

December 18, 2013

By eFiling

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

Re: Southern California Edison Company, Docket Nos. ER12-1302-000; California Independent System Operator Corporation, Docket Nos. ER12-1305-000 and Docket Nos. ER12-1312-000 (consolidated)
Offer of Settlement

Dear Secretary Bose:

Pursuant to Rule 602 of the Rules of Practice and Procedure of the Federal Energy Regulatory Commission ("Commission"), 18 C.F.R. § 385.602 (2013), the California Independent System Operator Corporation ("ISO") submits this Stipulation and Agreement of Settlement ("Settlement Agreement"). The Settlement Agreement is jointly sponsored and severally entered into by the ISO, San Diego Gas and Electric Company ("SDG&E"), and the Nevada Hydro Company, Inc. ("Nevada Hydro") (collectively, the "Settling Parties"). The Settlement Agreement resolves all issues that were set for hearing in Docket No. ER12-1312-000 by the Commission in its August 8, 2012 order in the above-referenced consolidated proceedings. Southern California Edison Co., et al., 140 FERC ¶ 61,117 (2012) ("August 8 Order"). The Settlement Agreement does not resolve any issues that were set for hearing in the August 8 Order with respect to Docket Nos. ER12-1302-000 and ER12-1305-000; issues in those dockets are addressed in a settlement that is being filed contemporaneously.

The Settlement Agreement has been executed by the Settling Parties.

This filing includes the following documents:

1. This transmittal letter;
2. Attachment A – Explanatory Statement;

3. Attachment B – Settlement Agreement; and
4. Attachment C – Proposed Commission order approving the Settlement Agreement.

The Settling Parties request that this filing be transmitted to Settlement Judge John P. Dring in accordance with Rule 602(b)(2)(1). 18 C.F.R. § 385.602(b)(2)(1) (2013). The Settling Parties respectfully request that the Settlement Judge certify the Settlement Agreement to the Commission, as required by Rule 602(g)(1), 18 C.F.R. § 385.602(g)(1) (2013), at the earliest possible date following the comment period. Further, the Settling Parties respectfully request that the Commission approve the Settlement Agreement without modification or condition, on the grounds that it resolves the issues set for hearing in Docket No. ER12-1312-000 and is fair, reasonable, and in the public interest.

Copies of this transmittal letter and all attachments are being served upon all parties to these proceedings as required by Rule 602(d)(1). 18 C.F.R. § 385.602(d)(1) (2013). In accordance with Rule 602(d)(2), 18 C.F.R. § 385.602(d)(2) (2013), the ISO advises all persons being served that comments on the Settlement Agreement will be due on January 7, 2014 and reply comments will be due on January 17, 2014.

Please contact the undersigned if there are any questions regarding this offer of settlement.

Respectfully submitted,

/s/ Robert B. Wolinsky

Attorney for California Independent
System Operator Corporation

Attachments

Attachment A
Explanatory Statement

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

Southern California Edison Company)	Docket Nos. ER12-1302-000
California Independent System Operator Corporation)	ER12-1305-000
)	(consolidated)
)	ER12-1312-000

EXPLANATORY STATEMENT

Pursuant to Rule 602 of the Rules of Practice and Procedure of the Federal Energy Regulatory Commission (“Commission”), 18 C.F.R. § 385.602 (2013), the California Independent System Operator Corporation (“ISO”) submits the following Explanatory Statement to the attached Stipulation and Agreement of Settlement (“Settlement Agreement”). The Settlement Agreement is jointly sponsored and severally entered into by the ISO, San Diego Gas and Electric Company (“SDG&E”), and the Nevada Hydro Company, Inc. (“Nevada Hydro”) (collectively, the “Settling Parties”). The Settlement Agreement resolves all issues in Docket No. ER12-1312-000, but does not resolve any issues in Docket Nos. ER12-1302-000 and ER12-1305-000. This Explanatory Statement is for informational purposes only; in the event of a conflict between the contents of this Explanatory Statement and the terms of the Settlement Agreement, the terms of the Settlement Agreement govern.

I. EXPLANATION OF THE SETTLEMENT

ARTICLE I – BACKGROUND AND PROCEDURAL HISTORY

Article I describes the pertinent filings and events leading up to the present Settlement Agreement, as follows:

On April 26, 2005, Nevada Hydro submitted to the ISO an interconnection request to interconnect the proposed Lake Elsinore Advanced Pumped Storage Project (“LEAPS”) at two points on the ISO controlled transmission grid: one on the SDG&E system to the south of LEAPS, and the other on the Southern California Edison Company (“SCE”) system to the north of LEAPS. Although Nevada Hydro only submitted one interconnection request to the ISO, the parties proceeded with two separate interconnection processes (one with SCE and the other with SDG&E) resulting in two interconnection agreements to provide for the interconnection of LEAPS to two separate points on the ISO controlled grid.

On March 11, 2008, pursuant to section 205 of the Federal Power Act (“FPA”),¹ the ISO and SDG&E filed an unexecuted Large Generator Interconnection Agreement (“LGIA”) between Nevada Hydro, the ISO, and SDG&E (the “SDG&E LGIA”) in Docket No. ER08-654-000. The Commission subsequently accepted the SDG&E LGIA, as modified by two compliance filings, to become effective May 11, 2008.²

On March 21, 2012, the ISO filed a notice of termination of the SDG&E LGIA, requesting that the termination be effective as of November 7, 2011 (“March 21 Notice”). Also on March 21, 2012, pursuant to FPA section 205, SCE filed an unexecuted LGIA between Nevada Hydro, the ISO, and SCE (the “SCE LGIA”) in Docket No. ER12-1302-000, as a service agreement pursuant to SCE’s Transmission Owner Tariff. On the same date, the ISO filed the identical SCE LGIA in Docket No. ER12-1305-000, as a service agreement pursuant to the ISO Tariff. SCE and the ISO requested an effective date of May 21, 2012 for the SCE LGIA. The ISO and SCE

¹ 16 U.S.C. § 824d.

² Nevada Hydro Co., et al., 129 FERC ¶ 61,098 (2009).

subsequently amended these filings on June 11, 2012, in response to a deficiency letter issued by Commission Staff on May 10, 2012.

Nevada Hydro filed motions to intervene and protests in Docket Nos. ER12-1302-000, ER12-1305-000, and ER12-1312-000. In addition, the following parties moved to intervene in one or more of these proceedings: the California Department of Water Resources State Water Project; the California Public Utilities Commission; the Cities of Anaheim, Azusa, Banning, Colton and Riverside, California; the City of Santa Clara, California and M-S-R Power Agency; and SDG&E.

On August 8, 2012, the Commission issued an order accepting notice of termination of the SDG&E LGIA and the SCE and ISO filings of the SCE LGIA, subject to refund, hearing, and settlement judge procedures.³ The Commission suspended the filings for a nominal period to become effective August 11, 2012,⁴ and, noting that “the issues in the three dockets are closely related,”⁵ consolidated the three dockets for purposes of the hearing and settlement judge procedures.⁶

At the request of the ISO, Nevada Hydro, SCE and SDG&E, the Chief Administrative Law Judge appointed the Honorable John P. Dring as the settlement judge. Settlement discussions ensued among the participants, and settlement conferences were held on October 9 and November 15, 2012, and January 30, February 26 (by telephone), March 8 (by telephone), March 14 (by telephone), March 29 (by telephone), April 4 (by telephone), and April 18, 2013.

³ Southern California Edison Co., et al., 140 FERC ¶ 61,117 (2012) (“August 8 Order”).

⁴ Id. at Ordering Paragraph (A).

⁵ Id. at P 24.

⁶ Id. at Ordering Paragraph (B).

ARTICLE II – SCOPE OF SETTLEMENT

Article II explains that the Settlement Agreement resolves all issues that were set for hearing in the August 8 Order with respect to Docket No. ER12-1312-000, addressing the southern portion of the LEAPS interconnection as described in the interconnection request, as set forth in the following articles. The Settlement Agreement does not resolve any issues that were set for hearing in the August 8 Order with respect to Docket Nos. ER12-1302-000 and ER12-1305-000, which address the northern portion of the LEAPS interconnection with SCE, and have been addressed separately by the parties to those dockets.

ARTICLE III – WITHDRAWAL OF MARCH 21 NOTICE/MILESTONE DATES

Section 1 states that upon the Effective Date of the Settlement Agreement, as determined pursuant to Article VI, Section 1, the March 21 Notice shall be deemed to be withdrawn in its entirety.

Section 2 provides that Nevada Hydro will not seek to have the milestone dates contained in Table B1 of Appendix B to the SDG&E LGIA revised until such time as one of the following conditions has been satisfied: (a) both (i) Nevada Hydro has obtained a license from the Commission to construct LEAPS, and (ii) SCE has commenced construction of facilities to interconnect the northern portion of the proposed LEAPS interconnection to the SCE system; or (b) Nevada Hydro both (i) requests in writing that the Parties begin to re-study LEAPS in accordance with section 8.5 of Appendix U of the current CAISO tariff to facilitate negotiation of an updated LGIA prior to satisfaction of the conditions identified in Section 2(a) of this Article, and (ii) posts security in the

amount of \$3 million to cover the actual cost of the restudy and the remainder will be used for network upgrades specified in the LGIA.

Section 3 provides that if the conditions identified in either Section 2(a) or 2(b) of Article III have been satisfied, the Settling Parties agree to negotiate in good faith to update the LGIA between the parties after a restudy is completed. The posting of security by Nevada Hydro pursuant to Section 2(b) of Article III shall not obligate SDG&E to order equipment prior to the successful renegotiation of an updated LGIA including without limitation updated milestone dates and costs associated with the upgrades. To the extent that SDG&E and/or the ISO incurs actual expenses pursuant to Section 2(b) of Article III, such amounts shall be deducted from the security Nevada Hydro has posted, and such funds shall not be subject to refund in the event that the parties fail to successfully renegotiate an updated LGIA, notwithstanding their good faith efforts to do so. If the Parties enter into an updated LGIA as contemplated by this Section and Nevada Hydro posts \$3 million in security pursuant to Section 2(b), any portion of that posting not utilized as specified herein will be applied to Nevada Hydro's posting obligations under the new LGIA. The ISO and SDG&E agree that they will not seek to terminate the SDG&E LGIA for failure of Nevada Hydro to meet the existing milestone dates contained in Table B1 of Appendix B to the SDG&E LGIA so long as the SCE LGIA continues to be a valid agreement in good standing. Such agreement by the ISO and SDG&E is without prejudice to the ISO and/or SDG&E taking further regulatory and other actions, including seeking to terminate the SDG&E LGIA for failure of Nevada Hydro to meet new milestone dates established pursuant to this Section. Further, this Settlement Agreement does not resolve, and expressly leaves open, the

question of whether any previous studies of the interconnection of LEAPS to the SDG&E system would remain currently accurate or applicable to any future proceedings or efforts that address the interconnection of LEAPS to the SDG&E system.

ARTICLE IV – STANDARD OF REVIEW

Article IV provides that any changes to the terms or conditions of the Settlement Agreement during its term proposed by any Settling Party shall be subject to the “public interest” application of the just and reasonable standard of review set forth in United Gas Pipe Line Co. v. Mobile Gas Serv. Corp., 350 U.S. 332 (1956) and Federal Power Commission v. Sierra Pacific Power Co., 350 U.S. 348 (1956), as clarified in Morgan Stanley Capital Group, Inc. v. Public Util. Dist. No. 1 of Snohomish County, Washington, 554 U.S. 527 (2008) and refined in NRG Power Mktg. v. Maine Pub. Utils. Comm’n, 130 S. Ct. 693, 700 (2010). Any changes to the terms or conditions of the Settlement Agreement during its term by the Commission acting *sua sponte* or upon the request of a non-party will be subject to the most stringent standard available under applicable law.

ARTICLE V – EFFECT OF SETTLEMENT

Section 1 provides that the Settlement Agreement constitutes the entire agreement among the Settling Parties with respect to the subject matter addressed herein, and supersedes any and all prior or contemporaneous representations, agreements, instruments, and understandings among them, whether written or oral. There are no oral understandings, terms, or conditions, and none of the Settling Parties has relied upon any representations, express or implied, not contained in the Settlement Agreement.

Section 2 provides that the various provisions of the Settlement Agreement are not severable. None of the provisions shall become operative unless and until the Commission issues a Final Order as defined in Article VI, Section 2 approving the Settlement Agreement as to all of its terms and conditions without modification or condition. This provision shall be subject to waiver by the unanimous agreement of the Settling Parties. For the purposes of this provision, any party submitting comments requesting any modification or condition to the Settlement Agreement as originally filed, shall not be a Settling Party, regardless of whether such party characterizes its comments as being in support of or in opposition to the Settlement Agreement.

Section 3 provides that if the Commission does not issue an order approving the Settlement Agreement without modification(s) or condition(s), or does issue an order with modification(s) or condition(s) not unanimously agreed to by the Settling Parties in accordance with the provisions of Article V, Section 2, then the Settlement Agreement shall be deemed withdrawn and shall not constitute any part of the record in this docket or be used for any other purpose.

Section 4 provides that the Settlement Agreement is offered subject to the express condition that it constitutes a negotiated settlement in the above-captioned proceedings. Except as expressly provided herein, none of the Settling Parties shall be deemed to have approved, accepted, agreed to, or consented to any principle, methodology, or issue in these proceedings or to have prejudiced positions that were asserted or that might have been asserted in these or any other proceedings.

Section 5 states that approval of the Settlement Agreement by the Commission shall have no effect on the proceedings in Docket Nos. ER12-1302-000 and ER12-1305-000 regarding the SCE LGIA.

ARTICLE VI – EFFECTIVE DATE

Section 1 provides that the Settlement Agreement shall become effective as of the date that a Commission order that approves its terms and conditions without modification or condition, or with modification(s) or condition(s) unanimously agreed to by the Settling Parties in accordance with the provisions of Article V, Section 2, becomes a Final Order.

Section 2 provides that for the purposes of the Settlement Agreement, a Commission order becomes a Final Order: (1) on the first day after the last date for filing a request for rehearing thereof, when no such request has been filed; or (2) if a request for rehearing thereof is filed, on the first day after the last date for filing a request for rehearing of a Commission order ruling on all pending requests for rehearing, when no further request for rehearing has been filed. If an order of the Commission approving the Settlement Agreement as to all of its terms and conditions without modification or condition, or with modification(s) or condition(s) unanimously agreed to by the Settling Parties in accordance with the provisions of Article V, Section 2, is the subject of a petition for review in a United States Court of Appeals, then the Settlement Agreement shall continue to be binding during the pendency of the appellate proceeding.

ARTICLE VII – MISCELLANEOUS

Article VII contains general provisions concerning: the Settling Parties' obligations; privilege and confidentiality; Settling Party support for the Settlement Agreement; waiver; successors and assigns; titles and headings; interpretation of ambiguities; authorization; notices; and counterparts.

II. CERTIFICATION QUESTIONS

On October 15, 2003, the Chief Administrative Law Judge issued a notice to the public requiring that each Explanatory Statement submitted in support of a proposed settlement filed with the Commission after October 23, 2003 address the following five questions:

1. What are the issues underlying the Settlement and what are the major implications?

The Settlement Agreement resolves all issues set for hearing by the Commission in the August 8 Order with respect to Docket No. ER12-1312-000.

2. Do any of the issues raise policy implications?

The Settlement Agreement does not raise policy implications as it relates to a specific LGIA.

3. Will any pending cases be affected?

No. The Settlement Agreement does not resolve issues pending in Docket Nos. ER12-1302-000 and ER12-1305-000, which were consolidated with Docket No. ER12-1312-000 by the Commission's August 8 Order.

4. Does the Settlement resolve issues of first impression? Are there any previous reversals on the issues involved?

The Settlement Agreement does not involve issues of first impression. There are no previous reversals on the issues resolved by the Settlement Agreement.

5. Is the proceeding subject to the just and reasonable standard of review or is there Mobile-Sierra language making it the applicable standard of review?

As explained above, Article IV of the Settlement Agreement provides that any changes to the terms or conditions of the Settlement Agreement during its term proposed by any Settling Party shall be subject to the “public interest” application of the just and reasonable standard of review set forth in United Gas Pipe Line Co. v. Mobile Gas Serv. Corp., 350 U.S. 332 (1956) and Federal Power Commission v. Sierra Pacific Power Co., 350 U.S. 348 (1956), as clarified in Morgan Stanley Capital Group, Inc. v. Public Util. Dist. No. 1 of Snohomish County, Washington, 554 U.S. 527 (2008) and refined in NRG Power Mktg. v. Maine Pub. Utils. Comm’n, 130 S. Ct. 693, 700 (2010). Any changes to the terms or conditions of the Settlement Agreement during its term by the Commission acting *sua sponte* or upon the request of a non-party will be subject to the most stringent standard available under applicable law.

Respectfully submitted,

/s/ Robert B. Wolinsky

Attorney for California Independent
System Operator Corporation

December 18, 2013

Attachment B
Settlement Agreement

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

Southern California Edison Company)	Docket Nos. ER12-1302-000
California Independent System Operator Corporation)	ER12-1305-000
)	(consolidated)
)	ER12-1312-000

STIPULATION AND AGREEMENT OF SETTLEMENT

Pursuant to Rule 602 of the Rules of Practice and Procedure of the Federal Energy Regulatory Commission (“Commission”), 18 C.F.R. § 385.602 (2013), the California Independent System Operator Corporation (“ISO”) submits this Stipulation and Agreement of Settlement (“Settlement Agreement”). The Settlement Agreement is jointly sponsored and severally entered into by the ISO, San Diego Gas and Electric Company (“SDG&E”), and the Nevada Hydro Company, Inc. (“Nevada Hydro”) (collectively, the “Settling Parties”). The Settlement Agreement resolves all issues in Docket No. ER12-1312-000, but does not resolve any issues in Docket Nos. ER12-1302-000 and ER12-1305-000. The Settling Parties stipulate and agree to the following:

**ARTICLE I
BACKGROUND AND PROCEDURAL HISTORY**

1. On April 26, 2005, Nevada Hydro submitted to the ISO an interconnection request to interconnect the proposed Lake Elsinore Advanced Pumped Storage Project (“LEAPS”) at two points on the ISO controlled transmission grid: one on the SDG&E system to the south of LEAPS, and the other on the Southern California Edison Company (“SCE”) system to the north of LEAPS. Although Nevada Hydro only

submitted one interconnection request to the ISO, the parties proceeded with two separate interconnection processes (one with SCE and the other with SDG&E) resulting in two interconnection agreements to provide for the interconnection of LEAPS to two separate points on the ISO controlled grid.

2. On March 11, 2008, pursuant to section 205 of the Federal Power Act (“FPA”),¹ the ISO and SDG&E filed an unexecuted Large Generator Interconnection Agreement (“LGIA”) between Nevada Hydro, the ISO, and SDG&E (the “SDG&E LGIA”) in Docket No. ER08-654-000. The Commission subsequently accepted the SDG&E LGIA, as modified by two compliance filings, to become effective May 11, 2008.²

3. On March 21, 2012, the ISO filed a notice of termination of the SDG&E LGIA, requesting that the termination be effective as of November 7, 2011 (“March 21 Notice”). Also on March 21, 2012, pursuant to FPA section 205, SCE filed an unexecuted LGIA between Nevada Hydro, the ISO, and SCE (the “SCE LGIA”) in Docket No. ER12-1302-000, as a service agreement pursuant to SCE’s Transmission Owner Tariff. On the same date, the ISO filed the identical SCE LGIA in Docket No. ER12-1305-000, as a service agreement pursuant to the ISO Tariff. SCE and the ISO requested an effective date of May 21, 2012 for the SCE LGIA. The ISO and SCE subsequently amended these filings on June 11, 2012, in response to a deficiency letter issued by Commission Staff on May 10, 2012.

4. Nevada Hydro filed motions to intervene and protests in Docket Nos. ER12-1302-000, ER12-1305-000, and ER12-1312-000. In addition, the following parties moved to intervene in one or more of these proceedings: the California

¹ 16 U.S.C. § 824d.

² Nevada Hydro Co., et al., 129 FERC ¶ 61,098 (2009).

Department of Water Resources State Water Project; the California Public Utilities Commission; the Cities of Anaheim, Azusa, Banning, Colton and Riverside, California; the City of Santa Clara, California and M-S-R Power Agency; and SDG&E.

5. On August 8, 2012, the Commission issued an order accepting notice of termination of the SDG&E LGIA and the SCE and ISO filings of the SCE LGIA, subject to refund, hearing, and settlement judge procedures.³ The Commission suspended the filings for a nominal period to become effective August 11, 2012,⁴ and, noting that “the issues in the three dockets are closely related,”⁵ consolidated the three dockets for purposes of the hearing and settlement judge procedures.⁶

6. At the request of the ISO, Nevada Hydro, SCE and SDG&E, the Chief Administrative Law Judge appointed the Honorable John P. Dring as the settlement judge. Settlement discussions ensued among the participants, and settlement conferences were held on October 9 and November 15, 2012, and January 30, February 26 (by telephone), March 8 (by telephone), March 14 (by telephone), March 29 (by telephone), April 4 (by telephone), and April 18, 2013.

³ Southern California Edison Co., et al., 140 FERC ¶ 61,117 (2012) (“August 8 Order”).

⁴ Id. at Ordering Paragraph (A).

⁵ Id. at P 24.

⁶ Id. at Ordering Paragraph (B).

**ARTICLE II
SCOPE OF SETTLEMENT**

This Settlement Agreement resolves all issues that were set for hearing in the August 8 Order with respect to Docket No. ER12-1312-000, addressing the southern portion of the LEAPS interconnection as described in the interconnection request, as set forth in the following articles. This Settlement Agreement does not resolve any issues that were set for hearing in the August 8 Order with respect to Docket Nos. ER12-1302-000 and ER12-1305-000, which address the northern portion of the LEAPS interconnection with SCE, and have been addressed separately by the parties to those dockets.

**ARTICLE III
WITHDRAWAL OF MARCH 21 NOTICE/MILESTONE DATES**

1. Upon the Effective Date of this Settlement Agreement, as determined pursuant to Article VI, Section 1 herein, the March 21 Notice shall be deemed to be withdrawn in its entirety.

2. Nevada Hydro agrees that it will not seek to have the milestone dates contained in Table B1 of Appendix B to the SDG&E LGIA revised until such time as one of the following conditions has been satisfied:

(a) both (i) Nevada Hydro has obtained a license from the Commission to construct LEAPS, and (ii) SCE has commenced construction of facilities to interconnect the northern portion of the proposed LEAPS interconnection to the SCE system; or

(b) Nevada Hydro both (i) requests in writing that the Parties begin to re-study LEAPS in accordance with section 8.5 of Appendix U of the current CAISO tariff to facilitate negotiation of an updated LGIA prior to satisfaction of the conditions identified

in Section 2(a) of this Article, and (ii) posts security in the amount of \$3 million to cover the actual cost of the restudy and the remainder will be used for network upgrades specified in the LGIA.

3. If the conditions identified in either Section 2(a) or 2(b) of this Article have been satisfied, the Settling Parties agree to negotiate in good faith to update the LGIA between the parties after a restudy is completed. The posting of security by Nevada Hydro pursuant to Section 2(b) of this Article shall not obligate SDG&E to order equipment prior to the successful renegotiation of an updated LGIA including without limitation updated milestone dates and costs associated with the upgrades. To the extent that SDG&E and/or the ISO incurs actual expenses pursuant to Section 2(b) of this Article, such amounts shall be deducted from the security Nevada Hydro has posted, and such funds shall not be subject to refund in the event that the parties fail to successfully renegotiate an updated LGIA, notwithstanding their good faith efforts to do so. If the Parties enter into an updated LGIA as contemplated by this Section and Nevada Hydro posts \$3 million in security pursuant to Section 2(b), any portion of that posting not utilized as specified herein will be applied to Nevada Hydro's posting obligations under the new LGIA. The ISO and SDG&E agree that they will not seek to terminate the SDG&E LGIA for failure of Nevada Hydro to meet the existing milestone dates contained in Table B1 of Appendix B to the SDG&E LGIA so long as the SCE LGIA continues to be a valid agreement in good standing. Such agreement by the ISO and SDG&E is without prejudice to the ISO and/or SDG&E taking further regulatory and other actions, including seeking to terminate the SDG&E LGIA for failure of Nevada Hydro to meet new milestone dates established pursuant to this Section. Further, this

Settlement Agreement does not resolve, and expressly leaves open, the question of whether any previous studies of the interconnection of LEAPS to the SDG&E system would remain currently accurate or applicable to any future proceedings or efforts that address the interconnection of LEAPS to the SDG&E system.

ARTICLE IV STANDARD OF REVIEW

Any changes to the terms or conditions of this Settlement Agreement during its term proposed by any Settling Party shall be subject to the “public interest” application of the just and reasonable standard of review set forth in United Gas Pipe Line Co. v. Mobile Gas Serv. Corp., 350 U.S. 332 (1956) and Federal Power Commission v. Sierra Pacific Power Co., 350 U.S. 348 (1956), as clarified in Morgan Stanley Capital Group, Inc. v. Public Util. Dist. No. 1 of Snohomish County, Washington, 554 U.S. 527 (2008) and refined in NRG Power Mktg. v. Maine Pub. Utils. Comm’n, 130 S. Ct. 693, 700 (2010). Any changes to the terms or conditions of this Settlement Agreement during its term by the Commission acting *sua sponte* or upon the request of a non-party will be subject to the most stringent standard available under applicable law.

ARTICLE V EFFECT OF SETTLEMENT

1. **Entire Agreement.** This Settlement Agreement constitutes the entire agreement among the Settling Parties with respect to the subject matter addressed herein, and supersedes any and all prior or contemporaneous representations, agreements, instruments, and understandings among them, whether written or oral. There are no oral understandings, terms, or conditions, and none of the Settling Parties

has relied upon any representations, express or implied, not contained in this Settlement Agreement.

2. **Approval of Settlement Agreement.** The various provisions of this Settlement Agreement are not severable. None of the provisions shall become operative unless and until the Commission issues a Final Order as defined in Article VI, Section 2 of this Settlement Agreement approving this Settlement Agreement as to all of its terms and conditions without modification or condition. This provision shall be subject to waiver by the unanimous agreement of the Settling Parties. For the purposes of this provision, any party submitting comments requesting any modification or condition to this Settlement Agreement as originally filed, shall not be a Settling Party, regardless of whether such party characterizes its comments as being in support of or in opposition to the Settlement Agreement.

3. **Effect of Non-Approval.** If the Commission does not issue an order approving this Settlement Agreement without modification(s) or condition(s), or does issue an order with modification(s) or condition(s) not unanimously agreed to by the Settling Parties in accordance with the provisions of Article V, Section 2 hereof, then the Settlement Agreement shall be deemed withdrawn and shall not constitute any part of the record in this docket or be used for any other purpose.

4. **No Precedential Effect.** This Settlement Agreement is offered subject to the express condition that it constitutes a negotiated settlement in the above-captioned proceedings. Except as expressly provided herein, none of the Settling Parties shall be deemed to have approved, accepted, agreed to, or consented to any principle,

methodology, or issue in these proceedings or to have prejudiced positions that were asserted or that might have been asserted in these or any other proceedings.

5. **Effect on Docket Nos. ER12-1302-000 and ER12-1305-000.** Approval of this Settlement Agreement by the Commission shall have no effect on the proceedings in Docket Nos. ER12-1302-000 and ER12-1305-000 regarding the SCE LGIA.

ARTICLE VI EFFECTIVE DATE

1. **Effective Date.** This Settlement Agreement shall become effective as of the date that a Commission order that approves its terms and conditions without modification or condition, or with modification(s) or condition(s) unanimously agreed to by the Settling Parties in accordance with the provisions of Article V, Section 2 hereof, becomes a Final Order.

2. **Final Order.** For the purposes of this Settlement Agreement, a Commission order becomes a Final Order: (1) on the first day after the last date for filing a request for rehearing thereof, when no such request has been filed; or (2) if a request for rehearing thereof is filed, on the first day after the last date for filing a request for rehearing of a Commission order ruling on all pending requests for rehearing, when no further request for rehearing has been filed. If an order of the Commission approving the Settlement Agreement as to all of its terms and conditions without modification or condition, or with modification(s) or condition(s) unanimously agreed to by the Settling Parties in accordance with the provisions of Article V, Section 2 hereof, is the subject of a petition for review in a United States Court of Appeals, then

the Settlement Agreement shall continue to be binding during the pendency of the appellate proceeding.

ARTICLE VII MISCELLANEOUS

1. **Obligations.** The obligations of the Settling Parties under this Settlement Agreement are several and not joint.

2. **Privilege and Confidentiality.** The discussions among the Parties that have produced this Settlement Agreement have been conducted with the explicit understanding and agreement that all offers of settlement, and discussions relating thereto, are and shall be privileged and shall be without prejudice to the positions of any of the Parties and are not to be used in any manner in connection with this or any other proceeding, except to the extent necessary to enforce its terms. Additionally, if the Settlement Agreement does not become effective, then it and any discussions relating thereto shall remain privileged and shall be without prejudice to the position of any Party, and may not be used in any manner in connection with the above-captioned or any other proceedings. This Settlement Agreement is submitted on the condition that, if the Settlement Agreement does not become effective, the Settlement Agreement shall be deemed withdrawn and shall not constitute any part of the record in this proceeding or be used for any other purpose.

3. **Further Assistance.** Each Settling Party shall cooperate with and support, and shall not take any action inconsistent with: (1) the filing of this Settlement Agreement with the Commission; and (2) efforts to obtain Commission acceptance and

approval of this Settlement Agreement. No Settling Party shall take any actions that are inconsistent with the provisions of this Settlement Agreement.

4. **Waiver.** No provisions of this Settlement Agreement may be waived as to any Settling Party except through a writing signed by an authorized representative of the waiving Settling Party. Waiver of any provision of this Settlement Agreement by a Settling Party shall not be deemed to waive any other provisions of this Settlement Agreement or to be a waiver by any other Settling Party.

5. **Successors and Assigns.** This Settlement Agreement is binding upon and for the benefit of the Settling Parties and their successors and assigns.

6. **Titles and Headings.** The titles and headings of the various articles and sections in this Settlement Agreement are for reference purposes only. The titles and headings are not to be construed or taken into account in interpreting this Settlement Agreement, and do not qualify, modify, or explain the effects of this Settlement Agreement.

7. **Ambiguities Neutrally Construed.** This Settlement Agreement is the result of negotiations among the Settling Parties and has been reviewed by each Settling Party and its respective counsel. Accordingly, this Settlement Agreement shall be deemed to be the product of each Settling Party, and no ambiguity shall be construed in favor of or against any Settling Party by reason of its role as a Settling Party.

8. **Authorization.** Each person executing this Settlement Agreement on behalf of a Settling Party represents and warrants that he or she is duly authorized and

empowered to act on behalf of, and to authorize this Settlement Agreement to be executed on behalf of, the Settling Party that he or she represents.

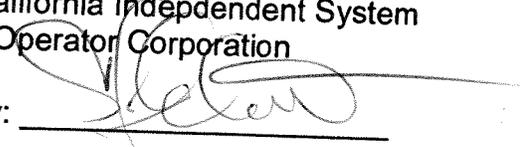
9. **Notices.** All notices, demands, and other communications under this Settlement Agreement shall be in writing and shall be delivered to each Settling Party's "Corporate Official" as found on the Commission's website at <http://www.ferc.gov/docs-filing/corp-off.asp> or the representatives of each Settling Party on the Commission's official service lists in Docket No. ER12-1312-000.

10. **Counterparts.** Any number of counterparts of this Settlement Agreement may be executed, and each shall have the same force and effect as an original instrument, as if all of the Settling Parties had executed the same instrument.

December 18, 2013

Respectfully submitted,

California Independent System
Operator Corporation

By:  _____

Name: ERIC SCHMITT

Title: VP, OPERATIONS

Date: 12/3/13

San Diego Gas and Electric Company

By: _____

Name: _____

Title: _____

Date: _____

empowered to act on behalf of, and to authorize this Settlement Agreement to be executed on behalf of, the Settling Party that he or she represents.

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December 18, 2013

Respectfully submitted,

California Independent System
Operator Corporation

By: _____

Name: _____

Title: _____

Date: _____

San Diego Gas and Electric Company

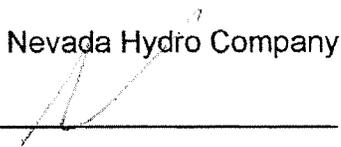
By: Will Speer

Name: Will Speer

Title: Director – Transmission Planning

Date: December 4, 2013

The Nevada Hydro Company, Inc.

By:  _____

Name: Rexford Wait

Title: Vice President

Date: December 3, 2013

Attachment C
Proposed Commission Order

DRAFT ORDER APPROVING SETTLEMENT

**FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, D.C. 20426**

[insert date]

In Reply Refer To:
Docket Nos. ER12-1302-000,
ER12-1305-000 and ER12-1312-
000 (consolidated)

Robert B. Wolinsky
Hogan Lovells US LLP
555 Thirteenth Street, NW
Washington, D.C. 20004

Dear Mr. Wolinsky:

1. On December __, 2013, you submitted a Stipulation and Agreement of Settlement (“Settlement”) among the California Independent System Operator Corporation (“ISO”), San Diego Gas and Electric Company (“SDG&E”), and the Nevada Hydro Company, Inc.
2. Comments were filed by _____ on January __, 2014. Reply Comments were filed by _____ on January __, 2014. On _____, 2014, Settlement Judge John P. Dring certified the Settlement to the Commission as uncontested.
3. The subject Settlement is fair and reasonable and in the public interest and is hereby approved. The Settlement resolves all issues set for hearing in Docket No. ER12-1312-000.
4. The Commission’s approval of the Settlement does not constitute approval of, or precedent regarding, any principle or issue in this proceeding, except to the limited extent expressly provided in the Settlement.
5. This letter terminates Docket No. ER12-1312-000.

By order of the Commission.