

September 16, 2019

Ms. Kimberly D. Bose, Secretary
Federal Energy Regulatory Commission
888 First Street, N.E.
Washington, DC 20426

Re: Southern California Edison Company
Docket No. ER18-169-000¹

Dear Ms. Bose:

In accordance with the provisions of Rule 602 of the Federal Energy Regulatory Commission's ("Commission") Rules of Practice and Procedure, 18 C.F.R. §385.602 (2019), Southern California Edison Company ("SCE") submits for electronic filing in the above-referenced docket the documents described below. Please transmit a copy of the documents to the Presiding Administrative Law Judge, David H. Coffman. The Offer of Settlement ("Settlement") is intended to resolve all issues in Docket Nos. ER18-169-000 and EL18-44-000. The Commission Trial Staff and all Intervenors have indicated that they either support or do not oppose resolution of these proceedings according to the terms and conditions described in the Settlement. The following documents are attached:

1. An Explanatory Statement;
2. The Offer of Settlement, including several Exhibits attached thereto;

¹ A letter describing this filing will be submitted in the related Docket No. EL18-44-000.

- The exhibits include clean and redline versions of Appendix IX of SCE's Transmission Owner Tariff for each applicable period, reflecting the modifications in accordance with the terms of the Settlement; and
3. A certificate of service.

Comments on the Offer of Settlement are due on October 7, 2019, which is 21 days after the date of this filing, and reply comments are due on October 16, 2019, which is 30 days after the date of this filing. Further, to ensure that SCE can provide refunds through its TO2020 Annual Update, SCE requests that the Commission issue an order by November 15, 2019.

Respectfully submitted,

/s/ Matthew Dwyer

Matthew Dwyer
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Attorney for Southern California Edison Co.

**UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION**

)	Docket Nos. ER18-169-000
Southern California Edison Company)	EL18-44-000
)	

**SOUTHERN CALIFORNIA EDISON COMPANY'S
EXPLANATORY STATEMENT AND
OFFER OF SETTLEMENT**

UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

)	Docket Nos. ER18-169-000
Southern California Edison Company)	EL18-44-000
)	

EXPLANATORY STATEMENT

Pursuant to Rule 602 of the Rules of Practice and Procedure of the Federal Energy Regulatory Commission (“FERC” or “Commission”), 18 C.F.R. § 385.602 (2019), Southern California Edison Company (“SCE”) hereby submits this Explanatory Statement describing the contents of its Offer of Settlement (“Settlement”) that is attached hereto. The Settlement is the result of formal and informal settlement discussions among the participants in this case, as described below, and is intended to resolve all issues in Docket Nos. ER18-169-000 and EL18-44-000.

I. PROCEDURAL HISTORY

SCE filed its original Transmission Owner (“TO”) Tariff on March 31, 1997 in Docket No. ER97-2355-000. The TO Tariff specifies, among other things, the rates and charges for transmission access over the California Independent System Operator Corporation (“CAISO”) Controlled Grid. The revenue requirement and rates implemented by the Commission in that docket reflected the shift in jurisdiction over

retail transmission service and rates from the California Public Utilities Commission (“CPUC”) to the Commission, which occurred on April 1, 1998, when SCE transferred operational control of its transmission facilities to the CAISO.

On June 3, 2011, SCE filed revisions to its TO Tariff, FERC Electric Tariff, Second Revised Volume No. 6 in Docket No. ER11-1689, to reflect the proposed move to a formula rate to replace SCE’s then existing stated rates, in order to provide timely recovery of SCE’s changing costs. That proceeding was ultimately settled, with such settlement accepted pursuant to Commission Order on November 5, 2013.¹ That settlement, and the associated rates and terms are referred to as SCE’s Original Formula Rate. The Original Formula Rate terminated pursuant to the terms of that settlement on December 31, 2017.

On October 27, 2017, SCE filed its current Formula Rate with a January 1, 2018 requested effective date to replace the Original Formula Rate. On December 29, 2017, the Commission issued an order conditionally accepting and suspending the filing and proposed rates until January 1, 2018, subject to refund, and establishing settlement judge procedures. In that order, the Commission also instituted an investigation pursuant to Section 206 of the Federal Power Act to investigate whether a further increase beyond SCE’s TRR reduction was warranted. *Southern California Edison Co.*, 161 FERC ¶ 61,309 (2017) (“December 29 Order”).

¹ *Southern California Edison Company*, 145 FERC ¶ 61,103 (2013)

On January 5, 2018, the Honorable David H. Coffman was appointed Settlement Judge. Judge Coffman conducted numerous settlement conferences in the proceeding from January, 2018 through April, 2019. The enclosed Settlement is the result of those discussions and resolves all issues in Docket Nos. ER18-169-000 and EL18-44-000. All Parties² have indicated that they either support or do not oppose the Settlement. To properly reflect several filings that were made subsequent to the initial submission of SCE's TO Tariff filing in this proceeding on October 27, 2017, but before the submission of this Offer of Settlement,³ the Settlement includes 5 sets of Formula Rate Spreadsheets, which are reflected in the terms of and exhibits to the Settlement. SCE and the Parties have worked diligently to develop mechanisms for minimizing the burdens associated with determining and implementing refunds for the various rate periods at issue. Prompt

² The parties to this proceeding are SCE, California Public Utilities Commission (the "CPUC"), the Los Angeles Department of Water and Power, the California Department of Water Resources State Water Project, the Modesto Irrigation District, the City of Santa Clara, California, and the M-S-R Public Power Agency, State Water Contractors, the Cities of Anaheim, Azusa, Banning, Colton, Pasadena, and Riverside, California, Pacific Gas and Electric Co., Golden State Water Co., Transmission Agency of Northern California, San Diego Gas and Electric Co., Imperial Irrigation District, and the Northern California Power Agency (the intervenors in this proceeding are each referred to as a "Party" and, collectively with SCE, are referred to as the "Parties").

³ In addition to the Formula Rate Spreadsheet originally submitted in this proceeding, SCE submitted the following filings that modify elements of the formula rate: SCE's filing in Docket ER18-2440 to incorporate changes related to the Tax Cuts and Jobs Act (accepted subject to condition in an order issued by the Commission on January 4, 2019) (166 FERC ¶ 61,006); SCE's filing in Docket No. ER19-1226 to revise Formula Rate Tariff Authorized PBOPs Expense Amount (accepted in a letter order issued by the Commission on April 18, 2019); SCE's filing in Docket No. ER19-374 to implement Transportation Electrification retail transmission rates (accepted in a letter order issued by the Commission on January 10, 2019); and SCE's filing in Docket No. ER19-1149 to implement changes to retail rates resulting for Phase 2 of SCE's 2018 General Rate Case (accepted in a letter order issued by the Commission on April 15, 2019).

implementation of the Settlement is necessary to avoid the economic burden of higher rates being implemented under the terms of the as-filed formula rate, and the economic and administrative burden of increased overcollections and the resulting refund obligations.

II. DESCRIPTION OF THE SETTLEMENT

The following is a summary of the terms of the Settlement. This description is provided for the convenience of the Commission in reviewing the Settlement and is not intended to alter the terms of the settlement in any way.

A. Article I - Settlement Rate Terms

Article I describes the components of SCE's Formula Rate⁴ that are used to develop the wholesale and retail Base Transmission Revenue Requirement ("Base TRR") and associated transmission rates specified in the Settlement. SCE's Base TRR, and associated transmission rates shall be determined by the Formula Rate, as revised in accordance with the terms of this Settlement. SCE's Base TRR under the Formula Rate is comprised of three principal components, including the Prior Year TRR, the Incremental Forecast Period TRR, and the True Up Adjustment.

⁴ As specified in Section 1.1 of the Settlement, the Formula Rate Protocols and Formula Rate Spreadsheet collectively comprise Appendix IX to SCE's TO Tariff and are designated as Attachments 1 and 2, respectively, to Appendix IX to the TO Tariff. Further, the Formula Rate Spreadsheet and Formula Rate Protocols together comprise the "Formula Rate." In SCE's original filing to implement a formula rate in this proceeding, the Formula Rate Protocols were not named as such, but Appendix IX to SCE's TO Tariff included provisions outlining the proposed rules for the formula rate.

SCE’s Base TRR and associated transmission rates will be recalculated annually based on historical and projected data, and its Base TRR Trued-Up, under the procedures provided by the Formula Rate Protocols. SCE shall post a draft Annual Update to its website by June 15 each year, and shall file its Annual Update by December 1 of each year.

Article I provides that SCE’s rate of return on equity shall consist of an “All-In Return on Equity” of 11.20%, however, if the Commission determines, in an order not subject to rehearing or appeal, that SCE is not entitled to the incentive adder for CAISO participation, SCE will reduce its ROE to 10.7% retroactive to January 1, 2018 for the period the Formula Rate is in effect. Applicable transmission depreciation rates are specified as follows:

Account	Description	Plant less Salvage	Removal Cost	Rate
350.1	Fee Land	0.00%	0.00%	0.00%
350.2	Easements	1.66%	0.00%	1.66%
352	Structures and Improvements	1.80%	0.77%	2.57%
353	Station Equipment	2.20%	0.27%	2.47%
354	Towers and Fixtures	1.35%	1.09%	2.44%
355	Poles and Fixtures	2.00%	1.67%	3.67%
356	Overhead Conductors and Devices	2.00%	1.05%	3.05%
357	Underground Conduit	1.65%	0.00%	1.65%
358	Underground Conductors and Devices	3.26%	0.61%	3.87%

359	Roads and Trails	1.56%	0.00%	1.56%
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Sections 1.6 through 1.11 of the Offer of Settlement discuss various other rate terms, such as the use of the gross method calculation to determine long-term debt (Section 1.6), a limitation on the inclusion of certain incentive compensation in the Formula Rate (Section 1.7), a reconciliation Post-Retirement Benefits Other Than Pensions from the Original Formula Rate (Section 1.8), a modification of the methodology by which SCE calculates its Pump Load Forecasts (Section 1.9), the exclusion of Non-Officer Incentive Compensation amounts in the Formula in Schedule 27-Allocator (Section 1.10), and the treatment of Excess Deferred Income Tax (Section 1.11).

B. Article II - Implementation

Article II contains language regarding the Settlement Effective Date (Section 2.1). The Settlement at Section 2.1 also provides that if the Commission should, by order, condition its approval of the Settlement, or require its modification, any Party may notify the other Parties within ten (10) business days of the issuance of such order that it objects to the Settlement as so conditioned or modified. In such event, the Settlement shall be of no force and effect and the Parties shall have all rights to continue to pursue their legal remedies before the Commission in the pending dockets. The failure of a Party to provide written notice to the other Parties in accordance with the foregoing sentence shall constitute acceptance by such Party of the Settlement as approved by the Commission.

Article II also specifies that the revised Formula Rate Protocols and Formula Rate Spreadsheets attached to the Settlement replace the Formula Rate Spreadsheet and terms contained in Appendix IX to SCE’s TO Tariff as originally filed in this proceeding. The Formula Rate Protocols are attached to the Settlement as Exhibit A to the Settlement, and are effective on the date the Commission approves the Settlement.

The five versions of the Formula Rate Spreadsheet are included as Exhibits B1, B2, B3, B4, and B5 to the Settlement, and each is described in the table below.

Exhibit No.	Dates of Effectiveness	Reason for New Effectiveness
B1	January 1, 2018 to November 15, 2018	Exh. B1 consists of the Formula Rate Spreadsheet originally included in Attachment 2 to Appendix IX of SCE’s TO Tariff as filed by SCE in this proceeding on October 27, 2017.
B2	November 16, 2018 to December 31, 2018	Exh. B2 reflects SCE’s filing accepted in Docket No. ER18-2440, to incorporate changes related to the Tax Cuts and Jobs Act.
B3	January 1, 2019 to January 20, 2019	Exh. B3 reflects SCE’s filing accepted in Docket No. ER19-1226, to revise the Formula Rate Tariff Authorized Post-Retirement Benefits Other than Pensions Expense Amount.
B4	January 21, 2019 to February 28, 2019	Exh. B4 reflects SCE’s filing accepted in Docket No. ER19-374, to implement Transportation Electrification retail transmission rates.

Exhibit No.	Dates of Effectiveness	Reason for New Effectiveness
B5	March 1, 2019 to November 11, 2019	Exh. B5 reflects SCE’s filing accepted in Docket No. ER19-1149, to implement changes to retail rates resulting from Phase 2 of SCE’s 2018 General Rate Case.

The Formula Rate Spreadsheets and Formula Rate Protocols (together, the “Formula Rate”) terminate upon the effective date of a successor rate mechanism. As SCE filed a successor transmission rate in Docket No. ER19-1553-000, which was accepted with an effective date of November 12, 2019, this settlement Formula Rate shall be in effect until November 11, 2019. Nothing in the Offer of Settlement limits the ability of any party to petition the Commission for changes to the Formula Rate under Section 206 of the Federal Power Act or limits the Commission’s ability to initiate a Federal Power Act Section 206 investigation.

C. Article III - Non-Rate Terms

Article III contains provisions applicable to SCE’s administration of the Formula Rate. These provisions address depreciation (Sections 3.1 and 3.2), the Transmission Maintenance and Compliance Review report (Section 3.3), the funding of a CPUC consultant (Section 3.4), petitions regarding transmission incentives (Section 3.5), retail rate design (Section 3.6), waiver of accounting standards (Section 3.7), correction of errors (Section 3.8), Formula Rate Updates (Section 3.9 and 3.10), the definition of Material Accounting Change (Section 3.11), the 2017/2018 wildfire/mudslide events (Section 3.12 and 3.13), and distribution rates for ISO facilities (Section 3.14).

D. Article IV - Procedures for Implementation of Rates

Article IV provides that if the Settlement is uncontested, then within 25 days after the filing of the Settlement with the Commission, SCE shall file with the Commission's Chief Administrative Law Judge a motion for permission to implement interim tariff sheets that incorporate the terms of the Settlement. ("Motion for Interim Implementation of Settlement Rates"). In the event that the Chief Administrative Law Judge does not grant SCE's motion in full by November 15, 2019, such Motion shall be deemed withdrawn.

E. Article V – TRR Adjustments

Article V sets forth the procedures by which SCE will provide refunds based on the Settlement. SCE will provide refunds by reflecting the refunds described in Section 5.2 in an Annual Update filing. The refund procedures will depend on the timing of the Commission's action on the Settlement, as described in Sections 5.3 through 5.4. Section 5.5 sets forth SCE's obligations to pay refunds if SCE ceases to utilize a formula rate to establish its TRR (or no longer uses a formula rate that will accommodate payment of refunds as provided in the Settlement through an Annual Update filing) and has not fully discharged its refund commitments under this Settlement.⁵

⁵ In this event, SCE will implement refunds as part of the Final True Up Adjustment pursuant to Section 4 of the Formula Rate Protocols. This Final True Up Adjustment will ensure (1) the refunds in the Settlement are fully effectuated and (2) any Cumulative Excess (-) or Shortfall (+) in Revenue with Interest is fully recovered or returned. SCE will initiate a meeting with the Parties to review the implementation of the refunds provided for under this Settlement.

G. Article VI - General Provisions

Article VI sets forth additional terms and conditions of the settlement, as follows:

- a. No Precedential Effect:** The Settlement at Section 6.1 contains language regarding the non-precedential nature of the Settlement.
- b. Approval of Settlement and Privileged Nature of Settlement:** The Settlement at Section 6.2 contains language regarding the approval of the Settlement and its privileged nature.
- c. Integration:** The Settlement at Section 6.3 provides that this Settlement supersedes all previous representations, understandings, negotiations and agreements, either written or oral, between the Parties or their representatives with respect to matters at issue in these proceedings and constitutes the entire offer of settlement with respect to matters at issue in these proceedings.
- d. Standard of Review:** Section 6.4 provides that the standard of review applicable to the Commission's review and approval of the Settlement shall be the just and reasonable standard. The standard for review of any changes to portions of the Settlement that affect the TO Tariff, including the Formula Rate Protocols, shall be the just and reasonable test. The standard of review for any changes to other portions of the Settlement (that do not affect the TO Tariff) that are proposed by any Party shall be the "public interest" standard. The

standard of review for any changes to the Settlement proposed by a non-Party or by the Commission shall be the ordinary just and reasonable standard.

- e. Cooperation Among Parties:** Section 6.5 provides that during the period that the Settlement is pending before the Commission for approval pursuant to Rule 602, each Party shall cooperate with the other Parties in order to obtain Commission approval of the Settlement without change or condition, and no Party shall take any action that is inconsistent with the provisions of this Settlement.
- f. Waivers:** Section 6.6 provides that no provision of the Settlement may be waived except in writing by an authorized representative of the waiving Party. Waiver of any provision of the Settlement by a Party shall not be deemed to waive any other provisions.

III. LIST OF EXHIBITS TO SETTLEMENT

As set forth in Section II, the Settlement includes the following exhibits:

Exhibit	Description	Settlement Section
A	New Formula Rate Protocols	2.2
B1	Formula Rate Spreadsheet effective January 1, 2018	2.3
B2	Formula Rate Spreadsheet effective November 16, 2018	2.3
B3	Formula Rate Spreadsheet effective January 1, 2019	2.3
B4	Formula Rate Spreadsheet effective January 21, 2019	2.3
B5	Formula Rate Spreadsheet effective March 1, 2019	2.3
C	Workpaper required under Section 3.12.1	3.12.1
D	Workpaper referenced in Section 5.2	5.2

IV. INFORMATION REQUIRED BY CHIEF ADMINISTRATIVE LAW JUDGE' S DECEMBER 15, 2016 NOTICE REGARDING SETTLEMENTS

The Commission has stated that certain additional information should be provided in support of settlements.⁶ In order to assist the Commission in its review of the proposed Settlement, SCE addresses the following four questions.

A. Does the settlement affect other pending cases?

The factual and procedural background of this proceeding setting forth the issues underlying the Settlement is summarized above. The Settlement resolves all issues in

⁶ Chief Administrative Law Judge's December 15, 2016 Notice to the Public: Amended Notice to the Public on Information to be Provided with Settlement Agreements and Guidance on the Role of Settlement Judges.

Docket Nos. ER18-169-000 and EL18-44-000. The Settlement does not affect other pending cases because it is a negotiated settlement that resolves all issues in these proceedings and will have no precedential value.

B. Does the settlement involve issues of first impression?

No, the settlement does not involve issues of first impression

C. Does the settlement depart from Commission precedent? [if so, identify by case name(s) and docket numbers (s)];

The settlement does not depart from Commission precedent.

D. Does the settlement seek to impose a standard of review other than the ordinary just and reasonable standard with respect to any changes to the settlement that might be sought by either a third party or the Commission acting *sua sponte*?

Under Section 6.4 of the Settlement, the standard of review applicable to the Commission's review and approval of the Settlement shall be the just and reasonable standard. The standard for review of any changes to portions of the Settlement that affect the TO Tariff, including the Formula Rate Protocols, shall be the just and reasonable test. The standard of review for any changes to other portions of the Settlement (that do not affect the TO Tariff) that are proposed by any Party shall be the "public interest" standard set forth in *United Gas Pipe Line Co. v. Mobile Gas Service Corp.*, 350 U.S. 332 (1956), and *FPC v. Sierra Pacific Power Co.*, 350 U.S. 348 (1956), as clarified in *Morgan Stanley Capital Group, Inc. v. Public Utility District No. 1 of Snohomish County, Washington*, 554 U.S. 527 (2008), and *NRG Power Marketing v. Maine Public Utilities Commission*, 558 U.S. 165 (2010). The standard of review for any changes to the Settlement proposed by a non-Party or by the Commission shall be the ordinary just and reasonable standard.

V. CONCLUSION

The Settlement fairly and fully resolves all issues in Docket Nos. ER18-169-000 and EL18-44-000. Commission approval of the Settlement will save not only the Parties, but also the Commission, the expense and effort of continued litigation. For all the foregoing reasons, SCE respectfully requests that the Commission find that Settlement is fair and reasonable and in the public interest and approve it without modification.

Respectfully submitted,

By: /s/ Matthew Dwyer

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Attorney for Southern California Edison
Company

Dated: September 16, 2019

**UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION**

Southern California Edison Company) **Docket Nos. ER18-169-000 and**
) **EL18-44-000**

OFFER OF SETTLEMENT

Southern California Edison Company (“SCE”) hereby offers to each of the intervenors in the above-captioned proceedings¹ the following terms and conditions of a Settlement thereof (“Settlement”), pursuant to Rule 602 of the Rules of Practice and Procedure of the Federal Energy Regulatory Commission (the “Commission” or “FERC”), 18 C.F.R. § 385.602 (2019). If approved by the Commission, this Settlement will resolve all issues in the above-captioned proceedings.

ARTICLE I

SETTLEMENT RATES

1.1 Effective January 1, 2018, SCE’s Base Transmission Revenue Requirement (“Base TRR”) and associated transmission rates shall be determined by the Formula Rate, as revised in accordance with the terms of this Settlement. Upon the Settlement Effective Date as set forth in Section 2.1, SCE’s Formula Rate shall be subject to the Formula Rate Protocols,

¹ The entities that intervened in Docket No. ER18-169 are the California Public Utilities Commission (the “CPUC”); the Los Angeles Department of Water and Power; the California Department of Water Resources State Water Project; the Modesto Irrigation District; the City of Santa Clara, California, and the M-S-R Public Power Agency; State Water Contractors; the Cities of Anaheim, Azusa, Banning, Colton, Pasadena, and Riverside, California; Pacific Gas and Electric Co.; Golden State Water Co.; Transmission Agency of Northern California (“TANC”); San Diego Gas and Electric Co.; Imperial Irrigation District; and the Northern California Power Agency. SCE and the intervenors in this proceeding are each referred to as a “Party” and are referred to collectively as the “Parties.”

which have also been revised in accordance with the terms of this Settlement (hereinafter, the “Formula Rate Protocols”). The Formula Rate Protocols and the Formula Rate Spreadsheet² collectively shall comprise Appendix IX to SCE’s FERC Electric Tariff, Third Revised Volume No. 6 (the “Transmission Owner Tariff” or “TO Tariff”) and are designated as Attachments 1 and 2, respectively, to Appendix IX to the TO Tariff. The Formula Rate Spreadsheet and Formula Rate Protocols together comprise the “Formula Rate.” As set forth below, revised versions of Appendix IX to SCE’s TO Tariff are being filed with and are integral parts of this Settlement.

1.2 SCE’s Base TRR under the Formula Rate is comprised of three principal components: the Prior Year TRR; the Incremental Forecast Period TRR; and the True Up Adjustment. Together these components form SCE’s Base TRR for each year that the Formula Rate is in effect.

1.3 Pursuant to the Formula Rate, SCE’s Base TRR and associated transmission rates shall be recalculated annually under the procedures provided by Section 3 of the Formula Rate Protocols and by populating the Formula Rate Spreadsheet with specified historical and projected data. SCE’s Base TRR shall be trued up annually pursuant to Sections 3 and 4 of the Formula Rate Protocols and by populating appropriate Schedules of the Formula Rate Spreadsheet. SCE shall post a draft Annual Update to its website by June 15 each year and shall file its Annual Update by December 1 of each year.

² The Formula Rate Spreadsheet designated as Attachment 2 to SCE’s TO Tariff consists of thirty-four individual Schedules. All references in this Settlement to a “Schedule” shall refer to Schedules in the Formula Rate Spreadsheet as revised in accordance with the terms of this Settlement.

1.4 For purposes of this Settlement, the return on equity (“ROE”) in Schedule 1, Line 50 of SCE's Formula Rate Spreadsheet shall be a fixed component consisting of a total ROE of 11.2%. The 11.2% includes the Base ROE, a 50 basis point adder to the Base ROE associated with SCE’s membership in the California Independent System Operator Corporation (“CAISO”) (the “CAISO Membership Adder”), and project-specific ROE adders awarded by the Commission to SCE for certain of its transmission projects (including the Tehachapi transmission project – 1.25%, the Devers to Colorado River transmission project – 1.00%, and the Rancho Vista Substation project – 0.75%) (collectively, these project-specific adders are referred to as the “ROE Project Adders”). SCE shall not separately reflect in the Formula Rate either the CAISO Membership Adder or the ROE Project Adders and has, therefore, added Schedule 1, line 77A, and Schedule 4, line 39a to the Formula Rate Spreadsheet to reverse the ROE Project Adders. If the Commission determines, in an order not subject to rehearing or appeal, that SCE is not entitled to the CAISO Membership Adder, then SCE will reduce its ROE in Schedule 1, Line 50 of SCE’s Formula Rate Spreadsheet to 10.7% retroactive to January 1, 2018 for the period that the Formula Rate is in effect.³

1.4.1 Note 2 of Schedule 1 is amended to state:

The TO2018 Settlement Return on Common Equity shall be set at 11.2% for the term of the Settlement. Includes Base ROE, 50 basis point ISO adder, and project-specific ROE adders awarded to SCE (Tehachapi – 1.25%, Devers to Colorado River – 1.00%, Rancho Vista – 0.75%). Project adders are equivalent to an approximate 0.78% increase in SCE’s overall Base ROE. If the Commission determines, in an order not subject to rehearing or appeal, that SCE is not entitled to the incentive adder for CAISO participation, SCE

³ On January 29, 2018, the CPUC and TANC filed a request for rehearing in Dockets No. ER18-169-000 and EL18-44-000 on the issue of SCE’s recovery of the CAISO Membership Adder. On February 28, 2018, the Commission issued an Order Granting Rehearing For Further Consideration in order to afford additional time to consider the rehearing request. As of the filing date for this Settlement, the Commission has not issued an order on the rehearing request.

will reduce its ROE to 10.7% retroactive to January 1, 2018 for the period the Settlement is in effect.

1.5 SCE has adopted the following transmission depreciation rates as fixed components in Schedule 18 (Depreciation Rates) of the Formula Rate Spreadsheet:

Account	Description	Plant less Salvage	Removal Cost	Rate
350.1	Fee Land	0.00%	0.00%	0.00%
350.2	Easements	1.66%	0.00%	1.66%
352	Structures and Improvements	1.80%	0.77%	2.57%
353	Station Equipment	2.20%	0.27%	2.47%
354	Towers and Fixtures	1.35%	1.09%	2.44%
355	Poles and Fixtures	2.00%	1.67%	3.67%
356	Overhead Conductors and Devices	2.00%	1.05%	3.05%
357	Underground Conduit	1.65%	0.00%	1.65%
358	Underground Conductors and Devices	3.26%	0.61%	3.87%
359	Roads and Trails	1.56%	0.00%	1.56%

1.6 SCE shall use the gross method calculation of long-term debt, rather than the net method calculation of long-term debt, to calculate its capital structure. In addition, SCE will include all bonds in its calculation of long-term debt. As a result, Schedule 1 of the Formula Rate (Base TRR) Lines 37-42 will be equivalent to Lines 36-41 in the Original Formula Rate,⁴ and Schedule 5 (ROR-1 and ROR-2) will be equivalent to the Original Formula Rate. Schedule 5-ROR-3 and 5-ROR-4 are deleted.

1.7 SCE agrees to limit its recovery of Incentive Compensation to the lesser of actual payouts or the limits as described in this Section 1.7.

⁴ The “Original Formula Rate” refers to the formula rate that was in effect from January 1, 2012 through December 31, 2017 pursuant to Docket No. ER11-3697.

1.7.1 SCE will not seek recovery of expenses for its Long-Term Incentive plan, Awards to Celebrate Excellence and Spot Bonus program.

1.7.2 The cap on recovery of Short Term Incentive Plan (“NOIC”), Executive Incentive Compensation (“OEIC”) and Supplemental Executive Retirement Plan (“SERP”) costs in 2018 and 2019 will be determined by applying an escalation factor to the 2017 amounts authorized by the CPUC for each Incentive Compensation program. The 2017 CPUC-authorized amounts, escalation factors, and permissible recovery for 2018 and 2019 are presented in the chart below.

		CPUC Authorized	
		2017 Amounts	
NOIC		\$107,449,628	
OEIC		\$3,128,607	
SERP		\$8,797,679	
	Year		Escalation Factor
NOIC	2018	\$107,449,628	1
	2019	\$110,673,117	1.03
	Year		
OEIC	2018	\$3,128,607	1
	2019	\$3,222,465	1.03
	Year		
SERP	2018	\$8,797,679	1
	2019	\$9,061,609	1.03

1.8 SCE’s Second Formula Rate⁵ does not include the mechanism, included in the Original Formula Rate, by which SCE reconciled its over- or under-recovery of its Post-Retirement Benefits Other Than Pensions (“PBOPs”) expense for the calendar years 2012

⁵ The “Second Formula Rate” refers to the Formula Rate that SCE filed in these proceedings and is subject to this Settlement.

through 2017. SCE's TO2020 Annual Update shall include, as a One-Time Adjustment in Schedule 3, Line 23, a final reconciliation of negative \$3,416,582 representing the PBOPs expense over/under recovery produced by the the difference between actual and collected PBOPs cost and the first year of this Second Formula Rate. This reconciliation of annual PBOP costs and PBOP collections shall cover calendar years 2012 through 2018. Beginning with January 1, 2019, SCE will use actual PBOP expense for each calendar year in the true-up of that same calendar year.

1.9 Schedule 32 is amended to include a Gross Load true-up mechanism by which SCE's Forecast Gross Load (on new line 4) will include, as a component, the "Pump Load True-Up", which shall be equal to the actual recorded Pump Load for the Prior Year less the forecast of Pump Load for the Prior Year.

1.10 Schedule 27, line 1 and 4 are amended to deduct from the ISO Wages and Salaries amount reported on those lines and used in the calculation of the Transmission Wages and Salaries Allocation Factor (line 5) the NOIC amounts in the Formula.

1.11 SCE shall modify its Excess and Deficient Deferred Income Tax amounts as follows:

1.11.1 Protected Property-Related net Excess Deferred Income Taxes of \$569,882,945 shall be amortized for ratemaking purposes consistent with the tax normalization rules of the Internal Revenue Code that requires the use of the average rate assumption method (ARAM) over the related remaining book lives.

1.11.1.a Cost of Removal – SCE is currently awaiting guidance from the Internal Revenue Service through published rulings, including the

issuance of a Private Letter Ruling in response to SCE's ruling request regarding the application of the tax normalization rules associated with the cost of removal related deficient deferred income tax balance of \$56,284,884, and with regard to whether to include or exclude the annual cost of removal rates in annual book depreciation expense for purposes of calculating ARAM associated with Protected Property-Related net Excess Deferred Income Taxes. Until otherwise directed by IRS guidance, SCE will unwind the cost of removal deficient deferred tax balance as SCE deducts such costs for tax purposes, and SCE has included cost of removal rates in book depreciation for purposes of calculating ARAM associated with Protected Property-Related net Excess Deferred Income Taxes.

1.11.2 The Unprotected-Property Related net Excess Deferred Income Tax amount of \$60,466,608 shall be fully amortized over the four-year period of 2018 through 2021 and reflected in Line 60 of Schedule 1. Following implementation of the Settlement as described in Article V, this will be reflected in the next Annual Updates as necessary to effect this Section 1.11.2.

1.11.3 The Unprotected-Non-Property Related net Excess Deferred Income Tax amount of \$4,549,634 shall be fully amortized in 2018 and reflected in Line 60 of Schedule 1.

ARTICLE II

IMPLEMENTATION

2.1 This Settlement shall become effective (the "Settlement Effective Date") either (i) on the date that the Commission issues an order, if the order approves the Settlement without

modification or condition, or, (ii) eleven (11) business days after the date the Commission issues an order, if the order approves the Settlement in part or subject to modification or condition and no Party provides notice of its objection to such partial approval, condition, and/or modification in accordance with this Paragraph. If the Commission approves this Settlement in part or approves this Settlement subject to a modification or condition, and a Party files notice with the Commission and serves all Parties to Docket No. ER18-169 within ten (10) business days of the Commission's order that it objects to such partial approval or modification or condition, this Settlement shall be of no force and effect, and the Parties shall have all rights to continue to pursue their legal remedies before the Commission in the pending docket. The failure of a Party to provide written notice to the other Parties in accordance with the foregoing sentence shall constitute acceptance by such Party of the Settlement as approved by the Commission.

2.2 Upon the Settlement Effective Date, the Formula Rate Protocols that were originally included in Attachment 1 to Appendix IX to SCE's TO Tariff as of January 1, 2018 shall be replaced and superseded by the version of the Formula Rate Protocols included as Exhibit A to this Settlement. Consistent with Section 1.1 hereof, the Formula Rate Protocols shall comprise Attachment 1 to Appendix IX to SCE's TO Tariff.

2.3 Due to several filings that were made subsequent to the initial submission of SCE's TO Tariff filing in this proceeding on October 27, 2017, but before the submission of this Offer of Settlement, the Formula Rate Spreadsheet originally included in Attachment 2 to Appendix IX to SCE's October 27, 2017 TO Tariff filing has been superseded by four different versions of the Formula Rate Spreadsheet. These versions of the Formula Rate Spreadsheet are included as Exhibits B1, B2, B3, B4, and B5 to this Offer of Settlement, and each is described in the table below.

Exhibit No.	Dates of Effectiveness	Reason for New Effectiveness
B1	January 1, 2018 to November 15, 2018	Exh. B1 consists of the Formula Rate Spreadsheet originally included in Attachment 2 to Appendix IX of SCE's TO Tariff as filed by SCE in this proceeding on October 27, 2017.
B2	November 16, 2018 to December 31, 2018	Exh. B2 reflects SCE's filing accepted in Docket No. ER18-2440, to incorporate changes related to the Tax Cuts and Jobs Act.
B3	January 1, 2019 to January 20, 2019	Exh. B3 reflects SCE's filing accepted in Docket No. ER19-1226, to revise the Formula Rate Tariff Authorized Post-Retirement Benefits Other than Pensions Expense Amount.
B4	January 21, 2019 to February 28, 2019	Exh. B4 reflects SCE's filing accepted in Docket No. ER19-374, to implement Transportation Electrification retail transmission rates.
B5	March 1, 2019 to November 11, 2019	Exh. B5 reflects SCE's filing accepted in Docket No. ER19-1149, to implement changes to retail rates resulting from Phase 2 of SCE's 2018 General Rate Case.

The True Up TRR for the 2018 year stated in Section 5.2 of this settlement incorporates all the tariff revisions from the above table to the extent the tariff revisions affect the determination of costs.

2.4 As provided in the Formula Rate Protocols, the Formula Rate shall remain in effect without termination unless and until SCE files pursuant to Section 205 of the Federal Power Act to replace the Formula Rate with a successor transmission rate mechanism and the Commission accepts such a successor transmission rate mechanism. As SCE filed a successor transmission rate in Docket No. ER19-1553-000, which was accepted with an effective date of November 12, 2019,⁶ this Formula Rate shall be in effect until November 11, 2019. SCE shall

⁶ *Southern California Edison Co.*, 167 FERC ¶ 61,214 (2019).

not file for changes to the Formula Rate under Section 205 of the Federal Power Act unless, after providing notice to the Parties, no Party objects to the filing. The Settlement Formula Rate and Protocols shall be used to true up the Transmission Revenue Requirement for the period between January 1, 2018 and November 11, 2019. Nothing in this Offer of Settlement limits the ability of any party to petition the Commission for changes to the Formula Rate under Section 206 of the Federal Power Act or limits the Commission's ability to initiate a Federal Power Act Section 206 investigation.

ARTICLE III

NON-RATE TERMS

Except as otherwise indicated, the following provisions shall be applicable when the Formula Rate Protocols take effect and shall continue until the November 12, 2019 effective date of SCE's successor transmission rate.

3.1 Schedule 17 is modified to state: "Depreciation rates on lines 17a-17m are input based on the stated values of ISO Transmission Plant depreciation rates from Schedule 18 of the Formula Rate Spreadsheet in effect during the Prior Year."

3.2 SCE shall continue to maintain a subsidiary record for Account 108 (Accumulated Depreciation) that separately accounts for the depreciation accrual for plant less gross salvage and the depreciation accrual for removal cost, by FERC plant account, based on the depreciation rate segregation shown on Schedule 18 of the Formula Rate Spreadsheet. For the term of the Settlement, SCE will recognize the timing differences between electric network transmission facility removal cost depreciation for external financial reporting and ratemaking purposes as a regulatory liability, and SCE will record the accumulated depreciation amounts

associated with removal costs in such subsidiary records as a regulatory liability, consistent with FERC Order No. 631. The accumulated depreciation amounts may only be reduced by the incurred costs associated with the removal and disposal of electric network transmission facilities. Any regulatory liability amounts for such depreciation accruals for removal costs associated with electric network transmission facilities remaining when the Formula Rate terminates shall be carried forward.

3.3 Not later than thirty calendar days after the Settlement Effective Date, SCE will produce a stand-alone document following the format of the final Transmission Maintenance and Compliance Review (“TMCR”)⁷ report that will be issued in August of 2019. Consistent with the TMCR criteria, the document will include costs for projects and/or blankets that exceed \$1 million and have at least 30% of their costs subject to FERC ratemaking. It will also include descriptions of and the rationale and criteria for the listed projects consistent with the TMCR report and will include the projects’ costs for years 2021, 2022, 2023. This document will be limited to SCE items approved by the CAISO in its Transmission Planning Process or the generator interconnection process.

3.4 The CPUC will choose a consultant to participate in the CAISO Transmission Planning Process, the TMCR process, and the TO2019 Formula Rate Annual Update and settlement negotiations, as necessary, but not to be used for FERC litigation. SCE shall fund the CPUC’s expert. The cost of this work will not exceed \$350,000 per year and will be fully recoverable through transmission rates. With respect to the \$350,000 in funding for calendar year 2019, the funding period shall commence upon filing of the Settlement and shall extend

⁷ SCE’s TMCR was approved by the Commission in Docket No. ER18-370. See *Southern California Edison Company*, 164 FERC ¶ 61,160 (2018), *reh’g pending*.

through the date of the CAISO Board of Governors' approval of the 2019/2020 Transmission Plan, currently expected in March of 2020.

3.5 SCE shall not file any new petitions requesting transmission incentives, pursuant to either Commission Order No. 679 or the Commission's general discretionary authority to grant policy-based incentive rate treatment, for the period the Formula Rate is in place, except as follows:

3.5.1 There shall be no limitation on SCE's ability to request the inclusion of 100% of construction work in progress ("CWIP") in rate base for additional transmission projects, provided that, as to any such project for which the Commission grants the CWIP incentive, SCE agrees to reflect an allowance for funds used during construction ("AFUDC"), rather than 100% of CWIP, on project costs incurred prior to the date SCE obtains CAISO approval for the project through the applicable CAISO transmission planning or interconnection process.

3.5.2 As to new requests at FERC for pre-approval to recover 100% of prudently-incurred abandoned plant costs on a transmission project, SCE may seek such treatment only on transmission projects that are included in the CAISO transmission plan or that are constructed pursuant to a FERC-approved interconnection process.

3.5.3 The Joint Intervenors reserve all rights with respect to the CWIP and abandoned plant filings referenced in Sections 3.5.1 and 3.5.2 above.

3.6 SCE and the CPUC will continue their discussions surrounding potential modifications to retail rate design and potential modifications to such design in the future.

3.7 SCE will notify all individuals on the Service List, as that term is defined in the Formula Rate Protocols, of any request by SCE for waiver of the Commission’s accounting standards, procedures, or policies.

3.8 The two-year limitation on correction of errors included in Section 3(d)(8) of the Formula Rate Protocols as originally filed by SCE in this proceeding is eliminated, and SCE will reflect corrections to any identified errors in the determination of the “Cumulative Excess or Shortfall in Revenue with Interest,” defined in Section 5.2 below, as of the end of 2018.

3.9 Section 3(d)(3) of the Formula Rate Protocols is revised to reflect that the Formula Rate updates may be challenged on the grounds that SCE’s implementation of the Formula Rate Spreadsheet and the Protocols is inconsistent with this Offer of Settlement as approved by the Commission. Section 3(d)(6) of the Formula Rate Protocols is revised to reflect that SCE has the burden of proof with respect to such challenges.

3.10 Section 3(b) of the Formula Rate Protocols obligating SCE to convene a meeting of parties to the Service List on or before July 15th each year to discuss the Draft Annual Update is revised to specify that the meeting may take place over “one or more days, as necessary.” The first sentence of Section 3(b) is replaced with the following:

On or before July 15 of each year, SCE will convene a meeting of one or more days, as necessary, to discuss the Draft Annual Update, with SCE providing notice to the parties on the Service List of the date and time of such meeting concurrent with its posting of the Draft Annual Update.

3.11 The definition of “Material Accounting Changes” in Section 3(a)(10) of the Formula Rate Protocols is revised as stated in the tariff sheets accompanying this Offer of Settlement.

3.12 No Party shall be deemed to waive any right to challenge SCE's recovery of costs from the Thomas Fire, the Montecito Mudslides, and the Woolsey Fire events (collectively, the "2017/2018 Wildfire/Mudslide Events") as a result of not objecting to or opposing SCE's creation of a wildfire reserve due to SCE having taken a \$2.669 billion charge, net of insurance recoveries (the "Wildfire Reserve"). As part of SCE's Annual Update process, any Party may challenge the prudence of expenses that SCE has paid that reduce the Unfunded Reserve associated with the Wildfire Reserve. At such time as the claims resulting from the 2017/2018 Wildfire/Mudslide Events are substantially resolved, SCE will return the portion of the Unfunded Reserve that is not needed to resolve the 2017/2018 Wildfire/Mudslide Events to ratepayers. In addition, at any time, any Party may file a complaint with the Commission pursuant to Section 206 of the Federal Power Act alleging that the Wildfire Reserve is no longer necessary due to changed circumstances and thus is no longer part of a just and reasonable rate. However, the Party must meet and confer with SCE 30 days prior to filing such a complaint in order to determine if there is a mutually agreeable resolution to the issue.

3.12.1 SCE will provide a workpaper as part of the Formula Rate Annual Update to separately state amounts included in the Wildfire Reserve taken for the 2017/2018 Wildfire/Mudslide Events from other Unfunded Reserves associated with injuries and damages. The workpaper shall be in the format of Exhibit C attached hereto.

3.13 SCE will not recover costs associated with the 2017/2018 Wildfire/Mudslide Events to the extent that the Commission issues an order, which is not subject to rehearing or appeal, disallowing or limiting the recovery of such costs in FERC-jurisdictional rates, and SCE will implement the disallowance or limitation on recovery of such costs as directed by FERC.

3.14 The depreciation rates for Accounts 361, 362, 391.4 and 302 (in Schedule 18, lines 13-14, 27 and 42) are revised to reflect in SCE's General Rate Case Decision, D.19-05-020.

ARTICLE IV

PROVISIONS FOR IMPLEMENTATION OF RATES

4.1 If this Settlement is uncontested, then within 25 days after the filing of this Settlement with the Commission, SCE shall file with the Commission's Chief Administrative Law Judge a motion for permission to implement interim tariff sheets that incorporate the terms of this Settlement such that SCE may use such interim tariff sheets to implement the terms of this settlement in accordance with Section 5.2. ("Motion for Interim Implementation of Settlement Rates"). SCE shall be authorized to represent that all Parties support the granting of the Motion for Interim Implementation of Settlement Rates. In the event that the Chief Administrative Law Judge does not grant SCE's motion in full by November 15, 2019, such Motion shall be deemed withdrawn. The date on which the Chief Administrative Law Judge grants SCE's motion in full will be referred to as "Interim Settlement Effective Date."

ARTICLE V

TRR ADJUSTMENTS

5.1 SCE shall provide refunds based on the settlement terms set forth herein for the period of January 1, 2018 through November 11, 2019 pursuant to the terms of Sections 5.2 through 5.5 below.

5.2 The True Up TRR for the 2018 year, reflecting all settlement terms herein, shall be \$1,078,540,190 (calculated as documented in Exhibit D), subject to revision only for the correction of any errors in 2018 year costs identified during the TO2020 Annual Update process,

the implementation of which is described below. The “Cumulative Excess (-) or Shortfall (+) in Revenue with Interest” amount at the end of 2017 to be carried forward to the TO2020 Annual Update True Up Adjustment is negative \$98,407,948 (as shown on Schedule 3, line 23, Column 9 of the TO2019 Annual Update as calculated per the Original Formula Rate), to be entered on Schedule 3, Line 11, Column 4 of the TO2020 Annual Update. Additionally, the settlement terms herein will effect a reduction of the 2019 TRR, to be implemented as specified in Sections 5.3 through 5.4 below.

5.3 If the Settlement Effective Date or the Interim Settlement Effective Date is established on or before November 15, 2019, SCE will implement the settlement terms described in Section 5.2 pursuant to this Section 5.3. The 2018 True Up TRR per Section 5.2 shall also be incorporated in the TO2020 Annual Update, Schedule 3, Line 23. Additionally, the Base TRR and rates in the TO2020 Annual Update (to be filed on or about December 1, 2019) shall include a negative \$32,841,354 Cost Adjustment reflecting the expected reduction in SCE’s cost of service for the January 1, 2019 through November 11, 2019 time period. The actual settlement value for this portion of 2019 will be as calculated in the 2019 True Up TRR calculated in the TO2021 Annual Update.

5.4 If the Settlement Effective Date occurs after November 15, 2019, and the Commission’s Chief Administrative Law Judge does not grant the Motion for Interim Implementation of Settlement Rates as set forth in Section 4.1, SCE will implement the settlement terms described in Section 5.2 pursuant to this Section 5.4.

5.4.1 If the Settlement Effective Date is between November 16, 2019 through November 15, 2020, then the reduction in the True Up TRR for the 2018 calendar year resulting from this Settlement will be implemented in the TO2021 Annual Update (to be

filed on or about December 1, 2020) as a One Time Prior Period Adjustment. There shall be no need to include a Cost Adjustment to reflect the effect of the Settlement on the True Up TRR for the portion of calendar year 2019 that is subject to this Settlement because all reductions in the 2019 TRR due to this Settlement will be reflected in True Up TRR for the 2019 calendar year in the TO2021 Annual Update (to be filed on or about December 1, 2020).

5.4.2 If the Settlement Effective Date occurs on or after November 16, 2020, then the reduction in the True Up TRR for both the 2018 calendar year and the portion of the 2019 calendar year resulting from this Settlement will be implemented as a One Time Prior Period Adjustment either (1) in the next Annual Update subsequent to the Settlement Effective Date if the Settlement Effective Date occurs on or before November 15 in a calendar year or (2) in the Annual Update following the year of the Settlement Effective Date if the Settlement Effective Date occurs after November 15 in a calendar year. The table below provides an example of this Section 5.4.2. The same pattern would apply if approval is delayed beyond November 15, 2023:

Settlement Effective Date	Annual Update Filing in Which Settlement Refunds Reflected
November 16, 2020 - November 15, 2021	TO2022 (to be filed on or about December 1, 2021)
November 16, 2021 - November 15, 2022	TO2023 (to be filed on or about December 1, 2022)
November 16, 2022 – November 15, 2023	TO2024 (to be filed on or about December 1, 2023)

5.5 SCE’s obligations to pay refunds with interest at the Commission-approved rate as required by this Settlement will remain in effect even if SCE ceases to utilize a formula rate to establish its Transmission Revenue Requirement (“TRR”). In the event that SCE no longer uses a formula rate to establish its TRR (or no longer uses a formula rate that will accommodate

payment of refunds as provided above) and has not fully discharged its refund commitments under this Settlement, then SCE will implement refunds as part of the Final True Up Adjustment pursuant to Section 4 of the Formula Rate Protocols. This Final True Up Adjustment will ensure (1) the refunds in the Settlement are fully effectuated and (2) any Cumulative Excess (-) or Shortfall (+) in Revenue with Interest is fully recovered or returned. SCE will initiate a meeting with the Parties to review the implementation of the refunds provided for under this Settlement.

ARTICLE VI

GENERAL PROVISIONS

6.1 This Settlement represents a negotiated offer of settlement for the purpose of resolving all issues in Docket Nos. ER18-169-000 and EL18-44-000, and no Party, participant, or affiliate thereof shall be deemed to have approved, accepted, agreed or consented to any fact, concept, theory, rate methodology, principle, or method relating to jurisdiction, prudence, reasonable cost of service, rate of return, cost classification, cost allocation, rate design, tariff provisions, or other matters underlying or purported to underlie any of the resolutions of the issues provided herein. The Commission's approval of the Settlement shall not constitute approval of or precedent regarding any principle or issue in these dockets and shall not relieve the Commission or any Party, participant, or affiliate thereof, of the burden, under Sections 205 or 206 of the Federal Power Act, to establish the justness and reasonableness of any aspect of any superseding rate. The Settlement shall not be deemed a "settled practice," as that term was interpreted in *Public Service Comm'n of New York v. FERC*, 642 F.2d 1335 (D.C. Cir. 1980).

6.2 This Settlement is submitted pursuant to Rule 602 of the Commission's Rules of Practice and Procedure and is offered solely as a compromise in order to resolve the issues set

for hearing in this proceeding. The discussions among the participants in this proceeding that have resulted in this Settlement have been conducted with the explicit understanding, pursuant to Rule 602(e) of the Commission's Rules of Practice and Procedure, that all offers of settlement and discussions relating thereto shall be privileged and confidential. This Settlement is submitted on the condition that, in the event it does not become effective in accordance with its terms, it shall not constitute any part of the record in this proceeding or be used for any other purposes.

6.3 This Settlement supersedes all previous representations, understandings, negotiations, and agreements, either written or oral, between the Parties or their representatives with respect to matters at issue in this proceeding, and it constitutes the entire offer of settlement with respect to matters at issue in this proceeding.

6.4 The standard of review applicable to the Commission's review and approval of the Settlement shall be the just and reasonable standard. The standard for review of any changes to portions of the Settlement that affect the TO Tariff, including the Formula Rate Protocols, shall be the just and reasonable test. The standard of review for any changes to other portions of the Settlement (that do not affect the TO Tariff) that are proposed by any Party shall be the "public interest" standard set forth in *United Gas Pipe Line Co. v. Mobile Gas Service Corp.*, 350 U.S. 332 (1956), and *FPC v. Sierra Pacific Power Co.*, 350 U.S. 348 (1956), as clarified in *Morgan Stanley Capital Group, Inc. v. Public Utility District No. 1 of Snohomish County, Washington*, 554 U.S. 527 (2008), and *NRG Power Marketing v. Maine Public Utilities Commission*, 558 U.S. 165 (2010). The standard of review for any changes to the Settlement proposed by a non-Party or by the Commission shall be the ordinary just and reasonable standard.

6.5 During the period that this Settlement is pending before the Commission for approval pursuant to Rule 602, each Party shall cooperate with the other Parties in order to obtain Commission approval of the Settlement without change or condition, and no Party shall take any action that is inconsistent with the provisions of this Settlement.

6.6 No provision of this Settlement may be waived except in writing by an authorized representative of the waiving Party. Waiver of any provision of this Settlement by a Party shall not be deemed to waive any other provisions.