

ATTACHMENT A

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

Application of Southern California Edison
Company (U 338-E) for Approval of Its Clean
Energy Optimization Pilot

Application 18-05-015

**CLEAN ENERGY OPTIMIZATION PILOT SETTLEMENT AGREEMENT BETWEEN
AND AMONG SOUTHERN CALIFORNIA EDISON COMPANY (U 338-E) AND THE
PUBLIC ADVOCATES OFFICE, NATURAL RESOURCES DEFENSE COUNCIL,
UNIVERSITY OF CALIFORNIA AND CALIFORNIA STATE UNIVERSITY**

The Public Advocates Office at the California Public Utilities Commission (“Public Advocates Office” or “Cal Advocates”), Southern California Edison Company (“SCE”), Natural Resources Defense Council (NRDC), University of California (UC), and California State University (CSU) (collectively, the “Settling 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 Settling Parties have addressed all of the issues in this proceeding and have negotiated this Settlement to resolve their disputes. Unless specifically addressed herein, any undisputed SCE proposals addressed in its Application and supporting testimony (as discussed more fully below) should be deemed to have been supported by the Parties, and the Parties request that the CPUC approve such proposals as just and reasonable. The Settling Parties were the only active parties to the above-captioned proceeding, anticipate that this Settlement will be unopposed, and therefore request the CPUC deem this an all-party Settlement.

ARTICLE 1
PROCEDURAL HISTORY

- 1.1 On May 15, 2018, SCE filed its Application (“A”) 18-05-015 and supporting testimony.
- 1.2 On June 14, 2018, the Rural Hard to Reach Governmental Partnership Working Group (RHTR) filed Comments to the Application.
- 1.3 On June 18, 2018, the Public Advocates Office filed a Protest to the Application.
- 1.4 On June 28, 2018, SCE filed its Response to the Public Advocates Office Protest.
- 1.5 On July 6, 2018, the Settling Parties participated in a pre-hearing conference with the assigned Administrative Law Judge (“ALJ”) Zita Kline.
- 1.6 On July 25, 2018, the Assigned Commissioner Michael Picker issued a Scoping Memo and Ruling setting the procedural schedule and defining the scope of the proceeding.
- 1.7 On August 16, 2018, the Energy Division held a publicly-noticed workshop on the CEOP.
- 1.8 On August 17, 2018, ALJ Kline issued an Email Ruling Setting Questions for Party Comment on CEOP Workshop.
- 1.9 On August 30, 2016, SCE, Public Advocates Office and NRDC filed Comments on the Email Ruling Setting Questions for Party Comment on CEOP Workshop
- 1.10 On September 7, 2018, 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 scheduled for September 19, 2018.
- 1.11 On September 10, 2018, SCE, UC and CSU each filed a Reply to the Comments on the Email Ruling Setting Questions for Party Comment on CEOP Workshop
- 1.12 On September 14, 2018, the Public Advocates Office informed ALJ Kline and the service list to this proceeding that Parties had scheduled preliminary settlement discussions. The Public Advocates Office further stated given the substantial record that has been developed through comments, and the opportunity to potentially resolve remaining disputed issues amongst the parties through settlement, the Public Advocates Office did

not foresee a need for further record development through intervenor direct testimony, rebuttal testimony, briefs, or hearings.

- 1.13 On September 14, 2018, SCE informed ALJ Kline and the service list to this proceeding that it agreed with the assessment of the Public Advocates Office and that it expected to resolve any disputed issues without the need for evidentiary hearings.
- 1.14 On September 18, 2018, ALJ Kline issued a ruling taking the evidentiary hearings scheduled for October 18-19, 2018, off-calendar.
- 1.15 On September 19, 2018, the initial settlement conference was held in-person at the CPUC. Parties participating in the settlement conference were: SCE, Public Advocates Office, NRDC, UC, and CSU.
- 1.16 On October 15, 2018, ALJ Kline issued a Ruling directing parties to meet and confer and to file a joint case management statement by October 25, 2018. The Ruling also set a telephonic status conference for November 2, 2018.
- 1.17 On October 25, 2018, SCE filed a Joint Case Management Statement in which it described the remaining issues in dispute that were still being addressed in settlement discussions: (1) the prioritization of funding for the CEOP; (2) Pilot budget levels; baseline calculation methods for Electric Vehicle (EV) participation and Demand Response (DR) participation; (4) Pilot's inclusion of carbon intensity of natural gas; (5) the method for calculating the energy intensity of buildings; and (6) asset life assumptions.
- 1.18 At the November 2, 2018 telephonic status conference, SCE confirmed for ALJ Kline that the Parties were continuing to engage in settlement discussions.
- 1.19 During this proceeding, SCE responded to 30 formal discovery requests propounded by the Public Advocates Office and engaged in multiple follow up discussions with their staff. In addition, the Pilot Participants, UC and CSU each responded to discovery requests propounded by the Public Advocates Office: UC responded to 24 formal discovery requests and CSU responded to 15 formal discovery requests. In its August 30,

2018 Comments to the Email Ruling Setting Questions for Party Comment on CEOP Workshop, the Public Advocates Office attached all of the formal discovery responses provided by SCE, UC and CSU.

- 1.20 On November 15, 2018, SCE filed a Motion to Offer Testimony and Supporting Workpapers into the record.

ARTICLE 2 **SETTLEMENT TERMS AND CONDITIONS**

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

Baseline Calculation Methods

- 2.1 **Demand Response Program Participation and Eligibility:** During the proceeding, the Public Advocates Office raised double payment principle concerns if demand response (DR) program budgets were based on the avoided cost of GHG emissions. SCE has demonstrated in the record that DR is primarily used to ensure grid reliability and provided record evidence in its Comments to the Workshop that current DR program budgets for incentives do not directly incorporate the avoided cost of GHG emissions. SCE and the Public Advocates Office agree that any double payment or double counting of avoided costs of GHG emissions due to Pilot Participants' participation in CEOP and DR programs are likely *de minimis*. The Settling Parties agree that CEOP Participants will be eligible to participate in DR Programs for the duration of the CEOP.
- 2.2 **Electric Vehicle Charging:** Public Advocates Office expressed concerns regarding (1) CEOP Participants receiving incentives for existing charging stations that were funded through SCE's Charge Ready program, and (2) an appropriate ramp-up period to account for customer behavior and adoption of EV charging opportunities. The settlement terms below detail an approach that resolves Public Advocates Office's concerns.

- 2.2.1 All existing and new, public and fleet charging stations shall be eligible for CEOP performance payments.
 - 2.2.2 CEOP Participants will be eligible for the Charge Ready Pilot and the Charge Ready Make-Ready Expansion program or similar EV infrastructure programs, but would be excluded from the EV charger rebate portion.
 - 2.2.3 CEOP Participants will be ineligible for the Charge Ready Customer Owned option, Charge Ready SCE Owned and Operated option, and Charge Ready New Construction programs.
 - 2.2.4 CEOP Participants agree to further terms regarding the method to calculate GHG emissions reductions and performance payments for EV Charging and the evaluation of that method as described in Attachment 1 to the Settlement Agreement.
- 2.3 **Emissions Intensity Factor:** The Settling Parties agree that for purposes of calculating CEOP performance payments, SCE's use of the Commission's Clean Net Short (CNS) Calculator is reasonable and appropriate. Therefore, SCE will use its proposed emissions intensity factor for calculating performance payments.
- 2.4 **Asset Life Assumptions:** In Comments on the CEOP Workshop, the Public Advocates Office raised concerns that SCE's estimated average 8 year asset life may result in overpaying incentives for measures installed through the CEOP. The Public Advocates Office proposed the Commission require SCE to base performance payments on measured performance by removing the predetermined average asset life of 8 years from SCE's proposed performance payment calculation, or alternatively to have SCE only pay for performance within the measurement period, or to collect data to verify the asset life of the measures actually implemented and use that data to true-up performance payments. SCE and the Pilot Participants provided Comments to the Workshop noting that removal of the asset life multiplier, or a requirement to calculate performance payments with a post-pilot verification and project-specific life cycle approach, would add significant uncertainty, complexity and risk for Pilot Participants, and potentially diminish or eliminate their participation in the Pilot. To address all Parties' concerns, SCE agrees to

implement an estimated asset life of 7 years for purposes of calculating CEOP performance payments, and has agreed to conduct a detailed analysis of the average asset life as part of the ongoing Pilot Evaluation that will be used to inform program design.

2.5 **Method for Calculating Carbon Intensity of Natural Gas:** In Comments on the CEOP Workshop, the Public Advocates Office stated that while SCE proposes to pay for GHG emissions reduction, the proposed method is incomplete without the inclusion of the greenhouse gas impacts of methane leakage. To address the concerns raised by the Public Advocates Office, and to provide a more comprehensive approach to incentivizing GHG emissions abatement associated with Pilot Participants' potential for reduction in natural gas consumption, SCE will add a natural gas leakage rate into the CEOP carbon intensity factor to calculate performance payments. The CEOP will use Southern California Gas Company's Compression and Loss and Unaccounted For (LAUF) rates as published in the Commission's Avoided Cost Calculator. The methane leakage rate results in an increase of approximately 16% to the natural gas emissions factor which would be constant for the duration of the Pilot.

2.6 **Method for Calculating Energy Intensity of Buildings:** In Comments on the CEOP Workshop, the Public Advocates Office discussed concerns regarding square footage control factors, stating that (1) SCE's method is not verified for accuracy, and (2) SCE should consider separate methods to control for indoor and outdoor covered spaces (including covered outdoor unconditioned spaces). To address Public Advocates Office's concerns, SCE will remove all unconditioned space from the control factor for calculating performance payments. SCE will instead use Basic Gross Square Footage in the CEOP square footage control factor for calculating performance payments. Basic Gross Square Footage includes (1) Assignable Square Footage, which includes interior occupied spaces such as labs and classrooms, (2) Non-Assignable Square Footage, which includes spaces like corridors and restrooms, and (3) space occupied by interior walls.

2.7 **CEOP Performance Payment Budget:** To reflect the change to SCE's estimated average asset life in Section 2.4 and the inclusion of a natural gas leakage rate into the CEOP carbon intensity factor to calculate performance payments in Section 2.5, SCE agrees to reduce the overall CEOP performance payment budget requested in its Application by \$1 million.

2.8 **Cost Recovery:**

2.8.1 The Settling Parties agree that SCE's proposed cost recovery for its CEOP is in compliance with applicable statutes related to the use of Cap-and-Trade allowance revenues for clean energy and energy efficiency projects pursuant to Pub. Utilities Code § 748.5(c).

2.8.2 The Settling Parties agree that SCE's proposed CEOP meets Decision (D).14-10-033's requirement of clean energy and energy efficiency projects and SCE has (a) demonstrated that existing funds are available to fund the proposed Pilot; (b) SCE has sufficiently explained why the project qualifies under Pub. Util. Code § 748.5(c); and (c) the record supports a finding that the Pilot is best funded to use Greenhouse Gas allowance revenues instead of ordinary recovery through rates.

2.8.3 The Settling Parties do not agree, however, on how the Commission should treat priority of funding for the CEOP. The Public Advocates Office recommends that programs authorized by statute should take precedence, and programs authorized by the Commission should be prioritized in the order of approval and SCE should ensure that DAC-related programs authorized to be funded from the GHG Cap-and-Trade balancing account are fully funded each year before drawing on that balancing account for the CEOP. SCE proposes that the Commission direct a set-aside of \$20.4 million (reflecting settlement decrease of \$1 million from the performance payment budget) for the CEOP Pilot or direct that SCE may permit CEOP to follow SOMAH in priority for allocation of Cap-and-Trade Auction Revenue dollars, because the Commission has approved alternative sources of

funding for the DAC-related programs, if needed. NRDC supports SCE's proposal for a set-aside or priority so that SCE can make clear and dependable incentive offers to attract participants. The Settling Parties agree that the Commission should resolve this remaining issue based on the record in this proceeding.

ARTICLE 3
REGULATORY APPROVAL

- 3.1 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 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.
- 3.2 Any Party may withdraw from this Settlement Agreement prior to the Settlement Effective Date if the Commission through a Proposed Decision or Alternate Proposed Decision proposes to modify, delete from, or add to the disposition of the matters stipulated herein. The Settling Parties agree, however, to negotiate in good faith with regard to any Commission-proposed changes in order to restore the balance of benefits and burdens, and to exercise the right to withdraw only if such negotiations are unsuccessful. The Settling Parties shall promptly discuss any Commission proposed modifications and negotiate in good faith to achieve a resolution acceptable to the Settling Parties, and shall promptly seek Commission approval of the resolution so achieved.
- 3.3 This Settlement Agreement shall become effective on the mailing date of a final Commission Decision approving the terms of this Settlement Agreement without modifications unacceptable to any Settling Party ("Settlement Effective Date").
- 3.4 Upon the Settlement Effective Date, Settling Parties agree that this Settlement Agreement resolves all issues in A.18-05-015.

ARTICLE 4
GENERAL TERMS AND CONDITIONS

- 4.1 The Settlement Agreement is intended to be a resolution among the Parties of all issues raised in A.18-05-015. None of the Parties admit or concede error as part of this Settlement Agreement.
- 4.2 This Settlement Agreement is a negotiated compromise of issues. Nothing contained herein shall be deemed to constitute an admission or an acceptance by any Party of any fact, principle, or position contained herein. Notwithstanding the foregoing, the Parties, by signing this Settlement Agreement and by joining the motion requesting Commission approval of this Settlement Agreement, acknowledge that they pledge support for Commission approval and subsequent implementation of these provisions.
- 4.3 The Parties agree by executing and submitting this Settlement Agreement that the relief requested herein is just, fair, and reasonable, and in the public interest.
- 4.4 Consistent with Rule 12.5 of the Commission's Rules of Practice and Procedure, this Settlement Agreement is not intended by the Settling Parties to be precedential regarding any other pending or future proceeding before this Commission, except as expressly provided in this Settlement Agreement. 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 Agreement. Each 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 Party declares that this Settlement Agreement should not be considered as precedential for or against any of the Parties. This Settlement Agreement embodies compromises of the Settling Parties' positions. No Party agrees to any individual term of this Settlement Agreement, except in consideration of the other Settling Parties' agreement to all other terms of the Settlement Agreement. Thus the Settlement Agreement is indivisible and each part is interdependent on each and all other parts.

- 4.5 The terms and conditions of the Settlement Agreement may only be modified in writing if agreed upon by all Parties. Should the Commission reject or modify this Settlement Agreement, the Parties reserve their rights under Rule 12.4 of the Commission's Rules of Practice and Procedure.
- 4.6 This Settlement Agreement contains the entire agreement and understanding between and among the Settling Parties as to the resolution of SCE's Clean Energy Optimization Pilot Application. 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 in support of the Settlement Agreement, this Settlement Agreement shall govern.
- 4.7 This Settlement Agreement and its terms are to be effective for the duration of the Clean Energy Optimization Pilot.
- 4.8 This Settlement Agreement may be executed in counterpart, each of which shall be deemed an original, and all of which taken together shall constitute one agreement binding on all the Settling Parties hereto. Facsimile or pdf documents containing signatures shall be valid as original signatures. Each person signing this Settlement Agreement warrants and represents that he or she has the authority to sign on behalf of the Settling Party represented and to bind such Settling Party to this Settlement Agreement.

Attachment 1

CEOP: Electric Vehicles Component

Attachment 1: Clean Energy Optimization Pilot – Electric Vehicles Component

Southern California Edison Company, the Public Advocates Office, Natural Resources Defense Council, University of California, and California State University (the Settling Parties) agree to these further terms regarding the method to calculate greenhouse gas (GHG) emissions reductions and performance payments for electric vehicle (EV) Charging and the evaluation of that method for purposes of this Pilot only.

The Settling Parties agree that the method proposed for evaluating GHG benefits from EV charging equipment is intended only to measure and reward the GHG savings associated with electric throughput on the Pilot equipment. While the LCFS-based method is not the only method for calculating GHG savings for public EV chargers, the Settling Parties acknowledge that the LCFS-based method is the most practical method given the program design.¹ SCE's position is that the LCFS-based method underestimates additional associated benefits provided by the increased availability of EV charging stations and other activities that support EV adoption (e.g., campuses encouraging staff and students to purchase EVs). The Public Advocates Office takes a position that the LCFS-based method may under or overestimate the associated benefits provided by the increased availability of EV charging stations. Consequently, Settling Parties agree that calculations to determine the benefits and associated GHG value beyond the direct electric throughput measured in the Pilot is beyond the scope of this proceeding.

Public EV Charging Stations

For Electric Vehicle charging stations on campus and in public locations (that is, stations accessible to faculty, staff, students, and visitors), the following principles should apply.

Performance Payment Caps

- Performance payments for public EV charging stations are capped at 4% of the overall performance payment budget.

Baseline charging amount

- The baseline amount of EV charging should be computed in the aggregate at each campus, to recognize that users can easily shift their charging between charging stations. Some charging at newly installed charging stations represents incremental EV usage, while some charging may

¹ LCFS is designed to be applied when EV use directly displaces gasoline fueled car use. This program may, in addition to displacing gasoline use, also impact EV charging patterns (e.g., faculty who already own EVs may charge at UCs during the day instead of charging at home during nighttime). Higher GHG savings are expected from gasoline displacement than changes in EV charging time-period. Due to the addition of a GHG performance payment cap for public charging, the settling parties agreed to use the simpler LCFS method to compute GHG savings instead of developing methods to consider impact of change in EV charging patterns. This issue does not impact GHG savings from fleet EV charging stations.

represent shifting from existing to new charging stations (which may be less busy or more conveniently located).

- The campus's baseline amount is one year's worth of pre-Pilot charging across all installed, public charging stations on campus. In general, this is the sum of kilowatt hours consumed at charging stations in the year prior to the Pilot (year 0).

Baseline measurement period

- The baseline measurement period should include times when the university is in session and out of session.
- For existing stations that are already metered, SCE should use a baseline measurement period of at least one full year.
- For stations that are already installed but not yet metered, the baseline measurement period (after a meter is added) should include at least 3 months of in-session time and 3 months of out-of-session time. Using this data, SCE can extrapolate to estimate the expected EV charging consumption over a full year.

Adding meters to existing charging stations

- If the campus has existing (installed and operational) charging stations that are not currently metered, these are eligible to be included in the CEOP once the following conditions are met:
 - The charging station is metered
 - A baseline charging amount is determined for that charging station (or cluster of stations).
- The baseline measurement period begins when a meter is installed. As noted above, the baseline measurement period should include at least 3 months of in-session time and 3 months of out-of-session time.
- Once a baseline amount is determined for the newly metered station, SCE should add that amount to the campus's aggregate baseline for the remaining years of the Pilot.

Calculating GHG savings

- SCE will use the LCFS methodology for all public charging.

Asset life multiplier

- EV charging will receive the same 7-year asset life multiplier that is agreed upon for other technologies in the Pilot.

Eligibility for Charge Ready incentives

- CEOP Participants will be eligible for the Charge Ready Pilot and the Charge Ready Make-Ready Expansion or similar EV infrastructure programs, but would be excluded from the EV charger rebate portion.
- CEOP Participants will be ineligible for the Charge Ready Customer-Owned infrastructure option, Charge Ready SCE-Owned-and-Operated option, and Charge Ready New Construction programs.

Evaluation questions

- As part of the evaluation, where a year or more of pre-Pilot charging data is available, a CEOP evaluation consultant will examine whether there is a trendline in pre-Pilot EV charging that would indicate a secular trend unrelated to actions incentivized in this Pilot.

- The CEOP evaluation consultant should make recommendations on a proper method for calculating GHG savings associated with public EV chargers for use in future program design. Research may, among other things, utilize university data (such as parking permit information), other publicly available data, or a method outlined in other Commission proceedings.

Fleet EV Charging Stations

For charging stations reserved for campus fleet vehicles (that is, stations in a separate area that is not publicly accessible), the following principles should apply. If a charging station is used for both public and fleet vehicles, it should be treated as a public charging station.

Performance Payment Caps

- Settling Parties agree that Pilot Participants should not receive performance payments that exceed 100% of the cost of their investment in the electric fleet charging equipment.
- Settling Parties agree that the Pilot Participants would need to document new investment in EV fleet charging equipment, by campus, starting from the beginning of the Pilot. That total investment per campus would become the cap on CEOP performance payments that each campus could receive for EV fleet charging.

Baseline charging amount

- The baseline amount of EV charging at fleet charging stations should be computed in the same manner as for public charging stations.
- The baseline amount should be computed separately for public and fleet charging stations. Therefore, each participating campus will have two EV baseline amounts.

Baseline measurement period

- Same as for public charging stations

Adding meters to existing charging stations

- Same as for public charging stations

Calculating GHG savings

- SCE will use the LCFS methodology for all fleet charging.


Asset life multiplier

- Same as for public charging stations

Eligibility for Charge Ready incentives

- Same as for public charging stations

Executed this 4th day of December, 2018.

SETTLING PARTY: Southern California Edison Company
BY: 
NAME: Jill C. Anderson
TITLE: Vice President, Customer Programs and Services

Executed this 4th day of December, 2018.

SETTLING PARTY: University of California Office of the President

BY:

A handwritten signature in black ink that reads "David Phillips". The signature is written in a cursive style and is positioned above a solid horizontal line.

NAME:

David Phillips

TITLE:

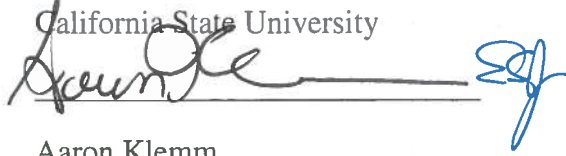
Associate Vice President, Energy & Sustainability

Executed this 4th day of ~~November~~ December, 2018.

SETTLING PARTY:

California State University

BY:

A handwritten signature in blue ink, appearing to read 'Aaron Klemm', is written over a horizontal line. To the right of the signature is a blue checkmark.

NAME:

Aaron Klemm

TITLE:

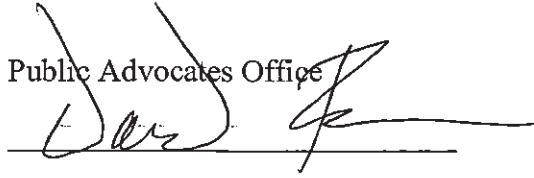
Chief of Energy and Sustainability, Office of the Chancellor

Executed this 4th day of December, 2018.

SETTLING PARTY:

Public Advocates Office

BY:

A handwritten signature in black ink, appearing to read 'Darwin Farrar', is written over a horizontal line.

NAME:

Darwin Farrar

TITLE:

Chief Counsel

Settlement Agreement Resolving SCE's Application for Approval of its Clean Energy Optimization Pilot

Executed this 3 day of ~~November~~ ^{December}, 2018.

SETTLING PARTY:

Natural Resources Defense Council

BY:

A handwritten signature in blue ink, appearing to read "Mohit Chhabra", is written over a horizontal line.

NAME:

Mohit Chhabra

TITLE:

Senior Scientist, Climate and Clean Energy Program