BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

Order Instituting Investigation on the Commission's Own Motion into the Rates, Operations, Practices, Services and Facilities of Southern California Edison Company and San Diego Gas and Electric Company Associated with the San Onofre Nuclear Generating Station Units 2 and 3.	Investigation 12-10-013 (Filed October 25, 2012)
And Related Matters.	Application 13-01-016 Application 13-03-005 Application 13-03-013 Application 13-03-014

JOINT MOTION FOR ADOPTION OF SETTLEMENT AGREEMENT

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January 30, 2018

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I. Introduction

Pursuant to Article 12 of the Commission's Rules of Practice and Procedure ("Rules"), Southern California Edison Company (U 338-E) ("SCE"), San Diego Gas & Electric Company (U 902 E) ("SDG&E"), the Alliance for Nuclear Responsibility ("A4NR"), the California Large Energy Consumers Association ("CLECA"), California State University ("CSU"), Citizens Oversight dba Coalition to Decommission San Onofre ("Citizens Oversight"), the Coalition of California Utility Employees ("CUE"), the Direct Access Customer Coalition ("DACC"), Ruth Henricks, the Office of Ratepayer Advocates ("ORA"), The Utility Reform Network ("TURN"), and Women's Energy Matters ("WEM") (collectively "Settling Parties") jointly move that the Commission adopt the Settlement Agreement ("Agreement"), which is appended to this Joint Motion as Attachment 1.

Pursuant to Rule 12.1(a), this motion contains statements of factual and legal considerations sufficient to advise the Commission and other parties not expressly joining the Settlement Agreement of its scope and of the grounds on which approval is urged.

Moreover, the Agreement resolves the issues in this Order Instituting Investigation ("OII"), is reasonable in light of the record, comports with applicable law, and is in the public interest. The Commission should adopt the Agreement in its entirety without change.

II. Background

Decision ("D.") 05-12-040 authorized replacement of the four steam generators at the San Onofre Nuclear Generating Station ("SONGS") Units 2 and 3. The Commission reserved the option to undertake a reasonableness review of costs even if within the accepted cost cap.[1]

Mitsubishi Heavy Industries ("MHI") designed and manufactured the Replacement Steam Generators ("RSGs") on behalf of SCE. The Unit 2 RSGs went online in January of 2010 and the Unit 3 RSGs went online in January of 2011. On January 10, 2012, Unit 2 was taken out of service for a scheduled refueling outage. Unit 3 was taken offline on January 31, 2012, after operators detected a radiation leak in a steam generator tube. On June 7, 2013, SCE announced it would not restart either SONGS unit.[2]

The Commission issued this OII on October 25, 2012, pursuant to Public Utilities Code section 455.5.[3] After Phases 1, 1a and 2 were litigated, but prior to the commencement of Phase 3, SCE, SDG&E, ORA, CUE, Friends of the Earth ("FOE") and TURN sought adoption of a settlement agreement to resolve this proceeding. Other parties objected to the proposed agreement. That agreement, incorporating some amendments proposed by the assigned ALJ and Commissioner, was adopted by the Commission in D.14-11-040 (the "2014 Agreement"). On December 18, 2014, Ruth Henricks and Citizens Oversight filed an Application for Rehearing.

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[1] D.14-11-040, at 7 (*citing* D.05-12-040 at Ordering Paragraph ("OP") 11, as modified by D.11-05-035.)

[2] See, e.g., D.14-11-040, at 9.

[3] See *Order Instituting Investigation Regarding San Onofre Nuclear Generating Station Units 2 and 3* (October 25, 2012).

Subsequently, as observed in a recent Ruling:

> On February 9, 2015, SCE late-filed a Notice of *Ex Parte* Communication concerning a meeting that occurred on or about March 26, 2013 between SCE's then Executive Vice President Stephen Pickett and then Commission President Michael Peevey at an industry conference in Warsaw, Poland regarding ratemaking treatment of SONGS Units 2 & 3 post shutdown costs.[4]

On April 10, 2015, the service list in this proceeding received a copy of the notes associated with the meeting in Poland, which are referred to as the "Bristol Notes." On April 27, 2015, A4NR filed a Petition for Modification ("PFM").[5] On June 24, 2015, TURN filed a response supporting A4NR's PFM. ORA filed its PFM on August 11, 2017. On December 8, 2015, the Commission issued D.15-12-016, finding that SCE committed eight violations of Rule 8.4 and two violations of Rule 1.1 of the Commission's Rules. The Commission imposed a $16,740,000 fine on SCE for those violations. No violations were alleged to have been committed by SDG&E; no penalties were assessed on SDG&E.

On May 9, 2016, Commissioner Sandoval and ALJ Bushey issued a ruling reopening the record in the OII and ordering briefing on whether the 2014 Agreement met the Commission's standard for approving such agreements under Rule 12.1 of the Commission's Rules. Parties to this proceeding, including A4NR, CSU, WEM, ORA, CUE, TURN, Ruth Henricks, and FOE, briefed those issues accordingly.

On December 13, 2016, Commissioner Sandoval and ALJ Houck issued a ruling ordering the Utilities and the other parties to the OII to meet and confer to discuss potential future procedural actions, and see whether a broad range of parties can reach

[4] *Ruling of Assigned Commissioner and Administrative Law Judge Setting Schedule and Clarifying Issues for Evidentiary Hearings* (January 8, 2018), at 3.

[5] The A4NR PFM was modified on May 26, 2015.

agreement on proposed modifications to D.14-11-040.[6] Though the Settling Parties did meet and confer pursuant to that ruling, no settlement was reached at that time.

On October 10, 2017, President Picker and ALJ Houck issued a ruling proposing a process for the Commission to reconsider whether the 2014 Agreement satisfied Rule 12.1 of the Commission's Rules, as well as a process for additional testimony, evidentiary hearings, and briefing regarding cost allocation between ratepayers and shareholders should the Commission conclude that the 2014 Agreement should not be retained.

On January 8, 2018, President Picker and ALJ Houck issued a ruling setting a schedule for further proceedings pursuant to the October 10, 2017 ruling and describing the scope of remaining issues for written testimony and hearings before the Commission.

On January 10, 2018, SCE, on behalf of the Settling Parties, notified the ALJ, with a copy to the service list, that: "[t]he Parties have continued their mediated settlement discussions and anticipate serving a notice of settlement conference pursuant to Rule 12.1(b) within 15 days." On January 23, 2018, parties to I.12-10-013 were notified of an upcoming Settlement Conference. On January 30, 2018, a Rule 12.1(b) Settlement Conference was held in San Francisco, with a video simulcast to Los Angeles. Shortly afterwards the Settling Parties signed the attached Agreement.

III. Summary of Agreement

Short summaries of the major terms of the Agreement are provided below. To the extent that there is any conflict between this Joint Motion and the Agreement, the Agreement controls.

A. Cessation of Collections

The Agreement provides that after a certain "Cessation Date", SCE and SDG&E (the "Utilities") "will cease collecting in rates the revenue requirement associated with all

[6] *Joint Ruling Of Assigned Commissioner And Assigned Administrative Law Judge Directing Parties To Provide Additional Recommendations For Further Procedural Action And Substantive Modifications To Decision 14-11-040* (December 13, 2016), at Ruling Paragraph 2.

costs and amounts authorized to be recovered under the existing 2014 Agreement."[7] The Cessation Date occurs when the combined remaining balance of the SONGS regulatory assets of the Utilities equals $775 million (excluding deferred tax assets). The Cessation Date will be affected by the Commission's decision in A.16-04-001 (SCE's ERRA Compliance Review proceeding), in which SCE has requested that the Commission approve the application of $71.555 million from a settlement with the United States Department of Energy ("DOE") to reduce SCE's SONGS regulatory assets. ORA, which is the only other party to A.16-04-001, did not oppose this request on the record of that proceeding. Because the Agreement resolves only the issues in I.12-10-013, the Agreement does not constrain the Commission's action in A.16-04-001. If the Commission approves SCE's request in A.16-04-001 to apply $71.555 million in DOE proceeds to reduce the SONGS regulatory asset, the Cessation Date is estimated to be December 19, 2017. However, if the Commission does not approve this request, the Cessation Date is estimated to be April 21, 2018.

With a Cessation Date of December 19, 2017, SCE's regulatory assets will equal $624 million (excluding deferred tax assets) and SDG&E's regulatory assets will equal $151 million. With a Cessation Date of April 21, 2018, SCE's regulatory assets will equal $636 million (excluding deferred tax assets) and SDG&E's regulatory assets will equal $139 million. Under either scenario, the combined remaining regulatory assets would equal $775 million as of the Cessation Date.[8] The Agreement explains that "[t]he deferred tax asset recorded by SCE, which is estimated to be $23 million as of the Cessation Date, is in addition to the SONGS Costs and also will not be recovered in rates."[9]

[7] Agreement, Term 3.2(a).

[8] See Agreement, Recital 1.8.

[9] Agreement, Term 3.2(b).

The Agreement notes that "[u]nder the 2014 Settlement, the Utilities' estimated SONGS Revenue Requirement from December 19, 2017, to February 1, 2022, is $873 million" in nominal dollars.[10]

The Agreement provides that the Utilities will retain SONGS costs, and other amounts related to SONGS, that were collected in rates prior to the Cessation Date.[11] The Agreement further provides for no changes to SCE Advice Letters 3367-E and 3139-E, and SDG&E Advice Letters 2859-E and 2672-E.[12] As such:

> The Utilities will retain the amounts set forth in those Advice Letters to offset their SONGS Litigation Costs, as well as the 5% of the negative balance in the NEIL Outage Memorandum Subaccount pursuant to Section 4.11(c)(ii) of the 2014 Agreement. The Utilities will retain all amounts received from MHI in 2017 pursuant to the award issued on March 13, 2017, by the International Chamber of Commerce International Court of Arbitration ("ICC") in ICC Arbitration Case No. 19784/AGF/RD, with the exception of the SDG&E ratepayer credit as shown in Table 1 of SDG&E Advice Letter 3127-E. The Utilities have previously credited customers approximately $5 million in proceeds received from MHI.[13]

Unlike the 2014 Agreement, the Agreement would allow the Utilities to retain all proceeds from the sale of nuclear fuel, but not recover Nuclear Fuel Investment in rates after the Cessation Date.[14] The Agreement does not impact the Nuclear Decommissioning Trusts, non- SONGS costs, or SONGS-related costs that were not authorized via the 2014 Agreement.[15]

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[10] Agreement, Definition 2.23.

[11] See Agreement, Term 3.2(c).

[12] See Agreement, Term 3.2(d).

[13] Agreement, Term 3.2(d).

[14] See Agreement, Term 3.2(e).

[15] See Agreement, Term 3.2(f).

B. Implementation of Rate Changes

Within 45 days of Commission approval, the Utilities will file Tier 2 advice letters detailing the rate changes resulting from the Agreement.[16] While the Utilities will continue collecting rates until after the Commission approves the Agreement (and it is implemented), the Utilities will refund ratepayers any overcollections after the Cessation Date.[17] Additional parameters of these advice letters and the timing of the rate changes are discussed in Term 3.3(c).

C. Greenhouse Gas Research Contributions and Program

The Agreement provides for a new shareholder-funded grant of $12.5 million ($2 million annually for five years for SCE, and $500,000 annually for five years for SDG&E) to be allocated "on the basis of a competitive grant proposal process to campuses and research institutes of California State University located in Southern California."[18] The Agreement notes that:

> Eligible proposals will focus on development of new technologies, methodologies and/or design modifications to reduce or avoid greenhouse gas ("GHG") emissions and/or to mitigate the effects of GHG emissions, as well as research on the integration of renewable resources in rural and/or disadvantaged communities.[19]

The prior $25 million contribution to the University of California is cancelled. Further parameters of the program are outlined in Term 3.4.

D. Other Terms

The Agreement provides for no adjustments in rates after the Cessation Date regarding costs incurred due to SONGS non-operation, including foregone sales.[20] Further, "after the Cessation Date, customers will not pay in rates any amounts in respect

[16] See Agreement, Term 3.3(a).

[17] See Agreement, Term 3.3(c).

[18] Agreement, Term 3.4(b). See Term 3.4 generally.

[19] Agreement, Term 3.4(b).

[20] See Agreement, Term 3.5(a).

of property taxes, financing of the regulatory assets, or M&S, and for such periods no disallowances, adjustments, credits or offsets of any kind shall be made to rates."[21] Moreover, the Agreement provides for no adjustments related to "any amounts that the Utilities claimed, or could have claimed, but did not receive from NEIL and/or MHI."[22] Also, the Agreement provides for no adjustments related to "any amounts the Utilities could have received or avoided, but did not receive or avoid, in respect of the acquisition, sale or other disposition of Nuclear Fuel Investment or M&S."[23] The Agreement also reserves non-utility parties' rights to oppose proposals for recovery in future proceedings for decommissioning costs and certain SONGS-related costs, and to propose treatment for future proceeds from spent fuel litigation with the DOE.[24]

The Agreement addresses capital structure similar to the 2014 Agreement.[25] The Agreement further provides that the Utilities may exclude from their ratemaking capital structure the after-tax charge to equity resulting from the implementation of the Agreement.[26] Also, the Utilities will close certain identified ratemaking accounts.[27]

Further, "equitable and symmetrical benefits" for bundled service and departing load customers are preserved, pursuant to the Agreement's affirmation of the SONGS DA Consensus Ratemaking Protocol, as approved by the Commission in D.14-05-003.[28]

The Agreement notes that "[e]xcept as expressly provided in this Agreement, the terms and conditions of the 2014 Agreement remain in full force and effect."[29]

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[21] Agreement, Term 3.5(b).

[22] Agreement, Term 3.5(c).

[23] Agreement, Term 3.5(d).

[24] See Agreement, Terms 3.5(e) –(f).

[25] See Agreement, Term 3.6.

[26] See Agreement, Term 3.6(a).

[27] See Agreement, Term 3.8.

[28] Agreement, Term 3.7. See D.16-09-044.

[29] Agreement, Term 3.10.

E. Other Agreements

The Agreement identifies a separate federal court agreement among "SCE, Citizens Oversight, Ruth Henricks et al., dated January 30, 2018, to effectuate the dismissal with prejudice and conclusively resolve the actions styled as *Citizens Oversight, Inc., et al.* v. *CPUC, et al.,* No 15-55762 (9th Cir. 2015) and *Citizens Oversight, Inc., et al.* v. *California Public Utilities Commission, et al.,* No. 3:14-cv-02703 (S.D. Cal. 2014)."[30] That agreement is not being submitted to the Commission pursuant to the instant motion but will be publicly filed with the Ninth Circuit.

The Agreement also identifies an "agreement between SCE and SDG&E (and their respective parent companies), dated January 10, 2018, which allocates responsibility for the financial provisions of this Agreement between SCE shareholders and SDG&E shareholders."[31] That agreement is not being submitted to the Commission pursuant to the instant motion, but shall be provided to the service list of this docket via a separate filing for informational purposes. The Agreement notes that: "[i]n the event that the Commission takes an action that has the effect of invalidating the Utility Shareholder Agreement, SDG&E may, in its discretion, withdraw from this Agreement, in which case SCE shall remain a Party to this Agreement but this Agreement shall be terminated as to SDG&E."[32]

F. Other Provisions

The Agreement describes in more detail certain factual recitals (at Section 2), and commitments between the Settling Parties (at Term 3.1 and Section 4).

IV. The Agreement Complies with Rule 12.1(d)

Rule 12.1(d) states that: "[t]he Commission will not approve settlements, whether contested or uncontested, unless the settlement is reasonable in light of the whole record,

[30] Agreement, Definition 1.14.

[31] Agreement, Definition 1.34.

[32] Agreement, Term 3.9(b).

consistent with law, and in the public interest."[33] The Agreement meets all elements of this test.

In applying these standards, the Commission has considered (1) the risk, expense, complexity and likely duration of further litigation; (2) whether the settlement negotiations were at arms-length; (3) whether major issues were addressed; and (4) whether the parties were adequately represented.[34] The Agreement meets these criteria. The Settling Parties were represented by experienced Commission practitioners. The Agreement was reached through good faith negotiations, aggressive bargaining, facilitation by highly-regarded and experienced mediators, and, ultimately, compromise by each of the Settling Parties to reach consensus. By resolving all issues in the OII, the Agreement allows the parties and the Commission to avoid continued complex litigation.

A. The Agreement is Tantamount To An All-Party Settlement, and As Such Should Be Afforded A Presumption of Reasonableness

The Settling Parties believe that the Agreement is tantamount to an all-party settlement and hence should be afforded a presumption of reasonableness. When reviewing an all-party settlement, the Commission must be satisfied that the settlement:

> a. commands the unanimous sponsorship of all active parties to the instant proceeding;
>
> b. that the sponsoring parties are fairly reflective of the affected interests;
>
> c. that no term of the settlement contravenes statutory provisions or prior Commission decisions; and,
>
> d. that the settlement conveys to the Commission sufficient information to permit us to discharge our future regulatory obligations with respect to the parties and their interests.[35]

"Fulfillment of those criteria creates, in effect, a rebuttable presumption of the reasonableness of the settlement, although [the Commission] would still need to find that

[33] Rule 12.1(d).

[34] See, e.g., D.88-12-083, 30 CPUC 2d 189, 221-23.

[35] D.92-12-019, 46 CPUC 2d 538, 550-51.

the settlement is consistent with the law and in the public interest."[36] The Settling Parties believe that these considerations are satisfied here.

First, the Settling Parties represent a wide range of interests and are all of the parties who have been actively and materially engaged in this proceeding since 2014. Except for FOE (which, for example, filed a brief on July 7, 2016, reiterating its support for the 2014 Agreement), the Settling Parties "embrace the totality of the active parties to [this] Phase . . . of the proceeding."[37] The Settling Parties were the only parties to file briefs on July 7, 2016, status conference and recommendations statements on August 15, 2017, and status conference statements on October 30, 2017.

The Settling Parties acknowledge that there are other parties on the OII service list, but note that those parties have not been active in the most recent "re-opening" phase of this proceeding. The failure of such parties to join the Agreement should not disqualify the Agreement from being considered an "all party" Agreement. The Commission previously has concluded that the failure of one party to join a settlement does not always deprive the agreement of "all party" status, such as when that party has entered the proceeding for a limited purpose.[38] Similarly, other parties to this proceeding have chosen not to take substantive positions in the OII or to participate only at earlier stages. Thus, the Agreement is tantamount to a "settlement . . . predicated on 'all party sponsorship.'"[39] This conclusion is particularly warranted if no party opposes this motion for approval of the proposed settlement.

Second, the fact that all of the parties that previously recommended that the Commission rescind or modify the 2014 Agreement are now signatories to this Agreement demonstrates the Agreement's broad support from a wide array of interests, and the reasonableness of the compromise reached. The Settling Parties include both Utilities (SCE and SDG&E); many diverse ratepayer advocate groups experienced in

[36] D.96-09-097, 68 CPUC 2d 333, 338-39.

[37] D.92-12-019, 46 CPUC 2d 538, 554.

[38] *Id.* at 763, n.2.

[39] *Id.* at 554.

Commission practice, including groups representing residential and small business ratepayers as well as industrial and commercial bundled and departing load customers (CLECA, DACC, ORA, TURN, and WEM); a ratepayer advocate group that focuses on nuclear energy issues (A4NR); an individual citizen and proprietor of a non-profit association (Ruth Henricks); a public benefit corporation that encourages public participation to reduce waste, fraud, and abuse in government (CDSO); a labor group that represents hundreds of SONGS employees affected by the events giving rise to this OII (CUE); and a public university system (CSU). As such, the Settling Parties fairly reflect the affected interests.

Third, as discussed in more detail below in Section IV.C, the Agreement is consistent with all applicable law and prior Commission decisions.

Fourth, the Agreement includes specific and detailed provisions for implementing the Agreement that will enable the Commission to discharge its future regulatory duties.

As such, the Settling Parties believe that, consistent with the enumerated criteria, the Agreement effectively comes before the Commission as an all-party settlement with a presumption of reasonableness.

B. The Agreement is Reasonable in Light of the Whole Record

In a ruling dated December 13, 2016 ("December 13, 2016 Ruling"), the Utilities were ordered to "notice at least two meet and confer sessions inviting all parties to discuss potential further procedural actions, and whether a broad range of parties can reach agreement on proposed modifications to D. 14-11-040."[40] Subsequently, a ruling dated January 8, 2018 ("January 8, 2018 Ruling"), observed that "[t]he settling parties no longer have a meeting of the minds and the ratepayer advocacy parties no longer support the Settlement as adopted."[41] That same Ruling opined that "[g]iven the circumstances now before the Commission, we have serious concerns as to whether the adopted

[40] December 13, 2016 Ruling, at 42.

[41] January 8, 2018 Ruling, at 5.

Settlement meets the requirements of Rule 12.1(d)."[42] The attached Agreement is reasonable in light of this aspect of the record.

While testimony has not yet been submitted in this phase, the January 8, 2018 Ruling identifies the areas under consideration:

- Whether to disallow recovery of a percentage of base plant, and if so what percent and the basis for such disallowance.
- Whether to refund costs related to the SGRP collected in rates prior to February 2012.
- Whether to allow for a rate of return on any base plant eligible for recovery in customer rates. Should the rates authorized in the settlement remain as adopted, something less, or 0%?
- Whether an additional $86.95 million in refunds relating to 2012 expenses incurred at SONGS should be recovered by ratepayers.
- Whether the utilities should be directed to provide refunds for foregone sales revenues associated with SONGS between February 2012 and June of 2013.
- Whether to credit ratepayers for the book value of $592 million, or a portion of this amount, of the unsold nuclear fuel.
- Whether the utilities should be required to compensate ratepayers for the amount MHI was found to be liable under the replacement steam generator contractor ($138 million).
- Whether SCE and SDG&E should be responsible for the award of legal costs to MHI and its own legal costs for the International Chamber of Commerce (ICC) arbitration award.[43]

The potential scope of these issues places the ratepayer benefit of the Agreement within the range of likely litigated outcomes. It has been observed that the "Commission favors settlements because they generally support worthwhile goals, including reducing the expense of litigation, conserving scarce Commission resources, and allowing parties

[42] January 8, 2018 Ruling, at 6.

[43] January 8, 2018 Ruling, at 9-10.

to reduce the risk that litigation will produce unacceptable results."[44] The Agreement appropriately balances the Settling Parties' respective litigation risks.

Moreover, the record of this proceeding consists of numerous rounds of testimony, reports and briefings. Through these written exchanges the contentions of the parties are well- known. This assisted the Settling Parties in ascribing appropriate weight to the respective arguments, and thus determining a reasonable settlement.

Thus, the Agreement is reasonable in light of the whole record.

C. The Agreement is Consistent with Law

The Agreement complies with all applicable laws and Commission precedents. Pursuant to Public Utilities Code sections 451 and 455.5, the Commission is authorized to disallow certain SONGS costs, as SONGS was out of service for more than nine consecutive months. However, section 455.5 provides that the Commission "may" disallow such costs, which thereby allows for recovery in rates, if warranted.[45] The Agreement appropriately provides for a Cessation Date after which SONGS Costs are no longer collected in rates.

Further, the Settling Parties know of no legal impediment for the $12.5 million shareholder-funded allocation to CSU.

Thus, the Agreement is consistent with law.

D. The Agreement is in the Public Interest

The Agreement is in the public interest as it provides substantial benefits to ratepayers. After the Cessation Date, ratepayers will no longer pay for the SONGS Costs (defined in the Agreement as "Base Plant, M&S Investment, Nuclear Fuel Investment, and CWIP authorized to be recovered under the 2014 Agreement"[46]).

[44] See, e.g., D.10-06-031, at 12 (affirmed as modified in D.14-04-023).

[45] See Pub. Util. Code section 455.5.

[46] See Agreement, Definition 1.28.

Further, this Agreement has been vetted by a "broad range of parties" as contemplated by the December 13, 2016 Ruling.[47] The Commission has determined that a settlement, like the instant Agreement, that "commands broad support among participants fairly reflective of the affected interests" meets the "public interest" criterion.[48] Parties representing a wide range of perspectives in this proceeding fully participated in the subject mediation. This helped the Settling Parties to better understand the relevant contentions, and develop a resolution that benefits the public interest. The Agreement represents a compromise of strongly-held views.[49]

The Agreement also resolves all disputed issues and eliminates need for further litigation. This provides for an efficient use of resources.

Moreover, the Settling Parties intend that the $12.5 million shareholder-funded allocation to CSU will be beneficial to the public interest, by assisting in the development of new approaches to issues regarding the mitigation of GHG emissions and the integration of renewables in rural or disadvantaged communities.

Thus, the Agreement is in the public interest.

V. The Settlement Should Be Approved Without Modification

The Agreement is presented as a whole, and the Settling Parties request that it be reviewed and adopted as a whole. Modifying any one provision would upset the balance of interests and compromises that the Settling Parties, after thirteen months of effort, were able to achieve. As the Commission has recognized:

> In assessing settlements we consider individual settlement provisions but, in light of strong public policy favoring settlements, we do not base our conclusion on whether any single provision is the optimal result. Rather, we determine whether the

[47] See December 13, 2016 Ruling, at 42.

[48] D.10-06-015, 2010 WL 2543052, at *6 (June 3, 2010) (*citing* D.92-12-019, 46 CPUC 2d 538, 552-54).

[49] The Commission has noted that there is a public policy favoring the settlement of disputes to avoid costly and protracted litigation. D.88-12-083, 30 CPUC2d 189, 221.

> settlement as a whole produces a just and reasonable outcome.[50]

VI. The Agreement Complies with Rule 12.1(b)

Rule 12.1(b) requires that:

> Prior to signing any settlement, the settling parties shall convene at least one conference with notice and opportunity to participate provided to all parties for the purpose of discussing settlements in the proceeding. Notice of the date, time, and place shall be served on all parties at least seven (7) days in advance of the conference. Notice of any subsequent settlement conferences may be oral, may occur less than seven days in advance, and may be limited to prior conference attendees and those parties specifically requesting notice. Attendance at any settlement conference shall be limited to the parties and their representatives.[51]

Pursuant to the Rule, on January 23, 2018, parties to I.12-10-013 were notified of the Settlement Conference via email. The Settlement Conference was held on January 30, 2018, at 1 pm, at the Munger, Tolles & Olson LLP offices located in San Francisco, with a video simulcast to its offices in Los Angeles. The Agreement was discussed at the Settlement Conference. The Agreement was not signed by the Settling Parties until the Settlement Conference concluded.

The Settling Parties complied with Rule 12.1(b).

VII. Conclusion

For the foregoing reasons, and pursuant to Term 4.1(a)(i), the Settling Parties jointly request that the Commission approve this Agreement in its entirety without change.

[50] D.11-05-018, 2011 WL 12863722, at *8.

[51] Rule 12.1(b).

Respectfully submitted,

/s/ EDWARD MOLDAVSKY

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January 30, 2018

[52] Pursuant to Rule 1.8(d), I certify that I am authorized by the parties listed in Section I of this pleading to sign and tender this document on their behalf. Those parties' representatives are listed in Attachment 2.

Attachment 1

EXECUTION VERSION

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

Order Instituting Investigation on the Commission's Own Motion into the Rates, Operations, Practices, Services and Facilities of Southern California Edison Company and San Diego Gas & Electric Company Associated with the San Onofre Nuclear Generating Station Units 2 and 3.	Investigation 12-10-013 (Filed October 25, 2012)
And Related Matters.	Application 13-01-016 Application 13-03-005 Application 13-03-013 Application 13-03-014

SETTLEMENT AGREEMENT AMONG SOUTHERN CALIFORNIA EDISON COMPANY, SAN DIEGO GAS & ELECTRIC COMPANY, THE ALLIANCE FOR NUCLEAR RESPONSIBILITY, THE CALIFORNIA LARGE ENERGY CONSUMERS ASSOCIATION, CALIFORNIA STATE UNIVERSITY, CITIZENS OVERSIGHT DBA COALITION TO DECOMMISSION SAN ONOFRE, THE COALITION OF CALIFORNIA UTILITY EMPLOYEES, THE DIRECT ACCESS CUSTOMER COALITION, RUTH HENRICKS, THE OFFICE OF RATEPAYER ADVOCATES, THE UTILITY REFORM NETWORK, AND WOMEN'S ENERGY MATTERS

Dated: January 30, 2018

The parties to this Agreement are Southern California Edison Company ("SCE"), San Diego Gas & Electric Company ("SDG&E"), The Alliance for Nuclear Responsibility ("A4NR"), the California Large Energy Consumers Association ("CLECA"), California State University ("CSU"), Citizens Oversight dba Coalition to Decommission San Onofre ("Citizens Oversight"), the Coalition of California Utility Employees ("CUE"), the Direct Access Customer Coalition ("DACC"), Ruth Henricks, The Office of Ratepayer Advocates ("ORA"), The Utility Reform Network ("TURN"), and Women's Energy Matters ("WEM"). SCE and SDG&E are referred to herein as the "Utilities"; A4NR, CLECA, CSU, Citizens Oversight, CUE, DACC, Ruth Henricks, ORA, TURN, and WEM are referred to herein as "Intervenors"; and the parties collectively are referred to herein as the "Parties."

The Parties agree to settle all claims, allegations, and liabilities in the *Order Instituting Investigation Regarding San Onofre Nuclear Generating Station Units 2 and 3*, I.12-10-013, and all proceedings consolidated with it (including A.13-01-016, A.13-03-005, A.13-03-013, and A.13-03-014) (collectively, the "OII") on the following terms and conditions, which shall become effective only if the California Public Utilities Commission ("Commission") approves this Agreement, as more fully described below.

The Parties have entered into this Agreement as a compromise of disputed claims in order to minimize the time, expense, and uncertainty of further regulatory proceedings. The Parties agree to the following terms and conditions as a complete and final resolution of all issues in the OII. For the avoidance of doubt, this Agreement, if approved by the Commission, constitutes a complete and final resolution of all issues identified in the May 9, 2016, ruling of Commissioner Sandoval and Administrative Law Judge ("ALJ") Bushey, the December 13, 2016, ruling of Commissioner Sandoval and ALJ Houck, and the October 10, 2017, and January 8, 2018, rulings of Commissioner Picker and ALJ Houck.

This Agreement constitutes the sole agreement among or between the settling Parties concerning the subject matter of this Agreement, except (1) SCE and SDG&E have entered into the Utility Shareholder Agreement (as defined below), and (2) SCE, Citizens Oversight, Ruth Henricks, and certain other parties have entered into the Federal Court Agreement (as defined below).

The Parties shall jointly submit this Agreement to the Commission for approval.

I. DEFINITIONS

1.1. Capitalized terms not defined in this Agreement have the meanings defined in the 2014 Agreement.

1.2. **2014 Agreement:** SONGS OII Amended and Restated Settlement Agreement Between Southern California Edison Company, San Diego Gas & Electric Company, the Office of Ratepayer Advocates, The Utility Reform Network, Friends of the Earth, and the Coalition of California Utility Employees, dated September 23, 2014, approved in Commission Decision 14-11-040.

1.3. **AFR**: The application for rehearing of Decision 14-11-040 filed by Ruth Henricks and the Coalition to Decommission San Onofre on December 18, 2014.

1.4. **Agreement:** This document.

1.5. **Agreement Date:** The date by which this Agreement has been executed by all Parties.

1.6. **ALJ:** Administrative Law Judge.

1.7. **Approval Date:** The effective date of a Commission decision approving this Agreement.

1.8. **Cessation Date:** The date as of which the combined remaining balance of the SONGS Regulatory Assets of the Utilities equals $775 million (excluding deferred tax assets). The Cessation Date is estimated to be December 19, 2017, assuming the Commission approves in the ERRA Proceeding SCE's proposal to apply the DOE Proceeds to reduce SCE's SONGS Regulatory Assets, in which case SCE's SONGS Regulatory Assets will equal $624 million (excluding deferred tax assets) and SDG&E's SONGS Regulatory Assets will equal $151 million. In the event the Commission does not approve SCE's proposal in the ERRA Proceeding to apply the DOE Proceeds to reduce SCE's SONGS Regulatory Assets, the Cessation Date is estimated to be April 21, 2018, in which case SCE's SONGS Regulatory Assets will equal $636 million (excluding deferred tax assets) and SDG&E's SONGS Regulatory Assets will equal $139 million.

1.9. **CFBA**: Either Utility's Cost of Financing Balancing Account. SCE's CFBA was effective February 25, 2015, through Advice Letter 3169-E. SDG&E's CFBA was effective April 26, 2015, through Advice Letter 2718-E.

1.10. **Commission Approval**: A decision of the Commission approving this Agreement.

1.11. **DOE Proceeds**: $71.555 million, representing a portion of the amounts that SCE received from the United States Department of Energy in settlement of the DOE Spent Fuel Litigation.

1.12. **DOE Spent Fuel Litigation:** Claims pursued by SCE on behalf of itself and the other SONGS owners against the United States Department of Energy regarding the agency's failure to provide for a permanent storage facility for nuclear spent fuel produced by SONGS.

1.13. **ERRA Proceeding**: Application 16-04-001, in which SCE seeks a Commission finding that its procurement-related and other operations for the record period January 1 through December 31, 2015, complied with its adopted procurement plan, and other relief, including application of the DOE Proceeds to reduce SCE's SONGS Regulatory Assets.

1.14. **Federal Court Agreement:** The agreement among SCE, Citizens Oversight, Ruth Henricks et al., dated January 30, 2018, to effectuate the dismissal with prejudice and conclusively resolve the actions styled as *Citizens Oversight, Inc., et al. v. CPUC, et al.*, No 15-55762 (9th Cir. 2015) and *Citizens Oversight, Inc., et al. v. California Public Utilities Commission, et al.*, No. 3:14-cv-02703 (S.D. Cal. 2014).

1.15. **Implementation Date:** The date on which the rate change resulting from this Agreement is implemented by the Utilities in accordance with Section 3.3 of this Agreement.

1.16. **MNLMA**: Either Utility's Mitsubishi Net Litigation Memorandum Account.

1.17. **NFCIMA**: Either Utility's Nuclear Fuel Cancellation Incentive Memorandum Account.

1.18. **NGBA**: SDG&E's Non-Fuel Generation Balancing Account.

1.19. **NNLMA:** Either Utility's NEIL Net Litigation Memorandum Account.

1.20. **Nuclear Decommissioning Trusts:** The trusts established by the Utilities and approved by the Commission pursuant to the Nuclear Facilities Decommissioning Act of 1985, Cal. Pub. Util. Code Sec. 8321 et seq.

1.21. **Nuclear Fuel**: All assets to which the Utilities hold title containing uranium products designed to be used as fuel for a nuclear reactor, in whatever form, including U3O8, UF6, enriched uranium product, and conversion and enrichment services required to produce and sell those products.

1.22. **Overcollection Amount:** All SONGS Costs collected in rates on or after the Cessation Date and before the Implementation Date.

1.23. **PFMs**: The petitions for modification of Decision 14-11-040 filed by A4NR on April 27, 2015 (as amended on May 26, 2015), and by ORA on August 11, 2015.

1.24. **Power Charge Indifference Adjustment ("PCIA"):** As stated in Commission Decision 16-09-044, a charge "assessed by a utility on departing load customers to cover generation costs incurred on that customer's behalf before the customer decided to leave bundled service."

1.25. **Refund End Date:** The date of the Utility's next scheduled rate change following the Implementation Date. The Refund End Date will occur as soon as practical after the Approval Date. If the Approval Date occurs prior to October 1, 2018, the Refund End Date will occur no later than January 1, 2019.

1.26. **SONGS:** San Onofre Nuclear Generating Station Units 2 and 3.

1.27. **SONGSOMA:** Either Utility's SONGS Outage Memorandum Account.

1.28. **SONGS Costs:** Base Plant, M&S Investment, Nuclear Fuel Investment, and CWIP authorized to be recovered under the 2014 Agreement.

1.29. **SONGS DA Ratemaking Consensus Protocol:** The Direct Access Customer Ratemaking Consensus Protocol for SONGS Outage and Retirement, an agreement among SCE, SDG&E, CLECA, the Alliance for Retail Energy Markets, and DACC to ensure that the PCIA continues to achieve bundled customer indifference and that the impacts of the SONGS outages and retirement are borne by bundled and departing load

customers equitably and symmetrically, as approved by the Commission in Decision 14-05-003.

1.30. **SONGS Regulatory Assets**:

(a) For SCE, consistent with the manner in which SCE has previously reported to the Commission, SONGS Regulatory Assets are defined as the Net Book Value of Base Plant, CWIP, M&S Investment and Nuclear Fuel Investment, equal to $624 million as of December 19, 2017, assuming the Commission approves in the ERRA Proceeding SCE's proposal to apply the DOE Proceeds to reduce SCE's SONGS Regulatory Assets.

(b) In the case of SDG&E, consistent with the manner in which SDG&E has previously reported to the Commission, SONGS Regulatory Assets are defined as the present value of the future revenues expected to be provided to recover the allowable cost of that abandoned plant and return on investment, if any, shall be reported as a separate new asset. The discount rate used to compute the present value is SDG&E's incremental borrowing rate. As of December 19, 2017, SDG&E's SONGS Regulatory Assets are equal to $151 million.

1.31. **SONGS Revenue Requirement**: The total amount of revenue required to recover SONGS Costs and associated income and property taxes (including the effect of deferred taxes), including a return on those investments and depreciation expenses determined in accordance with the 2014 Agreement.

1.32. **STAMA**: Either Utility's SONGS Technical Assistance Memorandum Account. SCE's STAMA was established on July 17, 2013, through Advice Letter 2922-E. SDG&E's STAMA was established on July 17, 2013, through Advice Letter 2502-E.

1.33. **Utility/Utilities:** SCE and SDG&E, or either of them.

1.34. **Utility Shareholder Agreement**: The agreement between SCE and SDG&E (and their respective parent companies), dated January 10, 2018, which allocates responsibility for the financial provisions of this Agreement between SCE shareholders and SDG&E shareholders.

II. RECITALS

2.1. On November 25, 2014, the Commission issued Decision 14-11-040 approving the 2014 Agreement pursuant to Rule 12.1(d) of the Commission's Rules.

2.2. On November 26, 2014, SCE filed Advice Letter 3139-E, which implemented the 2014 Agreement, including a proposal for the disposition of amounts received from Mitsubishi Heavy Industries, Ltd. and its affiliates ("MHI") in 2012, in relation to the SONGS outages, in accordance with Section 4.11 of the 2014 Agreement. Per action of the Energy Division, Advice Letter 3139-E was made effective as of January 1, 2015.

2.3. On November 26, 2014, SDG&E filed Advice Letters 2672-E, 2675-E and 2676-E, which implemented the 2014 Agreement in rates as of January 1, 2015, and established three new regulatory accounts (the NNLMA, the MNLMA and the NFCIMA). Advice Letter 2672-E also included the disposition of amounts received from MHI in 2012, in relation to the SONGS outages, in accordance with Section 4.11 of the 2014 Agreement, as part of the NGBA year-end balance. Per action of the Energy Division, Advice Letter 2672-E was made effective as of January 1, 2015.

2.4. On December 18, 2014, Ruth Henricks and the Coalition to Decommission San Onofre filed the AFR.

2.5. On February 9, 2015, SCE filed a Late-Filed Notice of Ex Parte Communication pursuant to Rule 8.4 of the Commission's Rules of Practice and Procedure regarding a meeting on March 26, 2013, between the then-Commission President and an SCE Executive Vice President.

2.6. On April 27, 2015 (as amended on May 26, 2015), A4NR filed a petition to modify Decision 14-11-040 based on the Late-Filed Notice. On June 24, 2015, TURN filed a response supporting A4NR's petition. On August 11, 2015, ORA also filed a petition to modify Decision 14-11-040.

2.7. On December 8, 2015, the Commission issued Decision 15-12-016, finding that SCE committed eight violations of Rule 8.4 and two violations of Rule 1.1 of the Commission's Rules. The Commission imposed a penalty on SCE for those rule violations in the total amount of $16,740,000. No violations were alleged to have been committed by SDG&E; no penalties were assessed on SDG&E.

2.8. In Decision 15-12-016, the Commission did not determine the impact, if any, of SCE's rule violations on the OII settlement negotiations or on the Commission's approval of the 2014 Agreement.

2.9. On February 22, 2016, SCE filed Advice Letter 3367-E, which proposed the disposition of amounts received from Nuclear Electric Insurance Limited ("NEIL") in accordance with Section 4.11 of the 2014 Agreement. Per action of the Energy Division, Advice Letter 3367-E was made effective as of March 23, 2016.

2.10. On February 24, 2016, SDG&E filed Advice Letter 2859-E, which proposed the disposition of amounts received from NEIL in accordance with Section 4.11 of the 2014 Agreement. Per action of the Energy Division, Advice Letter 2859-E was made effective as of March 25, 2016.

2.11. On April 1, 2016, SCE filed its application in the ERRA Proceeding, in which it requested that the Commission approve the application of the DOE Proceeds to reduce the SCE's SONGS Regulatory Assets.

2.12. On May 9, 2016, Commissioner Sandoval and ALJ Bushey issued a ruling reopening the record in the OII and ordering briefing on whether the 2014 Agreement met the

Commission's standard for approving such agreements under Rule 12.1 of the Commission's Rules.

2.13. On November 2, 2016, SCE filed Advice Letter 3499-E seeking approval of SCE's 2017 revenue requirement for the 2014 Settlement Agreement. SCE's SONGS Revenue Requirement for 2017 was $236.937 million.

2.14. On November 7, 2016, SDG&E filed Advice Letter 2989-E, in which it requested approval of SDG&E's 2017 revenue requirement for the 2014 Settlement Agreement. SDG&E's SONGS Revenue Requirement for 2017 was $38.0 million. Advice Letter 2989-E also requested that the Commission approve the application of SDG&E's share of certain proceeds from DOE Spent Fuel Litigation to reduce SDG&E's SONGS Regulatory Assets. Per action of the Energy Division, Advice Letter 2989-E was made effective as of December 8, 2016.

2.15. On December 13, 2016, Commissioner Sandoval and ALJ Houck issued a ruling ordering the Utilities and the other parties to the OII to meet and confer regarding the standards for approving settlements under Rule 12.1 of the Commission's Rules and regarding procedural actions for the Commission to consider in ruling on the petitions for modification of its November 25, 2014 decision.

2.16. In response to the December 13, 2016 ruling, the Parties met and conferred throughout a significant portion of 2017, including multiple sessions facilitated by a third-party mediator, but those mediation sessions held in 2017 did not produce any agreement regarding modifying the 2014 Agreement.

2.17. On October 10, 2017, Commissioner Picker and ALJ Houck issued a ruling proposing a process for the Commission to reconsider if the 2014 Agreement satisfies Rule 12.1 of the Commission's Rules, as well as a process for additional testimony, evidentiary hearings, and briefing regarding cost allocation between ratepayers and shareholders should the Commission conclude that the 2014 Agreement should not be retained.

2.18. On November 7, 2017, SDG&E filed Advice Letter 3139-E, in which it requested that the Commission approve the application of its share of certain proceeds from DOE Spent Fuel Litigation to reduce SDG&E's SONGS Regulatory Assets. Per action of the Energy Division, Advice Letter 3139-E was made effective as of December 18, 2017.

2.19. The Parties, with the assistance of mediators, thereafter engaged in further settlement discussions in 2018, including mediated sessions in early January 2018, pursuant to Article 12 of the Commission's Rules.

2.20. On January 8, 2018, Commissioner Picker and ALJ Houck issued a ruling setting a schedule for further proceedings pursuant to the October 10, 2017 ruling and describing the scope of remaining issues for written testimony and hearings before the Commission.

2.21. On January 10, 2018, the Utilities executed the Utility Shareholders Agreement.

2.22. As of December 31, 2017, the balance in SCE's STAMA was $3,242.19; the balance in SCE's MNLMA was positive $3,988,315.79 (i.e., SONGS Litigation Costs exceeded SONGS Litigation Recoveries); and the balances in SCE's NFCIMA and NNLMA were zero. As of December 31, 2017, the balances in SDG&E's STAMA, MNLMA, NFCIMA, and NNLMA were zero.

2.23. Under the 2014 Settlement, the Utilities' estimated SONGS Revenue Requirement from December 19, 2017, to February 1, 2022, is $873 million (nominal).

2.24. The Utilities have not funded any grants to the University of California pursuant to Section 4.16 of the 2014 Agreement.

2.25. The General Recitals described in Sections 2.1 through 2.24 provide factual background for this Agreement, and the Commission is not asked to confirm the General Recitals as true per the September 5, 2014 Ruling in this proceeding, at page 13.

III. TERMS AND CONDITIONS

3.1. In consideration of the mutual obligations, promises, covenants, and conditions in this Agreement, the Parties agree, from and after the Agreement Date, to support approval by the Commission of this Agreement and not to oppose this Agreement before any regulatory agency or court of law where this Agreement, its meaning, or its effect is an issue, and further agree not to take or advocate for, either directly, or indirectly through another entity or otherwise, any action that would have the effect of modifying or abrogating the terms of this Agreement.

3.2. Cessation of Certain Collections

(a) As implemented retroactively pursuant to Section 3.3, the Utilities shall recover SONGS Costs in rates only until the Cessation Date. As implemented retroactively pursuant to Section 3.3, the Utilities will cease collecting in rates the revenue requirement associated with all costs and amounts authorized to be recovered under the existing 2014 Agreement.

(b) The deferred tax asset recorded by SCE, which is estimated to be $23 million as of the Cessation Date, is in addition to the SONGS Costs and also will not be recovered in rates.

(c) The Utilities shall retain after the Cessation Date all SONGS Costs collected in rates prior to the Cessation Date. In addition, the Utilities shall retain all other amounts relating to SONGS collected in rates prior to the Cessation Date, including without limitation O&M costs, Non-O&M Balancing Account Expenses, Non-O&M Expenses, the Capital-Related Revenue Requirements for the SGRP for periods prior to February 1, 2012, and market power purchases (as described in Section 4.10 of the 2014 Agreement).

(d) No change shall be made to SCE Advice Letters 3367-E and 3139-E and SDG&E Advice Letters 2859-E and 2672-E. The Utilities will retain the amounts set forth

in those Advice Letters to offset their SONGS Litigation Costs, as well as the 5% of the negative balance in the NEIL Outage Memorandum Subaccount pursuant to Section 4.11(c)(ii) of the 2014 Agreement. The Utilities will retain all amounts received from MHI in 2017 pursuant to the award issued on March 13, 2017, by the International Chamber of Commerce International Court of Arbitration ("ICC") in ICC Arbitration Case No. 19784/AGF/RD, with the exception of the SDG&E ratepayer credit as shown in Table 1 of SDG&E Advice Letter 3127-E. The Utilities have previously credited customers approximately $5 million in proceeds received from MHI.

(e) From and after the Cessation Date, the Utilities will not recover Nuclear Fuel Investment in rates. The Utilities shall retain all proceeds from the sale of their share of Nuclear Fuel (the City of Riverside having the remaining share), and no portion of such proceeds shall be credited to customers.

(f) This Agreement does not affect the disbursal to the Utilities of funds from the Nuclear Decommissioning Trusts for authorized purposes, including recovery of costs incurred after June 7, 2013, nor does this Agreement affect future contributions to the Nuclear Decommissioning Trusts (if any). This Agreement also does not affect the recovery of costs that are not SONGS Costs, but which otherwise relate to SONGS, that the Commission has authorized the Utilities to recover through rates other than as authorized in the 2014 Settlement, i.e., costs for activities relating to seismic studies and risks, marine mitigation, and claims relating to conditions of employment, including worker's compensation and employment law claims, relating to events occurring prior to June 7, 2013. Further, this Agreement does not preclude the Utilities from requesting, or the Commission from granting, authority to recover in rates costs of third-party claims for personal injury or property damage, including environmental claims, arising out of SONGS operations prior to June 7, 2013, it being understood that the Intervenors reserve the right to oppose any such request.

3.3. Implementation of Rate Changes

(a) Within 45 days after the Approval Date, each Utility shall file with the Commission a Tier 2 advice letter describing the details of the rate changes resulting from this Agreement, as described in Section 3.3(c).

(b) Following the Approval Date, the Parties shall coordinate regarding the timing of the issuance of press releases by the Parties regarding the rate changes resulting from this Agreement. Such press releases shall describe, among other things, the amounts being returned to customers as a result of this Agreement and the average rate decrease by class (e.g., residential CARE, residential non-CARE). In addition, the Utilities shall describe the impact of this Agreement on rates by email to customers for whom the Utilities have email addresses, by social media, and by posting on the official websites of the Utilities. Parties may make public statements regarding this Agreement, provided that they do not characterize the

Agreement as constituting an admission or other indication of wrongdoing or imprudence by the Utilities.

(c) The Utilities shall track the SONGS Revenue Requirement collected in rates from and after the Cessation Date. In the advice letters described in Section 3.3(a) of this Agreement, the Utilities shall propose an adjustment to retail rates starting on the Implementation Date, reflecting (i) the removal of the SONGS Revenue Requirement from rates prospectively from the Implementation Date, (ii) a refund to customers of the Overcollection Amount, amortized over the period starting on the Implementation Date and ending on the Refund End Date, (iii) the disposition of any balances in the Utilities' STAMAs, MNLMA, NFCIMAs and NNLMA, and (iv) a debit to customers of any excess cost savings booked in the Utilities' CFBAs, as described in Section 3.8(b). A Utility's Implementation Date shall not occur on the same day as any other concurrent rate change for that Utility. The Utilities may have different Implementation Dates. SCE will effectuate the refund via a credit to the generation sub-account of the Base Revenue Requirement Balancing Account, or its successor account. SDG&E will effectuate the refund via a credit to the NGBA, or its successor account.

3.4. Greenhouse Gas Research Contributions and Program

(a) The amount described in Section 4.16 of the 2014 Agreement shall be reduced to a total amount of $12.5 million ($2 million annually for five years for SCE, and $500,000 annually for five years for SDG&E) ("New Contribution Amount"). The New Contribution Amount shall be paid by the Utilities using shareholder funds. The five-year period shall commence with the approval of the Tier 2 advice letter described below in Section 3.4(f).

(b) The New Contribution Amount shall be distributed on the basis of a competitive grant proposal process to campuses and research institutes of California State University located in Southern California, provided, however, that grant recipients may subcontract with other California State University campuses for specialized expertise. Eligible proposals will focus on development of new technologies, methodologies and/or design modifications to reduce or avoid greenhouse gas ("GHG") emissions and/or to mitigate the effects of GHG emissions, as well as research on the integration of renewable resources in rural and/or disadvantaged communities. CSU grant proposals shall include CSU administrative costs, not to exceed 10%.

(c) The program will be administered as part of the Utilities' existing technology portfolios to better ensure a path to deployment, to improve coordination with and avoid duplication of other Utility RD&D efforts, and to limit administrative expenditures. The program shall not be considered part of the Utilities' Commission-approved plans under the Electric Program Investment Charge ("EPIC") program established by the Commission in Decision 11-12-035 and Decision 12-05-037, or EPIC's successor, nor shall the program established

herein be required to adhere to the EPIC program's procedural, programmatic or reporting rules and requirements.

(d) It is expected that Utility personnel who are currently engaged in Utility technology programs shall also be engaged in the competitive grant proposal process described in Section 3.4(b) of this Agreement, including solicitation of grants, award of grants, and administration of grants (including any associated reporting requirements). The costs of such personnel shall continue to be recovered in full via general rates, EPIC funding, and/or other Commission-approved programs, and such costs shall not reduce the New Contribution Amount.

(e) The Utilities will meet with CSU within 60 days after the Approval Date to discuss a Program Implementation Plan, including the identification of program topical areas that support California's greenhouse gas reduction and avoidance goals. Within 30 days following such meeting, the Utilities will file and serve a Tier 2 Advice Letter that describes the process for implementation, a proposed schedule and forecasted budget.

(f) Following the completion of the competitive grant proposal process, the Utilities will file Tier 2 Advice Letters proposing the grants to be awarded, as well as the expected results, applications, and demonstrations of the chosen grant projects. The Utilities shall not begin to disburse the funds until the Energy Division's approval of such Tier 2 Advice Letters.

(g) The Utilities will file, and serve, five "Information Only" Annual Reports to the Energy Division to apprise the Commission of the program's status. The first Annual Report shall be filed one year after Commission approval of the Tier 2 advice letter described in Section 3.4(f).

(h) For the avoidance of doubt, campuses of the University of California shall not be eligible to participate in the competitive grant proposal process described in Section 3.4(b) of this Agreement or otherwise receive any funds pursuant to Section 3.4 of this Agreement or Section 4.16 of the 2014 Agreement.

3.5. No Adjustments.

(a) From and after the Cessation Date, no disallowances, adjustments or offsets of any kind shall be made to rates in respect of any costs incurred as a result of the non-operation of SONGS, or in respect of any amounts that customers could have received in the event that SONGS had continued to operate after June 7, 2013. This limitation includes foregone generation sales revenues; there will be no future adjustments or disallowances imposed as a result of foregone sales of SONGS output.

(b) The provisions of the 2014 Agreement relating to forecasted property taxes (see 2014 Agreement, § 4.3(j)), the savings realized in respect of financing the SONGS Regulatory Assets with debt (see 2014 Agreement, § 4.4(a)(ii)), and

amounts received in respect of M&S (see 2014 Agreement, § 4.5(b)) shall be implemented for periods up to the Cessation Date. For periods after the Cessation Date, customers will not pay in rates any amounts in respect of property taxes, financing of the SONGS Regulatory Assets, or M&S, and for such periods no disallowances, adjustments, credits or offsets of any kind shall be made to rates in respect of the provisions of the 2014 Agreement enumerated in this Section 3.5(b).

(c) No disallowances, adjustments or offsets of any kind shall be made to rates in respect of any amounts that the Utilities claimed, or could have claimed, but did not receive from NEIL and/or MHI in connection with failure of the steam generators and subsequent permanent shutdown of SONGS.

(d) No disallowances, adjustments, or offsets of any kind shall be made to rates in respect of any amounts the Utilities could have received or avoided, but did not receive or avoid, in respect of the acquisition, sale or other disposition of Nuclear Fuel Investment or M&S.

(e) With the exception of nuclear fuel contract cancellation costs, nothing in this Settlement Agreement constrains the right of parties to seek disallowances for the recovery of costs related to the decommissioning of SONGS as considered in current or future Nuclear Decommissioning Cost Triennial Proceedings or any other related docket.

(f) Nothing in this Section should be read to prevent any Intervenor from either of the following:

(i) Opposing any proposal for the recovery in customer rates of costs that are not SONGS Costs but otherwise relate to SONGS (as described in Section 3.2(f)) and which remain subject to approval by the Commission; *or*

(ii) Proposing any treatment for the future proceeds from DOE Spent Fuel Litigation.

3.6. Capital Structure.

(a) Pursuant to Section 4.4(a) of the 2014 Agreement, SCE and SDG&E financed the SONGS Regulatory Assets to be amortized pursuant to the 2014 Agreement with debt, and such debt was not recognized in determining either Utility's ratemaking capital structure. Notwithstanding that the Utilities will cease to amortize those SONGS Regulatory Assets from and after the Cessation Date, the debt borrowed to finance the SONGS Regulatory Assets that were being amortized pursuant to the 2014 Agreement will continue to be excluded from both Utilities' ratemaking capital structure. In addition, from and after the Cessation Date, the Utilities may exclude from their ratemaking capital structure the after-tax charge to equity resulting from the implementation of this Agreement.

(b) Consistent with Section 4.4(b) of the 2014 Agreement, the Parties agree to support the continued exclusion, from the dates of the Utility's financing the SONGS Regulatory Assets with debt, of the capital financing of those assets in determining the Utility's overall AFUDC rate calculation at both the Commission and the Federal Energy Regulatory Commission, notwithstanding that both Utilities will cease to amortize the SONGS Regulatory Assets so financed from and after the Cessation Date.

3.7. The PCIA, or any amended and/or successor mechanism adopted by the Commission, shall include any additional credits provided in this Agreement in accordance with the SONGS DA Ratemaking Consensus Protocol, to ensure that bundled service and departing load (i.e., direct access, community aggregation, and community choice aggregation) customers receive equitable and symmetrical benefits.

3.8. Closure of Regulatory Accounts.

(a) The Intervenors agree not to oppose requests by the Utilities to close their MNLMAs, NFCIMAs, NNLMAs, SONGSOMAs and STAMAs within 45 days after the Approval Date.

(b) The Intervenors agree not to oppose requests by the Utilities to close their CFBAs within 45 days after the Approval Date. For any amounts credited to ratepayers for savings tracked in the CFBAs between the Cessation Date and December 31, 2017, a debit shall be recorded by the Utilities. SDG&E will effectuate the debit via the NGBA or its successor account.

3.9. Utility Shareholder Agreement.

(a) The Parties shall not take any position that would collaterally attack the Utility Shareholder Agreement in any venue.

(b) In the event that the Commission takes an action that has the effect of invalidating the Utility Shareholder Agreement, SDG&E may, in its discretion, withdraw from this Agreement, in which case SCE shall remain a Party to this Agreement but this Agreement shall be terminated as to SDG&E.

3.10. Except as expressly provided in this Agreement, the terms and conditions of the 2014 Agreement remain in full force and effect.

IV. GENERAL PROVISIONS

4.1. The Parties shall use their best efforts to obtain Commission Approval. Following the Agreement Date, the Parties shall:

(a) Jointly file motions requesting that the Commission:

(i) Approve this Agreement in its entirety without change under Rule 12 of the Commission's Rules of Practice and Procedure;

(ii) Stay all proceedings in the OII pending its decision on the joint motion of the Parties to approve this Agreement; *and*

(iii) Expedite its consideration and approval of this Agreement so as to provide the benefits of this Agreement as soon as possible;

(b) Refrain from propounding discovery requests in the OII pending the Commission's consideration of the motion for settlement approval. The Parties shall not be required to respond to any pending discovery requests pending the Commission's consideration of the motion for settlement approval. Notwithstanding the foregoing, ORA cannot waive its statutory discovery rights over any entity regulated by the Commission as provided by the Public Utilities Code (e.g., Pub. Util. Code §§ 309.5, 314);

(c) Support and mutually defend this Agreement in its entirety from and after the Agreement Date;

(d) Avoid and abstain from making any collateral attacks on this Agreement or taking positions in other proceedings that would undermine the effect of this Agreement;

(e) Oppose any change to this Agreement proposed by any non-settling party to the OII, unless all Parties jointly agree to support such change;

(f) Cooperate reasonably on all submissions, including briefs and notices, necessary to achieve Commission Approval; *and*

(g) Review any Commission decision regarding this Agreement to determine whether the Commission has conditioned its approval on a material change to this Agreement, the deletion of a material term of this Agreement, or the addition of a material term to this Agreement. The Parties agree that any change to, deletion of, or addition to, Section 1.30 would be material. Any Party unwilling to accept such material change, deletion, or addition shall so notify the other Parties within 15 calendar days of issuance of the order by the Commission or the court. The Parties promptly shall discuss each change, deletion, or addition found unacceptable, negotiate in good faith to achieve a resolution acceptable to all Parties, and request Commission or court approval of the resolution so achieved. Failure to resolve such change, deletion, or addition to the satisfaction of all Parties within 15 calendar days of notification, or to obtain Commission or court approval of such resolution, shall entitle any Party to withdraw from this Agreement by prompt notice to all other Parties; provided, however, that such withdrawal shall not affect the validity of this Agreement as to the other Parties.

4.2. The Parties intend that Commission Approval will constitute a complete and final resolution of the OII, including all issues raised or that could have been raised in the AFR and PFMs, and will have the effect set forth in Rule 12.5 of the Commission's Rules of Practice and Procedure. Subject to Section 4.1, after the Agreement Date, the Parties will not assert in any other proceeding (including, but not limited to, pending SDG&E AL

3127-E and the reasonableness of nuclear fuel contract cancellation costs in A.16-03-004) positions contrary to those reflected in this Agreement.

4.3. Nothing in this Agreement prevents ORA from continuing to advocate for its litigation positions in A.16-04-001, except that this provision shall not extend to any opposition to SCE's position with respect to the DOE litigation proceeds.

4.4. The Parties intend that this Agreement, as well as Commission Approval, shall not be a precedent in any other proceeding.

4.5. The Parties have entered into the stipulations in this Agreement as a compromise and on the basis that the stipulations not be construed as admissions or concessions by any Party regarding any fact or matter of law at issue in the OII. If Commission Approval does not occur, the Parties reserve all rights to take any position whatsoever regarding any fact or matter of law at issue in the OII.

4.6. The Parties agree that no signatory to this Agreement or any employee thereof assumes any personal liability as a result of this Agreement.

4.7. If any Party fails to perform its obligations under this Agreement, any other Party may come before the Commission to pursue a remedy, including enforcement. Prior to doing so, the Parties shall mediate the issue with the mediator who assisted with negotiations of the settlement, if the mediator consents.

4.8. Each Party acknowledges and stipulates that it has agreed to this Agreement freely, voluntarily, and without any fraud, duress, or undue influence by any other party. Each Party states that, through its authorized representatives, it has read and fully understands its rights, privileges, and duties under this Agreement, including its right to discuss this Agreement with its legal counsel, and has exercised those rights, privileges, and duties to the extent deemed necessary.

4.9. In executing this Agreement, each Party declares and mutually agrees that its provisions are reasonable, consistent with the law, and in the public interest.

4.10. This Agreement cannot be amended or modified without the express written and signed consent of all Parties, including pursuant to the process set forth in Section 4.1(g).

4.11. No provision of this 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, on strict performance of any provision of this Agreement or to take advantage of any of its rights under the Agreement shall not be considered a waiver of such provision or a relinquishment of such rights in other instances, but the same shall continue and remain effective.

4.12. No Party has relied, or presently relies, on any statement, promise, or representation by any other Party, whether oral or written, except as expressly set forth in this Agreement. Each Party expressly assumes the risk of any mistake or misunderstanding of law or fact made by such Party or its authorized representative in entering into this Agreement.

4.13. This Agreement shall not be construed against any Party on the basis that such Party was a drafter of this Agreement.

4.14. This Agreement may be executed in separate counterparts by the Parties with the same effect as if all Parties had signed one and the same document. All such counterparts shall be deemed to be an original and together shall constitute one and the same Agreement.

4.15. This Agreement shall become effective and binding on the Parties as of the Approval Date; provided, however, that Section 4.1 of this Agreement shall impose obligations on the Parties immediately upon the Agreement Date.

4.16. This Agreement shall be governed by the laws of the State of California as to all matters, including but not limited to validity, construction, effect, performance, and remedies.

4.17. To the extent this Agreement requires that any Party provide notice to any other Party, such notice shall be in writing and directed to the signatories to this Agreement.

V. EXECUTION

IN WITNESS WHEREOF, the Parties have duly executed this Agreement. The undersigned represent that they are authorized to sign on behalf of the Party represented.

SOUTHERN CALIFORNIA EDISON COMPANY	**SAN DIEGO GAS & ELECTRIC COMPANY**
By: Ronald Nichols	By: _____
Title: President	Title: _____
Date: 1/30/18	Date: _____

THE ALLIANCE FOR NUCLEAR RESPONSIBILITY By: _____ Title: _____ Date: _____	**THE CALIFORNIA LARGE ENERGY CONSUMERS ASSOCIATION** By: _____ Title: _____ Date: _____
CALIFORNIA STATE UNIVERSITY By: _____ Title: ATTORNEY FOR CSU Date: 1/30/2018	**CITIZENS OVERSIGHT** By: _____ RAYMOND LUTZ Title: Founder, Citizens Oversight Date: 1/30/2018
THE COALITION OF CALIFORNIA UTILITY EMPLOYEES By: _____ Title: _____ Date: _____	**THE DIRECT ACCESS CUSTOMER COALITION** By: _____ Title: _____ Date: _____

RUTH HENRICKS By: _____ Title: Attorney for Ruth Henricks Date: 1-30-18	**THE OFFICE OF RATEPAYER ADVOCATES** By: _____ Title: _____ Date: _____
THE UTILITY REFORM NETWORK By: _____ Title: _____ Date: _____	**WOMEN'S ENERGY MATTERS** By: _____ Title: _____ Date: _____

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V. EXECUTION

IN WITNESS WHEREOF, the Parties have duly executed this Agreement. The undersigned represent that they are authorized to sign on behalf of the Party represented.

SOUTHERN CALIFORNIA EDISON COMPANY	**SAN DIEGO GAS & ELECTRIC COMPANY**
By: _____	By: _____
Title: _____	Title: CHIEF REGULATORY OFFICER
Date: _____	Date: 1-30-18

THE ALLIANCE FOR NUCLEAR RESPONSIBILITY By: Rochelle Becker Title: Executive Director Date: Jan 30, 2018	**THE CALIFORNIA LARGE ENERGY CONSUMERS ASSOCIATION** By: [signature] Title: Counsel Date: Jan. 30, 2018
CALIFORNIA STATE UNIVERSITY By: _____ Title: _____ Date: _____	**CITIZENS OVERSIGHT** By: _____ Title: _____ Date: _____
THE COALITION OF CALIFORNIA UTILITY EMPLOYEES By: [signature] Title: Attorney Date: 1/30/18	**THE DIRECT ACCESS CUSTOMER COALITION** By: [signature] Title: Counsel Date: 1/30/18

RUTH HENRICKS By: _____ Title: _____ Date: _____	**THE OFFICE OF RATEPAYER ADVOCATES** By: _____ Title: _____ Date: _____
THE UTILITY REFORM NETWORK By: Mark Toney Title: Executive Director Date: Jan 30, 2018	**WOMEN'S ENERGY MATTERS** By: Joan Merrill Title: Advocate Date: 1.30.2018

RUTH HENRICKS By: _____ Title: _____ Date: _____	**THE OFFICE OF RATEPAYER ADVOCATES** By: Elizabeth Echols Title: Director Date: 1-30-18
THE UTILITY REFORM NETWORK By: _____ Title: _____ Date: _____	**WOMEN'S ENERGY MATTERS** By: _____ Title: _____ Date: _____