECA may result in an upward or downward adjustment to DCE average generation rates given the then existing economic and financial circumstances at the time of such ECA calculation. ECA implementation will utilize best reasonable efforts to maintain the same or similar relative DCE retail product average total bill differentials (discounts, surcharges and or premiums) versus corresponding SCE bundled base product average total bills.
5. The ECA does not generally directly apply to DCE's Desert Saver retail generation rate. The Desert Saver generation charge is currently derived to attain a 0.0% – 1.0% average total residential bill discount versus SCE's average total base bundled residential bill, which is independent from, and may be unaffected by, the calculated ECA. The Desert Saver average total bill discount guideline may be revised from time-to-time by the DCE Board.
6. An information report describing any implemented ECA will be provided to the Board at the next regularly scheduled Board Meeting following such implementation.

B. IOU/CPUC ADJUSTMENT (ICA)

1. An ICA may be included in DCE customer retail electric generation rates under CCA service schedules on the basis of energy use. Such ICA may be included as part of applicable generation rates or as a separate surcharge. The ICA is intended to recover and adjust DCE revenues and rates to maintain Board-authorized revenue requirements, Desert Saver average total bundled bill discounts, and Carbon Free average total bundled bill premiums versus corresponding SCE average total bundled base product bills for SCE customers. Such adjustments may be necessary if and when SCE revises its costs and or other factors affecting the PCIA, SCE retail rate changes, collection of SCE balancing account charges, and or other SCE and or California Public Utilities Commission (CPUC) related regulatory actions which directly impact DCE's applicable discounts or premiums, and or DCE revenue requirements. Comparisons of DCE and SCE retail products shall be based on estimated average total residential customer bills for both DCE's Desert Saver and 100% Carbon Free retail product categories and attainment of necessary total DCE revenue requirements associated with DCE's Desert Saver and Carbon Free products. ICA-related rate adjustments shall be subject to Board-authorized Desert Saver discount and 100% Carbon Free premium levels in effect at the time of such ICA. The Desert Saver discount and 100% Carbon Free premium levels may be changed from time-to-time by the Board.

The ICA shall be calculated as warranted following such actions by SCE and or CPUC which result in material changes to DCE revenue levels, Desert Saver discount and / or Carbon Free premium. DCE intends to calculate and implement any such ICA within 90 days following SCE's implementation of any such action. The timing, frequency, and financial impact of CPUC and SCE actions which may affect the ICA are not typically known in advance and may occur multiple times during any given year. DCE's RMT must review and concur with any ICA prior to implementation.

2. Board approved discount / premium ranges and revenue targets by DCE retail product:
 - (a) Desert Saver Product: the current average total bill discount guideline for DCE's Desert Saver product is 0.0% to 1.0% below SCE's corresponding bundled base product average total bill. The average total bill discount range may be changed from time to time by the DCE Board.
 - (b) 100% Carbon Free Product: DCE's 100% Carbon Free default product is for customers not otherwise opting down to DCE's Desert Saver product. DCE's 100% Carbon Free generation rate component is cost based and designed to recover DCE's cost of service for this product category including reserve accumulation and any required cost offsets and or credits associated with serving Desert Saver customers. The objective of the ICA is to maintain required DCE 100% Carbon Free total revenue levels following any SCE / CPUC actions which materially impact DCE revenues subject to complying with the 100% Carbon Free average total bill premium authorized by the Board, currently up to a 14% premium for the "Domestic" rate, when compared with SCE average total bundled base product bill. The 100% Carbon Free average total average bill premium percentage versus SCE's bundled average total base product bill may be changed from time to time by the DCE Board.

Note that due to the particulars of rate design, existing SCE rate schedules, and customer class and consumption characteristics, actual discounts, premiums, and rates experienced by any specific DCE customer may vary somewhat from overall average discount and premium percentages.

3. Any given ICA may result in an upward or downward adjustment to DCE generation rates given the particular impacts of any one or combination of CPUC / SCE actions resulting in such ICA calculation.
4. ICA calculation and implementation are intended to maintain current Desert Saver product discount and the relative revenue requirement contributions of DCE's 100% Carbon Free customers.
5. A summary of any implemented ICA will be included in DCE's RSS implementation history log.
6. An information report describing any implemented ICA will be provided to the Board at the next regularly scheduled Board Meeting following such implementation.