BEFORE THE PUBLIC UTILITIES COMMISSION OF THE
STATE OF CALIFORNIA

Southern California Edison Company’s (U 338-E) Application for Approval of Advanced Metering Infrastructure Deployment Activities and Cost Recovery Mechanism

A.07-07-026
(Filed July 31, 2007)

MOTION OF SOUTHERN CALIFORNIA EDISON COMPANY (U 338-E) AND DIVISION OF RATEPAYER ADVOCATES FOR ADOPTION OF SETTLEMENT AGREEMENT

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# TABLE OF CONTENTS

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>I. BACKGROUND</td>
<td>1</td>
</tr>
<tr>
<td>II. SUMMARY OF THE SETTLEMENT AGREEMENT</td>
<td>4</td>
</tr>
<tr>
<td>III. REQUEST FOR ADOPTION OF THE SETTLEMENT AGREEMENT</td>
<td>9</td>
</tr>
<tr>
<td>A. The Settlement Agreement is Reasonable in Light of the Record as a Whole</td>
<td>10</td>
</tr>
<tr>
<td>B. The Settlement Agreement is Consistent with Law and Prior Commission Decisions</td>
<td>11</td>
</tr>
<tr>
<td>C. The Settlement Agreement is in the Public Interest</td>
<td>12</td>
</tr>
<tr>
<td>D. The Settling Parties Have Complied with the Requirements of Rule 12.1(b)</td>
<td>14</td>
</tr>
<tr>
<td>IV. IMPLEMENTATION OF SETTLEMENT AGREEMENT</td>
<td>14</td>
</tr>
<tr>
<td>V. CONCLUSION</td>
<td>15</td>
</tr>
<tr>
<td>EXHIBIT A SETTLEMENT AGREEMENT</td>
<td>16</td>
</tr>
</tbody>
</table>
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MOTION OF SOUTHERN CALIFORNIA EDISON COMPANY (U 338-E) AND 
DIVISION OF RATEPAYER ADVOCATES FOR ADOPTION OF SETTLEMENT 
AGREEMENT

Pursuant to Rule 12.1 et seq of the Commission’s Rule of Practice and Procedure, 
Southern California Edison Company (SCE) and the Division of Ratepayer Advocates (DRA) 
(collectively, the Settling Parties), request that the Commission adopt and find reasonable the 
Settlement of Southern California Edison Company’s Application for Approval of Advanced 
Metering Infrastructure Deployment Activities and Cost Recovery Mechanism. In this 
application, SCE seeks authority to proceed and cost recovery for Phase III of SCE’s Advanced 
Metering Infrastructure (AMI) project, Edison SmartConnect™. A copy of the Settlement 
Agreement is attached hereto as Exhibit A. The Settling Parties intend and agree that all 
outstanding issues in this proceeding shall be fully settled and resolved by means of this 
Settlement Agreement.

I.

BACKGROUND

On July 31, 2007, SCE filed its Application for Approval of Advanced Metering 
Infrastructure Deployment Activities and Cost Recovery (A.07-07-026) with the California
Public Utilities Commission (Commission). This application is the third related to SCE’s proposed AMI project. SCE’s application on Phase I of its AMI project resulted in a settlement adopted by the Commission in Decision (D.) 05-12-001. The Phase I decision authorized SCE to spend up to $12 million to develop the requirements for and work with industry to determine the availability of an AMI meter with the functions proposed by SCE. SCE completed Phase I in late 2006 and filed its Phase II AMI application on December 21, 2006. In Phase II, SCE requested approval and funding for AMI pre-deployment activities related to developing and testing specific AMI technology solutions and preparing its deployment business case. In D.07-07-042, the Commission authorized SCE to incur up to $45.22 million for specified pre-deployment activities.¹

In the Phase III application, A.07-07-026 (the Application), SCE seeks authority to deploy SCE’s AMI solution, Edison SmartConnect™, to all residential and business customers with demands under 200 kW during a five-year period beginning in 2008 and to recover the costs associated with the deployment activities. In addition, SCE requests authority to implement a Programmable Communicating Thermostat (PCT) load control program and to conduct outreach, marketing, and education on dynamic rates and demand response program offerings for customers receiving the new AMI meters.

DRA filed a protest to the Application on August 30, 2007. In addition, responses to the Application were filed by the Alliance for Retail Energy Markets (AReM) and Southern California Gas Company (SoCalGas). SoCalGas expressed its intention to monitor the proceeding. AReM requested that certain metering and data access issues of interest to Energy Service Providers (ESPs) be included within the scope of the proceeding.

Following a pre-hearing conference, on October 17, 2007 the Assigned Commissioner and Administrative Law Judge (ALJ) issued a Scoping Memo and Ruling (Ruling) establishing the scope and schedule of the proceeding. In the Ruling, settlement discussions were strongly

¹ Some costs that the Commission did not approve for recovery in D.07-07-042 were eligible for recovery in this application as deployment costs.
encouraged: “the assigned Commissioner and the ALJ urge parties to this proceeding to hold settlement discussions and, if possible, propose a comprehensive settlement to the issues within the scope of this case.” The Ruling established a mandatory settlement conference and required SCE to prepare and file a report on the status of settlement discussion.

Subsequent to the pre-hearing conference, DRA, TURN and AReM propounded numerous data requests, to which SCE responded. SCE also met with each party numerous times to review its extensive workpapers and/or answer additional questions.

On November 16, 2007, SCE and AReM submitted a report on their mutual efforts to address the metering and data access issues raised by AReM in response to the Application. SCE and AReM reported that their efforts were successful in informally resolving AReM’s issues, and that no special metering or data access issues related to ESPs or direct access customers required litigation in this proceeding.

On December 5, 2007, after briefing DRA and TURN, SCE served errata testimony to revise certain cost estimates for its AMI project. At the joint request of SCE, DRA and TURN, the proceeding schedule was modified in a December 24, 2007 ALJ Ruling to allow DRA and TURN additional time to review SCE’s errata testimony and workpapers before serving their opening testimony.

On January 25, 2008, DRA and TURN served opening testimony. SoCalGas also served opening testimony regarding contract meter reading issues.

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2 See the Ruling at p. 8.
3 See id.
4 See November 16, 2007 Letter to ALJ Hecht from Janet Combs of SCE and Gregory Klatt of AReM.
5 DRA served errata to Chapters 1 and 13 of its testimony on February 15, 2008.
6 SoCalGas also filed a motion requesting an ALJ Ruling directing SoCalGas and SCE to exchange information that will reasonably assist SoCalGas in analyzing the feasibility of developing, installing and operating a gas meter AMI system compatible with SCE’s current plans for its Edison SmartConnect™ system, and enable SoCalGas and SCE to reach conclusions on this matter for review by the Commission in an appropriate proceeding as determined by the Commission. SCE filed a reply to the motion on February 11, 2008. On February 29, 2008, Commissioner Grueneich directed SoCalGas to share information with SCE and other California investor-owned utilities.
On January 29, 2008, SCE met with DRA, TURN and SoCalGas to discuss the potential settlement of the Phase III issues. The results of this meeting are reported in SCE’s Case Management Statement and Settlement Conference Report filed February 15, 2008. On February 19, 2008, SCE served rebuttal testimony in response to the opening testimony of DRA and TURN.

After the initial settlement conference, DRA and SCE met numerous times to continue to diligently pursue settlement. These efforts resulted in the Settlement Agreement.

This motion seeks Commission approval of the Settlement Agreement as presented and without revision.

II.

SUMMARY OF THE SETTLEMENT AGREEMENT

The Settlement Agreement resolves all issues related to the Application. The provisions of the Settlement Agreement are intended to be strictly non-precedential and not binding on the Commission in future proceedings. The Settlement Agreement is summarized below; however, the attached Settlement Agreement is controlling over this summary in case of any unintended inconsistency. The Settling Parties agree and recommend that:

A. **Deployment Period Costs**: SCE should be authorized to deploy Edison SmartConnect™ to all metered accounts in its service territory with demands less than 200 kW (approximately 5.3 million meters) in its service territory over a five-year period beginning in 2008. SCE’s proposed deployment activities (as revised by the Settlement Agreement) and estimated Deployment Period funding level (as revised by the Settlement Agreement) of $1,633.5 million are reasonable and should be approved.

B. **Cost Effectiveness**: With the revisions to SCE’s business (economic) case as agreed to in this Settlement Agreement, the Edison SmartConnect™ investment is cost effective and is reasonably expected to generate $1,174 million in forecast operational benefits and $816 million in forecast energy conservation, load control and demand response related
benefits, for an estimated $9 million in net forecast benefits (on a present value revenue requirement (PVRR) basis) to SCE’s ratepayers.

C. **Energy Conservation.** SCE has created detailed ex-ante participation goals for specific information feedback conservation programs to further support the forecasted energy conservation benefits of $164 million (PVRR) in SCE’s economic case. The Commission should find the ex-ante participation goals and the forecasted energy conservation benefits of $164 million (PVRR) in SCE’s economic case reasonable, and should authorize SCE to spend up to $3.5 million (included in SCE’s total estimated Deployment Period funding level of $1,633.5 million) during the Deployment Period on personal computer (PC)-based information display devices for residential customers receiving the Edison SmartConnect™ meter who want to connect their personal computer to the Zigbee meter interface that receives near real-time information from Home Area Network (HAN) interface.

D. **Prepayment Service.** Because SCE does not plan to offer prepayment service until 2013, the details of SCE’s prepayment service including reasonable consumer protections should be established in the application in which SCE seeks authority to offer this service. The costs and benefits assumptions associated with this service should be removed from SCE’s economic case, and have been reflected in the cost-effectiveness result described in Section II.B, above.

E. **Annual Meter Inspections.** SCE’s plan to conduct annual educated and random inspections of 0.5% of Edison SmartConnect™ meters during the Deployment and Post Deployment Periods and to use the capabilities of the system to minimize meter tampering and energy theft is reasonable and should be approved.

F. **Meter Panel Repairs.** The Settling Parties agree that SCE’s estimated costs for meter panel repairs during the Deployment Period of $29.7 million shall be reduced by $11.1 million (reduction is included in SCE’s total estimated Deployment Period funding level of $1,633.5 million).
G. **Billing Costs.** The Settling Parties agree that SCE’s estimated billing costs during the Deployment Period of $55.2 million shall be reduced by $2.2 million (reduction is included in SCE’s total estimated Deployment Period funding level of $1,633.5 million).

H. **Project Management and Organizational Change and Career Planning Deployment Costs.** The Settling Parties agree that SCE’s estimated costs for PMO and Organizational Change and Career Planning during the Deployment Period shall be reduced by $0.7 million.

I. **Benefits for Increased Accuracy of Meter Reads (B23.04) and Working Cash.** The Settling Parties agree that SCE’s forecast benefits related to reduced billing services exception work (increased accuracy of meter reads) shall be increased by a total of $2.5 million (nominal) during the Deployment Period, and that SCE’s forecast benefits related to working cash are reasonable as adjusted in Section IV.J in SCE’s rebuttal testimony.

J. **Automated Contract Meter Reading.** SCE has taken reasonable steps to ensure that its system is capable of providing automated meter reading (AMR) for gas and water utilities. SCE will continue to work with gas and water utilities in its service territory to explore the potential benefits of AMR for gas and water utilities using its Edison SmartConnect™ system. SCE will hold workshops (as described in the Settlement Agreement) to explore issues related to AMR for gas and water utilities using SCE’s Edison SmartConnect™ system.

K. **Risk Sharing Mechanism For Deployment Period Cost Overruns.** A risk sharing mechanism for cost overruns of up to $100 million whereby SCE’s ratepayers would fund 90% and SCE’s shareholders would fund 10% of such cost overruns without an additional reasonableness review is reasonable and should be adopted by the Commission. SCE will be authorized to spend the $100 million on Deployment Period cost overruns whether for capital expenditures or operations and maintenance (O&M) expenses in accordance with normal accounting practices for the project. Force majeure provisions allow for SCE to recover in rates costs that exceed $1,633.5 million by up to
$100 million without shareholder contribution or penalty due to events beyond SCE’s control (uncontrollable events). Any cost overrun beyond $100 million would be based on a subsequent SCE application and would be subject to a reasonableness review.

L. Programmable Communicating Thermostat (PCT) Program. As a result of the recent removal by the California Energy Commission of the PCT mandate from the 2008 California Building Code, it is reasonable to assume for SCE’s business case that (i) SCE will implement a voluntary PCT program as described in Settlement Agreement during 2009 – 2011 that includes construction and retrofit; and (ii) the PCT mandate will be included in Title 24 beginning in 2012, at which time SCE will implement a Title 24 PCT program. As a result of these new assumptions, it is reasonable to reduce the PCT program net benefits in SCE’s economic case by $32 million PVRR. SCE should be authorized to implement during the Deployment Period the voluntary PCT program as revised by the Settlement Agreement.

M. Peak Time Rebate (PTR) Program. A two-tiered PTR incentive whereby participants with enablers automated load-reduction devices (such as PCTs) or utility-registered dedicated portable graphical information-feedback displays will be paid a higher incentive than participants without such devices or displays is a reasonable way to minimize incentives paid to “structural benefiters.” SCE will propose a two-tiered PTR incentive in Phase 2 of SCE’s 2009 GRC.

N. Ratepayer Benefits Realization.
   i. SCE’s proposal for crediting to ratepayers the capital operational benefits of Edison SmartConnect™ as described in the proposed SmartConnect Balancing Account tariff contained in the Settlement Agreement is reasonable and should be approved.
   ii. For each Edison SmartConnect™ meter purchased during the Deployment Period, SCE shall credit $1.4246 of O&M operational benefit per month through the Deployment Period to ratepayers via the Edison SmartConnect
Balancing Account beginning eight (8) months after reflecting such meter into rate base, consistent with the operation of the proposed SmartConnect Balancing Account tariff contained in the Settlement Agreement.

O. **Billing Costs During Deployment Period. Avoidance of Double Recovery of Deployment Costs.** SCE shall not recover Edison SmartConnect™ Deployment Period-related costs in its 2009 GRC. If SCE includes any Edison SmartConnect™ Deployment Period-related costs in its 2012 GRC, SCE will ensure (i) that there is no double recovery of such costs, *i.e.*, through the 2012 GRC and the recovery mechanism adopted in this proceeding; and (ii) that the recovery of Deployment Period-related costs is consistent with the limits on recovery of such costs adopted in this proceeding.

P. **Revenue Protection/Meter Electricity Usage.** Unaccounted For Energy (UFE)-related costs and benefits shall not be included in SCE’s economic case, but rather included as societal costs and benefits. Post-Deployment Period Revenue Protection costs shall be included in SCE’s economic case.

Q. **Meter Accuracy:** The Settling Parties agree that SCE should realize some meter accuracy benefits over the life of the Edison SmartConnect™ project. Such benefits shall not be included in SCE’s economic case, but rather included as a societal benefit.

R. **Cost Recovery:** SCE’s proposed cost recovery mechanism as set forth in SCE’s proposed SmartConnect Balancing Account tariff contained in the Settlement Agreement is reasonable and should be approved.

S. **Allocation of Edison SmartConnect™ Revenue Requirement:** The allocation of the Edison SmartConnect™ revenue requirement among customer groups should be litigated in Phase 2 of SCE’s 2009 GRC. Pending the outcome of this issue in Phase 2 of SCE’s 2009 GRC, the Edison SmartConnect™ revenue requirement should be allocated among customer classes using the SCE distribution allocators for SCE’s distribution revenue requirement in place when Edison SmartConnect™ deployment costs are recovered in rates.
T. **Uncontested Issues:** SCE’s proposals that were not contested are reasonable and should be adopted.

The Settlement Agreement provides a resolution of all issues raised in conjunction with the Application.

III. REQUEST FOR ADOPTION OF THE SETTLEMENT AGREEMENT

This Settlement Agreement is submitted pursuant to Rule 12.1 *et seq* of the Commission’s Rules of Practice and Procedure (Rules). The Settlement Agreement is 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.\(^7\) This policy supports many worthwhile goals, including reducing the expense of litigation, conserving scarce Commission resources, and allowing parties to reduce the risk that litigation will produce unacceptable results.\(^8\) This strong public policy favoring settlements also weighs in favor of the Commission resisting the temptation to alter the results of the negotiation process. 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 modification.

This 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), which states:

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

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

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\(^7\) See, e.g., D.88-12-083 (30 CPUC 2d 189, 221-223) and D.91-05-029 (40 CPUC 2d, 301, 326).

\(^8\) D.92-12-019, 46 CPUC 2d 538, 553.
A. The Settlement Agreement is Reasonable in Light of the Record as a Whole

The Settling Parties have reached this Settlement Agreement after serving their opening and rebuttal testimonies, having an opportunity to evaluate their respective positions on the issues, having numerous informal discussions regarding the merits of the issues, and determining that there are no significant differences on the material issues of the Application.

The Settling Parties are fairly reflective of the affected interests. DRA represents ratepayer interests, including residential and small business customers, and actively participated in evaluating the AMI applications of Pacific Gas and Electric Company (PG&E) and San Diego Gas & Electric Company (SDG&E), which were approved by the Commission. The Settlement will enable the deployment of an AMI system in SCE’s service territory that will generate real, quantifiable economic benefits for SCE’s ratepayers as well as societal benefits, such as energy theft reductions, improved customer experience and security, and potential environmental benefits. In consideration of the economic benefits as well as the societal benefits, which were not included in SCE’s economic business case, the ratepayer interests have been thoroughly considered, and in light of the record, the Settlement protects those interests.

The prepared testimony, the Settlement Agreement itself, and this motion provide the record necessary for the Commission to find the Settlement Agreement reasonable. Prior to the settlement, parties conducted extensive discovery, and served detailed testimony on the issues. The prepared testimony and related exhibits are set forth below, and should be made part of the Commission’s record of this proceeding.

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2 See Section III.B infra.
Table III-1
Exhibit List

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<thead>
<tr>
<th>EXHIBIT NO.</th>
<th>PARTY</th>
<th>TITLE</th>
</tr>
</thead>
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<tr>
<td>1</td>
<td>SCE</td>
<td>SCE-1 (Errata) “Errata to Volume 1 -- Policy”</td>
</tr>
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<td>2</td>
<td>SCE</td>
<td>SCE-2 (Errata), “Errata to Volume 2: Deployment Plan”</td>
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<td>SCE-3 (Errata) Errata to Exhibit 3: Financial Assessment and Cost Benefit Analysis</td>
</tr>
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<td>SCE-5, Volume 5: Cost Recovery Proposal</td>
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</tr>
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<td>8</td>
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<td>SCE-8, Rebuttal Testimony Supporting Edison SmartConnect Deployment Funding and Cost Recovery: Demand Response</td>
</tr>
<tr>
<td>9</td>
<td>DRA</td>
<td>Testimony on Southern California Edison Company’s Advance Metering Infrastructure (AMI) Deployment Application, as corrected via Errata on February 15, 2008.</td>
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</table>

The Settlement Agreement represents a reasonable compromise of the parties’ positions. The prepared testimony of the parties, comprising the record for this proceeding, contains sufficient information for the Commission to judge the reasonableness of the Settlement Agreement.

The Settlement Agreement represents a reasonable resolution of the Application. The Settlement Agreement avoids the unnecessary time and expense of further litigation between the Settling Parties, thereby narrowing the scope of evidentiary hearings, reducing the Commission resources that must be devoted to this proceeding, and permitting saved resources to be devoted to other matters.

B. The Settlement Agreement is Consistent with Law and Prior Commission Decisions

The Settling Parties represent that Settlement Agreement is fully consistent with law and prior Commission decisions. The Settling Parties are not aware of any basis on which it could be alleged that the Settlement Agreement is not consistent with law. The Settling Parties reached agreement in accordance with Rule 12.1 of the Commission’s Rules of Practice and Procedure.
The Settlement Agreement is consistent with prior Commission decisions on AMI deployment. Specifically, the Commission recently issued D.06-07-027 authorizing Pacific Gas and Electric Company (PG&E) to deploy a new AMI, including authorization for PG&E’s rate proposal for critical peak pricing tariffs. The Commission concluded it was reasonable for PG&E to deploy its AMI system, finding PG&E’s proposal had sufficient probable and quantifiable economic operating and DR benefits, including sufficient flexibility to upgrade for enhanced features, over the expected 20-year useful life.\textsuperscript{10} The decision authorized $1.6846 billion of project costs, with associated ratemaking provisions.

Additionally, the Commission recently issued D.07-04-043, endorsing a settlement of the issues concerning AMI deployment for San Diego Gas & Electric Company’s (SDG&E) service territory.\textsuperscript{11} The Commission concluded that it was reasonable to allow $572 million for SDG&E’s proposed AMI project from 2007 through 2011, finding that there were between $40 million and $51 million in net benefits for the settlement; that the deployment would improve customer service by providing customer premise endpoint information, assist in outage detection, transform the meter reading process and provide real near-term usage information to customers; and that AMI would also support such technological advances as in-house messaging displays and smart thermostat controls.

C. \textbf{The Settlement Agreement is in the Public Interest}

The Settlement Agreement is a reasonable compromise of the Settling Parties’ respective positions. The Settlement Agreement is in the public interest and in the interest of SCE’s customers. The Settlement authorizes SCE to deploy an AMI system that will:

1) Provide SCE’s ratepayers an estimated $1,172 million in forecast operational benefits and $816 million in forecast energy conservation, load control and demand response

\textsuperscript{10} D.06-07-027, p. 9.
\textsuperscript{11} See D.07-04-043, approving the Settlement of San Diego Gas & Electric Company’s AMI project.
related benefits, for an estimated $31 million in net forecast benefits (on a present
value revenue requirement (PVRR) basis) to SCE’s ratepayers;

2) Support the Commission’s and State’s energy policies, exceed the Commission’s
six functionality requirements and accommodate continued innovation in meeting
customers’ needs in the future by:

   a. measuring interval electricity usage and voltage, enabling hourly dynamic
pricing options for the first time to SCE’s residential and business customers
under 200 kW that will provide those customers incentives to shift their usage
from on-peak to off-peak hours;

   b. providing residential and business customers access to their near real-time
energy use and costs;

   c. supporting non proprietary, open standard communication interfaces through a
Home Area Network with technology such as programmable communicating
thermostats and device switches, allowing customers to automatically adjust
their usage when power costs rise;

   d. improving reliability through remote outage detection at customer premises;

   e. improving customer service and reducing costs by remote service activation,
tailored service bundles, and new billing and payment programs;

   f. being capable of remote upgrades;

   g. being compatible with broadband over powerline use by third parties;

   h. being capable of supporting contract gas and water meter reads; and

   i. incorporating industry-leading security capabilities;

3) Generate societal benefits, including energy theft reductions, improved customer
experience and security, potential environmental benefits, and providing real options,
such a premise-level voltage measurement capability, for future value that is not
quantifiable today.

\[12\quad\text{As articulated in the Energy Action Plans I and II as well as in numerous Commission decisions on dynamic}
\text{pricing, demand response and AMI for all electric IOU customers.}\]

\[13\quad\text{As articulated in the February 19, 2004 Joint Assigned Commissioner and Administrative Law Judge’s Ruling}
\text{Providing Guidance for the Advanced Metering Infrastructure Business Case Analysis.}\]
The Settlement Agreement, if adopted by the Commission, also avoids the cost of further litigation between the Settling Parties, thereby narrowing the scope of evidentiary hearings and reducing the Commission resources that must be devoted to this proceeding.

Each portion of the Settlement Agreement is dependent upon the other portions of the Settlement Agreement. Changes to one portion of the Settlement Agreement would alter the balance of interests and the mutually agreed upon compromises and outcomes which are contained in the Settlement. As such, the Settling Parties request that it 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.

For the foregoing reasons, the Commission should find that the Settlement Agreement is a reasonable resolution of the Application that is supported by the record, in the public interest, and consistent with law and previous Commission decisions.

D. The Settling Parties Have Complied with the Requirements of Rule 12.1(b)

SCE and DRA noticed the convention of a settlement conference on February 22, 2008, and convened the telephonic conference on March 4, 2008 to describe and discuss the terms of the settlement. The settlement conference was attended by representatives of DRA, SCE, TURN and SoCalGas. The Settlement Agreement was executed after the Settlement Conference on March 10, 2009.

IV.

IMPLEMENTATION OF SETTLEMENT AGREEMENT

The Settling Parties seek approval of the terms of the Settlement Agreement so that SCE may commence deployment activities as soon as practicable following the issuance of a final Commission decision approving the Settlement Agreement. In the event the Settlement Agreement is contested, the Settling Parties request that a day be selected during the second week of scheduled hearings for questions to be posed to a panel of witnesses sponsoring the
Settlement Agreement and that the Assigned Commissioner or Administrative Law Judge approve the following proposed schedule:

<table>
<thead>
<tr>
<th>Event</th>
<th>Date</th>
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<tr>
<td>Motion for Adoption of Settlement Agreement Filed</td>
<td>March 10, 2008</td>
</tr>
<tr>
<td>Hearing on reasonableness of Settlement Agreement, if needed</td>
<td>Week of March 10, 2008</td>
</tr>
<tr>
<td>Filed comments or opening briefs, if needed, on Settlement Agreement or contested issues</td>
<td>April 4, 2008</td>
</tr>
<tr>
<td>Reply comments or reply briefs, if needed, on Settlement Agreement or contested issues</td>
<td>April 18, 2008</td>
</tr>
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</table>

V.

CONCLUSION

WHEREFORE, the Settling Parties respectfully request that the Commission grant this motion and:

1. Adopt the proposed schedule for comments on the Settlement Agreement;
2. Adopt the attached Settlement Agreement in its entirety and without modification as reasonable in light of the record, consistent with law, and in the public interest;
3. Authorize SCE to implement changes in rates in accordance with the terms of the Settlement Agreement;
4. Order SCE to file advice letters to implement the PCT program and the Edison SmartConnect Balancing Account consistent with the Settlement Agreement; and
5. Grant such other and further relief as the Commission finds just and reasonable.

Respectfully submitted,

SOUTHERN CALIFORNIA EDISON COMPANY: /s/ Janet S. Combs
By: JANET S. COMBS
Its: Attorney
Date: March 10, 2008

DIVISION OF RATEPAYERS ADVOCATES: /s/ Paul Angelopulo
By: PAUL ANGELOPULO
Its: Attorney
Date: March 10, 2008
BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

Southern California Edison Company's (U 338-E) Application for Approval of Advanced Metering Infrastructure Deployment Activities and Cost Recovery Mechanism

Application No. 07-07-026
(Filed July 31, 2007)

SETTLEMENT AGREEMENT

Pursuant to the California Public Utilities Commission’s Rules of Practice and Procedure, Rule 12.1, this Settlement Agreement (“Settlement Agreement”) is entered into by and between Southern California Edison Company (SCE) and the Division of Ratepayer Advocates (DRA) (each a “Settling Party” and collectively the “Settling Parties”), and shall be effective on the date it is fully executed by the Settling Parties. The Settling Parties intend and agree that all outstanding issues of Southern California Edison Company’s Application (A.07-07-026) for Approval of Advanced Metering Infrastructure Deployment Activities and Cost Recovery Mechanism, which seeks authorization and cost recovery for Phase III of SCE’s Advanced Metering Infrastructure (AMI) project, Edison SmartConnect™ shall be fully settled and resolved by means of this Settlement Agreement.

1. BACKGROUND

On July 31, 2007, SCE filed its Application (A.07-07-026) for Approval of Advanced Metering Infrastructure Deployment Activities and Cost Recovery (the Application) with the California Public Utilities Commission (the Commission). In the Application, SCE seeks authority to deploy SCE’s AMI solution, Edison SmartConnect™, to all residential and business customers with demands under 200 kW during a five-year period beginning in 2008 and to recover the costs associated with the deployment activities. In addition, SCE requests authority to implement a Programmable Communicating Thermostat (PCT) load control program and to conduct outreach, marketing, and education on dynamic rates and demand response program offerings for customers receiving the new AMI meters.
DRA filed a protest to the Application on August 30, 2007. In addition, responses to the Application were filed by the Alliance for Retail Energy Markets (AReM) and Southern California Gas Company (SoCalGas). SoCalGas expressed its intention to monitor the proceeding. AReM requested that certain metering and data access issues of interest to Energy Service Providers (ESPs) be included within the scope of the proceeding.

Following a pre-hearing conference, on October 17, 2007 the Assigned Commissioner and Administrative Law Judge (ALJ) issued a Scoping Memo and Ruling (Ruling) establishing the scope and schedule of the proceeding. In the Ruling, settlement discussions were strongly encouraged: "the assigned Commissioner and the ALJ urge parties to this proceeding to hold settlement discussions and, if possible, propose a comprehensive settlement to the issues within the scope of this case."\(^1\) The Ruling established a mandatory settlement conference and required SCE to prepare and file a report on the status of settlement discussion.\(^2\)

Subsequent to the pre-hearing conference, DRA, TURN and AReM propounded numerous data requests, to which SCE responded. SCE also met with each party numerous times to review its extensive workpapers and/or answer additional questions.

On November 16, 2007, SCE and AReM submitted a report on their mutual efforts to address the metering and data access issues raised by AReM in response to the Application. SCE and AReM reported that their efforts were successful in informally resolving AReM’s issues, and that no special metering or data access issues related to ESPs or direct access customers required litigation in this proceeding.\(^3\)

On December 5, 2007, after briefing DRA and TURN, SCE served errata testimony to revise certain cost estimates for its AMI project. At the joint request of SCE, DRA and TURN, the proceeding schedule was modified in a December 24, 2007 ALJ Ruling to allow DRA and

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\(^1\) See the Ruling at p. 8.

\(^2\) See id.

\(^3\) See November 16, 2007 Letter to ALJ Hecht from Janet Combs of SCE and Gregory Klatt of AReM.
TURN additional time to review SCE’s errata testimony and workpapers before serving their opening testimony.

On January 25, 2008, DRA and TURN served opening testimony.⁴ SoCalGas also served opening testimony regarding contract meter reading issues.³

On January 29, 2008, SCE met with DRA, TURN and SoCalGas to discuss the potential settlement of the Phase III issues. The results of this meeting are reported in SCE’s Case Management Statement and Settlement Conference Report filed February 15, 2008. On February 19, 2008, SCE served rebuttal testimony in response to the opening testimony of DRA and TURN.

Since the initial settlement conference, DRA and SCE met numerous times to continue to diligently pursue settlement. The Settling Parties believe the record is sufficient to allow the Commission to find that the Settlement Agreement is reasonable in light of the whole record, is consistent with law and previous Commission decisions, and is in the public interest. A comparison of the positions of SCE and DRA taken in their respective testimonies and the Settlement Agreement is set forth below.

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⁴ DRA served errata to Chapters 1 and 13 of its testimony on February 15, 2008.
³ SoCalGas also filed a motion requesting an ALJ Ruling directing SoCalGas and SCE to exchange information that will reasonably assist SoCalGas in analyzing the feasibility of developing, installing and operating a gas meter AMI system compatible with SCE’s current plans for its Edison SmartConnect™ system, and enable SoCalGas and SCE to reach conclusions on this matter for review by the Commission in an appropriate proceeding as determined by the Commission. SCE filed a reply to the motion on February 11, 2008. On February 29, 2008, Commissioner Grueneich directed SoCalGas to share information with SCE and other California investor-owned utilities.
Table 1-1
Settlement Comparison

($ Million)

<table>
<thead>
<tr>
<th>Line No.</th>
<th>SCE</th>
<th>DRA</th>
<th>Updated Settlement</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Nominal, 2008-2012)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>$1,645</td>
<td>$1,649</td>
<td>$1,611</td>
<td>$1,634</td>
</tr>
<tr>
<td>2 (PVRR, 2007-2032)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>$1,980</td>
<td>$1,980</td>
<td>$1,981</td>
<td>$1,981</td>
</tr>
<tr>
<td>3</td>
<td>$2,076</td>
<td>$2,053</td>
<td>$1,797</td>
<td>$1,690</td>
</tr>
<tr>
<td>4</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$295</td>
</tr>
<tr>
<td>5 = 3 + 4 - 2</td>
<td>Net AMI Benefits (w/Socetal)</td>
<td>$116</td>
<td>$73</td>
<td>-$184</td>
</tr>
<tr>
<td>6 = 5 - 4</td>
<td>Net AMI Benefits</td>
<td>$116</td>
<td>$73</td>
<td>-$114</td>
</tr>
</tbody>
</table>

2. DEFINITIONS

Capitalized terms not defined in this Settlement Agreement shall have the meanings given them in SCE’s Application and supporting testimony.

3. TERMS OF THE SETTLEMENT AGREEMENT

In consideration of the mutual obligations, covenants and conditions contained herein, the Settling Parties hereby agree to settle all outstanding issues related to the Application as follows.

A. Deployment Period Costs: SCE should be authorized to deploy Edison SmartConnect™ to all metered accounts in its service territory with demands less than 200 kW (approximately 5.3 million meters) over a five-year period from 2008 through 2012 (the “Deployment Period”). The Settling Parties agree that SCE’s proposed deployment activities (as revised by this Settlement Agreement) and total estimated Deployment Period expenditures (as revised by the Settlement Agreement) of $1,633.5 million (comprised of an estimated $406.8 million of Operations and Maintenance (O&M) expenses and an estimated $1,226.7 million of capital expenditures) are reasonable and should be approved.
B. **Cost Effectiveness:** With the revisions to SCE's business (economic) case as agreed to in this Settlement Agreement, the Edison SmartConnect™ investment is cost effective and is reasonably expected to generate $1,174 million in forecast operational benefits and $816 million in forecast energy conservation, load control and demand response related benefits, for an estimated $9 million in net forecast benefits (on a present value revenue requirement (PVRR) basis) to SCE's ratepayers. The impact of the Settlement Agreement on SCE's economic case is shown in Table 3-2 below, and demonstrates that SCE's economic case is positive on a PVRR basis.
Table 3-2
PVRR of Edison SmartConnect™ under the Settlement Agreement

<table>
<thead>
<tr>
<th>Nominal ($ millions)</th>
<th>PVRR ($ millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deployment</td>
<td>Post-Deployment</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Costs*</td>
<td>(1,696.0)</td>
</tr>
<tr>
<td>Total Benefits</td>
<td>453.8</td>
</tr>
<tr>
<td>Net Benefits</td>
<td></td>
</tr>
</tbody>
</table>

*Includes Pre-Deployment costs

Benefit to Cost Ratio 1.04

Adjustments Reflected in Settlement Agreement

<table>
<thead>
<tr>
<th>Costs</th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Prepayment Services</td>
<td>1.1</td>
<td>89.8</td>
<td>90.9</td>
<td>21.6</td>
</tr>
<tr>
<td>Billing Services</td>
<td>2.2</td>
<td>2.2</td>
<td>1.6</td>
<td></td>
</tr>
<tr>
<td>Meter Panels</td>
<td>11.1</td>
<td>11.1</td>
<td>8.3</td>
<td></td>
</tr>
<tr>
<td>Revenue Protection</td>
<td>-</td>
<td>(141.4)</td>
<td>(141.4)</td>
<td>(32.5)</td>
</tr>
<tr>
<td>Program Management</td>
<td>0.7</td>
<td>-</td>
<td>0.7</td>
<td>0.5</td>
</tr>
<tr>
<td>Total Cost Adjustments</td>
<td>15.1</td>
<td>(51.6)</td>
<td>(36.5)</td>
<td>(0.6)</td>
</tr>
</tbody>
</table>

Benefits

<p>| | | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Prepayment Services</td>
<td>-</td>
<td>(258.1)</td>
<td>(258.1)</td>
<td>(51.3)</td>
</tr>
<tr>
<td>Eight Month Benefit Recognition</td>
<td>(18.7)</td>
<td>-</td>
<td>(18.7)</td>
<td>(13.1)</td>
</tr>
<tr>
<td>Billing Exception Benefit</td>
<td>2.5</td>
<td>-</td>
<td>2.5</td>
<td>1.7</td>
</tr>
<tr>
<td>Total Benefit Adjustments</td>
<td>(16.2)</td>
<td>(258.1)</td>
<td>(274.3)</td>
<td>(62.7)</td>
</tr>
</tbody>
</table>

Adjusted Costs Total (1,980.9)
Adjusted Benefits Total 1,990.2
Adjusted Net Benefits 9.3
Adjusted Benefit to Cost Ratio 1.00

Total Deployment Costs

| Phase II Pre-Deployment | (45.2) |
| Phase III Power Procurement | (2.2) |

O&M Expenditure Request

| O&M       | (406.8) |
| Capital   | (1,228.7) |
|           | (1,633.5) |

Total Deployment Costs (1,680.9)

Operational O&M Benefits Credit

<table>
<thead>
<tr>
<th>Item</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Revised O&amp;M Benefits</td>
<td>$172,327,169</td>
</tr>
<tr>
<td>2 Revised O&amp;M Benefits net of pensions, PBOPs, &amp; Results Sharing</td>
<td>$151,506,457</td>
</tr>
<tr>
<td>3 Total Sum of Active Meter Months</td>
<td>106,350,096</td>
</tr>
<tr>
<td>4 Avg. O&amp;M Benefit per Active Meter Month</td>
<td>$1,4246</td>
</tr>
</tbody>
</table>

(Line 4 = Line 2 divided by Line 3)
C. **Energy Conservation.**

a. SCE has created detailed ex-ante participation goals for specific information feedback conservation programs as set forth in **Attachment A** hereto which further support the forecasted energy conservation benefits of $164 million (PVRR) in SCE’s economic case. The Commission should find that the ex-ante participation goals for specific information feedback conservation programs as set forth in Attachment A and the forecasted energy conservation benefits of $164 million (PVRR) in SCE’s economic case are reasonable.

b. The Commission should authorize SCE to spend up to $3.5 million (included in SCE’s total estimated Deployment Period funding level of $1,633.5 million set forth in Section 3.A above) during the Deployment Period on personal computer (PC)-based information display devices for residential customers receiving the Edison SmartConnect™ meter who want to connect their personal computer to the Zigbee meter interface that receives near real-time information from Home Area Network (HAN) interface, consistent with the assumptions in Attachment A.

D. **Prepayment Service.** Because SCE does not plan to offer prepayment service to its customers until 2013, the Settling Parties agree that the details of SCE’s prepayment service, including reasonable consumer protections, should be litigated in the application in which SCE seeks authority to offer this service. The cost and benefit assumptions associated with this service shall be removed from SCE’s economic case, and are not reflected in the cost effectiveness result shown in Section 3.B above.

E. **Annual Meter Inspections.** The Settling Parties agree that SCE’s plan to conduct annual educated and random inspections of 0.5% of Edison SmartConnect™ meters during the Deployment and Post-Deployment Periods and to use the capabilities of the system to minimize meter tampering and energy theft is reasonable and should be approved. Statistical analysis of information collected from previous years’ random Edison SmartConnect™ meter inspections will be used to target some of the 0.5% of
meter inspections toward accounts that may most likely be involved in electricity theft. Furthermore, in an effort to prevent theft from happening in the first place, SCE will notify its ratepayers of its plan to conduct Edison SmartConnect™ meter inspections.

F. **Meter Panel Repairs.** The Settling Parties agree that SCE’s estimated costs for meter panel repairs during the Deployment Period of $29.7 million shall be reduced by $11.1 million (reduction is included in SCE’s total estimated Deployment Period funding level of $1,633.5 million set forth in Section 3.A above).

G. **Billing Costs.** The Settling Parties agree that SCE’s estimated billing costs during the Deployment Period of $55.2 million shall be reduced by $2.2 million (reduction is included in SCE’s total estimated Deployment Period funding level of $1,633.5 million set forth in Section 3.A above).

H. **Project Management and Organizational Change and Career Planning Deployment Costs.** The Settling Parties agree that SCE’s estimated costs for PMO and Organizational Change and Career Planning during the Deployment Period shall be reduced by $0.7 million.

I. **Benefits for Increased Accuracy of Meter Reads (B23.04) and Working Cash.** The Settling Parties agree that SCE’s forecast benefits related to reduced billing services exception work (increased accuracy of meter reads) shall be increased by a total of $2.5 million (nominal) during the Deployment Period, and that SCE’s forecast benefits related to working cash are reasonable as adjusted in Section IV.J in SCE’s rebuttal testimony.

J. **Automated Contract Meter Reading.** The Settling Parties agree that SCE has taken reasonable steps to ensure that its system is capable of providing automated meter reading (AMR) for gas and water utilities. SCE commits to work with gas and water utilities in its service territory to explore the potential benefits of AMR for gas and water utilities using its Edison SmartConnect™ system. SCE commits to hold four workshops to explore issues related to AMR for gas and water utilities using SCE’s Edison SmartConnect™ system, as follows:
- Workshops will be held quarterly beginning in the second quarter of 2008 through
  the first quarter of 2009;
- All interested parties, including DRA, shall be invited to participate;
- The workshop agendas shall be agreed upon by interested parties, including DRA;
- In the event participants in the workshops reach a consensus that subsequent
  workshops are no longer needed, no further workshops will be held; and
- For each of the four quarterly workshops, SCE shall produce a post-workshop
  report on behalf of the workshop participants, which should be served on parties
  to the service list for this proceeding (A.07-07-026).

K. Risk Sharing Mechanism for Deployment Cost Overruns.

- Deployment Period expenditures of up to $1,633.5 million shall be deemed
  reasonable and the revenue requirement associated with actual Deployment
  Period expenditures up to that funding level shall be recovered in rates without
  any after-the-fact reasonableness review.

- To the extent Deployment Period expenditures exceed $1,633.5 million by up to
  $100 million ("Cost Overruns"), then the revenue requirement associated with 90
  percent of such expenditures (i.e., up to $90 million) shall be recovered without
  any after-the-fact reasonableness review.

- To the extent Deployment Period expenditures exceed $1,633.5 million by up to
  $100 million, then 10 percent of such expenditures (i.e., up to $10 million) shall
  be borne by SCE shareholders and the revenue requirement associated with such
  expenditures shall not be recovered in rates.

- Subject to this risk sharing mechanism, SCE shall be authorized to spend up to
  $100 million on Deployment Period Cost Overruns for capital expenditures or
  O&M expenses in accordance with normal accounting practices for the project.

- The Settling Parties agree to the following force majeure provisions that provide
  for SCE to recover in rates costs that exceed $1,633.5 million by up to $100
million without shareholder contribution due to events beyond SCE’s control (uncontrollable events), including:

- **Force majeure** events that materially affect SCE’s ability to implement the Edison SmartConnect™ project as planned such as: (i) landslide, lightning, earthquake, storm, hurricane, flood or other acts of nature; (ii) transportation accidents or the lack of availability of components and raw materials used in the manufacture of the hardware products including meters, communications equipment and servers in which SCE is neither intentionally nor negligently responsible; (iii) riots, terrorism, war, civil disturbances, or sabotage; or (iv) changes in law.

- Material changes in the scope or functionality of the Edison SmartConnect™ project (as that scope is defined in the Application) due to governmental or regulatory actions, or due to issuance of any order, judgment, award, or decree which affects the project;

- Material changes in the costs of the Edison SmartConnect™ project caused by a delay in Commission approval of the project beyond August 2008; and

- Material delays before or during the Deployment Period caused by regulatory or governmental action or inaction, including delays caused by cities and local governments or permit delays.

- Notwithstanding anything herein to the contrary, **force majeure** does not include any events such as, but not limited to, events arising from the failure to implement the Edison SmartConnect™ project in accordance with Good Utility Practice,⁶ economic factors including the price of labor,

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⁶“Good Utility Practice” means any of the practices, methods and acts engaged in or approved by a significant portion of the electric utility industry during the relevant time period, or any of the practices, methods and acts which, in the exercise of reasonable judgment in light of the facts known at the time the
materials or variable operations and maintenance costs, or failure of third parties to provide goods and services essential to SCE’s performance, except to the extent that failure is caused by a force majeure event.

- Deployment Period expenditures that exceed $1,733.5 million ($1,633.5 million plus $100 million for Cost Overruns) may be recovered in rates to the extent approved by the Commission in a subsequent application filed by SCE and would be subject to a reasonableness review.

L. Programmable Communicating Thermostat (PCT) Program.

a. As a result of the recent removal by the California Energy Commission of the PCT mandate from the 2008 California Building Code, it is reasonable to modify the program design for SCE’s proposed PCT program during the Deployment Period, and revise the cost and benefit assumptions for PCT programs in SCE’s business case as set forth in Attachment B hereto. As a result of these new assumptions, it is reasonable to reduce the PCT program net benefits in SCE’s economic case by $32.2 million PVRR as reflected in SCE-07, page 17.

b. SCE should be authorized to implement the voluntary PCT program as described in Attachment B during the Deployment Period, at an estimated cost of $58.1 million\(^\text{2}\) (included in the total estimated Deployment Period funding level of $1,633.5 million as set forth in Section 3.A above.) The Parties agree that the Commission should order, and SCE commits to file, an advice letter proposing a PCT tariff consistent with the PCT program authorization in the Commission’s final decision in this proceeding.

\(^2\) Includes $5.4 million increase summarized in Table I-1 of SCE-7, page 3.
M. **Peak Time Rebate (PTR) Program.** The Settling Parties agree that a two-tiered incentive for PTR, whereby participants with enabling automated load-reduction devices (such as PCTs) or utility-registered dedicated portable graphical information-feedback displays will be paid a higher incentive than participants without such devices or displays, is a reasonable way to minimize incentives paid to "structural benefiters."*¹* SCE shall propose a two-tiered PTR incentive in Phase 2 of its 2009 GRC.

N. **Operational Benefits Realization.**

a. SCE's proposal for crediting to ratepayers the capital operational benefits of Edison SmartConnect™ as described in the proposed SmartConnect Balancing Account tariff as set forth in Attachment C hereto is reasonable and should be approved.

b. For each Edison SmartConnect™ meter purchased during the Deployment Period, SCE shall credit $1.4246 of O&M operational benefit per month through the Deployment Period to ratepayers via the Edison SmartConnect Balancing Account beginning eight (8) months after reflecting such meter into rate base, consistent with the operation of the proposed SmartConnect Balancing Account tariff attached hereto as Attachment C, and as summarized in Table 3-3 below.

*¹* A structural benefiter is a customer who receives a PTR incentive credit without taking any direct action to reduce load during a PTR event.
Table 3-3
Summary of Operational O&M Benefits Credit

<table>
<thead>
<tr>
<th>Line No.</th>
<th>Item</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Revised O&amp;M Benefits</td>
<td>$172,327,169</td>
</tr>
<tr>
<td>2.</td>
<td>Net of pensions, PBOPs and Results Sharing</td>
<td>$151,506,457</td>
</tr>
<tr>
<td>3.</td>
<td>Total Sum of Active Meter Months</td>
<td>106,350,096</td>
</tr>
<tr>
<td>4.</td>
<td>Average O&amp;M Benefit per Active Meter Month</td>
<td>$1.4246</td>
</tr>
</tbody>
</table>

(Line 4 = Line 2 divided by Line 3)

O. Avoidance of Double Recovery of Deployment Costs. The Settling Parties agree that SCE shall not recover any Edison SmartConnect™ Deployment Period-related costs in its 2009 GRC. If SCE includes any Edison SmartConnect™ Deployment Period-related costs in its 2012 GRC, SCE will ensure (i) that there is no double recovery of such costs, i.e., through the 2012 GRC and the recovery mechanism adopted in this proceeding; and (ii) that the recovery of Deployment Period-related costs is consistent with the limits on recovery of such costs adopted in this proceeding.

P. Revenue Protection/Meter Electricity Usage.

a. The Settling Parties agree that Unaccounted For Energy (UFE)-related costs and benefits shall not be included in SCE’s economic case:

   o The Edison SmartConnect™ meters are expected to consume more electricity than existing electromechanical meters, at an estimated cost of $57 million (PVRR). Because the cost of this increased electricity consumption is treated in the same manner as other UFE (e.g., line losses), it shall not be considered a component of SCE’s economic case, but rather a societal cost.

   o As a result of annual meter inspections during the Deployment and Post Deployment Periods and use of the system capabilities to minimize meter tampering and energy theft, the Edison SmartConnect™ system is expected to
reduce energy theft by $96 million (PVRR). Because this energy theft benefit serves to reduce UFE, it shall not be considered a component of SCE’s economic case, but rather a societal benefit.

- These UFE-related costs and benefits result in a net societal benefit of $39 million (PVRR), which shall not be considered a component of SCE’s economic case.

b. The Post-Deployment period Revenue Protection costs should be included in SCE’s economic case, resulting in an increase in the economic case costs of $33 million (PVRR), which is reflected in the cost effectiveness results shown in Section 3.B above.

Q. **Meter Accuracy**: The Settling Parties agree that SCE should realize some meter accuracy benefits over the life of the Edison SmartConnect™ project. Such benefits shall not be included in SCE’s economic case, but rather included as a societal benefit, which DRA has quantified at $256 million (PVRR).

R. **Cost Recovery**: SCE’s proposed cost recovery mechanism as set forth in the proposed SmartConnect Balancing Account tariff attached hereto as Attachment C is reasonable and should be approved.

S. **Allocation of Edison SmartConnect™ Revenue Requirement**: The allocation of the Edison SmartConnect™ revenue requirement among customer groups should be litigated in Phase 2 of SCE’s 2009 GRC. Pending the outcome of this issue in Phase 2 of SCE’s 2009 GRC, the Edison SmartConnect™ revenue requirement should be allocated among customer classes using the SCE distribution allocators for SCE’s distribution revenue requirement in place when Edison SmartConnect™ deployment costs are recovered in rates.

T. **Uncontested Issues**: SCE’s proposals that were not contested are reasonable and should be adopted.
4. GENERAL TERMS AND CONDITIONS

A. Performance

The Settling Parties agree to perform diligently, and in good faith, all actions required or implied hereunder, including, but not necessarily limited to, the execution of any other documents required to effectuate the terms of this Settlement Agreement, and the preparation of exhibits for, and presentation of witnesses at, any required hearings to obtain the approval and adoption of this Settlement Agreement by the Commission. No Settling Party will contest in this proceeding, or in any other forum, or in any manner before this Commission, the recommendations contained in this Settlement Agreement. It is understood by the Settling Parties that time is of the essence in obtaining the Commission’s approval of this Settlement Agreement and that each will extend its best efforts to ensure its adoption.

B. The Public Interest

The Settling Parties agree by executing and submitting this Settlement Agreement that the relief requested herein is just, fair and reasonable, and in the public interest. The Settling Parties agree that the Settlement will enable the deployment of an AMI system in SCE’s service territory that will generate real, quantifiable economic benefits for SCE’s ratepayers as well as societal benefits, such as energy theft reductions, improved customer experience and security, and potential environmental benefits. In consideration of the economic benefits as well as the societal benefits, which were not included in SCE’s economic business case, the Settling Parties agree that ratepayer interests have been thoroughly considered, and in light of the record, the Settlement protects ratepayers’ best interests.

The Settlement Agreement, if adopted by the Commission, also avoids the cost of further litigation between the Settling Parties, thereby narrowing the scope of evidentiary hearings and reducing the Commission resources that must be devoted to this proceeding. The saved resources of the Commission may then be devoted to matters that involve greater cost or policy issues. Given that the Commission’s workload is extensive, the impact on Commission
resources is doubly important.

C.  Non-Precedential Effect

This Settlement Agreement is not intended by the Settling Parties to be precedent regarding any principle or issue. The Settling Parties have assented to the terms of this Settlement Agreement only for the purpose of arriving at the settlement embodied in this Settlement Agreement. Each Settling Party expressly reserves its right to advocate, in current and future proceedings, positions, principles, assumptions, arguments and methodologies which may be different than those underlying this Settlement Agreement, and each Settling Party expressly declares that, as provided in Rule 12.5 of the Commission’s Rules of Practice and Procedure, this Settlement Agreement should not be considered as a precedent for or against it.

D.  Indivisibility

This Settlement Agreement embodies compromises of the Settling Parties’ positions. No individual term of this Settlement Agreement is assented to by any Settling Party, except in consideration of the other Settling Parties’ assents to all other terms. Thus, the Settlement Agreement is indivisible and each part is interdependent on each and all other parts. Any Settling Party may withdraw from this Settlement Agreement if the Commission modifies, deletes from, or adds to the disposition of the matters stipulated herein. The Settling Parties agree, however, to negotiate in good faith with regard to any Commission-ordered changes in order to restore the balance of benefits and burdens, and to exercise the right to withdraw only if such negotiations are unsuccessful.

The terms and conditions of this Settlement Agreement may only be modified in writing subscribed to by the Settling Parties.

E.  Previous Communications

The Settlement Agreement contains the entire agreement and understanding between the Parties as to the subject matter of this Settlement Agreement, and supersedes all prior
agreements, commitments, representation, and discussions between the Settling Parties. In the event there is any conflict between the terms and scope of the Settlement Agreement and the terms and scope of the accompanying motion for adoption of the Settlement Agreement, the Settlement Agreement shall govern.

F. Signature Date

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

G. Number of Originals

This 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.

SOUTHERN CALIFORNIA EDISON COMPANY:

By: AKBAR JAZAYERI
Its: Vice President
Date: March 7, 2008

DIVISION OF RATEPAYERS ADVOCATES:

By: DANA S. APPLING
Its: Director
Date: , 2008
terms and scope of the accompanying motion for adoption of the Settlement Agreement, the Settlement Agreement shall govern.

V. Signature Date

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

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This 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.

SOUTHERN CALIFORNIA EDISON COMPANY:

By: AKBAR JAZAYERI
Its: Vice President
Date: ____________, 2008

DIVISION OF RATEPAYERS ADVOCATES:

By: DANA S. APPLING
Its: Director
Date: ____________, 2008
ATTACHMENT A

EX-ANTE PARTICIPATION GOALS FOR SPECIFIC INFORMATION FEEDBACK
CONSERVATION PROGRAMS
CONSERVATION BENEFITS: ADDITIONAL PROGRAM DETAILS AND BENCHMARKS TO SUPPORT THE BENEFIT ASSUMPTIONS REFLECTED IN THE SETTLEMENT AGREEMENT

For SCE’s business case, assume two categories of participants toward conservation. The categories are:

- Residential customers that use Near Real Time technology;
- Residential customers that use historical information from the SCE web portal.

Residential customers that adopt Near Real Time technology is forecast in four categories:

- Building-Integrated Graphical Display (New Construction)
  - Assume customers with In-Home Graphical Display receiving usage signals from the SmartConnect™ meter will reduce a residential customer’s energy consumption by 6.5%;
  - Assume that 10% of new homes will be equipped In-Home Graphical Display (New Construction);
  - Market directly to construction companies and technology vendors to include these devices in new homes;
  - Include the marketing costs in the business case.

- Building-Integrated Graphical Display (Retrofit)
  - Assume customers with In-Home Graphical Display receiving usage signals from the SmartConnect™ meter will reduce a residential customer’s energy consumption by 6.5%;
  - Market directly to home automation vendors;
  - Assume that the adoption rate starts at 0.5% and grows 0.05% annually;
  - Include the marketing costs in the business case.

- Dedicated Handheld Graphical Display
  - Assume Existing products modified to receive Zigbee signals and new simple low-cost displays enter marketplace starting in 2009;
  - Assume customers with an In-Home Graphical Display receiving usage signals from the SmartConnect™ meter will reduce a residential customer’s energy consumption by 6.5%;
  - Assume that the adoption rate starts at .5% and grows .05% annually;
  - Sales through, big-box retailers, online outlets, others;
  - May integrate sales with other demand response and energy efficiency programs;
  - The marketing costs are included in the business case.
- PC Based Graphical Display
  
  - Assume customers will want to connect a personal computer to the meter Home Area Network interface to access near real-time information, which reduces a residential customer's energy consumption by 6.5%;
  
  - Assume that the cost of the Zigbee radio device to link the personal computer to the meter is $15 each and will be included in the business case;
  
  - Assume downloadable software from SCE.com in addition to services from Internet firms or software firms;
  
  - Include the customer outreach as part of integrated product marketing approach through “Bundles” targeted to specific customer personas;
  
  - Assume a 1% penetration in 2009 and a 1% growth rate per year.

To forecast residential customers that use historical information from the SCE web portal, assume:

- The percentage of US households online is a reasonable proxy for SCE service territory;

- Residential customers who use SCE.com to view historical information will reduce their energy consumption by 2%;

- Assume a 10% penetration in 2009 and a 1% growth rate per year;

- Marketing costs are included in the business case.

These updates support the minimum of $164 million in conservation benefits reflected in SCE’s application.
ATTACHMENT B

PCT PROGRAM DESIGN MODIFICATIONS AND REVISED BUSINESS CASE ASSUMPTIONS
SCE PCT PROGRAM DESIGN

Title 24 PCT assumptions adjusted because the decision by the California Energy Commission to remove the T24 PCT requirements from the 2008 Building Code.

SCE proposes to revise the assumptions for the PCT program design as follows:

- For the business case, SCE will maintain two types of marketing channels
  - Title 24 participants become Construction and Retrofit marketing channel;
  - Non Title 24 participants become Mass PCT Marketing Channel.

- Assume for the Mass Marketing channel that:
  - In years 2009 to 2011, SCE assumes
    - SCE will administer the PCT program;
    - SCE will buy the PCT at wholesale and at volume discounts;
    - SCE will not distribute PCTs through retail marketing channels (e.g., Home Depot);
    - SCE will be able to negotiate the cost per PCT up to $50 due to the volume of order;
    - The installation cost is up to $75 per PCT;
    - SCE will work with 3rd party vendors to install PCTs at customer locations;
    - SCE will buy and install the PCT for customers that sign up to the program;
  - SCE will raise the cap of from 250,000 customers to 350,000 customers (reached in 2015).
  - SCE will raise the sign up rate per year from 60,000 to 70,000 customers (limited by meter roll-out schedule).
  - Starting in 2012, SCE will offer a $125 rebate for the PCT equipment and installation for PCT load control participants in the Mass Marketing Channel redeemed from retail stores.

- Assume for the Construction and Retrofit channel that:
  - In years 2009 to 2011 SCE assumes
    - SCE will be able to negotiate the cost per PCT up to $50 due to the volume of order;
    - SCE will provide a PCT to construction companies at a cost of up to $50;
    - SCE will not pay for the installation costs;
    - SCE should reduce penetration rate of home builders from 84% to 50%;
• SCE should reduce penetration rate of retrofit companies from 50% to 25%.

  o In years 2012 through 2032 SCE assumes
    • Starting in 2012 the building code will require customers of new construction and HVAC retrofits to install a HAN enabled PCT;
    • If there is no CEC T24 PCT requirement, SCE will provide a $50 rebate toward the cost of the PCT;
    • The penetration rate of home builders 84%;
    • The penetration rate of retrofit companies from 50%.

Net impact to SCE’s economic case based on these changes to PCT programs is a reduction of $32 million PVRR net benefits, which includes ancillary impacts to load control programs.
ATTACHMENT C

EDISON SMARTCONNECT™ BALANCING ACCOUNT
DRAFT PRELIMINARY STATEMENT

Edison SmartConnect™ Balancing Account (SmartConnectBA)

I. Purpose

The purpose of the Edison SmartConnect™ Balancing Account (SmartConnectBA) is to record all costs incurred by SCE up to $1,633.5 million (and corresponding revenue requirements), with additional costs of up to the amounts described in Section V below, and to capture the operational benefits as set forth herein, associated with the Phase III Edison SmartConnect™ advanced metering deployment activities as authorized by the Commission in Application 07-07-026 (Application) (Decision No. 08-XX-XXX) from the effective date of D. 08-XX-XX through December 31, 2012. SCE may seek modifications to the Edison SmartConnect™ Balancing Account (SmartConnectBA) in its 2012 GRC to ensure no double recovery of Deployment Period costs authorized in D.08-XX-XXX.

II. Operation of the SmartConnectBA

Entries to the SmartConnectBA shall be made monthly as follows:

1. An initial entry to record the transfer of the balance from the AMIMA Phase III Sub-Account (debit); plus

2. Recorded, incremental SCE Operation and Maintenance (O&M) expenses associated with Phase III activities (debit); plus

3. Capital-related revenue requirements (depreciation, income and property taxes and return on rate base), calculated on actual rate base amounts associated with Phase III and previously Commission approved Phase II activities (debit); plus

4. Operational benefits calculated as set forth below (credit).

The SmartConnectBA balance shall be transferred on a monthly basis to the distribution sub-account of the Base Revenue Requirement Balancing Account (BRRBA). Interest expense shall not be recorded in the SmartConnectBA since the monthly activity is transferred to the BRRBA.

III. SmartConnectBA Costs
Phase III incremental O&M and capital-related costs shall be related to one of the following areas:

1. Acquisition of meters and communication network equipment;
2. Installation of meters and communication network equipment;
3. Implementation and operation of new back office systems;
4. Customer tariffs, programs and services;
5. Customer Service Operations;
6. Overall program management;
7. Contingencies for mass meter deployment; and
8. Any other activities as related to Phase III as authorized by the Commission in this Application (D. 08-XX-XXX.)

All recorded, incremental costs shall include provisions for overhead loadings on direct labor dollars to account for items such as benefits, results sharing and payroll taxes. The overhead loading factors shall be based on authorized GRC loading factor rates. However, SCE shall not record Pensions and Post-Retirement Other Than Pensions (PBOPs) costs into the SmartConnectBA due to the existence of other balancing accounts authorized for Pensions and PBOPs recovery. In addition, in each year that the Results Sharing Memorandum Account (RSMA) is in effect, SCE shall be limited to recording the actual results sharing costs in the SmartConnectBA capped at the target level amounts described in Section V below.

IV. SmartConnectBA Benefit Calculation

Each month SCE shall calculate the amount of operational O&M benefits to be credited to the SmartConnectBA as follows:

1. Recorded total of cumulative SmartConnect™ meters in rate base, lagged by 8 months;
2. Multiplied by $1.4246 of average O&M benefits per meter per month as authorized in this Application (D.08-XX-XXX.)
If SCE’s 2009 GRC proposal to eliminate the RSMA is adopted, SCE will file a supplemental advice letter to update the $1.4246 of average O&M benefits per meter per month to include results sharing benefits.

All capital-related benefits shall be returned to customers through the operation of the BRRBA as authorized in this Application (D.08-XX-XXX.)

V. Edison SmartConnect™ Program Funding Limit

The total authorized SmartConnect™ deployment funding level is $1,633.5 million for the period from 2008 through 2012. Pursuant to the Commission decision on this Application (D.08-XX-XXX), a risk sharing mechanism will be applied as follows:

1. Expenditures up to the total authorized funding level of $1,633.5 million are deemed reasonable and the revenue requirement associated with those expenditures shall be recovered through the SmartConnectBA without any after-the-fact reasonableness review.

2. To the extent actual project costs exceed $1,633.5 million by up to $100 million, then the revenue requirement associated with 90% (i.e. up to $90 million) of such costs that exceed $1,633.5 million will be recovered through the SmartConnectBA without any after-the-fact reasonableness review.

3. Except to the extent affected by force majeure, to the extent actual project costs exceed $1,633.5 million by up to $100 million, then 10% (i.e., up to $10 million) of such costs that exceed $1,633.5 million will be borne by SCE shareholders and will not be recovered in rates.

4. Project costs that exceed $1,633.5 million, up to $100 million, may be incurred for increases in costs for capital expenditures or O&M expenses in accordance with normal accounting practices for the project.

5. Any project costs over $1,733.5 million ($1,633.5 million plus $100 million in cost overruns) may be recoverable in rates to the extent approved by the Commission following a reasonableness review of the additional costs.
The Settlement Agreement adopted in D.08-XX-XXX describes force majeure provisions that provide for SCE to recover in rates costs that exceed $1,633.5 million, up to $100 million, without shareholder contribution due to events beyond SCE's control.

VI. Review Procedures

The recorded operation of the SmartConnectBA for the Record Period (or previous calendar year 12-month period) shall be reviewed by the Commission in SCE's annual April ERRA application to ensure that the entries made in the SmartConnectBA are stated correctly and were incurred for Phase III activities as authorized by the Commission in this Application.

SCE shall provide a monthly report and supporting workpapers showing the activity in the SmartConnectBA to the Energy Division within 30 days of the end of each calendar month.
CERTIFICATE OF SERVICE

I hereby certify that, pursuant to the Commission’s Rules of Practice and Procedure, I have this day served a true copy of MOTION OF SOUTHERN CALIFORNIA EDISON COMPANY (U 338-E) AND DIVISION OF RATEPAYER ADVOCATES FOR ADOPTION OF SETTLEMENT AGREEMENT on all parties identified on the attached service list(s).

Transmitting the copies via e-mail to all parties who have provided an e-mail address. First class mail will be used if electronic service cannot be effectuated.

Executed this 10th day of March 2008, at Rosemead, California.

/s/ Meraj Rizvi
Meraj Rizvi
Project Analyst
SOUTHERN CALIFORNIA EDISON COMPANY

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CALIFORNIA PUBLIC UTILITIES COMMISSION
Service Lists

PROCEEDING: A0707026 - EDISON - FOR APPROVA
FILER: SOUTHERN CALIFORNIA EDISON COMPANY
LIST NAME: LIST
LAST CHANGED: MARCH 7, 2008

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