

ATTACHMENT A
SETTLEMENT AGREEMENT

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**

Application for Compliance Review of Electric
Energy Resource Recovery Account Entries,
Contract administration, Economic Dispatch of
Electric Resources, and Utility Retained Generation
Fuel Procurement Activities for the Period
January 1 through December 31, 2011.

(U 39 E)

Application 12-02-010
(Filed February 15, 2012)

**SETTLEMENT AGREEMENT BETWEEN THE DIVISION OF RATEPAYER
ADVOCATES OF THE CALIFORNIA PUBLIC UTILITIES COMMISSION AND
PACIFIC GAS AND ELECTRIC COMPANY**

The Division of Ratepayer Advocates of the California Public Utilities Commission (“DRA”) and Pacific Gas and Electric Company (“PG&E”) (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 February 15, 2012, PG&E filed Application (“A.”) 12-02-010 for compliance review of its Energy Resource Recovery Account (“ERRA”) and Renewables Portfolio Standard Cost Memorandum Account (“RPSCMA”) for the record period from January 1 through December 31, 2011 (“Application”). Concurrent with filing the Application, PG&E also served its Prepared Testimony and three volumes of workpapers.

1.2 Between March 6 and 13, 2012 and on March 23, 2012, PG&E provided to DRA responses to the Master Data Request (“MDR”) discovery submitted by DRA to PG&E in December 2011.

1.3 On March 12, 2012, PG&E served the first errata to its Prepared Testimony.

1.4 On March 19, 2012, DRA filed a Protest to PG&E’s Application. On March 29, 2012, PG&E filed a response to DRA’s Protest.

1.5 On May 14, 2012, the Parties participated in a pre-hearing conference with assigned Administrative Law Judge (“ALJ”) Richard Clark.

1.6 On June 18, 2012, ALJ Clark conducted a workshop that addressed the MDR discovery propounded by DRA and PG&E’s responses to the MDRs.

1.7 On July 16, 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 August 10, 2012 and PG&E to file its Rebuttal Testimony on September 7, 2012. Hearings were scheduled for September 25-26, 2012.

1.8 On July 24, 2012, PG&E served its second errata to its Prepared Testimony.

1.9 On August 2, 2012, DRA filed the *Motion of the Division of Ratepayer Advocates for Reconsideration and Modification of Scoping Memo’s Issues* (“DRA Motion”). PG&E filed a response to DRA’s Motion on August 14, 2012. The Assigned Commissioner denied DRA’s motion on September 7, 2012.

1.10 On August 10, 2012, DRA served its Testimony.

1.11 On September 7, 2012, PG&E served its Rebuttal Testimony.

1.12 During this proceeding, PG&E responded to 14 sets of discovery propounded by DRA that included 192 discovery requests.

1.13 On September 21, 2012, the Parties notified ALJ Clark that they had reached a settlement in principle and asked that ALJ Clark postpone the hearings. On September 24, 2012, ALJ Clark notified the Parties that he was postponing the hearings pending the filing of a settlement.

1.14 On September 24, 2012, PG&E provided a notice of a settlement conference to the service list pursuant to Commission Rule of Practice and Procedure ("Rule") 12.1(b). The settlement conference was conducted on Monday, October 1, 2012 at 3:00 p.m. and was conducted telephonically. Parties participating in the settlement conference were PG&E, DRA and Southern California Edison Company.

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. PG&E made appropriate entries to its ERRAs for the record period from January 1, 2011 to December 31, 2011 ("Record Period").

2.2. During the Record Period, PG&E complied with the recovery requirements of the RPSCMA adopted by the Commission and PG&E may recover the RPSCMA balance for the Record Period.

2.3. During the Record Period, PG&E 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 PG&E provides fuel procurement; (2) administration of PPAs; and (3) least cost dispatch ("LCD") of UOG and PPA resources.

2.4. The Parties agree to the following prospective requirements:

2.4.1. PG&E's Internal Auditing Department shall provide DRA its draft audit plan in or about November of each year following the date this Settlement is approved by the Commission. PG&E and DRA shall meet at a mutually agreeable time to review the draft Internal Audit plan as it relates to the ERRA subject matter. After reviewing the draft audit plan, DRA may provide suggestions regarding that plan. At any time during the year, the DRA may provide such comments and suggestions on the plan because the plan can be amended during the audit year. However, DRA may not exert any management control of PG&E's internal auditing program.

2.4.2. PG&E will continue to review its LCD decisions and document material changes to its business processes beginning in 2013 for the 2013 ERRA Compliance proceeding that covers the January 1, 2013 to December 31, 2013 record period. In addition, PG&E will document the results of its review and justify changes to its LCD models beginning in 2013 as part of its application in the 2013 ERRA Compliance proceeding.

2.4.3. PG&E agrees to an accounting audit of the ERRA balancing account at least once every four (4) years with the first audit to commence in 2014 for the 2013 ERRA Compliance proceeding that covers the January 1, 2013 to December 31, 2013 record period.

2.4.4. PG&E will address UOG outages and associated fuel costs, if applicable, in PG&E's ERRA compliance application and prepared testimony in all future ERRA compliance proceedings.

2.4.5. In its Testimony, DRA requested that PG&E conduct a comprehensive audit of the Helms Pumped Storage Hydroelectric facility ("Helms") by the end of 2013. The Parties recognize that the issue of an audit of Helms is currently before the Commission in the 2010 ERRA Compliance proceeding (A.11-02-011). The Parties agree that whatever the

outcome in the 2010 ERRA Compliance proceeding with regard to an audit of Helms may apply prospectively to future ERRA Compliance proceedings.

**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 to establish 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.

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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

PACIFIC GAS AND ELECTRIC COMPANY

By _____
JOSEPH COMO
ACTING DIRECTOR

By 
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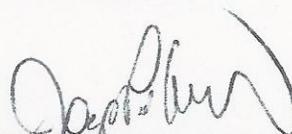
October 31, 2012

CONCLUSION

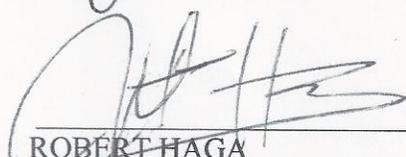
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By 
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ROY KUGA
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October 31, 2012