

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

)	
Southern California Edison Company)	Docket Nos. ER11-3697-000,
)	ER11-3697-001,
)	and ER11-3697-003

OFFER OF SETTLEMENT

Southern California Edison Company (“SCE”) hereby offers, to each of the intervenors to the above-captioned proceedings,¹ 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 (“Commission” or “FERC”), 18 C.F.R. § 385.602 (2013). 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, 2012, SCE’s Base Transmission Revenue Requirement (“Base TRR”) and associated transmission rates shall be determined by the Formula Rate,

¹ The entities that intervened in Docket No. ER11-3697 are Pacific Gas and Electric Co.; Golden State Water Co.; Arizona Electric Power Cooperative, Inc. and Southwest Transmission Cooperative, Inc.; San Diego Gas & Electric Co.; Energy Producers and Users Coalition; Atlantic Path 15, LLC; Public Utilities Commission of the State of California (“CPUC”); California Department of Water Resources State Water Project; the City of Los Angeles Department of Water and Power; M-S-R Public Power Agency; the Northern California Power Agency; the State Water Contractors; the Cities of Anaheim, Azusa, Banning, Colton, Pasadena and Riverside, California; the Cities of Santa Clara and Redding, California; Modesto Irrigation District; and Transmission Agency of Northern California (the intervenors in this proceeding are each referred to as a “Party” and, collectively with SCE, are referred to as the “Parties”).

as revised in accordance with the terms of this Settlement. Effective on the date the Commission approves this Settlement, SCE's Formula Rate shall be subject to the Formula Rate Protocols, which have also been revised in accordance with the terms of this Settlement (hereinafter "Formula Rate Protocols"). The Formula Rate Protocols and 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 and conforming modifications to Appendices I, II, and III of SCE's TO Tariff to reflect the Base TRR and associated transmission rates set forth in this Settlement 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, which together 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

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

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.

1.4 For purposes of this Settlement, the ROE to be inserted in Schedule 1, Line 49 of SCE's Formula Rate Spreadsheet (and in Instruction 1, line b of Schedule 4) , shall be a fixed component consisting of a Base ROE of 9.30% plus an ISO Adder of 0.50% for a total ROE of 9.80%. Any applicable ROE Project Adders are input into the Formula Rate Spreadsheet on Schedule 14, and are in addition to the percentage set forth in Schedule 1, Line 49.

1.5 SCE will adopt the following transmission depreciation rates as fixed components to be included in Schedule 18 (Depreciation Rates):

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 The rights of Parties, with respect to the ROE and the Depreciation Rates, as set forth above in Sections 1.4 and 1.5 respectively, including the right to modify the ROE and the Depreciation Rates set forth above (as well as the Parties' rights with respect to other aspects of the Formula Rate) are set forth in the Formula Rate Protocols (Exhibit A).

ARTICLE II

IMPLEMENTATION

2.1. Effective on the date that the Commission approves this Settlement, the formula rate terms that were originally included in Appendix IX to SCE's TO Tariff 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.

2.2. The Formula Rate Spreadsheet originally included in Attachment 1 to Appendix IX to SCE's TO Tariff filed by SCE in this proceeding on June 3, 2011 is hereby replaced and superseded by the version of the Formula Rate Spreadsheet included as Exhibit B to this Settlement (the "Settlement Formula Rate Spreadsheet"). Consistent with Section 1.1 hereof, the Settlement Formula Rate Spreadsheet shall comprise Attachment 2 to Appendix IX to SCE's TO Tariff. The Settlement Formula Rate Spreadsheet shall be effective January 1, 2012, and shall remain in effect until March 31, 2013. Effective January 1, 2012, references to Attachment 1 to Appendix IX of SCE's TO Tariff shall be deemed to refer to Attachment 2 to Appendix IX of SCE's TO Tariff.

2.3. Effective April 1, 2013, the Formula Rate Spreadsheet included as Exhibit B to this Settlement shall be replaced and superseded by the version of the Formula Rate Spreadsheet included as Exhibit C to this Settlement. This tariff change was necessitated by a revision in SCE's retail rate design filed in Docket No. ER13-1190, which was made effective by the Commission on April 1, 2013. The Formula Rate Spreadsheet included as Exhibit C to this Settlement Agreement shall remain in effect until December 31, 2013.

2.4. Effective January 1, 2014, the Formula Rate Spreadsheet included as Exhibit C to this Settlement shall be replaced and superseded by the version of the Formula Rate Spreadsheet included as Exhibit D to this Settlement.

2.5. Except as provided in the Formula Rate Protocols, the Formula Rate shall terminate on December 31, 2017 (the "Formula Rate Termination Date").

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 Formula Rate Termination Date:

3.1. In compliance with Section 3(a)(11) of the Formula Rate Protocols, SCE will provide with its draft Annual Updates a workpaper in a format similar to the table below showing the amounts, by activity, booked into Account 930.2 that are included in the Formula Rate Spreadsheet calculations:

FERC FORM 1 Pg. 335 Line #	Description	FERC FORM 1	Included	Excluded	Formula Reference
1	Industry Association Dues	2,583,461	2,583,461		
2	Nuclear Power Research Expenses	0		0	Schedule 20, Instruction 2f1.
3	Other Experimental and General Research Expenses	3,027,741		3,027,741	Schedule 20, Instruction 2g4.
4	Pub & Dist Info to Stkhdrs...expn servicing outstanding Securities Shareholder	1,152,360	905,933		
				246,427	Schedule 20, Instruction 2a.
5	NOT USED				
6	Credit Line Fees / Bank Charges	4,810,730	4,810,730		
7	Directors' Fees and Expenses	3,172,431	3,172,431		
8	Periodic SEC Reports	294,989	294,989		
9	Planning and Development of Communication Systems	123,491	123,491		
10	Consultants/Professional Services	2,298,651	298,651		
	Advertising Expenses			2,000,000	Schedule 20, Instruction 2f3.
11	Paid Absence Allocation Reclass	-3,205,340	-3,205,340		
12	Write-off of Abandoned Projects	5,265,051		5,265,051	Schedule 20, Instruction 2f2.
13	Miscellaneous (Various Items)	31,921	28,421		
	Spot Bonuses			3,500	Schedule 20, Instruction 2h3.
14	Administrative and General Expense Charged or Paid by Others	-4,863,977	-4,863,977		
46	Totals	14,691,509	4,148,790	10,542,719	

3.2. SCE will record the costs of the four groups that previously comprised its Power Procurement Business Unit (Market Strategy and Resource Planning; Energy Supply and Management; Renewable and Alternative Power; and Power Procurement Finance; all jointly referred to hereinafter as the “Prior PPBU Groups”) to FERC Account 557, effective from January 1, 2012 to December 31, 2014, as authorized by the CPUC’s decision in SCE’s 2012 General Rate Case (“GRC”), D.12-11-051, (“CPUC 2012 SCE GRC Decision”). To the extent SCE proposes to modify in SCE’s 2015 GRC at the CPUC the accounting of costs for any of the Prior PPBU Groups, SCE will submit a statement and/or workpaper describing such modification in the first draft Annual Update following such proposal. In the first Annual Update following the CPUC’s issuance of a decision in SCE’s 2015 GRC, SCE will provide information describing any change in the accounting of costs for the Prior PPBU Groups that the CPUC adopts in such decision, and SCE will reflect in the Formula Rate Spreadsheet for Prior Year 2015 forward the

associated costs in a manner consistent with such CPUC decision. For purposes of this Settlement, any change in the accounting for such costs adopted by the CPUC in such decision and reflected by SCE in its Annual Update will be treated as a Material Accounting Change under Section 3(d) of the Formula Rate Protocols.

3.3. For purposes of preparing the workpaper for Instructions 2.h.1-4 of Schedule 20 regarding Incentive Compensation, required under Section 3(a)(12) of the Formula Rate Protocols, SCE shall use the version of the workpaper attached as Exhibit E for 2012-2014. Only cells shaded yellow in that workpaper will be subject to annual updating as appropriate. After 2014, the workpaper will be modified only as necessary during the term of the Formula Rate to reflect any differences between the treatment of incentive compensation by future CPUC SCE GRC decisions and the treatment in the CPUC 2012 SCE GRC Decision.

3.4. Effective January 1, 2012, SCE will separately track the costs associated with modifying/replacing structures in the portion of Tehachapi Segment 8 near the Chino Airport to rectify Federal Aviation Administration (“FAA”) determinations of presumed hazard. These costs will include the costs of previously-constructed infrastructure that needs to be moved and/or modified as well as replacement costs. These costs will be segregated in a separate internal accounting order and will include the total costs of completing the structures. SCE will provide this cost information with the Quarterly Tracking Reports described in Section 12(a) of the Formula Rate Protocols. SCE will not seek recovery in transmission rates of the cost of the facilities associated with the portion of Tehachapi Segment 8 near the Chino Airport, but due to the April 25,

2011 Notice of Presumed Hazard issued to SCE by the FAA, are not used in the construction of Tehachapi or any other SCE transmission project.

3.5. SCE's annual FERC Form No. 1 submission will break out Account 930.2 expenses into at least the level of detail provided in its 2009, 2010, and 2011 FERC Form No. 1 submissions. SCE's future FERC Form No. 1 submissions will report a value for each of the categories, in addition to any others that SCE may employ, that appear in its 2009, 2010, and 2011 FERC Form No. 1 submissions. Furthermore, the costs of producing SCE's Annual Reports will be booked to Account 930.2 in accordance with the Commission's Uniform System of Accounts, and the amount associated with this expense will be included in the category entitled "Pub & Dist Info to Stkhlders expenses" in SCE's detailed reporting of Account 930.2 costs in its FERC Form No. 1 submissions.

3.6. 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, prior to January 1, 2018, except as follows:

3.6.1. The limitation on filing new incentives requests for rate of return on equity ("ROE") project adders shall apply only until July 1, 2015.

3.6.2. 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 a 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 (i) any required licensing approval from the CPUC for the project; and (ii) California Independent System Operator (“CAISO”) approval for the project through the applicable CAISO planning or interconnection process.

3.6.3. 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.

3.7. SCE will notify all entities 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. Effective January 1, 2012, 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. Until the Formula Rate Termination Date, 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 at the Formula Rate Termination Date shall be carried forward.

3.9. SCE shall include in its draft Annual Update under the Formula Rate Protocols workpapers showing the calculations used to develop the apportionment factors used in Schedule 26 of the Formula Rate Spreadsheet.

3.10. SCE will identify in the annual transmission plant study, provided as a part of its draft Annual Update under the Formula Rate Protocols, major facilities that have moved in the prior calendar year from one jurisdiction to another. In its GRC, SCE will continue to make best efforts to forecast where plant is to become FERC-jurisdictional.

ARTICLE IV

RATE PERIODS AND SCHEDULES

4.1. The retail and wholesale Base TRRs and associated transmission rates, as well as the Gross Load, for the period January 1, 2012 through September 30, 2012 shall be as set forth in Exhibit F-1 to this Settlement. The populated Formula Rate Spreadsheet that produces the retail and wholesale Base TRRs, associated transmission rates, and the Gross Load for this period is attached as Exhibit G-1 to this Settlement.

4.2. The retail and wholesale Base TRRs and associated transmission rates, as well as the Gross Load, for the period October 1, 2012 through December 31, 2012 shall

be as set forth in Exhibit F-2 to this Settlement. The populated Formula Rate Spreadsheet that produces the retail and wholesale Base TRRs, associated transmission rates, and the Gross Load for this period is attached as Exhibit G-2 to this Settlement. The reason for the change from Exhibits F-1 and G-1 is because Exhibits F-2 and G-2 reflect the Base TRR and rates associated with SCE's 2013 Annual Update effective for the 12-month period beginning October 1, 2012.

4.3. The retail and wholesale Base TRRs and associated transmission rates, as well as the Gross Load, for the period January 1, 2013 through March 31, 2013, shall be as set forth in Exhibit F-3 to this Settlement. The populated Formula Rate Spreadsheet that produces the retail and wholesale Base TRRs, associated transmission rates, and the Gross Load for this period is attached as Exhibit G-3 to this Settlement. The reason for the change from Exhibits F-2 and G-2 is because Exhibits F-3 and G-3 reflect the change in the wholesale transmission revenue requirement and rates resulting from SCE's Transmission Revenue Balancing Account Adjustment filing in Docket No. ER13-226, which was effective on January 1, 2013.

4.4. The retail and wholesale Base TRRs and associated transmission rates, as well as the Gross Load, for the period beginning April 1, 2013 shall be as set forth in Exhibit F-4 to this Settlement. The populated Formula Rate Spreadsheet that produces the retail and wholesale Base TRRs, associated transmission rates, and the Gross Load for this period is attached as Exhibit G-4 to this Settlement. The reason for the change from Exhibits F-3 and G-3 is because Exhibits F-4 and G-4 reflect SCE's revision to its

retail rate design filed in Docket No. ER13-1190, which was effective on April 1, 2013. Finally, a copy of the unpopulated Formula Rate Spreadsheet that will become effective January 1, 2014 is attached to this Settlement in Excel format as Exhibit G-5. The reason for the change from Exhibit G-4 is because Exhibit G-5 incorporates conforming revisions, consistent with the Formula Rate Protocols, to transition the Rate Year specified in the Formula Rate to a calendar year.

4.5. The Base TRR and associated transmission rates under Appendices I, II and III to SCE's TO Tariff shall reflect the provisions of Sections 9 (Determination of Amount of Transmission Plant – ISO and Distribution Plant – ISO) and 10 (Determination of Amount of Transmission Operation and Maintenance – ISO and Distribution Operation and Maintenance – ISO) of the Formula Rate Protocols effective January 1, 2012. The amounts set forth in Exhibits F-1 through F-4 and G-1 through G-4 of this Settlement properly reflect the provisions of Sections 9 and 10 of the Formula Rate Protocols.

ARTICLE V

PROVISIONS FOR TARIFF WAIVER INTERIM RATES

5.1. On the date that this Settlement is filed with the Commission, SCE shall file with the Chief Administrative Law Judge a "Motion for Implementation of Interim Settlement Rates and Waiver of Tariff Provisions" ("Motion"). The Motion shall either be supported or not opposed by all participants in this proceeding. The Motion will seek a waiver of the currently-effective Tariff requirements, set forth in the originally-filed version of Appendix IX to SCE's TO Tariff, for SCE to submit an annual informational

filing containing an updated Base TRR and associated transmission rates by September 15, 2013 and for such filing to be made effective as of October 1, 2013. In conjunction with the tariff waiver request, the Motion will request authorization to implement the Base TRR and associated transmission rates produced under this Settlement, as set forth in Exhibit F-4, effective October 1, 2013.

5.2. In the event that the Chief Administrative Law Judge does not grant SCE's Motion in full by September 6, 2013, such Motion shall be deemed withdrawn. In such event, SCE shall file its Informational Filing with the Commission by September 15, 2013 (the "September 2013 Informational Filing") in accordance with Appendix IX to SCE's FERC Electric Tariff as originally filed on June 3, 2011, and the Base TRR and associated transmission rates resulting from the September 2013 Informational Filing shall be effective October 1, 2013.

5.3. In the event that the Chief Administrative Law Judge does not grant SCE's Motion in full by September 6, 2013 and the Commission unconditionally approves this Settlement by November 15, 2013, the Base TRR and associated transmission rates set forth in SCE's September 2013 Informational Filing shall remain in effect until December 31, 2013. In such event, SCE shall file its Annual Update for Rate Year 2014 with the Commission by December 1, 2013 ("December 2013 Informational Filing") in accordance with the Formula Rate Protocols, and the Base TRR and associated transmission rates resulting from this Annual Update shall be effective January 1, 2014.

5.4. In the event that the the Chief Administrative Law Judge does not grant SCE's Motion in full by September 6, 2013 and the Commission unconditionally

approves this Settlement after November 15, 2013, then, notwithstanding anything in the Formula Rate Protocols to the contrary, SCE shall not file a December 2013 Informational Filing (which, under the Formula Rate Protocols filed as part of this Settlement, would ordinarily become effective for Rate Year 2014) as required under the Formula Rate Protocols. In such event, the Base TRR and associated transmission rates resulting from the September 2013 Informational Filing shall be effective through December 31, 2014, to be replaced by the December 1, 2014 Annual Update effective January 1, 2015.

5.5. In the event that the Chief Administrative Law Judge grants the Motion in full no later than September 6, 2013, then, notwithstanding anything in the originally-filed version of Appendix IX to SCE's TO Tariff to the contrary, SCE shall not file its September 2013 Informational Filing with the Commission.

5.5.1. In the event that the Chief Administrative Law Judge grants SCE's Motion in full by September 6, 2013, and the Commission unconditionally approves this Settlement by November 15, 2013, the Base TRR and associated transmission rates set forth in the Motion shall remain in effect until December 31, 2013. In such event, SCE shall file its Annual Update for Rate Year 2014 with the Commission by December 1, 2013 in accordance with the Formula Rate Protocols, and the Base TRR and associated transmission rates resulting from this Annual Update shall be effective January 1, 2014.

5.5.2. In the event that the Chief Administrative Law Judge grants SCE's Motion in full by September 6, 2013 and the Commission does not

unconditionally approve this Settlement until after November 15, 2013, then, notwithstanding anything in the Formula Rate Protocols to the contrary, SCE shall not file its Annual Update for Rate Year 2014 with the Commission, and the interim rates set forth in the Motion shall remain in effect until the next Annual Update filing becomes effective.

ARTICLE VI

REFUNDS

6.1. In the event that the Commission unconditionally approves this Settlement by November 15, 2013, SCE shall make refunds as set forth below for service provided for the period of January 1, 2012 through September 30, 2013. In no case shall such refunds be provided before November 1, 2013.

6.1.1. TO Tariff Wholesale: Within twenty (20) business after the date on which this Settlement becomes effective pursuant to Section 7.3, SCE will request that the CAISO calculate and make refunds, including applicable interest calculated at the rate(s) established pursuant to 18 C.F.R. § 35.19a, to Utility Distribution Companies, Metered Subsystems, and Scheduling Coordinators for Access Charges and Wheeling Access Charges, as appropriate, under the CAISO Tariff. SCE will also request that the CAISO adjust the Wheeling Access Charge revenues allocable to each Participating Transmission Owner (“Participating TO”) to reflect the refunds for Wheeling Access Charge service. Such adjustments to Wheeling Access Charge revenues shall be debited to each Participating TO’s

Transmission Revenue Balancing Account (“TRBA”) in the first restatement of SCE’s and the other Participating TOs’ TRBAs following the effectiveness of this Settlement.

6.1.2. TO Tariff Retail: The CPUC shall determine the treatment of retail refunds.

6.1.3. Existing Transmission Contract (“ETC”) Customers: Within twenty (20) business days after the date on which this Settlement becomes effective pursuant to Section 7.3, SCE will provide the refunds to its ETC customers, including applicable interest calculated at the rate(s) established pursuant to 18 C.F.R. § 35.19a, necessary to implement the Base TRR and associated transmission rates provided herein. SCE shall subsequently file with the Commission a refund report within thirty (30) days of the date on which SCE has provided refunds to such ETC customers.

6.2. In the event that the Commission unconditionally approves this Settlement by November 15, 2013, SCE’s Base TRR and rates in the December 1, 2013 Annual Update shall be developed reflecting the reduction in revenues associated with the refunds for January 1, 2012 through December 31, 2012 provided pursuant to Section 6.1.2, and the Base TRR and rates in the December 1, 2014 Annual Update shall be developed reflecting the reduction in revenues associated with the refunds for January 1, 2013 through September 30, 2013 provided pursuant to Section 6.1.2. Any overrecovery for the period October 1, 2013 through December 31, 2013, under Sections 5.3 and 5.4

above, shall be reflected in the True Up Adjustment for 2013 in the Annual Update filing made on December 1, 2014.

6.3. In the event that the Commission unconditionally approves this Settlement after November 15, 2013, SCE shall not submit a December 1, 2013 Annual Update, and the Base TRR and associated transmission rates implemented on October 1, 2013, either by operation of the Motion as stated in Section 5.5.2 hereof or resulting from the September 2013 Informational Filing as stated in Section 5.4 hereof, shall remain in effect until January 1, 2015. SCE shall provide refunds pursuant to the approach set forth in Section 6.1. for service provided up to the date the Settlement is approved. The reduction in revenues to SCE resulting from the retail refunds for 2012 and 2013 will be reflected in the development of the Base TRR and rates in the December 1, 2014 Annual Update filing, with the 2012 portion of the retail refunds reflected through the use of the One Time Adjustment provision set forth in Schedule 3, Instruction 5.

ARTICLE VII

GENERAL PROVISIONS

7.1. This Settlement represents a negotiated offer of settlement for the purpose of resolving all issues in Docket No. ER11-3697-003 and all issues set for hearing in Docket No. ER11-3697-000 and Docket No. ER11-3697-001, 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).

7.2. 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 Parties that have produced 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.

7.3. This Settlement shall become effective when and if it is approved by the Commission in its entirety without modification or condition, or, if approved in part or subject to modification or condition, if no Party files notice of its objection to such partial approval or condition or modification with the Commission 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 serve all parties to Docket No. ER11-3697 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.

7.4. 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.

7.5. 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 Sections 1.4 and 1.5 of this Settlement and to the TO Tariff provisions attached to this Settlement that are proposed by any Party and that are permitted under the TO Tariff shall be the just and reasonable test, and the standard of review for any changes to this Settlement (not including Sections 1.4 and 1.5 of this Settlement and the TO Tariff provisions attached to this Settlement) that are proposed by any Party shall be the "public interest" test. *Maine Public Utilities Commission v. FERC.*, 520 F.3d 464, 476 (D.C. Cir. 2008), *see also United Gas Pipe Line Co. v. Mobile Gas Service Corp.*, 350 U.S. 348 (1956), and *FPC v. Sierra Pacific Power Co.*, 350 U.S. 348 (1956). Any

change to this Settlement proposed by a non-Party or by the Commission shall be governed by the just and reasonable standard.

7.6. During the period that this Settlement is pending before the Commission for its 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.

7.7. 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.