BEFORE THE PUBLIC UTILITIES COMMISSION OF THE

STATE OF CALIFORNIA

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Order Instituting Rulemaking to Integrate and Refine Procurement Policies and Consider Long-Term Procurement Plans.	)))	Rulemaking 10-05-006

MOTION FOR EXPEDITED SUSPENSION OF TRACK 1 SCHEDULE, AND FOR APPROVAL OF SETTLEMENT AGREEMENT BETWEEN AND AMONG PACIFIC GAS AND ELECTRIC COMPANY, SOUTHERN CALIFORNIA EDISON COMPANY, SAN DIEGO GAS & ELECTRIC COMPANY, THE DIVISION OF RATEPAYER ADVOCATES, THE UTILITY REFORM NETWORK, GREEN POWER INSTITUTE, CALIFORNIA LARGE ENERGY CONSUMERS ASSOCIATION, THE CALIFORNIA INDEPENDENT SYSTEM OPERATOR, THE CALIFORNIA WIND ENERGY ASSOCIATION, THE CALIFORNIA COGENERATION COUNCIL, THE SIERRA CLUB, COMMUNITIES FOR A BETTER ENVIRONMENT, PACIFIC ENVIRONMENT, COGENERATION ASSOCIATION OF CALIFORNIA, ENERGY PRODUCERS AND USERS COALITION, CALPINE CORPORATION, JACK ELLIS, GENON CALIFORNIA NORTH LLC, THE CENTER FOR ENERGY EFFICIENCY AND RENEWABLE TECHNOLOGIES, THE NATURAL RESOURCE DEFENSE COUNCIL, NRG ENERGY, INC., THE VOTE SOLAR INITIATIVE, AND THE WESTERN POWER TRADING FORUM

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Dated: August 3, 2011

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE

STATE OF CALIFORNIA

Order Instituting Rulemaking to Integrate and Refine Procurement Policies and Consider Long-Term Procurement Plans.	)))	Rulemaking 10-05-006

MOTION FOR EXPEDITED SUSPENSION OF TRACK 1 SCHEDULE, AND FOR APPROVAL OF SETTLEMENT AGREEMENT BETWEEN AND AMONG PACIFIC GAS AND ELECTRIC COMPANY, SOUTHERN CALIFORNIA EDISON COMPANY, SAN DIEGO GAS & ELECTRIC COMPANY, THE DIVISION OF RATEPAYER ADVOCATES, THE UTILITY REFORM NETWORK, GREEN POWER INSTITUTE, CALIFORNIA LARGE ENERGY CONSUMERS ASSOCIATION, THE CALIFORNIA INDEPENDENT SYSTEM OPERATOR, THE CALIFORNIA WIND ENERGY ASSOCIATION, THE CALIFORNIA COGENERATION COUNCIL, THE SIERRA CLUB, COMMUNITIES FOR A BETTER ENVIRONMENT, PACIFIC ENVIRONMENT, COGENERATION ASSOCIATION OF CALIFORNIA, ENERGY PRODUCERS AND USERS COALITION, CALPINE CORPORATION, JACK ELLIS, GENON CALIFORNIA NORTH LLC, THE CENTER FOR ENERGY EFFICIENCY AND RENEWABLE TECHNOLOGIES, THE NATURAL RESOURCE DEFENSE COUNCIL, NRG ENERGY, INC., THE VOTE SOLAR INITIATIVE, AND THE WESTERN POWER TRADING FORUM

I. INTRODUCTION AND SUMMARY OF RELIEF SOUGHT

Pursuant to Rule 12.1 of the California Public Utilities Commission's (Commission) Rules of Practice and Procedure, Pacific Gas and Electric Company (PG&E), Southern California Edison Company (SCE), San Diego Gas & Electric Company (SDG&E), the Division of Ratepayer Advocates (DRA), The Utility Reform Network (TURN), Green Power Institute,

California Large Energy Consumers Association (CLECA), the California Independent System Operator (CAISO), the California Wind Energy Association (CalWEA), the California Cogeneration Council (CCC), the Sierra Club, Communities for a Better Environment (CBA), Pacific Environment, Cogeneration Association of California (CAC), Energy Producers and Users Coalition (EPUC), Calpine Corporation (Calpine), Jack Ellis, GenOn California North LLC (GenOn), the Center for Energy Efficiency and Renewable Technologies (CEERT), the Natural Resource Defense Council (NRDC), NRG Energy, Inc. (NRG), the Vote Solar Initiative (VoteSolar), and the Western Power Trading Forum (WPTF) (collectively referred to as the "Settling Parties" or individually as a " Settling Party"), submit for the Commission's review and approval the attached Settlement Agreement proposing a resolution to Track 1 of this proceeding that is mutually acceptable to the Settling Parties.[1] The proposed Settlement Agreement is in the public interest and represents a fair and equitable resolution of the issues in Track 1 (with the exception of (1) SDG&E's pending request for a need determination for new resources to meet Local Capacity Requirements (LCR) and (2) the possibility of need to procure currently uncontracted existing resources), and the Settling Parties' request that the Commission approve the Settlement Agreement without modification. The Settling Parties also request that, except as it relates to the two Track 1 issues not resolved by the Settlement Agreement, the Track 1 schedule be suspended pending Commission consideration of the Settlement Agreement. The Settling Parties do not propose any modification of the Track III schedule.

The Settling Parties request that their proposal to suspend the Track 1 schedule be addressed on an expedited basis, as without a suspension parties would be obligated to submit their litigation, pre-settlement testimony on August 4, 2011.

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[1] Each of the Settling Parties has authorized PG&E to file this motion on its behalf.

II. PROCEDURAL BACKGROUND

The Commission has determined that the purpose of Track I is to identify Commission-jurisdictional needs for new resources to meet system or local resource adequacy and to consider authorization of Investor-Owned Utility (IOU) procurement to meet that need, including issues related to long-term renewables planning and need for replacement generation infrastructure to eliminate reliance on power plants using once through cooling (OTC). (R.10-05-006, p. 9.) In carrying out this investigation, the Commission anticipated that in addition to maintaining an adequate reserve margin, system requirements to: 1) integrate renewables, 2) support OTC policy implementation, 3) maintain local reliability, and 4) meet greenhouse gas (GHG) goals will be primary drivers for any need for new resources identified in this proceeding. (*Id*., p. 12.)

Through a series of rulings (*see, e.g.*, February 10, 2011, Administrative Law Judge's Ruling Modifying System Track 1 Schedule and Setting Prehearing Conference), the Assigned Commissioner and Assigned Administrative Law Judges (ALJs) have refined the analysis required to be carried out by the IOUs, in conjunction with the California Independent System Operator (CAISO). In response, the IOUs and the CAISO developed and analyzed system resource plans using four scenarios described in rulings and in the December 3, 2010 Scoping Ruling to fulfill the standardized planning assumptions established by the Commission (four CPUC-Required Scenarios). In addition, the IOUs developed three scenarios and a further sensitivity analysis (IOU Common Scenarios). The CAISO also analyzed two others scenarios, one of which was identified in the December 3, 2010 Scoping Memo. Also in response to the requirements set forth in the series of ruling, the IOUs and the CAISO, in conjunction with Energy and Environmental Economics, Inc., (E3), a consultant to the IOUs, calculated the "performance evaluation metrics" associated all of these scenarios.

III. SUMMARY OF THE SETTLEMENT AGREEMENT

The Settlement Agreement addresses the fundamental issue in Track 1 of the LTPP proceeding: should the Commission determine that, due to system needs, the investor-owned utilities should be directed to obtain additional generation resources?

Summary of the non-procedural provisions of the attached Settlement Agreement:

- The Settling Parties agree not to dispute that the IOUs and the CAISO have complied with Commission directions in Track 1 with respect to issues resolved by the Settlement Agreement.
- As set forth in substantially more detail in the Settlement Agreement, the Settling Parties recommend that the Commission, in conjunction with the CAISO's ongoing work on this subject, should further expeditiously examine the system resource need and the integration of intermittent renewable resources into the CAISO grid, either in the next LTPP cycle or in an extension of the current LTPP cycle. There is general agreement that further analysis is needed before any renewable integration resource need determination is made. The Settling Parties recommend that a final Commission assessment of need or a decision should be issued no later than December 31, 2012.
- The Commission does not need to authorize procurement authority relating to LCR for SCE's and PG&E's service areas at this time.
- The Settlement Agreement does not address SDG&E's request for local LCR procurement authority, and each Settling Party remains free to advocate its individual litigation position on this issue.

- The Settlement Agreement does not address the possibility of need to procure currently uncontracted existing resources, and each Settling Party remains free to advocate it individual litigation position on this issue.
- Those Settling Parties who are also parties to the qualifying facility/combined heat and power settlement, adopted by the Commission in D.10-12-035, agree that nothing in the Settlement Agreement qualifies, defers, or relaxes any obligation of any party under that settlement.

IV. THE SETTLEMENT AGREEMENT IS REASONABLE AND IN THE PUBLIC INTEREST.

The Commission will approve a settlement if it finds the settlement "reasonable in light of the whole record, consistent with law, and in the public interest."[2] Here, the proposed settlement readily meets all of these criteria.

First, the Settlement Agreement is reasonable in light of the whole record. With respect to renewables integration, the IOUs have established that the analysis of the issue that has been presented in this proceeding "should be viewed as an initial effort to understand the complex problems of accommodating the significant increase in renewable energy expected over the next decade. There are a number of key areas where further analysis is necessary. . . ." (Joint IOU Supporting Testimony, pp. 1-3.) Thus, this aspect of the Settlement Agreement is reasonable in light of the whole record.

With respect to local capacity reliability requirements, PG&E's and SCE's testimony established that the Commission does not need to authorize procurement authority relating to

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[2] Rule 12.1(d); *see also* D.09-10-017.

local capacity requirements for PG&E's or SCE's service area at this time. This Settlement Agreement does not address SDG&E's request for LCR procurement authority in Track I of this LTPP. Each of the Settling Parties remains free to advocate its individual litigation position on the issue of SDG&E's LCR need. Thus, this aspect of the Settlement Agreement is reasonable in light of the whole record, as well.[3]

Second, the Settlement Agreement is fully consistent with the law and existing Commission precedent. Based on the record in this proceeding, Commission adoption of the Settlement Agreement recommendations is consistent with legislative mandates to meet 33 percent of California's electric load in 2020. Further, Commission adoption of the Settlement Agreement is consistent with the Commission's general mandate to act to ensure safe, reliable electric service in California.

Finally, approval of the Settlement Agreement is in the public interest. As the Commission has stated, to determine whether a settlement is in the public interest:

> [W]e consider individual elements of the settlement in order to determine whether the settlement generally balances the various interests at stake as well as to assure that each element is consistent with our policy objectives and the law.[4]

Here, the Settlement Agreement resolves many of the system need determinations that are to be addressed in this track of this proceeding at this time. It does so in a manner consistent with the recommendations in the record, and so generally balances the various interests at stake in the proceeding.

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[3] Additionally, the Settlement Agreement does not address the possibility of need to procure currently uncontracted existing resources. Each of the Settling Parties remains free to advocate its individual litigation position on this issue. Nor does the Settlement Agreement address either Track III issues or schedule.

[4] D.96-01-011; 64 CPUC2d 241, 267, citing D.94-04-088.

Based on the record, the adoption of the elements of the Settlement Agreement is consistent with the Commission's policy objectives and the law. Specifically, the Settlement Agreement is consistent with the Commission's policy objectives and the law with respect to the use of renewable resources to meet 33 percent of the electric load in California in 2020, and with respect to ensuring that Californians are provided with safe, reliable electric service

In short, the Settlement Agreement is entirely in the public interest.

V. THE SETTLING PARTIES HAVE COMPLIED WITH THE REQUIREMENTS OF RULE 12.1(b)

Commission Rule 12.1(b) requires parties to provide a notice of a settlement conference at least seven days before a settlement is signed. On July 22, 2011, the IOUs properly notified all of the parties on the service list of a settlement conference and subsequently convened the settlement conference on July 29, 2011, to describe and discuss the terms of the proposed settlement. Representatives of the Settling Parties participated in the settlement conference. The Settlement Agreement was finalized and executed on August 3, 2011.

VI. THE TRACK 1 PROCEDURAL SCHEDULE IN THE PROCEEDING SHOULD BE MODIFIED, ON AN EXPEDITED BASIS, TO ALLOW THE COMMISSION TO CONSIDER THIS TRACK 1 SETTLEMENT

An assigned Administrative Law Judge's ruling dated June 13, 2011, established the current schedule in this proceeding. Under that schedule, parties other than the IOUs and the CAISO are to serve Track 1 testimony on August 4, 2011. The Settling Parties request that the schedule for testimony, hearings, and briefing of the issues addressed in this Settlement Agreement (all Track I issues other than (1) SDG&E's pending request for a need determination for new resources to meet local capacity requirements and (2) the possibility of need to procure currently uncontracted existing resources) should be suspended pending Commission consideration of the Settlement Agreement.

In light of the number of active parties supporting the Settlement Agreement, which resolves a significant number of Track 1 issues as among the Settling Parties,[5] the record will be simplified and the need for hearings substantially reduced if the Settlement Agreement is adopted. In order to avoid the time and effort of going through the submission of testimony and the conducting of hearings on all Track 1 issues on a pre-settlement basis, as would be necessary if the Track 1 schedule is not suspended, the better approach is to suspend these hearings, with respect to issues addressed in the Settlement Agreement, pending consideration of the Settlement Agreement. Therefore, the Settling Parties' request that the Track 1 schedule, with respect to all Track 1 issues other than (1) SDG&E's pending request for a need determination for new resources to meet LCR, and (2) the possibility of need to procure currently uncontracted existing resources, be suspended pending consideration of whether the Settlement Agreement should be granted.

The Settling Parties request that this aspect of the motion be acted upon on an expedited basis. Unless there is a suspension of the schedule, Settling Parties would be obligated to submit their litigation, pre-settlement testimony on August 4, 2011.

VII. CONCLUSION

For all the foregoing reasons, the Settling Parties request the Commission approve the Settlement Agreement without change, that the Settling Parties' request to suspend the Track 1 schedule pending consideration of the Settlement Agreement be acted upon on an expedited basis, and that the Track 1 schedule, with the exception of the two Track 1 issues not resolved by

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[5] Settling Parties may submit testimony on August 4 on the two Track 1 issues the Settlement Agreement expressly states it does not address.

the Settlement Agreement among the Settling Parties, be suspended pending consideration of the Settlement Agreement.

Respectfully submitted,

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WESTERN POWER TRADING FORUM

August 3, 2011

ATTACHMENT

SETTLEMENT AGREEMENT

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking to Integrate and Refine Procurement Policies and Consider Long-Term Procurement Plans.	Rulemaking 10-05-006

SETTLEMENT AGREEMENT BETWEEN AND AMONG PACIFIC GAS AND ELECTRIC COMPANY (U-39 E), SOUTHERN CALIFORNIA EDISON COMPANY (U-338-E), SAN DIEGO GAS & ELECTRIC COMPANY (U-902-E), THE DIVISION OF RATEPAYER ADVOCATES, THE UTILITY REFORM NETWORK, GREEN POWER INSTITUTE, CALIFORNIA LARGE ENERGY CONSUMERS ASSOCIATION, THE CALIFORNIA INDEPENDENT SYSTEM OPERATOR, THE CALIFORNIA WIND ENERGY ASSOCIATION, THE CALIFORNIA COGENERATION COUNCIL, THE SIERRA CLUB, COMMUNITIES FOR A BETTER ENVIRONMENT, PACIFIC ENVIRONMENT, COGENERATION ASSOCIATION OF CALIFORNIA, ENERGY PRODUCERS AND USERS COALITION, CALPINE CORPORATION, JACK ELLIS, GENON CALIFORNIA NORTH LLC, THE CENTER FOR ENERGY EFFICIENCY AND RENEWABLE TECHNOLOGIES, THE NATURAL RESOURCE DEFENSE COUNCIL, NRG ENERGY, INC., THE VOTE SOLAR INITIATIVE, AND THE WESTERN POWER TRADING FORUM

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I. INTRODUCTION

In accordance with Rule 12.1 of the California Public Utilities Commission's (Commission) Rules of Practice and Procedure, Pacific Gas and Electric Company (PG&E), Southern California Edison Company (SCE), San Diego Gas & Electric Company (SDG&E), the Division of Ratepayer Advocates (DRA), The Utility Reform Network (TURN), Green Power Institute, California Large Energy Consumers Association (CLECA), the California Independent System Operator (CAISO), the California Wind Energy Association (CalWEA), the California

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The Settling Parties believe that this Settlement Agreement is in the public interest and represents a fair and equitable resolution of the issues in Track 1 of this proceeding that is mutually acceptable to the Settling Parties of all Track 1 issues of this proceeding, with the exception of (1) SDG&E's pending request for a need determination for new resources to meet Local Capacity Requirements (LCR) and (2) the possibility of need to procure currently uncontracted existing resources. Therefore, the Settling Parties request that the Commission approve the Settlement Agreement without modification.

II. RECITALS

The Commission has determined that the purpose of Track I is to identify Commission-jurisdictional needs for new resources to meet system or local resource adequacy and to consider authorization of Investor-Owned Utility (IOU) procurement to meet that need, including issues related to long-term renewables planning and need for replacement generation infrastructure to eliminate reliance on power plants using once through cooling (OTC). (R.10-05-006, p. 9.) In carrying out this investigation, the Commission anticipated that in addition to maintaining an adequate reserve margin, system requirements to: 1) integrate renewables, 2) support OTC policy

implementation, 3) maintain local reliability, and 4) meet greenhouse gas (GHG) goals will be primary drivers for any need for new resources identified in this proceeding. (*Id*., p. 12.)

Through a series of rulings (*see, e.g.*, February 10, 2011, Administrative Law Judge's Ruling Modifying System Track 1 Schedule and Setting Prehearing Conference), the Assigned Commissioner and Assigned Administrative Law Judges (ALJs) have refined the analysis required to be carried out by the IOUs, in conjunction with the California Independent System Operator (CAISO). In response, the IOUs and the CAISO developed and analyzed system resource plans using four scenarios described in rulings and in the December 3, 2010 Scoping Ruling to fulfill the standardized planning assumptions established by the Commission (four CPUC-Required Scenarios). In addition, the IOUs developed three scenarios and a further sensitivity analysis (IOU Common Scenarios). The CAISO also analyzed two other scenarios, one of which was identified in the December 3, 2010 Scoping Memo. Also in response to the requirements set forth in the series of rulings, the IOUs and the CAISO, in conjunction with Energy and Environmental Economics, Inc., (E3), a consultant to the IOUs, calculated the "performance evaluation metrics" associated with all of these scenarios.

III. SETTLEMENT AGREEMENT

A. Compliance With Commission Directives

As a compromise among their respective litigation positions, and subject to the recitals and reservations set forth in this Settlement Agreement, the Settling Parties agree not to dispute that the IOUs and the CAISO have complied with the directions contained in a series of rulings in this proceeding, with respect to the issues resolved in this Settlement Agreement. However, Settling Parties have differing views on the underlying input assumptions used in the analyses that inform the resolution of issues included in this Settlement Agreement, and this Settlement Agreement does not imply Settling Parties' support for those input assumptions.

B. System Need

As a compromise among their respective litigation positions, and subject to the recitals and reservations set forth in this Settlement Agreement, the Settling Parties agree that:

- With respect to system resource need and the integration of intermittent renewable resources into the CAISO grid, the Settling Parties encourage the Commission, in conjunction with the CAISO's ongoing work on this subject, to further examine this issue expeditiously in the next Long-Term Procurement Plan (LTPP) cycle or in an extension of the current LTPP cycle.
- All references to a potential "need to add capacity for renewable integration purposes" shall be interpreted within the context of the CAISO process which considers alternatives as further described in Section III.C below to determine the type of resources (including existing units) available to meet any defined needs. There is no presumption that any Phase 1 "need" requires the addition of new gas-fired generation resources above and beyond those needed to meet the current planning reserve margin.
- As requested by the Commission, the CAISO developed a methodology for assessing renewable integration resource needs (the "CAISO methodology"), and applied this methodology with the assistance of the IOUs to assess the need for flexible capacity for the four CPUC-Required Scenarios and one other CPUC scenario analyzed by the CAISO. The results show no need to add capacity for renewable integration purposes above the capacity available in the four scenarios for the planning period addressed in this LTPP cycle (2012-2020). The additional scenario studied by the CAISO did show need.
- The IOUs applied the same CAISO methodology for the IOU Common Scenarios using different assumptions from those used in the CPUC-Required Scenarios.

The results of the IOUs' modeling show need for additional capacity for renewable integration purposes under certain circumstances.

- The resource planning analyses presented in this proceeding do not conclusively demonstrate whether or not there is need to add capacity for renewable integration purposes through the year 2020, the period to be addressed during the current LTPP cycle. The Settling Parties have differing views on the input assumptions used in, and conclusions to be drawn from the modeling. There is general agreement that further analysis is needed before any renewable integration resource need determination is made. For example, in the CAISO 2011/2012 transmission planning process, the CAISO intends to complete its analysis of local area needs driven by the OTC schedule for resource retirements or repowerings, and this work will be completed by the end of 2011. Once these study results become available, the CAISO will incorporate them into the renewable integration model using the methodology developed in this proceeding, and will complete this analysis by the end of the first quarter, 2012. Accordingly, the Commission should, in collaboration with the CAISO, continue the work undertaken thus far in this proceeding to refine and understand the future need for new renewable integration resources, either as an extension of the current LTPP cycle or as part of the next LTPP, which should be initiated expeditiously in the first quarter, 2012 and contain the procedural milestones set forth in agreement. Specifically, the Settling Parties agree that the CAISO should present the results of its additional OTC and renewable integration studies reflecting the recommendations described in Section below by no later than March 31, 2012. During the second quarter, 2012, the Settling Parties recommend that the Commission provide a process for parties to conduct discovery, serve testimony and participate in an evidentiary hearing on the CAISO's

renewable integration model and study results. Settling Parties further recommend that a final Commission assessment of need or a decision should be issued no later than December 31, 2012.

- Either as an extension of the current LTPP cycle, or as part of the next LTPP cycle and consistent with the procedural milestones in the previous paragraph, the Commission should continue the process undertaken in this proceeding that allows public review and comment on CAISO and IOU models; scenarios and and inputs used to analyze renewable integration needs. In addition, the process should allow all parties the opportunity to submit recommendations or proposals regarding assumptions, scenarios, modeling and inputs for inclusion in the record of the proceeding, including recommendation by the CAISO and other parties as to plausible scenarios that may be used for the CAISO's operational needs and market design enhancements.

C. Recommendations on Issues that Should Be Addressed in an Extension of the Current LTPP Cycle or the Next LTPP Cycle

As a compromise among their respective litigation positions, and subject to the recitals and reservations set forth in this Settlement Agreement, the Settling Parties recommend, either as an extension of the current LTPP cycle, or as part of the next LTPP cycle: (i) the continued review and adjustment of the methodology and assumptions used in the renewable integration analysis; and (ii) the analysis of the potential of integrating renewables with a variety of resources as intended in CAISO's proposed Phase 2 analysis. The purpose of the Phase 2 analysis is to determine the amount and operational characteristics of resources, whether supply or demand side resources, that could address the operational needs of renewable integration, including not only conventional generation but also resources such as demand response, renewable resource dispatchability, energy storage, electric vehicle charging, smart grid, and

greater reliance on renewables resources that require fewer integration services, either individually or combined with a suite of other renewable resources.

D. Local Area (LCR) Need

As a compromise among their respective litigation positions, and subject to the recitals and reservations set forth in this Settlement Agreement, the Settling Parties agree that:

- It is important to incorporate the LCR work that the CAISO intends to complete as described above in Section B, System Need, and to reflect the results of that work in subsequent need assessments to be accomplished during the remainder of 2011 and the first half of 2012, either as an extension of the current LTPP cycle or as part of the next LTPP cycle.
- SCE's analysis of its LCR need is inconclusive, and that PG&E and SCE have not requested procurement authorization for new LCR resources in Track I of this LTPP.
- This Settlement Agreement does not address SDG&E's request for LCR procurement authority in Track I of this LTPP. Each of the Settling Parties remains free to advocate its individual litigation position on the issue of SDG&E's LCR need.
- The Commission does not need to authorize procurement authority relating to local capacity requirements for SCE's and PG&E's service areas at this time.

E. Existing Generation

As a compromise among their respective litigation positions, and subject to the recitals and reservations set forth in this Settlement Agreement, the Settling Parties agree that:

- This Settlement Agreement does not address the possibility of need to procure currently uncontracted existing resources. Each of the Settling Parties remains free to advocate its individual litigation position on this issue.

F. QF/CHP Settlement

Those Settling Parties who are also parties to the Qualifying Facility (QF)/Combined Heat and Power (CHP) settlement, adopted by the Commission in D.10-12-035 and subsequent orders, agree that nothing in the Settlement Agreement qualifies, defers or relaxes any obligation of any party under the QF/CHP settlement.

G. Exclusion of Track III Issues

As a compromise among their respective litigation positions and subject to the recitals and reservations set forth in this Settlement Agreement, the Settling Parties agree that:

- This Settlement Agreement does not address Track III issues or schedule.

H. Conclusion of Track 1 Of This Proceeding

As a compromise among their respective litigation positions, and subject to the recitals and reservations set forth in this Settlement Agreement, the Settling Parties agree that:

- The schedule for testimony, hearings, and briefing of the issues addressed in this Settlement Agreement (all Track I issues other than (1) SDG&E's pending request for a need determination for new resources to meet Local Capacity Requirements (LCR) and (2) the possibility of need to procure currently uncontracted existing resources) should be suspended pending Commission consideration of the Settlement Agreement. Intervening parties who sign the Settlement Agreement but have not served testimony will be permitted to submit data responses provided by the IOUs and the CAISO as part of the formal record of this proceeding. If the schedule is not suspended, however, Settling Parties may serve

testimony on the date it is due (currently August 4, 2011). It will not violate this Settlement Agreement if, in that testimony, Settling Parties present arguments and positions that differ from the recommendations in this Settlement Agreement. The Settling Parties reserve the right to submit or present reply testimony, limited to rebuttal to any testimony submitted on August 4, 2011.

I. Commission Approval

This Settlement Agreement shall become effective on the date of a final Commission decision approving the terms of this Settlement Agreement without modifications unacceptable to any Settling Party.

J. General Terms and Conditions

1. The Settlement Agreement is intended to be a resolution among the Settling Parties of some of the issues in Track I of the LTPP proceeding.

2. The Settling Parties agree to support the Settlement Agreement and perform diligently, and in good faith, all actions required or implied hereunder to obtain Commission approval of the Settlement Agreement, including without limitation, the preparation of written pleadings. No Settling Party will contest in this proceeding, or in any other forum or in any manner before this Commission, this Settlement Agreement.

3. The Settling Parties agree by executing and submitting this Settlement Agreement that the relief requested herein is just, fair and reasonable, and in the public interest.

4. The Settlement Agreement is not intended by the Settling Parties to be precedent regarding any principle or issue. The Settling Parties have assented to the terms of this Settlement Agreement only for the purpose of arriving at the compromise embodied in this Settlement. Each Settling Party expressly reserves its right to advocate, in current and future proceedings, positions, principles, assumptions, and arguments which may be different than

those underlying this Settlement Agreement, and each Settling Party declares that this Settlement Agreement should not be considered as precedent for or against it.

5. This Settlement Agreement embodies compromises of the Settling Parties' positions. No individual term of this Settlement Agreement is assented to by any Settling Party, except in consideration of the other Settling Parties' assent to all other terms. Thus the Settlement Agreement is indivisible and each part is interdependent on each and all other parts. Any Settling Party may withdraw from this Settlement Agreement if the Commission modifies, deletes from, or adds to the disposition of the matters stipulated herein. The Settling Parties agree, however, to negotiate in good faith with regard to any Commission-ordered changes in order to restore the balance of benefits and burdens, and to exercise the right to withdraw only if such negotiations are unsuccessful.

6. The terms and conditions of the Settlement Agreement may only be modified in writing subscribed to by the Settling Parties and approved by a Commission order.

The Settling Parties have caused this Settlement Agreement to be executed by their authorized representatives. By signing this Settlement Agreement, the representatives of the Settling Parties warrant that they have the requisite authority to bind their respective principals.

DATED: August 3, 2011

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Signature pages to follow.

PACIFIC GAS AND ELECTRIC COMPANY

BY: _____/S/_____
MARK R. HUFFMAN
ITS: ATTORNEY

SOUTHERN CALIFORNIA EDISON COMPANY

BY: _____/S/_____
CAROL SCHMID FRAZEE
ITS ATTORNEY

SAN DIEGO GAS & ELECTRIC COMPANY

BY: _____/S/_____
AIMEE M. SMITH
ITS ATTORNEY

THE DIVISION OF RATEPAYER ADVOCATES

BY: _____/S/_____
KAREN PAULL
ITS ATTORNEY

THE UTILITY REFORM NETWORK

BY: _____/S/_____
MATTHEW FREEDMAN
ITS ATTORNEY

THE CALIFORNIA LARGE ENERGY CONSUMERS ASSOCIATION

BY: _____/S/_____

ITS: _____

CALIFORNIA COGENERATION COUNCIL

BY: _____/S/_____
R. THOMAS BEACH
ITS ATTORNEY

GREEN POWER INSTITUTE

BY: _____/S/_____
GREGG MORRIS
ITS ATTORNEY

SIERRA CLUB CALIFORNIA

BY: _____/S/_____
PAUL R. CORT
ITS ATTORNEY

COMMUNITIES FOR A BETTER ENVIRONMENT

BY: _____/S/_____
SHANA LAZEROW
ITS ATTORNEY

PACIFIC ENVIRONMENT

BY: _____/S/_____
DEBORAH N. BEHLES
ITS: ATTORNEY

NRG ENERGY, INC.

BY: _____/S/_____
ABRAHAM SILVERMAN
ITS ATTORNEY

THE VOTE SOLAR INITIATIVE

BY: _____/S/_____
KELLY M. FOLEY
ITS ATTORNEY

NATURAL RESOURCES DEFENSE COUNCIL

BY: _____/S/_____
SIERRA MARTINEZ
ITS ATTORNEY

CENTER FOR ENERGY EFFICIENCY AND RENEWABLE TECHNOLOGIES

BY: _____/S/_____
SARA STECK MYERS
ITS ATTORNEY

GENON CALIFORNIA NORTH, LLC

BY: _____/S/_____
LISA A. COTTLE
ITS: ATTORNEY

JACK ELLIS

BY: _____/S/_____
JACK ELLIS

COGENERATION ASSOCIATION OF CALIFORNIA AND ENERGY PRODUCERS AND USERS COALITION

BY: _____/S/_____
DONALD BROOKHYSER
ITS ATTORNEY

THE CALIFORNIA INDEPENDENT SYSTEM OPERATOR

BY: _____/S/_____
JUDITH B. SANDERS
ITS ATTORNEY

CALIFORNIA WIND ENERGY ASSOCIATION

BY: _____/S/_____
R. THOMAS BEACH
ITS ATTORNEY

CALPINE CORPORATION

BY: _____/S/_____
JEFFREY P. GRAY
ITS: ATTORNEY

WESTERN POWER TRADING FORUM

BY: _____/S/_____
DANIEL W. DOUGLASS
ITS: _ATTORNEY