

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

Application of Southern California Edison
Company (U 338-E) for Authorization to
Recover Costs Recorded in Its Customer Service
Re-Platform Memorandum Account.

A.21-07-009

**TRACK 1 SETTLEMENT AGREEMENT BETWEEN SOUTHERN CALIFORNIA EDISON
COMPANY AND THE UTILITY REFORM NETWORK**

Dated: **June 15, 2022**

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**TRACK 1 SETTLEMENT AGREEMENT BETWEEN SOUTHERN CALIFORNIA
EDISON COMPANY AND THE UTILITY REFORM NETWORK**

This Settlement Agreement is entered into by and between Southern California Edison Company (“SCE”) and The Utility Reform Network (“TURN”) (collectively referred to hereinafter as “Settling Parties”). The other parties to the above-captioned proceeding, the Public Advocates Office of the California Public Utilities Commission, the Clean Power Alliance of Southern California, and the California Choice Energy Authority, take no position on this Settlement Agreement.

1. Parties

- A. SCE is an investor-owned public utility 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. TURN is an independent, non-profit consumer advocacy organization that represents the interests of residential and small commercial utility customers.

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:

- A. “CSRP” means “Customer Service Re-Platform.”

- B. “CSRPMA” means “Customer Service Re-Platform Memorandum Account.”
- C. “Track 1” means Track 1 of the *Application of Southern California Edison Company for Authorization to Recover Costs Recorded in Its Customer Service Re-Platform Memorandum Account*, which has been docketed by the Commission as A.21-07-009, as set forth in the Scoping Memo issued therein.
- D. “Track 2” means Track 2 of the *Application of Southern California Edison Company for Authorization to Recover Costs Recorded in Its Customer Service Re-Platform Memorandum Account*, which has been docketed by the Commission as A.21-07-009, as set forth in the Scoping Memo issued therein.

3. Recitals

- A. On July 22, 2021, SCE filed its application and served its direct testimony for Track 1 of this proceeding. SCE requested that the Commission deem as just and reasonable total incremental costs recorded in the CSRPMA of approximately \$482.6 million in direct capital expenditures for January 2017 through April 2021, approximately \$40.2 million in O&M expenses for January 2018 through April 2021, and approximately \$2.7 million in reimbursable CSRP O&M benefits for January 2018 through April 2021. SCE further requested that the Commission authorize approximately \$410.8 million in revenue requirement associated with these costs and benefits, consisting of approximately negative \$33.7 million for the revenue requirement through April 30, 2021 and approximately \$444.5 million for the on-going revenue requirement from May 2021 through December 2024 (i.e., until the beginning of SCE’s next General Rate Case Test Year, 2025).
- B. On November 5, 2021, SCE served an errata to its direct testimony to adjust the CSRPMA by reducing \$7 million of O&M expenses that were non-incremental. This reduced the incremental O&M expenses from the approximately \$40.2 million initially requested to approximately \$33.1 million.

- C. On March 17, 2022, TURN served its direct testimony. TURN recommended disallowance of \$238 million of CSR costs.¹ TURN also recommended that the Commission order SCE to remove approximately \$34 million from rate base associated with capital investments in SCE's legacy Customer Service System. Finally, TURN recommended that the Commission order SCE to account for certain CSR costs as expenses.
- D. On April 19, 2022, SCE served its rebuttal testimony. This rebuttal testimony provided additional information opposing many of TURN's recommendations, updated SCE's requested revenue requirement to account for the November 5, 2021 errata, and stated that SCE had identified the need to correct two additional inadvertent revenue requirement calculation errors, one of which was an adjustment needed to remove FERC jurisdictionalized general and intangible plant. On May 6, 2022, SCE served an errata with the latter corrections. As shown therein, the November 5, 2021 and May 6, 2022 errata reduced SCE's requested revenue requirement.
- E. As of the date this Settlement Agreement was entered into, SCE's pending request was for the Commission to deem as just and reasonable total incremental costs recorded in the CSRMA of approximately \$482.6 million in direct capital expenditures, approximately \$33.1 million in O&M expenses, and approximately \$2.7 million in reimbursable CSR O&M benefits, and to authorize a revenue requirement of approximately \$378.5 million, consisting of approximately negative \$45.3 million for the revenue requirement through April 30, 2021 and approximately \$423.8 million for the on-going revenue requirement from May 2021 through December 2024.
- F. On April 26, 2022, SCE, TURN, and the other parties in this proceeding, the Public Advocates Office of the California Public Utilities Commission, the Clean Power Alliance of Southern California, and the California Choice Energy Authority, held a telephonic meet and confer pursuant to Commission Rule of Practice and Procedure 13.9.

¹ This disallowance proposal included costs for the project's Stabilize phase, which are at issue in Track 2.

- G. On May 23, 2022, in response to a request from the Settling Parties, Assigned Administrative Law Judge Seybert issued an email ruling cancelling the scheduled evidentiary hearings and otherwise suspending the Track 1 procedural schedule.
- H. On May 23, 2022, SCE provided notice to all parties to the official service list of A.21-07-009 of its intent to conduct an all-party settlement conference. This all-party settlement conference was held on May 26, 2022.
- I. After multiple rounds of settlement negotiations, the Settling Parties wish to resolve all issues in contention between them in Track 1,² and to avoid the expense and burden of protracted litigation. Accordingly, the Settling Parties have reached an agreement that resolves all Track 1 issues, as indicated in Section 4 of this Settlement Agreement. The other parties to this proceeding, the Public Advocates Office of the California Public Utilities Commission, the Clean Power Alliance of Southern California, and the California Choice Energy Authority, take no position on 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 the other Settling Party. This Settlement Agreement is subject to the express limitation on precedent described in in Commission Rule of Practice and Procedure 12.5, and as set forth in Section 10 of this Settlement Agreement.

A. SCE's Track 1 CSRP Capital Expenditures, O&M Expenses, and Reimbursable Benefits

Commission approval of this Settlement Agreement without modification would approve as just and reasonable all of SCE's proposed Track 1 CSRP capital expenditures, O&M expenses, and reimbursable benefits subject to the two changes explained in sub-sections 1 and 2

² See also footnote 1 *supra* and Section 4.D *infra*.

below. Specifically, the Settlement Agreement stipulates to the recoverability of \$435.6 million in capital expenditures (i.e., SCE's full request in Section 3.E. of \$482.6 million minus a \$47 million reduction), \$33.1 million in O&M (i.e., SCE's full request in Section 3.E.), and \$2.7 million in reimbursable O&M benefits (i.e., SCE's full request in Section 3.E.). Additionally, the Settlement Agreement requires SCE to accelerate recovery of \$38 million of the \$435.6 million in adopted capital expenditures, which will result in this \$38 million being excluded from rate base.

1) Reduction to Capital Expenditures Request of \$47 Million

As shown above, the Settlement Agreement adopts a \$47 million reduction to SCE's Track 1 capital expenditures request. To effectuate this reduction, SCE agrees to permanently exclude \$47 million of Track 1 CSRP capital expenditures from rate base and agrees that it will not seek recovery from customers for these capital expenditures or their associated revenue requirements.

2) Accelerated Recovery and Exclusion from Rate Base of \$38 Million

SCE agrees to accelerate recovery of \$38 million of the \$435.6 million in adopted capital expenditures, which will result in this \$38 million being excluded from rate base. Specifically, as soon as practicable after Commission approval of this Settlement Agreement, SCE will put this \$38 million into customer rates as part of the Track 1 initial revenue requirement with a 12-month amortization period.

3) Estimated Revenue Requirement Impact

Taken together, 1) and 2) above is expected to result in a total revenue requirement reduction (as compared to SCE's request) of approximately \$53 million (nominal) over the life of the assets, from 2021 to 2028.

B. Track 1 Settlement Agreement Revenue Requirement

The resulting Track 1 Settlement Agreement revenue requirement based on the terms in Section 4.A above (and accounting for all errata and corrections, including the adjustment to remove FERC jurisdictionalized general and intangible plant) is \$388.330 million,

consisting of \$12.851 million for the revenue requirement through April 30, 2021 (i.e., the initial revenue requirement) and approximately \$375.479 million for the on-going revenue requirement from May 2021 through December 2024 (i.e., until this revenue requirement is included in a General Rate Case revenue requirement, which is anticipated to occur beginning January 1, 2025).³ The revenue requirement through 2024 is higher than SCE's proposal because \$38 million is being excluded from rate base and therefore the recovery is accelerated in the initial period. However, as noted above in Section 4.A.3., the total revenue requirement over the life of the assets will be lower. The Settling Parties agree that SCE's proposed processes to recover the initial revenue requirement and this ongoing Track 1 revenue requirement are reasonable.

C. Customer Service System Investments Remain in Rate Base

The Settling Parties agree that SCE shall not remove from rate base any capital investments associated with SCE's legacy Customer Service System.

D. Resolution of All Issues

The Settling Parties agree that this Settlement Agreement fully resolves all issues raised by TURN in Track 1, including, but not limited to, to all issues related to CSRP project costs incurred through April 2021, SCE's planning for, management of, and execution of the CSRP project through April 2021, SCE's vendor management for the CSRP project through April 2021 (including the replacement of and/or transition from any vendor), and SCE's accounting for CSRP costs.

The Settling Parties further agree that, given the scope of TURN's disallowance proposal in this Track 1,⁴ the Settlement Agreement also fully resolves issues that could be raised by TURN in Track 2 of this proceeding with respect to the recorded capital expenditures incurred during the Stabilize phase of the CSRP project. As part of this Settlement Agreement,

³ The initial revenue requirement under this Settlement Agreement is higher than in SCE's request in Section 3.E. because of the inclusion of the \$38 million in the Settlement Agreement initial revenue requirement and because of fewer tax benefits flowing through to customers due to the capital reduction.

⁴ See footnote 1 *supra*.

TURN agrees not to contest or challenge in Track 2 the recorded capital expenditures incurred during the Stabilize phase of the CSRP project.

5. Incorporation of Complete Agreement

This Settlement Agreement is to be treated as a complete package and not as a collection of separate agreements on discrete issues. The Settling Parties acknowledge that changes, concessions, or compromises by a Settling Party or Settling Parties in one section of this Settlement Agreement resulted in changes, concessions, or compromises by a Settling Party or both Settling Parties in other sections. Consequently, the Settling Parties agree to affirmatively oppose any modification of this Settlement Agreement unless the Settling Parties jointly agree in writing to support such modification.

6. Record Evidence

The Settling Parties request that all of their related prepared testimony and errata be admitted as part of the evidentiary record for this proceeding.

7. Execution of Settlement Agreement

Execution of this Settlement Agreement shall be complete as of the last signature date of the Settling Parties. This Settlement Agreement can be executed in counterparts, each of which shall be deemed an original. Each Settling Party represents and warrants that the individual executing this Settlement Agreement on behalf of the Settling Party is duly authorized to sign for that Settling Party.

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 jointly request that the Commission approve the Settlement Agreement without change, and that the Commission make a finding that this Settlement Agreement is reasonable, consistent with law, and in the public interest.

This Settlement Agreement shall become effective upon execution of this Settlement Agreement by the Settling Parties, and binding and final on the date it is approved by the Commission. If the Commission does not approve this Settlement Agreement as reasonable and declines to adopt it without modification, the Parties agree to renegotiate this Settlement Agreement in good faith with regard to any Commission-ordered changes in order to preserve the balance of benefits and burdens. In the event such negotiations are unsuccessful, a Settling Party may, in its sole discretion, elect to terminate the Settlement Agreement. Such termination shall be effectuated through written notice that is signed by the Settling Party that has elected to terminate the Settlement Agreement.

Should any Proposed Decision (PD) or Alternate Proposed Decision (APD) seek a modification to this Settlement Agreement, and should any Settling Party be unwilling to accept such modification, that Settling Party shall so notify the other Settling Party within five business days of issuance of the PD or APD. The Settling Parties shall thereafter promptly discuss the modification 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. Failure to resolve such proposed modification to the satisfaction of Settling Parties, or to obtain Commission approval of such resolution promptly thereafter, shall entitle any Settling Party to withdraw its support for this Settlement Agreement through prompt notice to the other Settling Party.

9. Compromise of Disputed Claims

This Settlement Agreement represents a compromise of disputed claims between the Settling Parties after arm's-length negotiations. The Settling Parties have reached this Settlement Agreement after taking into account the possibility that each Settling 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 pending or future proceeding before this Commission, 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 subject matter of this Settlement Agreement. In the event there is any conflict between the terms and scope of this Settlement Agreement, the comparison exhibit, and the terms and scope of the accompanying joint motion in support of the Settlement Agreement, the Settlement Agreement shall govern.

12. Term of the Agreement

This Settlement Agreement shall be final and in full force on the date of Commission approval of this Settlement Agreement.

13. Non-Waiver

None of the provisions of this Settlement Agreement shall be considered waived by any Settling Party unless such waiver is given in a writing signed by that Settling Party. The failure of a Settling Party to insist in any one or more instances upon strict performance of any of the provisions of this Settlement Agreement or 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.

14. 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.

15. Governing Law and Jurisdiction

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, notwithstanding otherwise applicable

conflict of law principles. The Settling Parties agree that the Commission retains jurisdiction to enforce the terms of this Settlement Agreement and resolve any disputes regarding the Settling Parties' performance under the Settlement Agreement.

Dated: June 15, 2022

SOUTHERN CALIFORNIA EDISON COMPANY

/s/ Steven D. Powell

By: Steven D. Powell
Title: President and Chief Executive Officer

Dated: June 15, 2022

THE UTILITY REFORM NETWORK

/s/ David Cheng

By: David Cheng
Title: Staff Attorney