

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

Application of Southern California Edison  
Company (U 338-E) to Establish Marginal Costs,  
Allocate Revenues, and Design Rates.

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A.17-06-030  
(Filed June 30, 2017)

**MOTION OF SOUTHERN CALIFORNIA EDISON COMPANY (U 338-E)  
AND RENEWABLE ENERGY WATER DISTRICTS FOR ADOPTION OF  
RENEWABLE ENERGY SELF-GENERATION BILL CREDIT TRANSFER  
INDIFFERENCE MECHANISM AMENDED SETTLEMENT AGREEMENT**

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Dated: **September 28, 2018**

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**I.**

**INTRODUCTION**

Pursuant to Rule 12.1 *et seq.* of the California Public Utilities Commission’s (Commission) Rules of Practice and Procedure, Southern California Edison Company (SCE), on behalf of itself and the Renewable Energy Water Districts (REWD) (together, the Settling Parties),<sup>1</sup> files this motion that requests the Commission find reasonable and adopt the “Renewable Energy Self-Generation Bill Credit Transfer Indifference Mechanism Amended Settlement Agreement” (Amended Settlement Agreement), which is appended to this Motion as Attachment A. The Settling Parties intend for this Amended Settlement Agreement to supersede and replace the August 6, 2018 Renewable Energy Self-Generation Bill Credit Transfer Indifference Mechanism Settlement Agreement (“Original Settlement Agreement”).

The Settling Parties have executed an Amended Settlement Agreement that resolves the issues surrounding an acceptable “indifference” mechanism for the thirty-three solar customers (with a

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<sup>1</sup> Pursuant to Rule 1.8(d), SCE has been authorized to file this motion on behalf of itself and REWD.

collective installed capacity of approximately 59 megawatts (MW)) who are either currently taking service on SCE's Renewable Energy Self-Generation Bill Credit Transfer (RES-BCT) rate option (Operational RES-BCT Customers), or are not yet operational but have submitted an initial interconnection application by December 31, 2017 to SCE, and therefore meet Commission-approved grandfathering requirements for RES-BCT customers (Additional Eligible RES-BCT Customers) (collectively, the Eligible Customers).<sup>2</sup> The RES-BCT program is statutorily mandated and requires SCE to offer a tariff that allows local governments and campuses to generate electricity from an eligible renewable generating facility for their own use, and to export energy not consumed at the time of generation to SCE's grid. All such generation exported to SCE's grid is converted into bill credits and applied to benefiting accounts as designated by the local government or campus. RES-BCT service does not represent a form of net energy metering (NEM) service, and customers taking service on the rate only receive bill credits against the generation energy portion of their bills (not against the entire retail rate).

REWD represents two of the eighteen Operational RES-BCT Customers receiving RES-BCT service in SCE's service territory; specifically, Santa Clarita Valley Water Agency (SCVWA), as the successor-in-interest to the Castaic Lake Water Agency (CLWA), and the Rancho California Water District (RCWD). In addition, the representative for REWD represents two of the fifteen Additional Eligible RES-BCT Customers. As discussed in more detail below, Commission Decision (D.)18-07-006 (resolving SCE's 2016 Rate Design Window (RDW) Application) mandated that "SCE and [REWD] ... work collaboratively in SCE's currently-open General Rate Case Phase 2 proceeding (Application 17-06-030) to develop an indifference mechanism that, by mutual agreement, will have the result that

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<sup>2</sup> The Original Settlement Agreement identified sixteen Operational RES-BCT Customers. The Amended Settlement Agreement covers those sixteen customers, as well two additional Operational RES-BCT Customers, as well as an additional fifteen Additional Eligible RES-BCT customers. Each of these Eligible Customers consists of a "generating account" that is eligible for time-of-use (TOU) period grandfathering and the indifference mechanisms proposed herein. Each generating account has one or multiple associated "benefitting accounts."

SCE’s Renewable Energy Self-Service Bill Credit Transfer program continues to be a viable mechanism for the governmental entities that currently participate in the program.”<sup>3</sup>

This Amended Settlement Agreement follows, and is the result of intensive good-faith negotiations between SCE and REWD in what has been deemed settlement “Track No. 9” of this proceeding. At a high level, the Amended Settlement Agreement includes an “indifference mechanism” that will result in a one-time bill credit to Eligible Customers that both SCE and REWD agree will maintain the “viability” of the RES-BCT program for Eligible Customers. Consistent with D.18-07-006, the relevant provisions of which “clearly appl[y] only to [those] who are currently RES-BCT customers,”<sup>4</sup> the indifference mechanism will be made available to both the Operational RES-BCT Customers as well as the Additional Eligible RES-BCT Customers. Moreover, the indifference mechanism will be made available to all Eligible Customers not represented by REWD or its representative on an opt-in basis, as set forth in more detail in the Amended Settlement Agreement.

Section II of this Motion provides the regulatory and procedural background related to this proceeding. Section III describes in general the positions advocated by the Parties and the terms of the Amended Settlement Agreement. Section IV demonstrates that the Amended Settlement Agreement is reasonable in light of the whole record, consistent with law, and in the public interest, and that it should be adopted without modification. Section V discusses the procedural requests of the Settling Parties for disposing of this Motion and implementing the indifference mechanism.

## II.

### **REGULATORY BACKGROUND**

#### **A. Background of this Proceeding**

This proceeding was initiated by the filing of SCE’s application on June 30, 2017. On November 22, 2017, the Assigned Commissioner and Assigned Administrative Law Judge issued a Scoping Memo and Ruling following a November 2, 2017 prehearing conference.

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<sup>3</sup> D.18-07-006 at Ordering Paragraph 3.

<sup>4</sup> *Id.* at p. 89.

In A.16-09-003 (SCE’s 2016 RDW Application), REWD submitted testimony on April 28, 2017, advocating for grandfathering on existing rates for periods beyond 10 years for RES-BCT customers in light of likely (now confirmed) changing TOU periods. Similar to other solar customers, the changing TOU periods are expected to have a negative impact on solar customer RES-BCT project economics, because the generation output for solar generating systems (for which RES-BCT customers receive a bill credit) will no longer align as closely with the new “on-peak” period, which has been moved to later in the day (*i.e.*, from 12-6pm to 4-9pm). REWD also proposed an “indifference payment” in lieu of extended grandfathering, essentially advocating that RES-BCT customers should be “made whole” (*i.e.*, held indifferent to the changing TOU paradigm) for the remaining life of their system investments (*i.e.*, generally 25 years).

In A.16-09-003, SCE filed a motion to strike on June 1, 2017, and also submitted rebuttal testimony on June 9, 2017, opposing these proposals, positing that any grandfathering should be limited to 10 years (*i.e.*, the same as other solar (*e.g.*, NEM) customers), and that any consideration of additional mitigation measures (such as an indifference mechanism) would be more appropriately considered in the instant proceeding.

On May 22, 2018, a Proposed Decision (PD) was issued in A.16-09-003 addressing these issues. SCE filed Comments on the PD on June 11, 2018, seeking clarification on customer eligibility for potential additional RES-BCT-related mitigation mechanisms, and what the PD meant by its use of the term “program viability.”

On July 12, 2018, the Commission adopted D.18-07-006, which addressed SCE’s Comments and provided additional clarification and direction on this issue. In the end, D.18-07-006 denied REWD’s proposals, holding that “[t]he grandfathering proposals made by REWD should not be adopted.”<sup>5</sup> Instead, D.18-07-006 noted that D.17-01-006 set the “expectation” that “the IOUs, customers, and DER technology providers will develop mitigation measures that are ... more narrowly tailored than

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<sup>5</sup> *Id.* at Conclusion of Law 9.

grandfathering.”<sup>6</sup> D.18-07-006 also noted that D.17-01-006 does not “preclude[] customers on its RES-BCT tariff from receiving mitigation beyond the ten-year grandfathering period . . . .”<sup>7</sup> The final decision noted that “[t]he PD could have [issued more broadly-applicable guidance regarding RES-BCT program viability], but it did not. Instead, it adopted the narrow remedy we are discussing here.”<sup>8</sup>

Ultimately, the Commission ordered “SCE and [REWD to] work collaboratively in SCE’s currently-open GRC Phase 2 proceeding (A.17-06-030) to develop an indifference mechanism that, by mutual agreement, will have the result that the RES-BCT program continues to be a viable mechanism for the governmental entities that entered the program in good faith that it would not be effectively canceled part-way through the life of the investments they made to participate in California’s efforts to reduce greenhouse gas emissions and help achieve the state’s climate goals.”<sup>9</sup>

SCE provided notice to all parties of its intent to conduct a settlement conference related to all issues raised in the proceeding, and an initial settlement conference was held on April 6, 2018. Continuing settlement discussions occurred among the parties after April 6, 2018. Specific to this Settlement Agreement, the Settling Parties commenced “Track No. 9” settlement discussions on July 24, 2018.<sup>10</sup> On August 6, 2018, the Settling Parties filed a Motion requesting adoption of the Original Settlement Agreement. Subsequent to the filing of that Motion, SCE discovered that there were multiple additional Eligible Customers (namely, two additional Operational RES-BCT Customers and the fifteen Additional Eligible RES-BCT Customers). Accordingly, this Motion with its accompanying Amended Settlement Agreement follows.

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<sup>6</sup> *Id.* at Conclusion of Law 10.

<sup>7</sup> *Id.* at p. 64. The Commission also noted that “[e]vidence in this proceeding shows that the value of the solar energy produced by the renewable energy water districts’ projects will decrease significantly once SCE’s proposed TOU period changes take effect unless mitigating actions are taken beyond the grandfathering provisions established in D.17-01-006.” *Id.* at Finding of Fact 21.

<sup>8</sup> *Id.* at p. 90.

<sup>9</sup> *Id.* at p. 64.

<sup>10</sup> Discussions regarding TOU period mitigation measures for RES-BCT customers originally occurred as part of Settlement Track No. 8, but the issues were ultimately isolated to their own Settlement Track No. 9.

### III.

#### **SUMMARY OF AMENDED SETTLEMENT AGREEMENT**

The Amended Settlement Agreement resolves issues related to an appropriate indifference mechanism for existing (as that term is defined in D.18-07-006) RES-BCT customers in SCE's service territory. The provisions of the Amended Settlement Agreement are summarized below and in a comparison exhibit, Appendix A to the Amended Settlement Agreement, which provides a comparison of party positions related to the relevant issues and the manner in which these issues have been resolved by the Amended Settlement Agreement.<sup>11</sup>

The major RES-BCT indifference mechanism issues addressed in the Amended Settlement Agreement are the following:

- The eligibility of RES-BCT customers for an “indifference” bill credit.
- The calculation and resulting amount of the “indifference” bill credit for Eligible Customers.
- Ratemaking mechanisms for applying the bill credits for Eligible Customers.
- Notification to – and potential opt-in of – the Eligible Customers not represented by REWD or its representative.
- Explicit acknowledgement by the Settling Parties that installation costs for solar generating facilities have significantly declined, which should be a consideration in any future Commission action evaluating the “viability” of the RES-BCT program.
- Grandfathered rates applicable only to Operational RES-BCT Customer generating accounts, that align with the rate design proposed for commercial and industrial (C&I) GF rates in the July 23, 2018 *Motion of Southern California Edison Company and Settling Parties for Adoption of Solar Grandfathered Commercial and Industrial Customer TOU Period Mitigation Settlement Agreement*. Illustrative rates for these rate options are shown in Appendix B of the Amended Settlement Agreement.

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<sup>11</sup> Capitalized terms are defined in Paragraph 2 of the Amended Settlement Agreement.

The Amended Settlement Agreement resolves these issues. The total (estimated) aggregated bill credit for all Operational RES-BCT customers is provided in Appendix C to the Settlement Agreement. Because the Additional Eligible RES-BCT Customers are not yet on-line, and some may not ever be completed and are not even associated with a future rate class, SCE does not have the billing/generation data to quantify a precise estimate for their corresponding aggregated bill credit.

**A. ELIGIBILITY FOR RES-BCT INDIFFERENCE MECHANISM**

D.18-07-006 makes clear that all existing – but only existing – RES-BCT customers should be eligible for any potential additional mitigation measures that parties may agree to (*e.g.*, an indifference mechanism).<sup>12</sup> Accordingly, the Amended Settlement Agreement provides that Eligible Customers are limited to solar RES-BCT customers who submitted their initial applications for interconnection by the deadlines adopted in the TOU OIR decisions (January 31, 2017 for non-public agencies, and December 31, 2017 for public agencies).

**B. CALCULATION AND AMOUNT OF INDIFFERENCE MECHANISM BILL CREDITS**

The Amended Settlement Agreement adopts calculation methodologies for the applicable customer bill credits based on agreed-upon assumptions regarding future customer generation output based on historical performance (*i.e.*, assumed billing determinants that will generate bill credits pursuant to the RES-BCT tariff) for the Operational RES-BCT Customers, and based on one year of operational performance for the Additional Eligible RES-BCT Customers (if and when they come online). The Amended Settlement Agreement's indifference mechanism credit calculation compares what the Eligible Customer would have been eligible to receive as bill credits under historical (when applicable) and proposed rates, and calculates a one-time bill credit (*i.e.*, the Net Present Value Lump Sum Payments), on a net present value basis using an agreed-upon discount rate (*i.e.*, 2 percent) relevant to public agencies.<sup>13</sup> The Settling Parties agree that this bill credit (the Indifference Payment) maintains

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<sup>12</sup> *Id.* at p. 89.

<sup>13</sup> The 2 percent discount rate is modeled to approximate the financing costs of public agencies for RES-BCT-eligible systems, as well as anticipated rates of return for public agencies on the Net Present Value Lump Sum Payments should they invest it to offset future payments to their Power Purchase Agreement counter-parties related to the RES-BCT projects.



the “viability” of the RES-BCT program for Eligible Customers, and is a reasonable compromise of their respective litigation positions. The compromise falls within the reasonable range of those litigation positions, which ranged from SCE’s 10-year grandfathering proposal (*i.e.*, identical to NEM) to REWD’s 25-year full indifference proposal (*i.e.*, the full duration of the longest Power Purchase Agreements (PPAs) that REWD’s customers are bound by).

C. **RATEMAKING MECHANISM FOR APPLYING BILL CREDITS TO ELIGIBLE CUSTOMERS**

The Amended Settlement Agreement provides that the indifference mechanism bill credits for Eligible Customers will be effectuated through a lump sum bill credit to the RES-BCT Generating Account within three months of the implementation of a final decision adopting the Amended Settlement Agreement (expected to be during the first half of 2019) for Operational RES-BCT Customers, and subsequent to actual operation for Additional Eligible RES-BCT Customers.<sup>14</sup> After the lump sum bill credit is applied to the Generating Account as a bill credit, customers can request that any balance on the account be cashed out via a check sent to the customer. The total cumulative indifference payments for Operational RES-BCT Customers is estimated to be approximately \$9 million. The total cumulative indifference payments for Additional Eligible RES-BCT Customers is not known at this time, as the Settling Parties at this point do not know when or if these Additional Eligible RES-BCT Customers will begin operation, and, to the extent they do so, at what generation levels and in which rate class(es). Cumulatively, the bill credits paid to all Eligible Customers is known as the “Total Indifference Payment.”<sup>15</sup> For ratemaking purposes, the Total Indifference Payment will be recorded as a debit to the generation sub-account of SCE’s Base Revenue Requirement Generation Account (BRRBA).

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<sup>14</sup> Three months after a year of project operational data is available.

<sup>15</sup> There is the possibility that some of the Eligible Customers’ RES-BCT accounts could qualify for NEM, and that those customers would choose that option in lieu of receiving an indifference payment, which would also impact (*i.e.*, relatively reduce) the Total Indifference Payment.

**D. OPT-IN FOR OTHER ELIGIBLE CUSTOMERS**

As discussed above, REWD and/or its representative represents four of the 33 customers who are eligible for the RES-BCT indifference mechanism bill credit. Because REWD does not represent the other 29 Eligible Customers, the Amended Settlement Agreement provides for effective notice and potential opt-in for those other Eligible Customers.<sup>16</sup> The Amended Settlement Agreement does not presume to bind those other 29 Eligible Customers should they choose not to opt-in to the Amended Settlement Agreement and receive their corresponding bill credits, but it provides them the opportunity to opt-in to what the Settling Parties believe is a beneficial bill credit for similarly-situated RES-BCT customers. It is also important to note that D.18-07-006 specifically directed SCE and REWD to negotiate this settlement, and also contemplated that any potential resolution would apply to those other similarly-situated RES-BCT customers.

**E. ACKNOWLEDGEMENT OF EFFECT OF DECLINING COSTS OF SOLAR GENERATING SYSTEMS AS RELATED TO RES-BCT PROGRAM VIABILITY**

In D.18-07-006, the Commission rejected the Solar Energy Industry Association’s (SEIA) proposal to make any indifference mechanism “available to all customers who are currently RES-BCT customers and those who apply to be RES-BCT customers in SCE’s service territory until SCE’s statutory RES-BCT MW cap is met.”<sup>17</sup> The final decision made clear that while the Commission “could have” included much more broadly-defined customer eligibility criteria for mitigation measures, ultimately “it did not.”<sup>18</sup> However, the final decision also alluded to a “telling reference to the ‘legislature’s MW goals’” and stated that “[u]ntil SCE reaches its proportionate share of the RES-BCT

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<sup>16</sup> The Amended Settlement Agreement also includes safeguards applicable to any Operational RES-BCT Customer – including those represented by REWD and its representative – opting in to receive an RES-BCT indifference payment against “gaming” of the bill credit, including that (1) the Generating Account may not subsequently transfer to NEM service prior to the conclusion of the period covered by the indifference payment amount, and (2) the RES-BCT arrangement as a whole (*i.e.*, both the Generating Account and all Benefitting Accounts who meet the eligibility requirements for TOU period grandfathering) must be served on a GF rate for the duration of the 10-year grandfathering period.

<sup>17</sup> *Id.* at p. 89.

<sup>18</sup> *Id.* at p. 90.

cap, eligible entities can continue to enroll in its RES-BCT program, and this Commission remains obligated to ensure that SCE's program is attractive enough to those entities to produce steady progress toward SCE's cap."<sup>19</sup> The Commission's precise intent of this language remains unclear to the Settling Parties. Accordingly, the Amended Settlement Agreement makes explicit that the Settling Parties recognize that the purchase/installation costs of solar generation systems have dropped dramatically over the last several years.<sup>20</sup> Any future Commission consideration of the "viability" of the RES-BCT program should explicitly consider these reduced cost inputs for eligible customers.

#### IV.

#### **REQUEST FOR ADOPTION OF THE AMENDED SETTLEMENT AGREEMENT**

The Amended Settlement Agreement is submitted pursuant to Rule 12.1 *et seq.* of the Commission's Rules of Practice and Procedure. The Amended Settlement Agreement is also consistent with Commission decisions on settlements, which express the strong public policy favoring settlement of disputes if they are fair and reasonable in light of the whole record.<sup>21</sup> This policy supports many worthwhile goals, including reducing the expense of litigation, conserving scarce Commission resources, and allowing the Settling Parties to reduce the risk that litigation will produce unacceptable results.<sup>22</sup> As long as a settlement taken as a whole is reasonable in light of the record, consistent with the law, and in the public interest, it should be adopted without change.

The Amended Settlement Agreement complies with Commission guidelines and relevant precedent for settlements. The general criteria for Commission approval of settlements are stated in Rule 12.1(d) as follows:

The Commission will not approve stipulations or settlements, whether contested or uncontested, unless the stipulation or settlement is reasonable in light of the whole record, consistent with law, and in the public interest.<sup>23</sup>

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<sup>19</sup> *Id.*

<sup>20</sup> *See, e.g.*, <https://www.nrel.gov/docs/fy17osti/68925.pdf>, at Figure ES-1, at p. VI.

<sup>21</sup> *See, e.g.*, D.88-12-083 (30 CPUC 2d 189, 221-223) and D.91-05-029 (40 CPUC 2d, 301, 326).

<sup>22</sup> D.92-12-019, 46 CPUC 2d 538, 553.

<sup>23</sup> *See also, Re San Diego Gas & Electric Company*, (D.90-08-068), 37 CPUC 2d 360.

The Amended Settlement Agreement meets the criteria for a settlement pursuant to Rule 12.1(d), as discussed below.

The prepared testimony, the Amended Settlement Agreement itself (with its attendant Comparison Exhibit and other exhibits attached thereto), and this motion contain the information necessary for the Commission to find the Amended Settlement Agreement reasonable in light of the record. Prior to entering into the Amended Settlement Agreement, the Settling Parties conducted discovery (formally and informally), and also served testimony on the issues related to the RES-BCT indifference mechanism.

The Amended Settlement Agreement represents a reasonable compromise of the Settling Parties' positions in light of the inherent risks and costs of continued litigation. Without divulging the content of confidential settlement negotiations, concessions by SCE on some issues were offset by concessions by REWD on other issues, as is the case with almost every settlement. The Amended Settlement Agreement accordingly represents a series of tradeoffs, and must be viewed as a "package." No single provision should be viewed in isolation, although every individual provision is reasonable, lawful, and in the public interest.

At a high level, the Amended Settlement Agreement represents a reasonable resolution of disparate Party positions in the following ways:

**First**, the Amended Settlement Agreement incorporates the Commission's mandate to SCE and REWD that they "develop an indifference mechanism that, by mutual agreement, will have the result that the RES-BCT program continues to be a viable mechanism for the governmental entities that entered the program in good faith that it would not be effectively canceled part-way through the life of the investments they made ... ." <sup>24</sup>

**Second**, the Amended Settlement Agreement represents a compromise proposal that the Settling Parties agree maintains the "viability" of the RES-BCT program for existing customers, but also limits "mitigation payments" to a reasonable level. As set forth more fully in the Amended Settlement

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<sup>24</sup> *Id.* at pp. 89-90.

Agreement, the “mitigation payments” to Additional Eligible RES-BCT Customers are calculated similarly to those for Operational RES-BCT Customers, and will also only be paid if and when the Additional Eligible RES-BCT Customers achieve a year of commercial operation. These provisions are intended to protect all other SCE bundled service customers, who will collectively fund the Total Indifference Payment.

**Third**, the Amended Settlement Agreement provides effective notice and opportunity for the other 29 SCE RES-BCT customers not represented by REWD or its representative to “opt-in” to receive the benefits of the Amended Settlement. If those other customers do not affirmatively “opt-in,” they are free to advocate for alternative relief should the Commission deem that appropriate.<sup>25</sup>

**A. The Amended Settlement Agreement Should Be Adopted as a Whole as it is a Compromise of Interests**

Each portion of the Amended Settlement Agreement is dependent upon the other portions of the Amended Settlement Agreement. Changes to one portion of the Amended Settlement Agreement would alter the balance of interests and the mutually agreed-upon compromises and outcomes that are contained in the Amended Settlement Agreement. As such, the Settling Parties request that the Amended Settlement Agreement be adopted as a whole by the Commission, as it is reasonable in light of the whole record, consistent with law, and in the public interest.

**V.**

**PROPOSED SCHEDULE FOR COMMENTS AND IMPLEMENTATION  
OF AMENDED SETTLEMENT AGREEMENT**

The Settling Parties seek approval of the terms of the Amended Settlement Agreement so that SCE may make the indifference payment bill credits to Operational RES-BCT Customers within three months following the issuance of a final Commission decision approving the Amended Settlement Agreement (and to Additional Eligible RES-BCT Customers subsequent to their actual on-line

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<sup>25</sup> SCE would affirmatively oppose any such efforts, given the Commission’s clear direction to resolve this issue in the instant proceeding.

operational dates).<sup>26</sup> In order to accomplish this, the Settling Parties recommend the following time periods for comments and replies to comments on the Amended Settlement Agreement.

<u>Event</u>	<u>Date</u>
Motion filed for Adoption of the Amended Settlement Agreement	September 28, 2018
Opening comments, if any, on the Amended Settlement Agreement	October 8, 2018
Reply comments, if any, on the Amended Settlement Agreement	October 15, 2018

## **VI.**

### **CONCLUSION**

WHEREFORE, the Settling Parties respectfully request that the Assigned Commissioner, Assigned ALJs, and the Commission:

1. Approve the attached Amended Settlement Agreement as reasonable in light of the record, consistent with law, and in the public interest; and
2. Authorize SCE to implement bill credits for Eligible Customers in accordance with the terms of the Amended Settlement Agreement.

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<sup>26</sup> Three months after a year of project operational data is available.

Respectfully submitted,

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And on behalf of the Settling Parties pursuant to Rule 1.8(d).

September 28, 2018

**Appendix A**

**Renewable Energy Self-Generation Bill Credit Transfer Indifference Mechanism**

**Amended Settlement Agreement**



**BEFORE THE PUBLIC UTILITIES COMMISSION OF THE  
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INDIFFERENCE MECHANISM AMENDED SETTLEMENT AGREEMENT**

Dated: **September 28, 2018**

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This Renewable Energy Self-Generation Bill Credit (RES-BCT) Indifference Mechanism Amended Settlement Agreement (Amended Agreement or Amended Settlement Agreement) is entered into by and among the undersigned Parties hereto. The Settling Parties agree and intend that this Amended Settlement Agreement replaces and supersedes the Original Settlement Agreement in its entirety.

**1. Parties**

The Parties to this Amended Agreement are Southern California Edison Company (SCE) and the Renewable Energy Water Districts (REWD) (referred to hereinafter collectively as Settling Parties or individually as a Party).

- A. SCE is an investor-owned public utility (IOU) and is subject to the jurisdiction of the California Public Utilities Commission (Commission or CPUC) with respect to providing electric service to its CPUC-jurisdictional retail customers.
- B. REWD is an organization representing the Santa Clarita Valley Water Agency (SCVWA), as the successor-in-interest to the Castaic Lake Water Agency (CLWA), and the Rancho

California Water District (RCWD)<sup>1</sup>. Both SCVWA and RCWD are government agencies who are bundled service customers of SCE and take service on SCE's RES-BCT tariffs.

## 2. Definitions

When used in initial capitalization in this Amended Settlement Agreement, whether in singular or plural, the following terms shall have the meanings set forth below or, if not set forth below, then as they are defined elsewhere in this Amended Settlement Agreement:

- A. "Additional Eligible RES-BCT Customers" means the fifteen (15) not-yet-operational customers who are eligible for RES-BCT grandfathering pursuant to the Commission's TOU OIR decision (D.17-01-006), and who SCE identified subsequent to the finalization of the Original Settlement Agreement.
- B. "Additional Indifference Amount" means the indifference calculation meant to hold Operational RES-BCT Customers and Additional Eligible Customers indifferent for the value of five (5) going-forward years after the conclusion of the Grandfathering Period (as applicable), calculated as the estimated delta between the Grandfathered RES-BCT Rate and those customers' 2018 GRC Phase 2 proposed Otherwise Applicable Tariff ("OAT") rates.
- C. "Benefitting Account" means an electric account or accounts authorized to receive generation credits produced by electricity exported to the electric grid by an eligible renewable generating facility interconnected under the RES-BCT tariffs.
- D. "BRRBA" is SCE's Base Rates Revenue Balancing Account.
- E. "Commission" or "CPUC" means the California Public Utilities Commission.
- F. "Eligible Customers" means the thirty-three (33) customers who are currently eligible to take service on SCE's RES-BCT tariff; *i.e.*, both Operational RES-BCT Customers and Additional Eligible RES-BCT Customers (*i.e.*, who submitted their initial applications for interconnection by the deadlines adopted in the TOU OIR Commission decisions (January 31, 2017 for non-public agencies, and December 31, 2017 for public agencies) but who have not yet begun service on the rate).
- G. "ERRA" is SCE's Energy Resource Recovery Account.

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<sup>1</sup> Eastern Municipal Water District (EMWD) and Las Virgenes Municipal Water District (LVMWD) joined REWD after the Settlement Motion was filed. They are governmental entities and SCE bundled service customers, but their RES-BCT projects are not yet operational.

- H. “Generating Account” means the designated retail service account located on the same premises and interconnected with the eligible renewable generating facility under the RES-BCT tariffs.
- I. “Grandfathered RES-BCT Rate” means the RES-BCT tariff in effect and applicable to Operational RES-BCT customers as of the time of the signing of the Settlement Agreement.
- J. “Grandfathering Period” means, for RES-BCT Customers, the period up to 10 years (but not to extend in any event past December 31, 2027) from the customer’s permit-to-operate date for the relevant RES-BCT-eligible solar generating station.
- K. “Grandfathering Period Payment” means the indifference calculation meant to hold Operational RES-BCT Customers indifferent during the Grandfathering Period (*i.e.*, up to 10 years), calculated as the estimated delta between the Grandfathered RES-BCT Rate and those customers’ current OAT rates.
- L. “Indifference Methodologies” are the settled, agreed-upon bill credit calculation methodologies used by the Settling Parties to calculate individual Net Present Value Lump Sum Payments for Eligible Customers.
- M. “NEM” means SCE’s Net Energy Metering tariffs, including Schedules NEM, NEM-ST, NEM-V, NEM-V-ST, MASH-VNM and MASH-VNM-ST.
- N. “Net Present Value Lump Sum Payment” means the calculation of a future stream of payments discounted to a present value using an agreed-upon discount rate and paid to a customer as a one-time bill credit.
- O. “OAT” means the customer’s otherwise applicable tariff.
- P. “Operational RES-BCT Customers” means the eighteen (18) Eligible Customers who currently have an operational account taking service on a RES-BCT tariff.
- Q. “Opt-In Notice” means the notification SCE will send by certified mail to the twenty-nine (29) Eligible Customers not represented by REWD or its representative.
- R. “Original Settlement Agreement” means the August 6, 2018, Renewable Energy Self-Generation Bill Credit Indifference Mechanism Settlement Agreement, entered into between SCE and REWD in this proceeding and filed on August 6, 2018 as an attachment to a motion seeking its adoption.
- S. “RA Settlement Agreement” means the Revenue Allocation Settlement Agreement filed in this proceeding on July 3, 2018.

- T. “RES-BCT” means the Renewable Energy Self-Generation Bill Credit Transfer tariff or program, which is statutorily mandated and requires SCE to offer a tariff that allows local governments and campuses to generate electricity from an eligible renewable generating facility for their own use, and to export energy not consumed at the time of generation to SCE’s grid. All such generation exported to SCE’s grid is converted into bill credits and applied to Benefiting Accounts as designated by the local government or campus. RES-BCT service does not represent a form of NEM service, and customers taking service on the rate only receive bill credits against the generation energy portion of their bills (not against the entire retail rate).
- U. “RDW” means SCE’s 2016 Rate Design Window proceeding, A.16-09-003.
- V. “SAPC” means “System Average Percentage Change.”
- W. “Total Indifference Payment” means the total of: (a) the approximately \$9 million cumulative total of the Net Present Value Lump Sum Payments to be paid to the 18 Operational RES-BCT Customers; and (b) the additional cumulative total of the Net Present Value Lump Payments to be paid to the 15 Additional Eligible RES-BCT Customers.

### 3. **Recitals**

- A. In Phase 2 of SCE’s 2018 General Rate Case (GRC), the Commission allocates SCE’s authorized revenue requirement among rate groups and authorizes rate design changes for rate schedules in each rate group.
- B. On June 30, 2017, SCE served its initial prepared testimony regarding marginal costs, revenue allocation and rate design in Application (A.)17-06-030.
- C. On November 22, 2017, the Assigned Commissioner and Assigned Administrative Law Judge issued a Scoping Memo and Ruling following a November 2, 2017 prehearing conference.
- D. In SCE’s RDW proceeding, REWD submitted testimony on April 28, 2017, advocating for grandfathering on existing rates for periods beyond 10 years for RES-BCT customers in light of likely (now confirmed) changing time-of-use (TOU) periods. REWD also proposed an “indifference payment” in lieu of extended grandfathering, essentially advocating that RES-BCT customers should be “made whole” (*i.e.*, held indifferent to the changing TOU paradigm) for the remaining life of their system investments.

- E. In the RDW, SCE filed a motion to strike on June 1, 2017, and also submitted rebuttal testimony on June 9, 2017, opposing these proposals, positing that any grandfathering should be limited to 10 years (*i.e.*, the same as other solar (*e.g.*, NEM) customers), and that any consideration of additional mitigation measures (such as an indifference mechanism) would be more appropriately considered in the instant proceeding.
- F. On May 22, 2018, a Proposed Decision (PD) was issued in the RDW addressing these issues. SCE filed Comments on the PD on June 11, 2018, seeking clarification on customer eligibility for potential additional RES-BCT-related mitigation mechanisms, and what the PD meant by its use of the term “program viability.”
- G. On July 12, 2018, the Commission issued Decision (D.) 18-07-006, which addressed the Settling Parties’ Comments and provided additional clarification and direction on this issue. D.18-07-006 denied REWD’s proposals, holding that “[t]he grandfathering proposals made by REWD should not be adopted.”<sup>2</sup> D.18-07-006 noted that D.17-01-006 set the “expectation” that “the IOUs, customers, and DER technology providers will develop mitigation measures that are ... more narrowly tailored than grandfathering.”<sup>3</sup> D.18-07-006 also noted that D.17-01-006 does not “preclude[] customers on its RES-BCT tariff from receiving mitigation beyond the ten-year grandfathering period ... .”<sup>4</sup>
- H. D.18-07-006 directed “SCE and [REWD to] work collaboratively in SCE’s currently-open GRC Phase 2 proceeding (A.17-06-030) to develop an indifference mechanism that, by mutual agreement, will have the result that the RES-BCT program continues to be a viable mechanism for the governmental entities that entered the program in good faith that it would not be effectively canceled part-way through the life of the investments they made to participate in California’s efforts to reduce greenhouse gas emissions and help achieve the state’s climate goals.”<sup>5</sup>

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<sup>2</sup> *Id.* at Conclusion of Law 9.

<sup>3</sup> *Id.* at Conclusion of Law 10.

<sup>4</sup> *Id.* at p. 64. The Commission also noted that “[e]vidence in this proceeding shows that the value of the solar energy produced by the renewable energy water districts’ projects will decrease significantly once SCE’s proposed TOU period changes take effect unless mitigating actions are taken beyond the grandfathering provisions established in D.17-01-006.” *Id.* at Finding of Fact 21.

<sup>5</sup> *Id.* at p. 64.



- I. SCE provided notice to all parties of its intent to conduct a settlement conference related to all issues raised in the proceeding, and an initial settlement conference was held on April 6, 2018.
- J. Continuing settlement discussions occurred among the parties after April 6, 2018. Specific to this Settlement Agreement, the Settling Parties commenced “Track No. 9” settlement discussions on July 24, 2018.<sup>6</sup>
- K. On August 6, 2018, SCE and REWD submitted a Motion for Approval of the Original Settlement Agreement. On August 10, 2018, the Commission held a settlement hearing, and SCE and REWD appeared on a panel defending the Original Settlement Agreement. Subsequent to the submission of the Original Settlement Agreement, SCE identified two additional Operational RES-BCT Customers as well the fifteen Additional Eligible RES-BCT Customers.
- L. Appendix A to this Amended Agreement provides a comparison of the Settling Parties’ positions in the RDW related to the RES-BCT Indifference Mechanism issues that have been resolved by this Amended Agreement.<sup>7</sup> In the event of a conflict between the terms of this Amended Agreement and Appendix A, the terms of this Amended Agreement shall control. Appendix B provides illustrative grandfathered rates applicable solely to RES-BCT Generating Accounts. Appendix C provides an estimate of the Total Indifference Payment to be paid to the Operational RES-BCT Customers and an example of how the Indifference Payment would be determined for Additional Eligible RES-BCT Customers.
- M. The Settling Parties have evaluated the impacts of the various proposals in this proceeding and desire to resolve all issues related to an indifference mechanism for RES-BCT Eligible Customers, as set forth in this Amended Agreement beginning with the implementation of a CPUC decision approving this Amended Agreement, and, in consideration of the mutual obligations, covenants and conditions contained herein, have reached agreement as indicated in Paragraphs 4 and thereafter of this Amended Agreement.

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<sup>6</sup> Discussions regarding TOU period mitigation measures for RES-BCT customers originally occurred as part of Settlement Track No. 8, but the issues were ultimately isolated to their own Settlement Track No. 9.

<sup>7</sup> The comparison exhibit includes only testimony submitted in the RDW proceeding on RES-BCT issues. The Settling Parties previously filed an unopposed Joint Motion for submission of this evidence into the formal record of the instant proceeding pursuant to Rule 13.8(d), which remains pending. REWD did not become a party to this proceeding until the Commission’s guidance to do so was provided in the 2016 RDW PD.

#### 4. **Agreement**

Nothing in this Amended Agreement shall be deemed to constitute an admission by either Settling Party that its position on any issue lacks merit, or a claim by a Settling Party that its position has greater or lesser merit than the position taken by the other Settling Party. This Amended Agreement is subject to the express limitation on precedent as provided in Commission Rule 12.5 and as described in Paragraph 11.

##### **A. ELIGIBILITY FOR INDIFFERENCE MECHANISM BILL CREDIT**

Only Eligible Customers will be able to receive a Net Present Value Lump Sum Payment in resolution of the RES-BCT indifference mechanism issue. Eligible Customers are those 18 Operational RES-BCT Customers who are currently served on SCE's RES-BCT tariff, as well as those 15 Additional Eligible Customers (*i.e.*, not-yet-operational solar RES-BCT customers who submitted their initial applications for interconnection by the deadlines adopted in the TOU OIR Commission decisions (January 31, 2017 for non-public agencies, and December 31, 2017 for public agencies)). Collectively, the Operational RES-BCT Customers' Generating Accounts have approximately 29 MW of installed capacity,<sup>8</sup> and the Additional Eligible RES-BCT Customers' Generation Accounts (should they all become commercially operational) are forecast to have approximately 29 MW of installed capacity.

##### **B. CALCULATION OF INDIFFERENCE MECHANISM NET PRESENT VALUE LUMP SUM PAYMENTS**

The Settling Parties agree on calculation methodologies for the Net Present Value Lump Sum Payments to be credited to Eligible Customers. These Indifference Methodologies calculate applicable customer bill credits based on agreed-upon assumptions regarding Eligible Customer Generating Accounts' generation output (*i.e.*, assumed billing determinants that will generate bill credits pursuant to the RES-BCT tariff). SCE and REWD have already agreed on the eligible billing determinants, and those specific amounts are set forth in Appendix C, hereto.

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<sup>8</sup> The Original Settlement Agreement listed this value as 24 MW because it did not include three of the 16 Operational RES-BCT Customers for whom SCE did not have 12 months of billing data, and neither did it include the two additional Operational RES-BCT Customers SCE identified subsequent to the filing of the Original Settlement Agreement.

The Indifference Methodologies calculate what the Eligible Customer would have been eligible to receive as bill credits under historical and proposed applicable RES-BCT rates and recorded project operational data, and calculates a one-time bill credit (*i.e.*, the Net Present Value Lump Sum Payments), on a net present value basis using an agreed-upon discount rate of 2 percent. The Settling Parties agree that 2 percent is a reasonable estimate of the approximate rate at which representative public agencies can currently borrow money from the State Revolving Fund in order to finance RES-BCT-eligible projects.

For Operational RES-BCT Customers, the Net Present Value Lump Sum Payment calculates indifference for the Grandfathering Period (a maximum of ten years) by comparing the difference between the benefits the customer would have received under its current RES-BCT OAT and what it will receive under the 2018 GRC Phase 2 grandfathered rates (which the customer will be migrated onto upon resolution of this proceeding) (the “Grandfathering Period Payment”) using a year of operational data. In addition, Operational RES-BCT Customers will be entitled to a payment representing the value of the benefits that they would have received under GRC Phase 2 grandfathered rates for an additional five years, and what they will receive under the GRC Phase 2 non-grandfathered, proposed OAT (which the customer will be migrated onto upon expiration of the Grandfathering Period) (“Additional Indifference Amount”). For Additional Eligible RES-BCT Customers, because those customers never took service on the current RES-BCT OAT, there is nothing to hold them “indifferent against” for the Grandfathering Period. Accordingly, Additional Eligible RES-BCT Customers’ Net Present Value Lump Sum Payments will consist solely of the Additional Indifference Amount.

The Net Present Value Lump Sum Payments will be paid to Operational RES-BCT Customers (assuming they Opt-In as set forth below) within three months of a final decision approving this Settlement Agreement. The Net Present Value Lump Sum Payments will be paid to Additional Eligible RES-BCT Customers (assuming they Opt-In as set forth below), within three months after their project has been operating for one year. For Additional Eligible RES-BCT Customers, the first year of operational usage data will be used as the historical billing determinants used to calculate the Net Present Value Lump Sum Payment. After the Net Present Value Lump Sum Payments are credited to Eligible Customers’ retail bills, Eligible Customers can request that any positive balance on their respective accounts be paid out to them by SCE via check.

The Total Indifference Payment (*i.e.*, the cumulative total of the Net Present Value Lump Sum Payments) for Operational RES-BCT Customers is estimated to be approximately \$9 million, as set forth in Appendix C.<sup>2</sup> Because the Additional Eligible RES-BCT Customers have not yet begun service and may not ever do so, SCE does not have the billing/generation data to quantify a precise estimate for their corresponding aggregated bill credits.

**C. RATEMAKING MECHANISM FOR THE TOTAL INDIFFERENCE PAYMENT**

The Total Indifference Payment will be recorded as a debit to the generation sub-account of BRRBA and allocated on the basis of bundled generation revenues using allocation factors agreed to in the RA Settlement Agreement.

**D. NOTIFICATION TO ELIGIBLE CUSTOMERS**

Within 30 days of a final Commission decision approving this Amended Settlement Agreement, SCE will provide formal notification of their eligibility to “opt-in” to the 29 Eligible Customers not represented by REWD or its representative. This formal notification will be provided via certified mail and will be followed up by a telephone call from Eligible Customers’ assigned SCE Business Customer Division customer service representative (if necessary). The “Opt-In” Notice will allow – but not require – Eligible Customers to receive their Net Present Value Lump Sum Payment if they so choose within a specified time period. If the Eligible Customer “opts-in” to this Amended Settlement Agreement, they will be bound by all of its terms, including but not limited to those set forth in Paragraph 4.E, immediately below.

**E. COMPLETE AGREEMENT AND SETTLEMENT OF CLAIMS**

The Settling Parties agree that the Net Present Value Lump Sum Payments maintain the “viability” of the RES-BCT program for existing customers as defined and discussed in D.18-07-006. Approval of this Amended Settlement Agreement, and acceptance of the Net Present Value Lump Sum Payments, will constitute complete and total settlement and satisfaction of any claims Eligible Customers have made, or may make, regarding proposed grandfathering, indifference, or any other potential mitigation measures, related to SCE’s RES-BCT program.

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<sup>2</sup> There is the possibility that some of the existing RES-BCT accounts could qualify for NEM in lieu of receiving an indifference payment, which would also impact (*i.e.*, relatively reduce) the Total Indifference Payment.

To safeguard against any potential “gaming” of the indifference payment mechanism, any customer – including those represented by REWD and its representative – opting in to receive an RES-BCT indifference payment is subject to the following conditions: (1) the generating account may not subsequently transfer to NEM service prior to the conclusion of the Grandfathering Period covered by the indifference payment amount, and (2) the RES-BCT arrangement as a whole (*i.e.*, both the Generating Account and all Benefiting Accounts who meet the eligibility requirements for TOU period grandfathering) must be served on a grandfathered (GF) rate for the duration of the Grandfathering Period (if applicable).

**F. ACKNOWLEDGEMENT OF DECLINING PRICE OF SOLAR GENERATING FACILITY PURCHASE AND INSTALLATION COSTS**

D.18-07-006 stated that “[u]ntil SCE reaches its proportionate share of the RES-BCT cap, eligible entities can continue to enroll in its RES-BCT program, and this Commission remains obligated to ensure that SCE’s program is attractive enough to those entities to produce steady progress toward SCE’s cap.”<sup>10</sup> The Settling Parties explicitly recognize and acknowledge that the purchase and installation costs of solar generation systems have dropped dramatically over the last several years.<sup>11</sup> Additionally, potential future RES-BCT customers should now be well aware of system price trends and the impacts of the new TOU periods and rate structures on new installations. Any future Commission consideration of the “viability” of the RES-BCT program should explicitly consider these reduced cost inputs for eligible customers.

**G. GRANDFATHERED RATES APPLICABLE SOLELY TO RES-BCT GENERATING ACCOUNTS**

This Settlement Agreement also includes GF rates applicable solely to eligible RES-BCT Generating Accounts, with illustrative rates provided in Appendix B of this Agreement. These include rate options TOU-GS-1, GF-C and TOU-8-S, GF-A.<sup>12</sup> The rate designs for these options generally align with the GF-R/GF-A rate design options filed in the July 23, 2018,

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<sup>10</sup> D.18-07-006 at p. 90.

<sup>11</sup> See, e.g., <https://www.nrel.gov/docs/fy17osti/68925.pdf>, at Figure ES-1, p. VI.

<sup>12</sup> RES-BCT Generating and Benefiting Accounts are also eligible to take service on the GF rates filed in the C&I Solar Settlement Agreement and the August 3, 2018 *Motion of Settling Parties for Adoption of Agricultural and Pumping Rate Group Rate Design Settlement Agreement* (as applicable).

*Motion of Settling Parties for Adoption of Solar Grandfathered Commercial and Industrial Customer TOU Period Mitigation Settlement Agreement (C&I Solar Settlement Agreement).* They are filed here separately only because they apply only to RES-BCT generating accounts and will be updated consistent with the SAPC treatment outlined in the C&I Solar Settlement Agreement.

**5. Implementation of Amended Settlement Agreement**

It is the intent of the Settling Parties that SCE should be authorized to implement the Net Present Value Lump Sum Payments for Operational RES-BCT Customers who opt-in to this Amended Agreement within three months following the issuance of a final Commission decision approving this Amended Settlement Agreement. Net Present Value Lump Sum Payments to Additional Eligible RES-BCT Customers who opt in to this Amended Agreement will be issued within three months following the first year of commercial operational of the eligible account.

**6. Incorporation of Complete Agreement**

This Amended Agreement is to be treated as a complete package and not as a collection of separate agreements on discrete issues. To accommodate the interests related to diverse issues, the Settling Parties acknowledge that changes, concessions, or compromises by a Settling Party or Settling Parties in one section of this Amended Agreement resulted in changes, concessions, or compromises by the Settling Parties in other sections. Consequently, the Settling Parties agree to oppose any modification of this Amended Agreement not agreed to by the Settling Parties. If the Commission does not approve this Amended Agreement without modification, the terms and conditions reflected in this Amended Agreement shall no longer apply to the Settling Parties.

**7. Record Evidence**

The Settling Parties request that the Commission take judicial notice of the related prepared testimony submitted as part of the evidentiary record in the RDW, which is also the subject of the aforementioned pending Rule 13.8(d) Motion.

**8. Signature Date**

This Amended Settlement Agreement shall become binding as of the last signature date of the Settling Parties.

## **9. Regulatory Approval**

The Settling Parties, by signing this Amended Agreement, acknowledge that they support Commission approval of this Amended Agreement and subsequent implementation of all the provisions of the Amended Agreement. The Settling Parties shall use their best efforts to obtain Commission approval of the Amended Agreement. The Settling Parties shall jointly request that the Commission approve the Amended Agreement without change, and find the Amended Agreement to be reasonable, consistent with law and in the public interest.

Should any Proposed Decision or Alternate Proposed Decision seek a modification to this Amended Settlement Agreement and should any Settling Party be unwilling to accept such modification, that Settling Party shall so notify the other Settling Parties within five business days of issuance of such Proposed Decision or Alternate Proposed Decision. The Settling Parties shall thereafter promptly discuss the proposed modification and negotiate in good faith to achieve a resolution acceptable to the Settling Parties and shall promptly seek Commission approval of the resolution so achieved. Failure to resolve such proposed modification to the satisfaction of the Settling Parties, or to obtain Commission approval of such resolution promptly thereafter, shall entitle any Settling Party to terminate its participation from this Amended Agreement through prompt notice to the other Settling Parties.

## **10. Compromise of Disputed Claims**

This Amended Settlement Agreement represents a compromise of disputed claims between the Settling Parties. The Settling Parties have reached this Amended Settlement Agreement after taking into account the possibility that each Party may or may not prevail on any given issue. The Settling Parties assert that this Amended Settlement Agreement is reasonable, consistent with law and in the public interest.

## **11. Non-Precedential**

Consistent with Rule 12.5 of the Commission's Rules of Practice and Procedure, this Amended Settlement Agreement is not precedential in any other pending or future proceeding before this Commission, except as expressly provided in this Amended Settlement Agreement.

**12. Previous Communications**

The Amended Settlement Agreement contains the entire agreement and understanding between the Settling Parties as to the subject matter of this Amended Settlement Agreement. In the event there is any conflict between the terms and scope of this Amended Settlement Agreement and the terms and scope of the accompanying joint motion in support of the Amended Settlement Agreement, the Amended Settlement Agreement shall govern.

**13. Effect on Original Settlement Agreement**

The Settling Parties agree and intend that this Amended Settlement Agreement replaces and supersedes the Original Settlement Agreement in its entirety.

**14. Non-Waiver**

None of the provisions of this Amended Settlement Agreement shall be considered waived by any Party unless such waiver is given in writing. The failure of a Party to insist in any one or more instances upon strict performance of any of the provisions of this Amended Settlement Agreement or take advantage of any of their rights hereunder shall not be construed as a waiver of any such provisions or the relinquishment of any such rights for the future, but the same shall continue and remain in full force and effect.

**15. Effect of Subject Headings**

Subject headings in this Amended Settlement Agreement are inserted for convenience only and shall not be construed as interpretations of the text.

**16. Governing Law**

This Amended Settlement Agreement shall be interpreted, governed and construed under the laws of the State of California, including Commission decisions, orders and rulings, as if executed and to be performed wholly within the State of California.

**17. Number of Originals**

This Amended Settlement Agreement is executed in counterparts, each of which shall be deemed an original. The undersigned represent that they are authorized to sign on behalf of the Party represented.



Dated: September 28, 2018

SOUTHERN CALIFORNIA EDISON COMPANY

*/s/ Michael R. Marelli*

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By: Michael R. Marelli

Title: Vice President, Business Customer Division

Dated: September 28, 2018

RENEWABLE ENERGY WATER DISTRICTS

*/s/ Lon House*

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By: Lon House

Title: Principal

**Appendix A**

**Comparison of Settling Party Positions on RES-BCT Issues**

Issue	Current Treatment ( <i>i.e.</i> , 2015 GRC Settled Position)	SCE	REWD	2018 GRC Settled Position
<b>Grandfathered Rates – Eligibility</b>	N/A	<ul style="list-style-type: none"> <li>RES-BCT customers with BTM solar generating facilities who meet the eligibility requirements of D.17-01-006 and D.17-10-018</li> </ul>	N/A	<ul style="list-style-type: none"> <li>RES-BCT customers with BTM solar generating facilities who meet the eligibility requirements of D.17-01-006 and D.17-10-018</li> </ul>
<b>Grandfathered Rates - Duration</b>	N/A	<ul style="list-style-type: none"> <li>Eligible customers may be served on GF rates for 10 years from their individual PTO dates, but not to exceed July 31, 2027 (non-public agencies) or December 31, 2027 (public agencies) as established in D.17-01-006 and D.17-10-018</li> </ul>	<ul style="list-style-type: none"> <li>Allow RES-BCT solar projects to be grandfathered on existing TOU rates for 20 years from Permission to Operate date</li> </ul>	<ul style="list-style-type: none"> <li>Eligible Customers may be served on GF rates for 10 years from their individual PTO dates, but not to exceed July 31, 2027 (non-public agencies) or December 31, 2027 (public agencies) as established in D.17-01-006 and D.17-10-018.</li> <li>For all Eligible Customers, an additional agreed-upon Net Present Value Lump Sum Payment will be offered to achieve RES-BCT program “viability” (see below).</li> </ul>
<b>Grandfathered Rates – Available Options for RES-BCT Customers</b>	N/A	<ul style="list-style-type: none"> <li>GF-R/GF-A (except for TOU-GS-1 and TOU-8 – <i>see below</i>): intended for accounts where the solar system is located behind the same meter as the load (<i>i.e.</i>, RES-BCT generating account)</li> <li>GF-B: intended for RES-BCT benefitting accounts</li> <li>TOU-GS-1, GF-C and TOU-8-S, GF-A: intended for accounts where the solar system is located behind the same meter as the load (<i>i.e.</i>, RES-BCT generating account)</li> </ul>	N/A	<ul style="list-style-type: none"> <li>Utilize SCE’s proposed GF rate options</li> <li>GF-R/GF-A and GF-B illustrative rates are as filed in Appendix B of the July 23 <i>Solar Grandfathered Commercial and Industrial Custom TOU Period Mitigation Settlement Agreement</i> and the August 3 <i>Agricultural and Pumping Rate Design Settlement Agreement</i>, and are not re-addressed as part of this Settlement</li> </ul>
<b>Grandfathered Rate – Rate Design Process</b>	N/A	<ul style="list-style-type: none"> <li>Utilized proposed updated cost studies and revenue allocations</li> <li>Redistributed the hourly MECs, LOLE generation capacity costs and PLRF-peak capacity costs into Legacy TOU periods <ul style="list-style-type: none"> <li>Redistribution of LOLE generation capacity costs set the same seasonal allocation of capacity as the non-GF rates, and also established the amount of capacity costs that are recovered in the Legacy summer on- and mid-peak periods and the winter season</li> </ul> </li> </ul>	N/A	<ul style="list-style-type: none"> <li>Utilize the settled rate design approach as filed in the July 23 <i>Solar Grandfathered C&amp;I Customer TOU Period Mitigation Settlement Agreement</i> for TOU-GS-1, GF-C and TOU-8-S, GF-A</li> </ul>

Issue	Current Treatment ( <i>i.e.</i> , 2015 GRC Settled Position)	SCE	REWD	2018 GRC Settled Position
		<ul style="list-style-type: none"> <li>○ Did not time-differentiate distribution since Legacy rates do not have time-differentiated distribution; maintained the proportion of distribution costs recovered through energy charges and non-time-differentiated demand charges at their respective current levels for all of the GF rate structures</li> <li>● Results in underlying TOU marginal cost-based rates, which are then scaled on a functional basis to establish GF rates (equivalent to standard EPMC scaling process)</li> <li>● At this stage, GF rates demonstrated inverted pricing differentials between TOU periods</li> <li>● Adjusted the rates to ensure price differentials were directionally consistent across TOU periods</li> </ul>		
<b>Attrition Year Rate Changes</b>	N/A	<ul style="list-style-type: none"> <li>● Propose to update periodically, consistent with all other rates, when SCE's revenue requirements or revenue allocations change</li> </ul>	N/A	<ul style="list-style-type: none"> <li>● Utilize SAPC adjustments when SCE's revenue requirements or other revenue allocations change until implementation of the next GRC Phase 2</li> </ul>
<b>Other Mitigation Measures</b>	N/A	<ul style="list-style-type: none"> <li>● Opposed</li> </ul>	<ul style="list-style-type: none"> <li>○ Proposed an indifference payment to RES-BCT customers representing the NPV of the impact of the TOU period changes for the duration of the PPAs</li> </ul>	<ul style="list-style-type: none"> <li>● Adopt an indifference calculation that results in the RES-BCT program continuing to be a viable mechanism for the governmental entities who meet the eligibility criteria for TOU period grandfathering adopted in D.17-01-006 and D.17-01-018</li> <li>○ Indifference calculation uses 1/1/2018 generation energy rates, and the GF and Option E/LG rates proposed in Appendices B of this Amended Agreement, the July 23 <i>Solar Grandfathered C&amp;I Customer TOU Period Mitigation Settlement Agreement</i> and the August 3 <i>Medium and Large Power Rate Design Settlement Agreement</i>, the August 3 <i>Agricultural and Pumping Rate Design Settlement Agreement</i>; and will not be revisited when actual rates are implemented in Q1 2019</li> <li>○ Operational RES-BCT Customers' indifference calculation will include up to ten years of indifference as between the 2018 GRC Phase 2 grandfathered rates and their current OAT (<i>i.e.</i>, the Grandfathering Period Payment), and an additional payment reflecting the value of five years of indifference as between the</li> </ul>

Issue	Current Treatment ( <i>i.e.</i> , 2015 GRC Settled Position)	SCE	REWD	2018 GRC Settled Position
				<p>2018 GRC Phase 2 grandfathered rates and the 2018 GRC Phase 2 proposed OAT (<i>i.e.</i>, the Additional Indifference Amount).</p> <ul style="list-style-type: none"> <li>○ Additional Eligible Customer’ indifference calculation will include only the Additional Indifference Amount.</li> <li>○ Indifference payments shall be applied as a one-time lump sum bill credit to the Generating Account (w/ the customer having the option to cash out any credit balance via check after the initial bill credit is applied)</li> <li>○ Operational RES-BCT Customers’ indifference payments will be made within 90 days of the approval of this Amended Agreement.</li> <li>○ Additional Eligible Customers’ indifference payments will be made within 90 days of one year of operations under the relevant RES-BCT generating account.</li> <li>○ Any revenue shortfalls resulting from the indifference payment will be recorded as a debit to the generation sub-account of SCE’s BRRBA</li> <li>○ For the RES-BCT customers not represented by REWD or its representative, SCE will notify eligible RES-BCT customers of the indifference calculation, and RES-BCT customers will need to affirmatively elect to receive it and relieve SCE of any further obligation related to TOU period indifference</li> <li>○ Safeguards to protect against any “gaming” of the indifference amount include the following: (1) customers receiving the indifference payment are not allowed to subsequently take service on NEM for the duration of the period used in the indifference payment calculation, and (2) the RES-BCT arrangement as a whole (<i>i.e.</i>, both the Generating Account and all Benefitting Accounts who meet the eligibility requirements for TOU period grandfathering) must be served on a GF rate for the duration of the 10-year grandfathering period.</li> <li>● Parties acknowledge that installation costs for solar generating facilities have declined, which should be a consideration in any future action evaluating the viability of the RES-BCT program</li> </ul>

**Appendix B**

**Illustrative RES-BCT Generating Account GF Rates**

	January 2018 Rates			Proposed 2018 GRC Rates			Delivery Change	Generation Change	Total Rate Change
	Delivery	Generation	Total Rate	Delivery	Generation	Total Rate			
<b>TOU-GS-1 (GF-C)</b>									
Energy Charge - \$/kWh									
Summer Season									
On-Peak				0.16159	0.10684	0.26843			
Mid-peak				0.07949	0.10015	0.17964			
Off-Peak				0.03823	0.09616	0.13439			
Winter Season									
Mid-peak				0.04443	0.06522	0.10965			
Off-Peak				0.02774	0.05869	0.08643			
Customer Charge - \$/day				0.362	0.000	0.362			
Facilities Related Demand Charge - \$/kW				6.99	0.00	6.99			
Three-Phase Service - \$/day				0.031	0.000	0.031			
Voltage Discount, Energy - \$/kWh									
From 2 kV to 50 kV				(0.00037)	(0.00123)	(0.00160)			
From 51 kV to 219 kV				(0.01255)	(0.00272)	(0.01527)			
220 kV and above				(0.03108)	(0.00274)	(0.03382)			
Voltage Discount, Facilities Related Demand - \$/kW									
From 2 kV to 50 kV				(0.06)		(0.06)			
From 51 kV to 219 kV				(1.99)		(1.99)			
220 kV and above				(4.04)		(4.04)			
California Climate Credit - \$/kWh/Meter/Month				(0.00494)	0.00000	(0.00494)			
<b>TOU-8-S (GF-A) (Below 2kV)</b>									
Energy Charge - \$/kWh									
Summer Season									
On-Peak				0.11888	0.20099	0.31987			
Mid-peak				0.05520	0.08130	0.13650			
Off-Peak				0.03181	0.04318	0.07499			
Winter Season									
Mid-peak				0.03546	0.06056	0.09602			
Off-Peak				0.02618	0.03674	0.06292			
Customer Charge - \$/month				459.50	0.00	459.50			
Facilities Related Demand									
Demand Charge (Excess FRD) - \$/kW				12.70	0.00	12.70			
Standby (CRC) - \$/kW				13.34	0.00	13.34			
Time Related Demand Charge - \$/kW									
Backup demand - Summer Season									
On-Peak				0.00	16.07	16.07			
Mid-Peak				0.00	0.00	0.00			
Supplemental demand - Summer Season									
On-Peak				0.00	0.00	0.00			
Mid-Peak				0.00	0.00	0.00			
Power Factor Adjustment - \$/kVA				0.60	0.00	0.60			
<b>TOU-8-S (GF-A) (From 2 kV to 50 kV)</b>									
Energy Charge - \$/kWh									
Summer Season									
On-Peak				0.11576	0.19775	0.31351			
Mid-peak				0.05303	0.07653	0.12956			
Off-Peak				0.03107	0.04132	0.07239			
Winter Season									
Mid-peak				0.03557	0.06140	0.09697			
Off-Peak				0.02655	0.03576	0.06231			
Customer Charge - \$/month				244.75	0.00	244.75			
Facilities Related Demand									
Demand Charge (Excess FRD) - \$/kW				12.48	0.00	12.48			
Standby (CRC) - \$/kW				8.53	0.00	8.53			
Time Related Demand Charge - \$/kW									
Backup demand - Summer Season									
On-Peak				0.00	13.10	13.10			
Mid-Peak				0.00	0.00	0.00			
Supplemental demand - Summer Season									
On-Peak				0.00	0.00	0.00			
Mid-Peak				0.00	0.00	0.00			
Power Factor Adjustment - \$/kVA				0.60	0.00	0.60			

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January 2018 Rates		
Delivery	Generation	Total Rate

Proposed 2018 GRC Rates		
Delivery	Generation	Total Rate

Delivery Change	Generation Change	Total Rate Change
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**TOU-8-S (GF-A) (Above 50 kV)**

Energy Charge - \$/kWh

Summer Season

On-Peak

0.05465 0.18423 0.23888

Mid-peak

0.02855 0.07161 0.10016

Off-Peak

0.01937 0.04011 0.05948

Winter Season

Mid-peak

0.02131 0.06213 0.08344

Off-Peak

0.01766 0.03556 0.05322

Customer Charge - \$/month

1,624.75 0.00 1,624.75

Facilities Related Demand

Demand Charge (Excess FRD) - \$/kW

5.30 0.00 5.30

Standby (CRC) - \$/kW

0.92 0.00 0.92

Time Related Demand Charge - \$/kW

Backup demand - Summer Season

On-Peak

✔ 0.00 ✔ 6.27 6.27

Mid-Peak

✔ 0.00 ✔ 0.00 0.00

Supplemental demand - Summer Season

On-Peak

✔ 0.00 ✔ 0.00 0.00

Mid-Peak

✔ 0.00 ✔ 0.00 0.00

Power Factor Adjustment - \$/kVA

✔ 0.54 ✔ 0.00 0.54

**Voltage Discount, 220 kV and above**

Facilities Related Demand (Excess FRD) - \$/W

✔ (0.83) ✔ 0.00 (0.83)

Time-Related Demand - \$/kW

✔ 0.00 ✔ 0.00 0.00

Supplemental Summer on & Mid

✔ 0.00 ✔ (0.05) (0.05)

Backup Summer on & Mid

✔ (0.00546) (0.00056) (0.00602)

Energy - \$/kWh

✔ (0.42) 0.00 (0.42)

Standby (CRC) - \$/kW

**Schedule-S (Less than 500 kW) - GF**

Energy Charge - \$/kWh/Meter/Month - see (OAT)

Customer Charge - \$/Meter/Month - see (OAT)

Standby (CRC) - \$kW

TOU-GS-1 (GF-C)

6.99 ✔ 0.00 6.99

Voltage Discount, Capacity Reservation Demand - \$/kW

From 2 kV to 50 kV

(0.06) ✔ 0.00 (0.06)

51 kV to 219 kV

(2.30) ✔ 0.00 (2.30)

220 kV and Above

(4.04) ✔ 0.00 (4.04)

Facilities Related Demand Charge - see OAT

Demand Charge - \$kW applicable to metered maximum kW demand in excess Standby

Generation Time-related demand charge - see OAT

Power Factor Adjustment Charge - see OAT



**Appendix C**

**Total Estimated Net Present Value Lump Sum Payment Indifference Amount for  
Operational RES-BCT Customers and Example for Additional Eligible RES-BCT  
Customers**

**OPERATIONAL RES-BCT CUSTOMERS**

	Avg Generation Credit, Using:			Indifference Payment	Average (except REWD Accounts)
	1/1/2018 Rates (\$)	Proposed GF Rates (\$)	Proposed OAT Rates (\$)	Total Indifference Payment (\$)	# of GF Years Remaining (Yrs)
<b>Santa Clarita Valley Water Agency</b>	\$ (752,550)	\$ (684,450)	\$ (402,381)	\$1,847,062	6.0
<b>Rancho California Water District</b>	\$ (855,572)	\$ (710,791)	\$ (473,674)	\$2,596,929	8.0
<b>Non-REWD Accounts (totaling 16)</b>	\$ (1,526,342)	\$ (1,271,788)	\$ (826,413)	\$4,756,383	7.1
<b>TOTAL</b>	\$ (3,134,464)	\$ (2,667,029)	\$ (1,702,469)	\$ 9,200,374	7.1

**ADDITIONAL ELIGIBLE RES-BCT CUSTOMERS EXAMPLE**

	Avg Generation Credit, Using:			Indifference Payment	Average (except REWD Accounts)
	1/1/2018 Rates (\$)	Proposed GF Rates (\$)	Proposed OAT Rates (\$)	Total Indifference Payment (\$)	# of GF Years Remaining (Yrs)
<b>Las Virgenes Municipal Water District</b>	\$ NA	\$ (517,806)	\$ (778,961)	\$1,009,801	TBD
<b>Eastern Municipal Water District</b>	\$ NA	\$ (802,126)	\$ (986,141)	\$711,529	TBD
<b>Non-REWD Accounts (totaling 13)</b>	\$ NA	\$ TBD	\$ TBD	\$TBD	TBD
<b>TOTAL</b>	\$ TBD	\$ TBD	\$ TBD	\$ TBD	TBD

Note: Las Virgenes and Eastern were calculated using project design criteria. The actual indifference payment will be based upon the first year of project operational data.