

BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking to Consider the Annual )  
Revenue Requirement Determination of the ) Rulemaking No. 13-02-019  
California Department of Water Resources and ) (Filed February 28, 2013)  
Related Issues. )  
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**MOTION FOR APPROVAL OF UNCONTESTED SETTLEMENT  
AND EXPEDITED INTERIM ORDER  
BY SAN DIEGO GAS & ELECTRIC COMPANY (U-902-E),  
SOUTHERN CALIFORNIA EDISON COMPANY (U-338-E), AND  
PACIFIC GAS AND ELECTRIC COMPANY (U-39-E)**

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San Francisco, California  
August 7, 2013

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PACIFIC GAS AND ELECTRIC COMPANY (U-39-E)**

Pursuant to Rule 12.1 of the Commission’s Rules of Practice and Procedure, San Diego Gas & Electric Company (U-902-E) (“SDG&E”), Southern California Edison Company (U-338-E) (“Edison”) and Pacific Gas and Electric Company (U-39-E) (“PG&E”), individually a “Settling Party” and collectively the “Settling Parties”, file this motion seeking the Commission’s approval of an uncontested settlement in this matter. The Settling Parties attach their Settlement Agreement to this Motion. If adopted, the Settlement Agreement would resolve the disputed issues related to the ratemaking treatment of those costs incurred by the California Department of Water Resources (“the Department”) arising from that agreement known as the Kern River Firm Transportation Service Agreement No. 1724 (“TSA 1724”). The Department sought, and is seeking, Commission orders setting the ratemaking treatment of those costs as part of the Department’s 2013 and 2014 annual determinations of revenue requirement. The Settling Parties have contested the manner in which those costs should be allocated among the three utilities and recovered through rates. The Settlement Agreement resolves the disputes between the Settling Parties in a manner they believe is, taken as a whole and under each and every one of the terms and conditions of the Settlement Agreement, just and reasonable. Based upon the representations of the parties attending the Settlement Conference related to the Settlement Agreement, the Settling Parties submit that the Settlement Agreement is, to the best of their information, knowledge and belief as of the date of the filing of this Motion, uncontested. Further, the Settling Parties respectfully request that the Commission issue an interim decision and order approving the Settlement Agreement at the Commission’s earliest opportunity so as to give effect to the provisions of the Settlement Agreement as soon as possible.

## I. INTRODUCTION AND SUMMARY OF RELIEF REQUESTED

On or about October 15, 2012, the Department filed its *Revision to the Determination of Revenue Requirement for the Period January 1, 2013, Through December 31, 2013* ("Revised Determination") in Rulemaking 11-03-006, the predecessor docket to the above-captioned proceeding.<sup>1</sup> The Commission adopted the Department's proposed 2013 annual revenue requirement of \$861 million and the Department's allocation of that revenue requirement among the three utilities in November 2012.<sup>2</sup> In its *Comments on the Proposed Decision* filed October 19, 2012, SDG&E requested that it be permitted to reserve its rights to contest the determination and inter-utility allocation of that portion of the Department's 2013 revenue requirement related to TSA 1724; the Department had proposed to allocate the entire costs of TSA 1724 to SDG&E and SDG&E contested whether such an allocation was appropriate.<sup>3</sup> The Commission addressed SDG&E's request by approving the Department's costs incurred under TSA 1724 and the allocation of the entirety of those costs to SDG&E "on an interim basis, subject to refund pending the resolution of allocation of dollars associated with the natural gas TSA."<sup>4</sup> This matter has remained in controversy and unresolved since that time.

More recently, on or about June 17, 2013, the Department submitted its *Proposed Determination of Revenue Requirement for the Period January 1, 2014, through December 31, 2014*. In this filing, the Department indicates it continues to incur costs related to TSA 1724 and proposes once again to allocate the entirety of those costs to SDG&E for ratemaking purposes. It was SDG&E's intention to dispute such an allocation for the same reasons raised with respect to the costs of TSA 1724 incurred by the Department

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<sup>1</sup> Under the terms of its *Order Instituting Rulemaking 13-02-019*, the Commission closed the predecessor Rulemaking 11-03-006 and transferred all pending matters, including those related to TSA 1724, to the new docket. See *Order Instituting Rulemaking 13-02-019*, March 6, 2013, at pp.6 (Order 4) and 7 (Order 9).

<sup>2</sup> See *Decision Allocating the Final Revised 2013 Revenue Requirement Determination of the California Department of Water Resources*, Decision 12-11-040 in Rulemaking 11-03-040 (November 29, 2012), printed opinion at p.16 and Appendix A.

<sup>3</sup> The facts surrounding TSA 1724 are as follows. On or about August 12, 2003, the Department and Kern River executed a transportation services agreement pursuant to which Kern River was to provide and the Department became entitled to not less than 85,000 dekatherms per day of firm transportation across the Kern River system from Opal to either of the Wheeler Ridge or the Kramer Junction delivery points. On or about August 12, 2009, the Department and Kern River executed a restated transportation services agreement including the same essential terms; the restated agreement superseded and replaced the 2003 agreement. In entering into these agreements (collectively referenced as "TSA 1724"), the Department and Kern River effected the assignment of previous firm transportation services agreements executed by and between Kern River on the one hand and Edison Mission Energy and/or Sunrise Power LLC ("Sunrise") on the other. In agreeing to the assignment, the Department was fulfilling certain of its obligations pursuant to a settlement of claims by and between the Department and Sunrise; the obligations created by this settlement with respect to TSA 1724 were considered a part of the Department's obligations under its power purchase agreement and associated confirmation agreement with Sunrise. Essentially, TSA 1724 provided for the interstate transportation of fuel to the Sunrise facility and the Department, in support of the power purchase agreement between these two parties.

<sup>4</sup> See *Decision 12-11-040*, *supra*, printed opinion at pp.7 to 8; also, Finding of Fact 10 at p.13, Conclusion of Law 2 at p.15, and Ordering Paragraph 1.c at p.17.

between July 1, 2012, through December 31, 2013. It was Edison's and PG&E's intention to contest any allocation of these costs to them on the same grounds they had previously raised in opposition to SDG&E's prior position.

The Settlement Agreement fully resolves the issues related to TSA 1724 raised by SDG&E and contested by Edison and PG&E. In entering into the Settlement Agreement and requesting the Commission's approval of each and every term and condition therein, the Settling Parties believe they have struck a fair balance between their respective positions and that, in the interests of judicial economy and to remove the uncertainties associated with their further pursuit of the issues related to TSA 1724 now pending before the Commission, the Commission should approve the Settlement Agreement as a whole and each and every one of its terms and conditions without modification. As described more fully below, the Settling Parties are also requesting that the Commission approve the Settlement Agreement by an interim decision and orders adopted at the Commission's earliest opportunity. The expedited approval of the Settlement Agreement will facilitate the early commencement of certain activities contemplated by the Settling Parties and, further, will allow the Department to reflect the ratemaking terms and conditions of the Settlement Agreement in the expected updated revisions to its 2014 annual determination of revenue requirement.

## **II. SUMMARY OF THE SETTLEMENT AGREEMENT**

Following extensive discussions amongst the utilities and other parties, the Settling Parties reached a settlement as to the issues pending in this docket related to TSA 1724. For ratemaking purposes, the Settling Parties agree that all costs, less any revenues received by the Department,<sup>5</sup> related to TSA 1724 for the period beginning July 1, 2012, until such time as the Department no longer bears any responsibility for TSA 1724, should be allocated to the SDG&E Utility-Specific Balancing Account. By agreeing to this provision, the Settling Parties only agree that, for the specific costs of TSA 1724 incurred by the Department on or after July 1, 2012, the entries to the SDG&E Utility-Specific Balancing Account as previously submitted to the Commission by the Department should be used for ratemaking purposes. The Settling Parties do not agree as to which of the methodologies or principles previously argued by them and relating the Department's submittals should prevail.

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<sup>5</sup> Since July 1, 2012, the Department has in the ordinary course of business posted the firm capacity subject to TSA 1724 for both temporary release at market prices and permanent release at undiscounted rates. The revenues the Department receives from these efforts have been credited to the SDG&E Utility-Specific Balancing Account, offsetting to some extent the costs of TSA 1724 which the Department has been debiting to the SDG&E Utility-Specific Balancing Account.

In recognition of their agreement that all of the costs and revenues related to TSA 1724 should be recorded to the SDG&E Utility-Specific Balancing Account, the Settling Parties agree that one-time, offsetting credits and debits should be reflected in the Department's 2014 annual determination of revenue requirement as follows: (a) a one-time \$30 million credit should be entered in the SDG&E Utility-Specific Balancing Account; (b) a one-time \$15 million debit entry should be entered in the Edison Utility-Specific Balancing Account; and (c) a one-time \$15 million debit entry should be entered in the PG&E Utility-Specific Balancing Account. These amounts reflect the Settling Parties' considerable negotiations and compromises and their individual and collective desire to settle issues related to the ratemaking treatment of the Department's TSA 1724 liabilities. In part, these amounts include the transfer of previous credit entries recorded to the Edison and PG&E Utility-Specific Balancing Accounts to the SDG&E Utility-Specific Balancing Account; these entries are related to Kern River rate settlements previously allocated by the Department and the Commission to Edison and PG&E in the amounts of \$6,280,049 and \$5,579,328, respectively.

In addition to addressing ratemaking issues, the Settling Parties considered the manner in which the Department's costs under TSA 1724 might be reduced and utility ratepayers statewide could benefit from such cost reductions. To this end, the Settling Parties agreed that SDG&E, with deeper resources and greater expertise in the marketing and utilization of gas transportation assets than the Department, should seek the Commission's authorization to assume responsibilities, whether as the Department's agent or as the replacement shipper via means available under applicable Kern River capacity release tariffs, for managing the shipper rights under TSA 1724. Any revenues resulting from SDG&E's marketing efforts on behalf of the Department as its agent would be recorded to the SDG&E Utility-Specific Balancing Account as an offset to the costs of TSA 1724. Furthermore, in the event the Commission authorizes SDG&E to become the replacement shipper for TSA 1724, SDG&E would immediately seek to effect a permanent and unconditional release of TSA 1724 to SDG&E and the consent of Kern River to such a release upon commercially reasonable terms and conditions. Upon Kern River's consent to a permanent and unconditional release of the Department from TSA 1724, the Department can be expected to release certain financial reserves it currently holds in guarantee of payment of the costs of TSA 1724. Upon the release of these reserves, a credit entry representing the Settling Parties' allocable share of these reserves would be made to the Utility-Specific Balancing Accounts of each of the Settling Parties, perhaps early enough to reduce the Department's 2014 annual determination of revenue requirement and the Settling Parties' otherwise applicable rates as of January 1, 2014.

Finally, the Settling Parties considered various pending legal and equitable claims, nonjurisdictional to the Commission, reserved and raised by the Department against other parties. Those claims represent additional, viable opportunities to reduce the costs of TSA 1724 to California electric ratepayers. SDG&E has, in particular, considered the assistance it might provide to the Department in the pursuit of those claims. The Settling Parties agreed that SDG&E should provide such assistance to the Department as the Department may request and as may be reasonably calculated to reduce the costs of TSA 1724 to California electric ratepayers. Edison and PG&E have agreed to support SDG&E, within reason, in this regard. In the event SDG&E determines its costs of litigation will be substantial, SDG&E may request reasonable financial contributions from Edison and PG&E, but in no event would Edison and PG&E be responsible for any such contributions without their prior written and voluntary consent. In the event any action taken by SDG&E in any forum results in any benefit, SDG&E will report that benefit to Edison and PG&E, and ultimately to the Commission. SDG&E, Edison and PG&E agree that such benefits will be shared equally by all three of the Settling Parties, *i.e.*, each utility will receive one-third of the benefit.

**III. THE SETTLEMENT AGREEMENT IS REASONABLE AND IN THE PUBLIC INTEREST AND THE COMMISSION SHOULD ADOPT THE AGREEMENT WITHOUT MODIFICATION.**

The Settlement Agreement represents a comprehensive resolution of the issues pending before the Commission related to TSA 1724. Those issues are resolved in a balanced manner, taking into account the competing interests of the parties and their desire to mitigate the uncertainties associated with pursuing these issues to conclusion through litigation. Each of the Settling Parties made concessions in arriving at the balance reflected in the Settlement Agreement and each of the Settling Parties submit the final results of their negotiations meets the standard for the setting of just and reasonable utility rates set forth in Public Utilities Code Sections 451, 453(a), 454(a), 455, and 728, and Water Code Section 80110.

The record in this proceeding fully establishes the extent of the controversies regarding the methodology which should govern the allocation of the costs of TSA 1724 to and among the Settling Parties. The various proposals of the Settling Parties submitted in their prior pleadings describe a broad range of potential outcomes and each of the Settling Parties continues to believe that there are precedents, facts and equities in their favor. In light of this record and the potential loss each of the Settling Parties might suffer in the event the Commission were to decide the contested matters unfavorably, the Settling Parties submit that a settlement satisfactory to all of the active parties to this proceeding is a reasonable outcome in light of the whole record.

The Settlement Agreement reaches beyond the simple allocation of TSA 1724 to address the full range of considerations relevant here, some of which are beyond the purview of the instant proceeding. For example, the Settling Parties considered whether the previous allocation of certain Kern River rate settlements, in part, to Edison and PG&E was appropriate and agreed to a change in that allocation. Additionally, the Settling Parties took into consideration the manner in which the costs of TSA 1724 might be reduced, and agreed that SDG&E could improve the cost profile of the agreement by marketing and managing the shipper's rights on behalf of the Department. Similarly, the Settling Parties took into consideration the potential immediate benefit that could be achieved if SDG&E nominated itself to become the replacement shipper for TSA 1724. Upon Kern River's consent to a permanent and unconditional release of TSA 1724 to SDG&E and the concurrent release of the Department from any further obligations under TSA 1724, the Settling Parties would receive the benefit of the release of certain financial reserves currently held by the Department -- the allocable share of those reserves could then be recorded to the Utility-Specific Balancing Accounts of each of the Settling Parties, perhaps in time to be reflected in the Department's 2014 annual determination of revenue requirement and flowed through to ratepayers in 2014. This benefit would not be achieved through a resolution of the cost-allocation issues raised in this proceeding and is only possible by virtue of the Settlement Agreement. Thus, the Settling Parties request that the Commission not only approve the Settlement Agreement as being in the public interest, but that the Commission also approve the Settlement Agreement at its earliest opportunity so that the process of effecting a permanent and unconditional release of TSA 1724 to SDG&E can be commenced as soon as possible.

Finally, after due consideration of various pending claims the Department has reserved and/or raised against other parties, the Settling Parties agree that the likelihood that certain of these claims would be successful will be improved in the event the Department received support from the Settling Parties. Thus, SDG&E has agreed to take the laboring oar on behalf of the Settling Parties in providing this support to the Department.<sup>6</sup> This raises the possibility that the net costs of TSA 1724 can be reduced in the future. If this occurs, the Settling Parties would share equally in the benefits obtained by pursuing these claims to success. Because these claims are beyond the Commission's jurisdictional reach, a Commission decision addressing the cost-allocation dispute alone could not provide these benefits to California electric ratepayers and these benefits are therefore only available by virtue of the Settlement Agreement.

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<sup>6</sup> In part, SDG&E agreed it would be the logical Settling Party to accept the net costs of TSA 1724 in its Utility-Specific Balancing Account because it had already begun to evaluate the Department's claims and support the Department in the pursuit of these claims.

For the foregoing reasons, the Settling Parties submit that the Settlement Agreement is reasonable in light of the whole record, consistent with law, and in the public interest.

**IV. THIS SETTLEMENT WAS REACHED IN COMPLIANCE WITH THE REQUIREMENTS OF COMMISSION RULE 12.1(b).**

Pursuant to Rule 12.1(b) of the Commission's Rules of Practice and Procedure, a written Notice of Settlement Conference was served upon the parties to the instant rulemaking on or about July 3, 2013. In accordance with that Notice, a Settlement Conference was held at a public location accessible to the disabled on July 17, 2013, with additional provisions made for attendance by toll-free conference calling. The Settlement Conference was conducted in accordance with Rule 12.6 of the Commission's Rules of Practice and Procedure and all parties in attendance agreed to conduct themselves under the terms of that rule. Except as to the matters noted in this part and which all parties agreed could be made public and disclosed to the Commission by this Motion, the parties in attendance at the Settlement Conference agreed that the settlement discussions should remain confidential. The parties were presented with and discussed an outline of the settlement principles now embodied in the executed Settlement Agreement.

Each of the Settling Parties were represented at the Settlement Conference. In addition to the three Settling Parties, two other parties attended the Settlement Conference. Prior to the conclusion of the Settlement Conference, these other parties were asked to state whether they would support, oppose or take no position with respect to the Settlement so that their position could be reported to the Commission in this Motion. Notwithstanding the following report of their positions below, the two other parties have an unrestricted right to submit comments on the Settlement Agreement pursuant to Rule 12.2 of the Commission's Rules of Practice and Procedure and are not bound by their prior representations at the Settlement Conference or the report of their positions as found in this Motion.

The Department attended the Settlement Conference and indicated it supported the Settlement Agreement. The Department indicated its interests would be served best if the Settling Parties were to request, and the Commission were to issue, an expedited interim order granting such authorities to SDG&E as would be necessary for SDG&E to enter into an agreement with the Department immediately, pursuant to which SDG&E would:



- (a) Provide such assistance to the Department in the management of the shipper's rights under TSA 1724 as the Department and SDG&E may agree would be beneficial to California electric customers, including but not limited to SDG&E acting as the Department's agent for the purposes of managing the capacity contracted under TSA 1724 and scheduling the use of that capacity; and/or,
- (b) Effect a permanent and unconditional release of TSA 1724 from the Department to SDG&E (*i.e.*, a full novation), and thereafter to make all reasonable efforts to effect the release and obtain Kern River's consent to the release upon commercially reasonable terms and conditions.

(See *Settlement Agreement*, attached to this Motion, at Part III, ¶¶3.a and 3.b.) The Settling Parties agree the purposes of the Settlement Agreement and the public interest would be served by the Commission issuing, at its earliest opportunity, the appropriate interim decisions and orders as requested by the Department. The Department further indicated that it understood the provisions of the Settlement Agreement related to the allocation of the costs of TSA 1724 among the Settling Parties and could implement those provisions, including the credits and debits as described in the Settlement Agreement, as a part of its 2014 annual determination of revenue requirement upon appropriate orders of the Commission.

Interested Party Kern River Gas Transmission Company also attended the Settlement Conference. At the conclusion of the Settlement Conference, Kern River Gas Transmission Company indicated it was neutral with respect to the Settlement Agreement.

Based upon the foregoing, the Settling Parties represent to the Commission that the Settlement Agreement is, to the best of their information, knowledge and belief as of this date, uncontested and should be approved by the Commission as such.

## **V. SUMMARY**

For the foregoing reasons, the Settling Parties submit that the Settlement Agreement is reasonable in light of the whole record, consistent with law, and in the public interest. The Settling Parties therefore request that the Commission enter findings of fact and conclusions of law consistent with the representations, assertions and arguments presented in this Motion, and grant relief in the form requested by approving the Settlement Agreement as a whole and without modification as to any one of its terms and conditions. Finally, the Settling Parties request that the Commission approve the Settlement Agreement by

issuing an interim decision and order at the Commission's earliest opportunity so that the benefits of the Settlement Agreement, some of which are time-sensitive, can be realized as soon as possible.

Respectfully submitted,

/s/ Alvin S. Pak

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Alvin S. Pak

Attorney for San Diego Gas & Electric Company

On Behalf of  
Southern California Edison Company and  
Pacific Gas and Electric Company

August 7, 2013  
San Francisco, California

ATTACHMENT  
SETTLEMENT AGREEMENT

**SETTLEMENT AGREEMENT BY AND BETWEEN  
SAN DIEGO GAS & ELECTRIC COMPANY (U-902-E),  
SOUTHERN CALIFORNIA EDISON COMPANY (U-338-E), AND  
PACIFIC GAS AND ELECTRIC COMPANY (U-39-E)**

**Rulemaking 13-02-019**

**I. INTRODUCTION AND SUMMARY**

Pursuant to Rule 12.1 of the Rules of Practice and Procedure of the California Public Utilities Commission, San Diego Gas & Electric Company (“SDG&E”), Southern California Edison Company (“Edison”) and Pacific Gas and Electric Company (“PG&E”) (hereinafter referenced individually as “a Settling Party” and collectively as “the Settling Parties”) hereby enter into this Settlement Agreement for the sole purpose of resolving their disputes related to the allocation, for ratemaking purposes, of those certain costs incurred by the California Department of Water Resources (“the Department”) related to that agreement known as the “Kern River Firm Transportation Service Agreement No. 1724” (“TSA 1724”) in Commission Rulemaking 13-02-019.

The Settling Parties believe this Settlement Agreement is a reasonable and fair resolution of their disputes and is in the public interest. This Settlement Agreement, taken as a whole, is mutually acceptable to the Settling Parties. Therefore, the Settling Parties request that the Commission approve the Settlement Agreement as a whole and as to each and every of its terms and conditions without modification so as to preserve the balance struck as between the interests of the Settling Parties.

**II. RECITALS**

WHEREAS, the Department continues to incur costs associated with TSA 1724 and seeks the reimbursement of those costs in its annual determination of revenue requirement as submitted to the Commission; and,

WHEREAS, SDG&E has contested the full allocation of the costs of TSA 1724 to SDG&E and SDG&E’s ratepayers on various grounds; and,

WHEREAS, Edison and PG&E have contested the allocation of any of the costs of TSA 1724 to them and their ratepayers on various grounds; and,

WHEREAS, the Commission has the jurisdiction to determine the reasonable and fair allocation of the costs of TSA 1724 among the utilities and each’s ratepayers in its discretion and upon such findings of fact and conclusions of law as it may draw from the record of this rulemaking;

THEREFORE, the Settling Parties hereby agree to the following terms and conditions, taken as a whole in consideration of each and every term and condition, in order to resolve issues related to the allocation of any of the costs of TSA 1724 to each of the Settling Parties and so as to assure that the Department will be timely and fully reimbursed for such costs as the Department has incurred and may incur in the future under TSA 1724.

### III. TERMS AND CONDITIONS OF THE SETTLEMENT AGREEMENT

1. The Department shall record the full amount of any costs and revenues related to TSA 1724 for the period commencing July 1, 2012, and continuing until such time as the Department no longer incurs costs and/or receives revenues related to TSA 1724, in the SDG&E Utility-Specific Balancing Account. SDG&E waives any right to contest the allocation of these costs and/or revenues, for ratemaking purposes, to its Utility-Specific Balancing Account.
2. For the purposes of its 2014 annual determination of revenue requirement, the Settling Parties shall recommend that the Department submit for the Commission's approval an annual revenue requirement, for ratemaking purposes, that includes and implements (a) a one-time \$30 million credit to the SDG&E Utility-Specific Balancing Account, (b) a one-time \$15 million debit entry to the Edison Utility-Specific Balancing Account, and (c) a one-time \$15 million debit entry to the PG&E Utility-Specific Balancing Account.
  - a. The foregoing credit and debit entries represent, for ratemaking purposes, the one-time adjustments implementing the allocation of the costs of TSA 1724 incurred by the Department for the period July 1, 2012, until such time as the Department no longer incurs any such costs, as determined by the Settling Parties to represent a fair compromise of the issues related to the allocation of such costs. The debit entries to be recorded to the Edison and PG&E Utility-Specific Balancing Accounts include (1) the Kern River rate settlements previously allocated by the Department and the Commission to Edison and PG&E in the amounts of \$6,280,049 and \$5,579,328, respectively, and (2) additional amounts in settlement of all issues related to Kern River TSA 1724 raised by SDG&E in this rulemaking.

3. SDG&E shall seek authority from the Commission to execute such agreements with the Department as may be necessary:
  - a. For SDG&E to provide such assistance to the Department in the management of the shipper's rights under TSA 1724 as the Department and SDG&E may agree would be beneficial to California electric customers, including but not limited to SDG&E acting as the Department's agent for the purposes of managing the capacity contracted under TSA 1724 and scheduling the use of that capacity; and,
  - b. For SDG&E to effect a permanent and unconditional release of TSA 1724 from the Department to SDG&E (*i.e.*, a full novation). Upon authorization by the CPUC to effect such a release, SDG&E shall make all reasonable efforts to effect the release and obtain Kern River's consent to the release upon commercially reasonable terms and conditions.
4. SDG&E shall seek authority from the CPUC to assist the Department in the pursuit of claims brought by the Department against any parties in such available and appropriate forums as the Department and SDG&E might choose and as may be reasonably calculated to reduce the costs of TSA 1724 to California electric customers, provided:
  - a. Edison and PG&E shall assist SDG&E in these efforts by reviewing, supporting and/or supplementing SDG&E's filings to such extent as SDG&E may reasonably request, but Edison and PG&E shall not, without their further prior written and voluntary agreement, bear any of the costs of litigation incurred by SDG&E in the pursuit of any such claims; and,
  - b. In the event SDG&E receives any benefit from the pursuit of any such claims, SDG&E shall report the nature and extent of the benefit to PG&E and Edison and, thereafter, to the Commission. SDG&E, PG&E and Edison agree that such benefit shall be allocated to each utility on an equal basis, that is, each utility should receive one-third of any such the benefit.

#### IV. GENERAL TERMS AND CONDITIONS

In addition to the foregoing terms and conditions, the Settling Parties agree to each and every of the following general terms and conditions as follows:

1. This Settlement Agreement is subject to the approval of the Commission as a whole and as to each and every one its terms and conditions. In the event the Commission does not approve the settlement as a whole and as to each and every one of its terms and conditions as proposed, the Settling Parties agree to release one another from the Settlement Agreement and any portion of its terms and conditions.
2. This Settlement Agreement shall become effective on the first calendar date of the month following the Commission meeting at which the Commission approves the Settlement Agreement in a Final Commission Decision. A "Final Commission Decision" for the purposes of this Settlement Agreement shall mean a Commission decision or order that approves the terms of this Settlement Agreement without modifications, other than those modifications deemed acceptable to the Settling Parties pursuant to Paragraph 3 of these General Terms and Conditions.
3. Each Settling Party shall review any Commission decision or order regarding this Settlement Agreement to determine if the Commission has changed, modified, or severed any portion of the Settlement Agreement, deleted a term, or imposed a new term. If a Settling Party is unwilling to accept any such change, modification, severance, deletion, or addition, that Settling Party shall so notify the other Settling Parties within ten (10) business days after the issuance of the Commission decision or order approving this Settlement Agreement. The Settling Parties shall thereafter promptly meet and confer to discuss each change, modification, severance, deletion, or addition which any of the Settling Parties is unwilling to accept and negotiate in good faith to achieve a resolution acceptable to all of the Settling Parties. Upon reaching such a resolution, the Settling Parties shall promptly seek the Commission's approval of the resolution so achieved. Failure to resolve such change, modification, severance, deletion, or addition to the satisfaction of all of the Settling Parties within thirty (30) calendar days of notification, or to obtain Commission approval of such resolution within thirty (30) days of the filing of such resolution with the Commission, shall cause this Settlement Agreement to terminate. If no Settling Party provides notice with the Notice Period, the Settlement Agreement shall be deemed final as to and binding on each of the Settling Parties, notwithstanding any changes, modifications, severances, deletions, or additions adopted by the Commission in its decision or order approving the Settlement Agreement.

4. The Settling Parties agree to support the Settlement Agreement and perform diligently, and in good faith, all actions required or implied hereunder to obtain Commission approval of the Settlement Agreement as a whole and as to each and every one of its terms and conditions, including without limitation the preparation of written pleadings. The Settling Parties further agree not to contest in this proceeding, or in any other forum or in any manner before this Commission, this Settlement Agreement or any of its terms and conditions.
5. The Settling Parties agree by executing and submitting this Settlement Agreement that the relief requested herein is fair, just and reasonable, and in the public interest and, further, that the rates which may derive from its terms and conditions are fair, just and reasonable.
6. This Settlement Agreement is not intended by the Settling Parties to be precedent regarding any of the issues or principles it addresses. The Settling Parties have assented to the terms and conditions of this Settlement Agreement for the sole purpose of arriving at a compromise of their differences and only for the purposes of resolving their differences raised in the context of the immediate proceeding to which the Settlement Agreement is relevant. Each of the Settling Parties expressly reserves its right to assert in any other matter before this Commission or in any other forum a position, principle, assumption, and/or legal argument which may be different from or contrary to those underlying this Settlement Agreement. In accordance with the reservation of such rights, each of the Settling Parties agrees not to assert that this Settlement Agreement bars the assertion of such a position, principle, assumption and/or legal argument in any other matter before this Commission or in any other forum.
7. This Settlement Agreement embodies compromises between and of the positions asserted by the Settling Parties. No individual term or condition of this Settlement Agreement is assented or agreed to by any Settling Party, except in consideration of the other Settling Parties' assent and agreement to all other terms and conditions of the Settlement Agreement. This Settlement Agreement is intended to be indivisible and each part is intended to be interdependent on each and all other parts.



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

**EXECUTED BY:**

**SAN DIEGO GAS & ELECTRIC COMPANY**

BY: Mark B. Bunker

ITS: Vice President

DATE: August 5, 2013

**SOUTHERN CALIFORNIA EDISON COMPANY**

BY: Theresa Lott

ITS: Vice President

DATE: August 6, 2013

**PACIFIC GAS AND ELECTRIC COMPANY**

BY: \_\_\_\_\_

ITS: \_\_\_\_\_

DATE: \_\_\_\_\_

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

EXECUTED BY:

SAN DIEGO GAS & ELECTRIC COMPANY

BY: Mark B. Bunkert

ITS: Vice President

DATE: August 5, 2013

SOUTHERN CALIFORNIA EDISON COMPANY

BY: \_\_\_\_\_

ITS: \_\_\_\_\_

DATE: \_\_\_\_\_

PACIFIC GAS AND ELECTRIC COMPANY

BY: Fong Wan

ITS: Senior VP, Energy Procurement

DATE: 8/7/2013