

ATTACHMENT A

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

Application of Southern California Edison Company (U 338-E) for a Commission Finding that its Procurement-Related and Other Operations for the Record Period January 1 Through December 31, 2011 Complied with its Adopted Procurement Plan; for Verification of its Entries in the Energy Resource Recovery Account and Other Regulatory Accounts; and for Refund of \$26.810 Million Recorded in Six Memorandum Accounts.

Application 12-04-001
(Filed April 2, 2012)

**SETTLEMENT AGREEMENT BETWEEN SOUTHERN CALIFORNIA
EDISON COMPANY (U 338 E) AND THE DIVISION OF RATEPAYER
ADVOCATES**

The Division of Ratepayer Advocates of the California Public Utilities Commission (“DRA”) and Southern California Edison Company (“SCE”) (collectively, the “Parties”) hereby enter into this Settlement Agreement (“Settlement”) as a compromise of their respective litigation positions to resolve all disputed issues raised in the above-captioned proceeding. The Parties have addressed the issues in this proceeding and have negotiated this Settlement to resolve their disputes.

ARTICLE 1 PROCEDURAL HISTORY

1.1 On April 2, 2012, SCE filed Application (“A.”) 12-04-001 for compliance review of its Energy Resource Recovery Account (“ERRA”) for the record period from January 1 through December 31, 2011 (“Application”). Concurrent with filing the Application, SCE also served its Prepared Testimony and two volumes of workpapers.

1.2 Between April 6 and May 21, 2012, SCE provided to DRA responses to the Master Data Request (“MDR”) discovery submitted by DRA to SCE in February 2012.

1.3 On May 7, 2012, DRA filed a Protest to SCE’s Application. On May 17, 2012, SCE filed a response to DRA’s Protest.

1.4 On June 20, 2012, the Parties participated in a pre-hearing conference with assigned Administrative Law Judge (“ALJ”) Richard Clark.

1.5 On July 19, 2012, ALJ Clark conducted a workshop that addressed the MDR discovery propounded by DRA and SCE’s responses to the MDRs.

1.6 On July 31, 2012, the *Scoping Memo and Ruling of Assigned Commissioner* (“Scoping Memo”) was issued in this proceeding. The Scoping Memo directed DRA to file its Testimony on October 5, 2012 and SCE to file its Rebuttal Testimony on October 31, 2012. Hearings were scheduled for November 14-15, 2012.

1.7 On October 5, 2012, DRA served its Testimony.

1.8 On October 31, 2012, SCE served its Rebuttal Testimony.

1.9 On November 8, 2012, ALJ Clark notified the Parties that he was cancelling the hearings because there was no dispute of material fact, and that he would order a briefing schedule on the dispute regarding certain prospective issues discussed herein.

1.10 On December 10, 2012, the Parties notified ALJ Clark that they had reached a settlement in principle and asked that ALJ Clark postpone the briefing schedule.

1.11 On December 13, 2012, SCE provided a notice of settlement conference to the service list pursuant to Commission Rule of Practice and Procedure 12.1(b). The settlement conference was conducted telephonically on Thursday, December 20, 2012 at 2:00 p.m. Parties participating in the settlement conference were DRA and SCE.

1.12 During this proceeding, SCE responded to 16 sets of discovery propounded by DRA that included 315 discovery requests.

ARTICLE 2
SETTLEMENT TERMS AND CONDITIONS

In order to avoid the risks and costs of litigation, the Parties agree to the following terms and conditions as a complete and final resolution of this proceeding:

2.1. SCE made appropriate entries to its ERRA for the record period from January 1, 2011 to December 31, 2011 ("Record Period").

2.2. During the Record Period, SCE complied with its Conformed 2006 Long-Term Procurement Plan ("LTPP") in the areas of: (1) fuel procurement for utility-owned generation ("UOG") and third-party contracts for energy and/or capacity, Qualifying Facility ("QF") contracts, and other power purchase agreements (collectively "PPAs") for which SCE provides fuel procurement; (2) administration of PPAs; and (3) least-cost dispatch ("LCD") of UOG and PPA resources.

2.3. The Parties agree to the following prospective requirements:

2.4.1. **Internal Auditing:** SCE will provide its LCD-related Sarbanes-Oxley ("SOX") control narratives in its workpapers in conjunction with future ERRA review filings. These narratives will include any red-lined revisions describing significant process changes. SCE will implement this change beginning with its April 1, 2013 ERRA filing.

2.4.2. **LCD Documentation:** SCE's daily resource plans (specifically, the "strategy sheet" included with each day's plan) will be updated to include a "reason" field for those decisions that deviate from SCE's normal practice of bidding generation units at marginal cost, or in the instance of use-limited resources, at opportunity cost. The "reason" field will briefly describe why specific California Independent System Operator ("CAISO") market workaround actions were taken in such circumstances. SCE will implement this change no later than January 1, 2013.

2.4.3. **LCD Documentation:** SCE's annual ERRRA review testimony will delineate significant LCD-related modeling or process changes (if any) in response to new CAISO market initiatives and/or internal SCE strategy changes. SCE will implement this change beginning with its April 1, 2013 ERRRA filing.

2.4.4. **LCD Documentation:** SCE will provide its CAISO Customer Inquiry and Dispute Information ("CIDI") correspondence regarding suspected erroneous CAISO market results impacting LCD. SCE will implement this change beginning with its April 1, 2013 ERRRA filing.

2.4.5. **Showing Regarding UOG Outages:** SCE will describe its UOG management and outage mitigation auditing process and controls in its April 1, 2013 ERRRA filing.

ARTICLE 3
GENERAL PROVISIONS AND RESERVATIONS

3.1. In accordance with Rule 12.5, the Parties intend that Commission adoption of this Settlement will be binding on all the Parties to this proceeding, including their legal successors, assigns, partners, members, agents, parent or subsidiary companies, affiliates, officers, directors, and/or employees. Unless the Commission expressly provides otherwise, such adoption does not constitute approval of or precedent for any principle or issue in this or any future proceeding except for the requirements specified in Section 2.4 above.

3.2. The Parties agree that no signatory to the Settlement or any employee thereof assumes any personal liability as a result of this Settlement.

3.3. The Parties agree that this Settlement is subject to approval by the Commission. As soon as practicable after the Parties have signed the Settlement, the Parties will jointly file a Motion for Commission Approval and Adoption of the Settlement. The Parties will furnish such additional information, documents, and/or testimony as the Commission may require in granting the Motion and adopting this Settlement.

3.4. The Parties agree to support the Settlement and to use their best efforts to secure Commission approval of the Settlement in its entirety and without modification.

3.5. The Parties agree to recommend that the Commission approve and adopt this Settlement in its entirety without change.

3.6. The Parties agree that, if the Commission fails to adopt the Settlement in its entirety, the Parties shall convene a settlement conference within fifteen (15) days thereof to discuss whether they can resolve issues raised by the Commission's actions. If the Parties cannot mutually agree to resolve the issues raised by the Commission's actions, the Settlement shall be rescinded and the Parties shall be released from their obligation to

support this Settlement. Thereafter, the Parties may pursue any action they deem appropriate, but agree to cooperate in establishing a procedural schedule.

3.7. The Parties agree to actively and mutually defend this Settlement if the adoption is opposed by any other party.

3.8. If any Party fails to perform its respective obligations under the Settlement, the other Party may come before the Commission to pursue a remedy including enforcement.

3.9. The provisions of this Settlement are not severable. If the Commission, or any court of competent jurisdiction, overrules or modifies as legally invalid any material provision of this Settlement, this Settlement may be considered rescinded as of the date such ruling or modification becomes final at the discretion of the Parties.

3.10. The Parties acknowledge and stipulate that they are agreeing to this Settlement freely, voluntarily, and without any fraud, duress, or undue influence by any other party. Each Party hereby states that it has read and fully understands its rights, privileges, and duties under this Settlement, including each Party's right to discuss this Settlement with its legal counsel and has exercised those rights, privileges, and duties to the extent deemed necessary.

3.11. In executing this Settlement, each Party declares and mutually agrees that the terms and conditions herein are reasonable, consistent with the law, and in the public interest.

3.12. This Settlement constitutes the Parties' entire Settlement, which cannot be amended or modified without the express written and signed consent of all the Parties hereto.

3.13. No Party has relied, or presently relies, upon any statement, promise, or representation by any other Party, whether oral or written, except as specifically set forth in this Settlement. Each Party expressly assumes the risk of any mistake of law or fact made by such Party or its authorized representative.

3.14. This Settlement may be executed in any number of separate counterparts by the different Parties hereto with the same effect as if all Parties had signed one and the same document. All such counterparts shall be deemed to be an original and shall together constitute one and the same Settlement.

3.15. This Settlement shall become effective and binding on the Parties as of the date it is approved by the Commission in a final and non-appealable decision.

3.16. This Settlement shall be governed by the laws of the State of California as to all matters, including but not limited to, matters of validity, construction, effect, performance, and remedies.

CONCLUSION

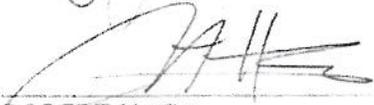
The Parties mutually believe that based on the terms and conditions stated above, this settlement is reasonable in light of the whole record, consistent with the law, and in the public interest. In Witness Whereof, intending to be legally bound, the Parties hereto have duly executed this Settlement on behalf of the Parties they represent.

DIVISION OF RATEPAYER ADVOCATES

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APPENDIX

***** SERVICE LIST *****

Last Updated on 26-NOV-2013 by: AMT
A1204001 LIST

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Last Updated on 26-NOV-2013 by: AMT
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