L. SUPPLY ADJUSTMENT MECHANISM

1. The purpose of the Supply-Adjustment Mechanism is to recover in rates the costs related to the Transmission Charge and the Supply Charge, and to have the Supply Adjustment Charge be a charge or a credit when the balance in the Supply Adjustment Balancing Account reflects an under-collection or an over-collection, respectively.

2. The monthly charges for service otherwise applicable under each of the utility's rate schedules shall include: -a) the Transmission Charge, b) the Supply Charge and c) the Supply Adjustment Charge. The Supply Charge and the Transmission Charge shall be expressed in terms of a cents-per-kilowatt-hour charge or a dollars-per-kilowatt charge depending upon the nature of the charge and the applicable rate schedule. The Supply Adjustment Charge shall be expressed in terms of a cents-per-kilowatt-hour charge or credit.

   a. The Transmission Charge shall be designed to recover the most recently adopted estimate of costs to the utility for California Independent System Operator Corporation services, transmission services, ancillary services, system protection services, capacity charges, all SCE transmission charges, option premiums, and schedule dispatch charges (collectively, Transmission Costs).
   b. The Supply Charge shall be designed to recover the most recently adopted estimate of the costs to the utility of purchasing electricity,-fuel, renewable energy credits (RECs) and imbalance energy (collectively, Supply Costs).
   c. The Supply Adjustment Charge shall be designed to recover or return, respectively, any under-collection or over-collection balance in the Supply Adjustment Balancing Account.

3. A Supply Adjustment Balancing Account (Balancing Account) shall be maintained to record the difference between the accumulated billings of the Transmission Charge, the Supply Charge and the Supply Adjustment Charge, and the accumulated accruedTransmission Costs and Supply Costs. Monthly entries to the Balancing Account will be determined from the following calculations:
   a. Accumulated billings during the month from Transmission Charge, Supply Charge and Supply Adjustment Charge;
   b. Less the adjustment to reflect the current adopted rate for franchise fees and uncollectibles;
   c. Less-accrued Transmission Costs;
   d. Less accrued Supply Costs;
   e. Plus any refunds for Supply Costs or Transmission Costs previously reflected in the Balancing Account;
   f. Plus or minus interest expense, depending upon whether there is an under-collection or over-collection in the Balancing Account; such interest shall be calculated based upon the average of the beginning and ending monthly balance in the Balancing Account multiplied by the 90-day commercial paper rate for the month;
   g. Less an adjustment, if any, for the direct payment of refunds to customers;
   h. Less any costs related to the purchase of RECs;
   i. Plus any proceeds from the sale of RECs;

(Continued)

L. SUPPLY ADJUSTMENT MECHANISIM (continued)

j. Less any 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; and
k. The accumulated accrual cost of Supply Costs shall be trued-up on a monthly basis.

If the above calculation produces a positive amount (over-collection), such amount shall be credited to the Balancing Account. If the calculation produces a negative amount (under-collection), such amount shall be debited to the Balancing Account.

4. The utility may make periodic Advice Letter filings to revise the Supply Adjustment Charge to reflect the most current status of the Balancing Account. BVES shall file a Tier 1 Advice Letter request to eliminate such cumulative balance over a twelve-month period via a debit/collection or credit/refund tariff in the event the cumulative balance (either an under-collection or an over-collection) in the Supply Adjustment Balancing Account is plus or minus $500,000. (N)

5. Not more often than once per year, the utility may file an application to revise the Transmission Charge and/or Supply Charge to recover in rates the most current estimates of its Transmission Costs and/or Supply Costs.