

# **ATTACHMENT 1**

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

|  |   |                           |
|--|---|---------------------------|
| Joint Application of Southern California Edison    | ) | Application 12-12-027     |
| Company (U 338-E) and The City of Long Beach       | ) |                           |
| for Approval of an Infrastructure and Rate         | ) | (Filed December 28, 2012) |
| Proposal for Maritime Entities in the Port of Long | ) |                           |
| Beach.   | ) |                           |

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**SETTLEMENT AGREEMENT FOR RATES AND INFRASTRUCTURE APPLICABLE  
TO MARITIME ENTITIES IN THE PORT OF LONG BEACH**

Dated: July 9, 2013

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**SETTLEMENT AGREEMENT FOR RATES AND INFRASTRUCTURE APPLICABLE TO  
MARITIME ENTITIES IN THE PORT OF LONG BEACH**

This Settlement Agreement For Rates And Infrastructure Applicable To Maritime Entities In The Port of Long Beach (Settlement Agreement) is entered into by the undersigned Parties hereto, with reference to the following.

1. **Parties**

The Parties to this Settlement Agreement are Southern California Edison Company (SCE); the City of Long Beach, a municipal corporation acting by and through its Board of Harbor Commissioners; and the Division of Ratepayer Advocates (DRA) (referred to hereinafter collectively as Settling Parties or individually as Party).

- a. SCE is an investor-owned public utility and is subject to the jurisdiction of the California Public Utilities Commission (Commission or CPUC) with respect to providing electric service to its CPUC-jurisdictional retail customers.
- b. The City of Long Beach is a California charter city, which includes the Harbor District, more commonly known as the Port of Long Beach (Port of Long Beach, or Port). Most of the tenants of the Port and third parties located in the Harbor District are customers of SCE, primarily receiving service under SCE's TOU-8 rate schedules. The Port of Long Beach is the second busiest port in the United States and a leading gateway for trade between the United States and Asia.
- c. DRA is a division of the Commission that represents the interests of public utility customers. Its goal is to obtain the lowest possible rate for service consistent with reliable and safe service levels. Pursuant to Public Utilities Code Section 309.5(a), the DRA is directed to primarily consider the interests of residential and small commercial customers in revenue allocation and rate design matters.

2. **Definitions**

When used in initial capitalization in this Settlement Agreement, whether in singular or plural, the following terms shall have the meanings set forth below or, if not set forth below, then as they are defined elsewhere in this Settlement Agreement or in the Joint Application:

- a. “2012 SOC” is the 2012 Service and Operations Contract between SCE and the City of Long Beach, executed on September 20, 2012 and approved by the Commission on May 9, 2013 in Resolution E-4573.
- b. “Applicant” means a person or agency requesting SCE to supply or deliver electric services.
- c. “AReM” stands for the Alliance for Retail Energy Markets, which is a California non-profit mutual benefit corporation formed by electric service providers that are active in California’s direct access market.
- d. “CTM” means contribution to margin.
- e. “GRC” means General Rate Case.
- f. “Imputed Added Facilities Charge” equals \$2.84/kW per month and is described more fully in Section VI.B of the Joint Prepared Testimony.
- g. “Joint Applicants” means SCE and the Port, who jointly filed the Joint Application.
- h. “Joint Application” means Application (A.) 12-12-027 which was filed on December 28, 2012.
- i. “Joint Prepared Testimony” means the testimony jointly prepared by the Joint Applicants and served in support of the Joint Application.
- j. “Marginal Cost of Service to Maritime Entities,” means the calculation, on a monthly basis, of (1) the marginal generation, distribution, and customer costs of serving the Maritime Entity, including the MGCC Factor adjustment defined in Section 2.1 and described in Section 4.e, and the marginal distribution cost described in Section 4.f; (2) the transmission

rate components applicable to the Maritime Entity; and (3) the sum of remaining nonbypassable rate components.

- k. “Maritime Entities” means container, stevedoring and shipping entities located within the real property owned in fee by the City of Long Beach within or adjacent to the Harbor District, including real property in fee acquired by the City of Long Beach within or adjacent to the Harbor District, but excluding Pier H.
- l. “MGCC Factor” means “marginal generation capacity cost factor,” and it is an adjustment to the marginal cost of generation used to calculate the Marginal Cost of Service to Maritime Entities and CTM, as described in Sections 4.e and 4.f below and in Appendix A.
- m. “New Small Load” means permanent and bona-fide new load of a Maritime Entity projected to develop within a reasonable time to be less than 10 MW, except that, if given all the facts pertinent to said new load, it would be Good Utility Practice to serve that load at subtransmission voltage, then said load is not New Small Load. The appropriate service voltage for New Small Load shall be determined consistent with Good Utility Practice (as defined in Section 2.15 of Edison’s Wholesale Distribution Access Tariff), to provide adequate, efficient, just and reasonable service, with consideration given to the requirement that land at the Port be used as efficiently as possible, to the importance of a reliable supply of power at the Port, to Port operations, and to the importance of timely service to permanent and bona-fide new loads of Maritime Entities. If the appropriate service voltage is less than 66kV, then the costs of providing service in excess of the appropriate service voltage shall be borne by the Applicant and will include all additional costs incurred by SCE to design, construct, operate and maintain such assets. If the appropriate service voltage is 66 kV or higher, then the costs shall not be borne by the Applicant.
- n. “Nonbypassable Rate Components” means all Public Utilities Commission Reimbursement Fees, Public Purpose Program Charges, Nuclear Decommissioning Charges, California Department of Water Resources bond charges, New System Generation Charges, and any

other rate components or charges approved from time to time by the Commission that cannot be discounted.

- o. “OAT” means Otherwise Applicable Tariff. To the extent that a Maritime Entity is served at primary or secondary voltage and billed at subtransmission voltage, the Maritime Entity’s OAT bill is its bill at subtransmission service rate plus the Imputed Added Facilities Charge.
- p. “Redundant Facilities” means those facilities SCE will delineate as Redundant Facilities consistent with Good Utility Practice (as defined in Section 2.15 of SCE’s Wholesale Distribution Access Tariff), to provide adequate, efficient, just and reasonable service. SCE shall give consideration to the requirement that land at the Port be used as efficiently as possible, the importance of a reliable supply of power at the Port, Port operations, and the importance of timely service to permanent and bona-fide loads of Maritime Entities. Examples of potential Redundant Facilities are second feed lines, looped systems, second substations, and duplicate transformation. However, delineation of whether such potential Redundant Facilities are actually Redundant Facilities shall be determined in accordance with the criteria described above.
- q. Settlement Agreement” shall have the meaning given to such term in the introductory paragraph hereof.
- r. “Settling Parties” means SCE, the City of Long Beach, and DRA.

### 3. **Recitals**

- a. The Port of Long Beach plays a vital role in the economy of Southern California.
- b. The Port of Long Beach has undertaken significant measures to improve air quality in Southern California and the environment in general. Electrification of Port operations, and substitution of shore-based electricity for on-board generation of berthed vessels are critical elements of the Port’s environmental improvement program, which also provide SCE with load growth and SCE’s other customers with significant potential CTM. New electric



distribution infrastructure is needed to serve this large and growing load. Without expansion of SCE's electric distribution facilities to serve this load, the Port will not be able to operate, let alone achieve environmental improvement objectives.

- c. To achieve the objectives of providing timely and adequate electric infrastructure and competitive electricity rates, SCE and the Port had discussions stretching over several years through 2011 without reaching agreement. Among other things, the Port contended that, based on the nature of the Port's load and other facts particular to the Port, SCE should serve the Port with 66 kV facilities, and that these should not be considered added facilities under SCE's Tariff Rule 2.
- d. In February of 2011, the Port intervened in Phase 1 of SCE's 2012 GRC, A.10-11-015, to litigate issues related to the interpretation of SCE's Rules, 2, 6 and 16. The Port also intervened in Phase 2 of SCE's 2012 GRC (A.11-06-007) to litigate rates and conjunctive billing for tenants of the Port.
- e. SCE disagreed on a variety of grounds, including the contention that those Rules, as written, were adequate for the purpose of defining added facilities.
- f. SCE and the Port committed to embark on a path of finding a method to bill the Maritime Entities on the Port at subtransmission voltage while minimizing the impact on SCE's remaining customers and continuing to use all of SCE's existing distribution facilities on the Port.
- g. While a Proposed Decision ("PD") in A.10-11-015 was pending and all-party negotiations were proceeding in A.11-06-007, the Port and SCE resumed bilateral settlement negotiations. In addition to the issues raised in those dockets, these negotiations also involved the 1985 Service and Operations Contract, which permits SCE to conduct business at the Port.
- h. After extensive arms-length negotiations, by April 9, 2012, sufficient progress had been made that SCE and the Port jointly requested Administrative Law Judge ("ALJ") Darling in

- A.10-11-015 to sever the issues between SCE and the Port and defer deciding them in her PD, in the hope that a bilateral agreement would be reached that would obviate the need for resolution of the deferred issues.<sup>1</sup>
- i. Negotiations between SCE and the Port continued and on April 30, 2012, the Port informed ALJ Roscow in A.11-06-007 that the Port and SCE had entered into a bilateral settlement agreement that obviated the need for a Commission decision of the issues raised by the Port, and withdrew from that proceeding.
  - j. The Port withdrew from both proceedings pending settlement negotiations with SCE. Those fruitful negotiations resulted, on September 20, 2012, in two agreements: (a) the 2012 SOC; and (b) an Infrastructure and Rate Agreement (“I&R Agreement”).
  - k. SCE requested Commission approval of the 2012 SOC, which request the Port supported, and that approval was obtained on May 9, 2013 in Resolution E-4573.
  - l. The Port and SCE jointly sought approval of the I&R Agreement in the Joint Application, together with supporting testimony. The Joint Applicants sought the relief summarized at pages 9-11 of the Joint Application.
  - m. The Commission’s adoption of the 2012 SOC, and its approval of the Joint Application as modified by this Settlement Agreement, will resolve all issues raised by the Port in A.10-11-015 and A.11-06-007.
  - n. On January 28, 2013, DRA filed a protest to A.12-12-027, and AReM filed a response.
  - o. On February 11, 2013, the Joint Applicants filed a reply to DRA’s protest.
  - p. During the months of January, February and March, DRA and AReM propounded data requests on the Joint Applicants to inquire about various aspects of the Application.

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<sup>1</sup> In her PD, which was adopted by the Commission in D.12-11-051, ALJ Darling elected to consider the Port issues on the basis that a motion was not filed. However, her PD, in effect, results in the outcome requested by SCE and the Port, as it finds that the Port issues are outside of the scope of the GRC Phase 1 because they are not revenue requirement related, and should be resolved in a different proceeding.

- q. On March 7, 2013, Administrative Law Judge (ALJ) Irene Moosen held a prehearing conference attended by representatives from SCE, the Port and DRA, at which time the parties expressed an interest in exploring settlement negotiations.
- r. Informal settlement negotiations between SCE, the Port and DRA took place over several weeks in March and April. The Joint Applicants then provided notice to all parties of their intent to formally hold a settlement conference, and an initial settlement conference pursuant to Article 12 of the Commission's Rules of Practice and Procedure was held on May 6, 2013.
- s. The Settling Parties have evaluated the various issues in this proceeding, desire to resolve all issues related to the infrastructure and rates for Maritime Entities at the Port, and have reached an agreement as indicated in Paragraph 4 of this Settlement Agreement.

4. **Agreement**

In consideration of the mutual obligations, covenants and conditions contained herein, the Settling Parties agree to the terms of this Settlement Agreement. Nothing in this Settlement Agreement shall be deemed to constitute an admission by any Party that its position on any issue lacks merit or that its position has greater or lesser merit than the position taken by any other Party. This Settlement Agreement is subject to the express limitation on precedent described in Section 10.

a. **General**

- i. The Settling Parties acknowledge and agree that electrification of the Port's Maritime Entities provides environmental benefits; the proposed discounts are necessary for the timely electrification of the Port's cargo handling facilities and other services, to sustain the Port's environmental programs, and for the timely attainment of those environmental benefits.
- ii. The rates and other terms of this Settlement Agreement recognize the Port's contribution to job retention and growth, and to the general economic vitality of the State, and the discounts

acknowledge the importance of load growth and load retention in reducing SCE's fixed cost amortization.

- iii. The environmental benefits described above, combined with the expected ratepayer benefits from a positive CTM provided by the Port's Maritime Entities, justify the Commission's approval of the discounts agreed to herein.

**b. Settlement Agreement Term and Update Mechanism**

The initial term of rates agreed to in this Settlement Agreement will be 10 years, with automatic renewals for additional five-year terms, until December 31, 2037. However, should the 2012 SOC be terminated for any reason, this Settlement Agreement will also terminate. The rates that will apply during the initial 10-year term and subsequent 5-year renewal terms will be recalculated as described in this section, and in Sections 4.c, 4.d, 4.e, 4.f, 4.g and 4.h, and in Appendices A and B. The unit marginal costs used to determine CTM for new load of Maritime Entities—including marginal energy distribution, generation, and customer costs—will be updated concurrently with the implementation of every Phase 2 of SCE's GRC.

Discounted rates to Maritime Entities, calculated as described herein, will be updated as often as monthly between GRCs, reflecting changes to standard tariff rates which may occur during the period between GRCs.

**c. Existing Load**

- 1. ***Below 50 kV***: For existing Maritime Entities' accounts served at voltages of below 50 kV, SCE will bill the customer each month at the subtransmission voltage for their metered consumption regardless of their actual service voltage. For example, an existing Maritime Entity's account served on Schedule TOU-GS-3 at Secondary voltage will be billed for the same metered consumption on Schedule TOU-GS-3 with the voltage discount for subtransmission service while an existing Maritime Entity's account served on Schedule

TOU-8-Secondary will be billed based on Schedule TOU-8-Subtransmission. SCE will then add an amount calculated by multiplying the account's maximum non-coincident demand during the month by the Imputed Added Facilities Charge to the monthly bill at the subtransmission voltage (the result of which calculation is the Imputed Added Facilities Amount). The Maritime Entity will pay the lower of its account's monthly bill at the OAT and service voltage or the bill calculated at the subtransmission voltage plus the Imputed Added Facilities Amount. The Maritime Entity will never pay a monthly bill for its account that exceeds the bill at OAT and applicable service voltage. The Maritime Entity will have the option of remaining on its OAT and not becoming subject to rates established by this Settlement Agreement.

2. ***At or above 50 kV:*** Existing Maritime Entities' accounts served at the subtransmission voltage will continue to be billed at the subtransmission voltage rate, but upon Commission approval of this Settlement Agreement will have the option of being billed for facilities used to step the voltage down to actual voltage at the Imputed Added Facilities Charge, or at their current added facilities charge for such facilities.

**d. Subtransmission Rates and 66 kV Service for New Load**

New load of Maritime Entities will be billed at subtransmission voltage rates unless the customer elects OAT. For all new load of Maritime Entities, SCE will install 66 kV electric facilities to serve such load at no cost to the Applicant (*i.e.*, the installations will not be considered added facilities under SCE's Rule 2), subject to the following four exceptions:

1. Customer requests Redundant Facilities. All additional costs incurred by SCE to design, construct, operate and maintain Redundant Facilities shall be borne by the Applicant.
2. New Small Load. If the appropriate service voltage (as defined in Section 2.m.) for a New Small Load is less than 66 kV, then the costs of providing service in excess of

the appropriate service voltage, including all additional costs incurred by SCE to design, construct, operate and maintain facilities to provide 66 kV service, shall be borne by the Applicant. If the appropriate service voltage (as defined in Section 2.m) for a New Small Load is 66 kV or higher, then the costs shall not be borne by the Applicant.

3. As may in the future be agreed by SCE and the Port; or
4. If the Maritime Entity declines 66 kV service.

**e. Marginal Generation Capacity Cost Factor**

The MGCC Factor shall remain at 50% for an initial term of six years from the effective date of this Settlement Agreement, and shall be subject to review in a Tier 2 advice letter filed at the conclusion of SCE's 2018 GRC, and again at the conclusion of alternate (i.e., every two) GRCs thereafter through December 31, 2037. Continued use of an MGCC Factor less than 1.0 beyond the initial 6-year term will require a showing, citing the Commission's most recent Long-Term Procurement Proceeding ("LTPP") or other applicable Commission precedent, or provision of the California Public Utilities Code, that it is justified. If the most recent LTPP or other applicable Commission precedent indicates that additional generation capacity is required for reliability purposes in SCE's service area, then the magnitude of an MGCC Factor would be determined according to the timing of the capacity need.<sup>2</sup>

An updated MGCC Factor calculation as described above will apply for the 6-year term commencing with the conclusion of the 2018 SCE GRC, and for each six-year period examined within a reasonable time after the conclusion of every two GRCs thereafter. DRA reserves the right to protest the advice letter reviewing the MGCC Factor if it disagrees with

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<sup>2</sup> In the 2018 GRC Phase 2, for example, SCE would be required to show that there is no forecast need for additional generation capacity for reliability purposes in SCE's service area from 2019 through 2024. If additional generation capacity is required, then the magnitude of a MGCC Factor would be determined according to the timing of the capacity need.

SCE's showing or with the correctness of the linkage of the MGCC Factor to the capacity need, and SCE and the Port each reserve the right to oppose said protest.

**f. New Load: Bill Calculations**

New load will receive a discount equal to 50% of the CTM provided by that new load, consistent with the formulas included in Appendices A and B, and with the following bill calculations specified in this Section 4.f.:

***Category 1:*** New load served and billed at voltages of 50 kV or less will not be charged the Imputed Added Facilities Charge. The CTM for such load will be calculated based on the OAT and marginal cost of service at the applicable voltage.

***Category 2:*** New load served and billed at voltages of greater than 50 kV will not be charged the Imputed Added Facilities Charge. The CTM for such load will be calculated based on the subtransmission rate and marginal cost of service at subtransmission voltage. Marginal cost of service shall, however, include the Imputed Added Facilities Charge.

***Category 3:*** New load billed at subtransmission voltage and served at primary or secondary voltage will be charged the Imputed Added Facilities Charge. The CTM for such load will be calculated based on the subtransmission rate (including the Imputed Added Facilities Charge) and (a) marginal costs of service at primary or secondary voltage for generation capacity (adjusted by the MGCC factor), energy and customer costs, plus (b) the sum of marginal distribution cost at the subtransmission voltage and the Imputed Added Facilities Charge.

A similar marginal cost calculation shall apply to existing load of Maritime Entities taking physical distribution service at primary or secondary voltage, for the purpose of calculating the CTM from such load.

If the Commission adopts a discount methodology for standard EDRs that is more advantageous to Maritime Entities than the methodology set forth in Appendix A hereto,

SCE will use that Commission-adopted methodology in lieu of the methodology in Appendix A hereto to calculate the discount for new load of Maritime Entities.

**g. Calculation of Bills as Related to Positive or Negative CTM**

For the purpose of this Settlement Agreement, CTM, calculated on a monthly basis, is defined as revenues from the Maritime Entity's OAT bill minus the Marginal Cost of Service to Maritime Entities.

Appendix B to this Settlement Agreement specifies the way in which SCE shall calculate a Maritime Entity's bill depending on whether CTM is positive or negative.

**h. Specification and Updating of Marginal Costs**

Marginal costs shall be specified and updated as follows:

1. Marginal distribution and marginal energy costs shall be as adopted in SCE's most recent GRC Phase 2 decision, and shall be modified as described in Sections 2.l. and 4.f. Nonbypassable Rate Components shall be then-current values. Marginal costs shall be updated concurrently with the implementation of the GRC Phase 2 decision.
2. The marginal generation capacity cost (MGCC) shall be as adopted in SCE's most recent GRC Phase 2 decision, except that the proposed 50% reduction to the MGCC specified in Section 4.e, which shall be used for CTM calculations shall be used during an initial term of six years. Duration of the initial term of the 50% MGCC reduction, and MGCC Factor beyond the initial term will be determined according to Section 4.e.
3. All CTM calculations shall be as described in Appendix B.

**i. Ratemaking Treatment of Revenues Received by SCE**

The revenues SCE receives from the Maritime Entities under this Settlement Agreement will be first used to pay in full all Nonbypassable Rate Components. The remaining revenues will



be recorded on a functional basis to Generation and Distribution sub-accounts of SCE's Base Revenue Requirement Balancing Account (BRRBA) in the same proportion that the revenues would have been allocated under the OAT.

**j. Treatment of Bundled Service versus Direct Access Customers**

Discounts under this Settlement Agreement will be calculated based on those rate components of the customer's bill that correlate to services SCE provides to the customer (as specified in the rate components listed in the customer's OAT).

**k. Reporting Requirements for Port Electrification and Environmental Remediation**

SCE shall submit a report (Report) every three years to the Energy Division via an information-only filing, with a copy to the parties on the service list of this proceeding, regarding the progress of Port electrification. The filing shall refer to Tables III-1 and III-2 (Joint Prepared Testimony, pp. 16, 19), and shall provide the background for the Commission decision approving this agreement and the terms in the agreement giving rise to the Report. The filing should also refer to the basis for filing a petition for modification (explained in the next section). The Report should include the MW of connected load at the Port, a five-year forecast of connected load growth, MWh of recorded and forecast usage at the Port, and recorded and forecast SCE capital expenditures for upgrades to distribution facilities serving the Port. The Port shall submit to SCE, for purposes of preparing an appendix to the Report, an estimate of the achieved environmental remediation impacts of Port electrification (e.g., NO<sub>x</sub>, SO<sub>x</sub>, and DPM) and an update to the Port's "Clean Air Action Plan."

**l. Basis For Filing A Petition For Modification**

This Settlement Agreement is to be treated as a complete package and not as a collection of separate agreements on discrete issues. To accommodate the interests related to diverse issues, the Settling Parties acknowledge that changes, concessions, or compromises by a

Party or Settling Parties resulted in changes, concessions, or compromises by another Party or Settling Parties in this Settlement Agreement. Consequently, the Parties agree to oppose any modification of this Settlement Agreement not agreed to by all Parties. Notwithstanding the foregoing, nothing in this Settlement Agreement precludes or limits DRA's right to file a petition for modification of a Commission decision approving this Settlement Agreement if DRA concludes, based on material differences between the projections in Tables III-1 and III-2 (Joint Prepared Testimony, pp.16, 19) and the information provided by the Report, that a petition for modification is in the public interest, and nothing in this Settlement Agreement precludes or limits SCE's and/or the Port's rights to oppose said petition for modification.

**m. Schedule For Adoption of Settlement**

The Settling Parties shall execute and file a motion for approval of this Settlement Agreement by July 11, 2013, and each Settling Party agrees to use best efforts to advocate for the issuance of a Commission decision adopting this Settlement Agreement no later than September 30, 2013.

**n. Other**

The Settling Parties request in addition to the provisions set forth at Sections 4(b)-(m) of this Settlement Agreement, that the Commission issue an order approving this Settlement Agreement include the following relief:

1. Authorize and direct SCE to provide service in accordance with Section 4 of the I&R Agreement, except that, in the event of a conflict between Sections 4(b)-(m) of this Settlement Agreement and the I&R Agreement, then Sections 4(b)-(m) shall control.
2. Approve the application of SCE's subtransmission rates to currently existing Maritime Entities' accounts served at voltages of less than 50 kV, increased by the addition of an Imputed Added Facilities Charge of \$2.84/kW-month. The Maritime Entity will pay the lower of its account's monthly bill at the OAT and service voltage or the bill calculated at

the subtransmission voltage plus the Imputed Added Facilities Charge. The subtransmission rate will be effective for an initial term of ten (10) years, with automatic renewals for additional five (5) year terms, until December 31, 2037; provided, however, that if the 2012 Service and Operations Contract between SCE and the Port of Long Beach be terminated for any reason, the rate under this Settlement Agreement will also terminate.

3. Authorize and direct that existing Maritime Entities' accounts served at the subtransmission voltage to continue to be billed by SCE at the subtransmission voltage rate, but have the option of being billed by SCE for facilities used to step the voltage down to actual voltage at the Imputed Added Facilities Charge or their current added facilities charge for such facilities.
4. Authorize and direct SCE to bill new load of Maritime Entities at subtransmission rates, unless the customer elects OAT.
5. Authorize and direct SCE to install and pay for 66 kV electric facilities for the new load of all Maritime Entities that elect 66 kV service, except for Redundant Facilities; or New Small Load; or as agreed to by the parties. SCE will design standard facilities at the Port consistent with Good Utility Practice, to provide adequate, efficient, just and reasonable service. In determining whether facilities are Redundant Facilities or new load is New Small Load, consideration will be given to the requirement that land at the Port be used as efficiently as possible, the importance of a reliable supply of power at the Port, Port operations, and the importance of timely service to permanent and bona-fide new loads of Maritime Entities.
6. Approve a discount for new load of Maritime Entities equal to 50% of the CTM from SCE's applicable tariffs, calculated using the methodology set forth in Appendices A and B to the Settlement Agreement; provided, however, that if the Commission adopts a discount methodology for standard economic development rates that is more

advantageous to Maritime Entities, SCE should be authorized and directed to use that Commission-adopted discount methodology in lieu of the methodology set forth herein.

7. Authorize an Imputed Added Facilities Charge of \$2.84/kW-month for new load of Maritime Entities billed at subtransmission voltage and served at primary or secondary voltage. The CTM for such load will be calculated based on the subtransmission rate including this Imputed Added Facilities Charge and the subtransmission Marginal Cost of Service to Maritime Entities. New load served and billed at voltages of 50 kV or less will not be charged the Imputed Added Facilities Charge, and the CTM for such load will be calculated based on the OAT and Marginal Cost of Service to Maritime Entities at the applicable voltage. New load served and billed at voltages of greater than 50 kV will not be charged the Imputed Added Facilities Charge. The CTM for such load will be calculated based on the OAT and Marginal Cost of Service to Maritime Entities at the applicable voltage which shall include the Imputed Added Facilities Charge, and as further provided in Appendices A and B to this Settlement Agreement.
8. Authorize SCE's proposed ratemaking treatment for revenues, as described in Section IV of the Joint Application and Section VIII of the supporting testimony thereto.
9. Direct SCE to file, within thirty (30) days of the Commission's approval of this Settlement Agreement, an advice letter proposing changes to its tariffs to implement the Commission's final decision.
10. Authorize and direct SCE, in agreement with the Port, to file an advice letter every six (6) years, after the conclusion of alternate GRC proceedings, that would propose to continue or modify the MGCC Factor set forth in Section 4.e of this Settlement Agreement and/or renew the discount rates proposed herein.

In the event of a conflict between Sections 4(b)-(l) and this Section 4(n), then the former shall control.

5. **Implementation of Settlement Agreement**

It is the intent of the Settling Parties that SCE should be authorized to file a Tier 1 Advice Letter implementing tariffs containing the rate and infrastructure terms resulting from this Settlement Agreement as soon as practicable but not later than thirty (30) days following the issuance of a final Commission decision approving this Settlement Agreement.

6. **Record Evidence**

The Settling Parties recommend that the Joint Prepared Testimony be admitted as part of the evidentiary record for this proceeding, together with AREM's response, DRA's protest and SCE's reply to DRA's protest.

7. **Signature Date**

This Settlement Agreement shall become binding as of the last signature date of the Settling Parties.

8. **Regulatory Approval**

The Settling Parties, by signing this Settlement Agreement, acknowledge that they pledge support for Commission approval and subsequent implementation of all the provisions of this Settlement Agreement. The Settling Parties shall use their best efforts to obtain Commission approval of this Settlement Agreement no later than August 30, 2013. The Settling Parties shall jointly request that the Commission approve the Settlement Agreement without change, and find this Settlement Agreement to be reasonable, consistent with law and in the public interest.

9. **Compromise Of Disputed Claims**

This Settlement Agreement represents a compromise of disputed claims between the Settling Parties. The Settling Parties have reached this Settlement Agreement after taking into account the possibility that each Party may or may not prevail on any given issue. The Settling Parties assert that this Settlement Agreement is reasonable, consistent with law and in the public interest.

10. **Non-Precedent**

Consistent with Rule 12.5 of the Commission's Rules of Practice and Procedure, this Settlement Agreement is not precedential in any other proceeding before this Commission, except as expressly provided in this Settlement Agreement or unless the Commission expressly provides otherwise.

11. **Previous Communications**

The Settlement Agreement contains the entire agreement and understanding between the Settling Parties as to the resolution of A.12-12-027. In the event there is any conflict between the terms and scope of this Settlement Agreement and the terms and scope of the accompanying joint motion, the Settlement Agreement shall govern.

12. **Non-Waiver**

None of the provisions of this Settlement Agreement shall be considered waived by any Party unless such waiver is given in writing. The failure of a Party to insist in any one or more instances upon strict performance of any of the provisions of this Settlement Agreement or to take advantage of any of their rights hereunder shall not be construed as a waiver of any such provisions or the relinquishment of any such rights for the future, but the same shall continue and remain in full force and effect.

13. **Effect Of Subject Headings**

Subject headings in this Settlement Agreement are inserted for convenience only, and shall not be construed as interpretations of the text.

14. **Governing Law**

This Settlement Agreement shall be interpreted, governed and construed under the laws of the State of California, including Commission decisions, orders and rulings, as if executed and to be performed wholly within the State of California.

15. **Number Of Originals**

This Settlement Agreement is executed in counterparts, each of which shall be deemed an original.

The undersigned represent that they are authorized to sign on behalf of the Party represented.

SOUTHERN CALIFORNIA EDISON COMPANY

By: /s/ Megan Scott-Kakures

July 9, 2013

Title: Vice President

THE DIVISION OF RATE PAYER ADVOCATES

By: /s/ Joseph Como

July 8, 2013

Title: Acting Director

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THE CITY OF LONG BEACH, a municipal corporation,  
acting by and through its BOARD of HARBOR  
COMMISSIONERS.

By: /s/ Al Moro

July 11, 2013

Title: Acting Executive Director  
Long Beach Harbor Department

The foregoing SETTLEMENT AGREEMENT is hereby approved as to form this 9th day  
of July, 2013.

J. CHARLES PARKIN, Acting City Attorney

By: /s/ Charles Gale

July 9, 2013

Title: Deputy



## **Appendix A**

### **Calculation Methodology for Contribution to Margin**

## Appendix A: Calculation Methodology For Contribution to Margin

The marginal cost of service at the applicable voltage is the sum of the Energy, Non-bypassable, Customer, Generation Demand and Facilities Demand calculations below.

The applicable voltage for calculating marginal cost of service shall be determined according to Paragraph 4f.

The marginal cost calculation is performed monthly.

The CTM is intended to be calculated using customer demands that reflect the coincidence of customer usage with the imposition of the marginal capacity cost.

Marginal costs are the most recent Commission-approved figures after the necessary adjustments to convert them to dollar-per-kW demand charges.

### Energy

|  |       |                                   |
|--|-------|-----------------------------------|
| Summer On-Peak Generation Marginal Energy Cost (\$/kWh)  | times | Monthly Summer On-Peak kWh usage  |
| Summer Mid-Peak Generation Marginal Energy Cost (\$/kWh) | times | Monthly Summer Mid-Peak kWh usage |
| Summer Off-Peak Generation Marginal Energy Cost (\$/kWh) | times | Monthly Summer Off-Peak kWh usage |
| Winter Mid-Peak Generation Marginal Energy Cost (\$/kWh) | times | Monthly Winter Mid-Peak kWh usage |
| Winter Off-Peak Generation Marginal Energy Cost (\$/kWh) | times | Monthly Winter Off-Peak kWh usage |

### Non-Bypassable

|   |       |                    |
|---|-------|--------------------|
| CPUC approved non-bypassable charges (\$/kWh basis)   | times | Monthly kWh usage  |
| CPUC approved non-bypassable charges (\$/kW-mo basis) | times | Monthly maximum kW |

### Customer

|   |       |                                     |
|---|-------|-------------------------------------|
| Customer charge approved for revenue allocation | times | Customer charge billing determinant |
|---|-------|-------------------------------------|

### Generation Demand - Firm Usage

|   |       |                                      |       |  |
|---|-------|--------------------------------------|-------|--|
| Summer On-Peak Marginal Generation Demand (\$/kW-mo)  | times | Summer On-Peak Generation Demand kW  | times | 50%* To be revisited every alternate GRC |
| Summer Mid-Peak Marginal Generation Demand (\$/kW-mo) | times | Summer Mid-Peak Generation Demand kW | times | 50%* To be revisited every alternate GRC |
| Summer Off-Peak Marginal Generation Demand (\$/kW-mo) | times | Summer Off-Peak Generation Demand kW | times | 50%* To be revisited every alternate GRC |
| Winter Mid-Peak Marginal Generation Demand (\$/kW-mo) | times | Winter Mid-Peak Generation Demand kW | times | 50%* To be revisited every alternate GRC |
| Winter Off-Peak Marginal Generation Demand (\$/kW-mo) | times | Winter Off-Peak Generation Demand kW | times | 50%* To be revisited every alternate GRC |

\* The marginal generation capacity cost factor

### Generation Demand - Non-firm Usage

|        |       |                                      |
|--------|-------|--------------------------------------|
| \$0.00 | times | Summer On-Peak Generation Demand kW  |
| \$0.00 | times | Summer Mid-Peak Generation Demand kW |
| \$0.00 | times | Summer Off-Peak Generation Demand kW |
| \$0.00 | times | Winter Mid-Peak Generation Demand kW |
| \$0.00 | times | Winter Off-Peak Generation Demand kW |

### Facilities Demand

|  |       |                              |
|--|-------|------------------------------|
| Marginal Facilities Demand Charge (\$/kW-mo) | times | Monthly Facilities Demand kW |
|--|-------|------------------------------|

### Notes:

As of 12/2012, Summer months are June through September and Winter months are all other months.

If a month spans two seasons, the demand costs shall be pro-rated based on the number of days in the billing period that occur in each respective season.

## **Appendix B**

### **Bill Calculation With Positive and Negative CTM**

## APPENDIX B

### Existing Load

#### 1) If served at Subtransmission voltage

**OAT Bill** = Bill at Subtransmission voltage

**Marginal Cost** = Marginal cost as defined in Section 2.j., as applicable to service at Subtransmission voltage

**CTM** = OAT Bill – Marginal Cost

Customer pays the OAT Bill as defined above regardless of whether CTM (calculated on a monthly basis) is positive or negative

Rationale: Existing load of Maritime Entities is not treated any different than all other customers

#### 2) If served at Primary voltage

Customer will select on an annual basis its **OAT Bill** method = either Bill1 or Bill2

Bill1 = Bill at Primary voltage

Bill2 = Bill at Subtransmission voltage plus Imputed Added Facilities Charge

**Marginal Cost** = As to customers selecting OAT Bill 1, as defined in Section 4.f., as applicable to service at Primary voltage; as to customers selecting OAT Bill 2, as defined for Category 3 customers in Section 4.f.

**CTM** = OAT Bill – Marginal Cost

Customer pays the OAT Bill 1 or OAT Bill 2 as defined above regardless of whether CTM (calculated on a monthly basis) is positive or negative

Rationale: Same as above

## APPENDIX B

### New Load

#### 1) Served and billed at Primary voltage

**OAT Bill** = Bill at Primary voltage

**Marginal Cost** = Marginal cost as defined at Section 4.f. for service at Primary voltage

**CTM** (calculated on a monthly basis) = OAT Bill – Marginal Cost

Scenario 1: OAT Bill = \$100, Marginal Cost = \$80 then CTM = \$20 and Discount = \$10. Therefore, Discounted Bill = \$100 - \$10 = \$90

Scenario 2: OAT Bill = \$100, Marginal Cost = \$110 then CTM = -\$10. Therefore, the customer pays the OAT bill of \$100 and does not receive a discount.

#### 2) Served and billed at Subtransmission voltage

**OAT Bill** = Bill at Subtransmission voltage

**Marginal Cost** = Marginal cost as defined at Section 4.f. for service at Subtransmission voltage including the Imputed Added Facilities Charge

**CTM** (calculated on a monthly basis) = OAT Bill – Marginal Cost

Scenario 1: OAT Bill = \$70, Marginal Cost = \$60 then CTM = \$10 and Discount = \$5. Therefore, Discounted Bill = \$70 - \$5 = \$65

Scenario 2: OAT Bill = \$70, Marginal Cost = \$75 then CTM = -\$5. Therefore, the customer pays the OAT bill of \$70 and does not receive a discount.

#### 3) Served at Primary voltage and billed at Subtransmission voltage

**OAT Bill** = Bill at Subtransmission voltage (which includes the Imputed Added Facilities Charge)

**Marginal Cost** = As defined for Category 3 customers in Section 4.f.

**CTM** (calculated on a monthly basis) = OAT Bill – Marginal Cost

Scenario 1: OAT Bill = \$90, Marginal Cost = \$80 then CTM = \$10 and Discount = \$5. Therefore, Discounted Bill = \$90 - \$5 = \$85

Scenario 2: OAT Bill = \$90, Marginal Cost = \$95 then CTM = -\$5. Therefore, the customer pays the OAT bill of \$90 and does not receive a discount.