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Decision 99-02-071 February 18, 1999

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of Southern California Edison Company (U 338-E) for Orders Approving Contract Amendments Necessitated by Industry Restructuring Between Southern California Edison Company and AES Placerita, Brea Power Partners, Kern River Cogeneration Company, Midway Sunset Cogeneration Company, Midway Sunset Cogeneration, OLS - Camarillo, OLS - Chino, Ontario Cogeneration, Sycamore Cogeneration and Watson Cogeneration.	Application 98-05-033 (Filed May 15, 1998)

Russell C. Swartz and J. Eric Isken, Attorneys at Law, for Southern California Edison Company, applicant.
Alcantar & Elsesser, by Michael P. Alcantar, Attorney at Law, for Kern River Cogeneration Company, Midway Sunset Cogeneration, Sycamore Cogeneration Company, and Watson Cogeneration Company, Interested parties.
Andrew Ulmer, Attorney at Law, for the Office of Ratepayer Advocates.

OPINION

Southern California Edison Company (SCE), along with Kern River Cogeneration Company, Midway Sunset Cogeneration, Sycamore Cogeneration Company and Watson Cogeneration Company (the QF Contract Parties) and the Office of Ratepayer Advocates (ORA) (collectively, the Settlement Parties) jointly move for adoption of two all-party Settlement Agreements in the above-captioned proceeding.[1] In this proceeding, SCE submitted for Commission approval amendments (the Amendments) to nine existing non-standard qualifying facilities (QF) power purchase contracts (the Contracts). The Amendments were negotiated and executed to adapt the obsolete energy payment terms of the Contracts to reflect the new market conditions created by electric industry restructuring and Assembly Bill 1890 (AB 1890).

ORA raised concerns with respect to seven of the Amendments in a protest to SCE's application,[2] which protest is discussed further below. ORA's concerns have been resolved through the Settlement Agreements, however, and no further objections to the application remain.

The Settlement Parties request that the Commission approve the Settlement Agreements without change. The Amendments, as modified through the Settlement Agreements,[3] are alleged to be in the public interest for several

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[1] The Settlement Agreements, covering seven contract amendments, are attached as Exhibits A and B to the motion.

[2] ORA did not protest two of the Amendments, for the AES Placerita, Inc. (AES) and the Indeck Ontario Cogeneration, Inc. (Ontario) Contracts. Accordingly, we will approve these Amendments as originally submitted.

[3] Executed copies of the modified Amendments and are attached as Exhibits C-1 to the motion. Redline versions to show changes made by the modified Amendments to the original Amendment versions are attached as Exhibits J through P to the motion.

reasons. First, as noted above, the Amendments adapt the energy pricing terms of the Contracts to reflect the new electric industry market conditions. Second, the Amendments maintain the essence and basic intent of the bargain struck among SCE, its ratepayers, and the QFs when the Contracts were negotiated. Third, the Amendments minimize the distinctions between Standard Offer contracts and nonstandard contracts in their terms, administration, and interpretation. Fourth, the Settlement Agreements bring efficiency to the resolution of this proceeding and produce an optimal result from all parties' perspectives. The Settlement Parties ask the Commission to approve the Settlement Agreements, finding that the Amendments represent a reasonable and prudent response to industry restructuring.

In Resolution ALJ 176-2994 dated June 4, 1998, the Commission preliminarily categorized this application as ratesetting and preliminarily determined that hearings were necessary. Given the Settlement Agreements that have been presented, this matter can be resolved without hearings, and our preliminary hearing determination is hereby modified to reflect that fact.

I. PROCEDURAL HISTORY

A. The Legislative Mandate Underlying the Amendments

The enactment of AB 1890 resulted in many changes in the electric industry. Among those changes was a legislatively adopted change to the formula for determining short run avoided cost (SRAC) energy payments to be made to QFs. The shift from the pre-AB 1890 energy payment methodology, as specified in Public Utilities (Pub. Util.) Code Section 390,[4] required action by this Commission.

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[4] Unless otherwise specified, all section references are to the California Public Utilities Code.

QF short-run energy payments have traditionally been based on a methodology that multiplies the utility's Incremental Energy Rate (IER) by its avoided fuel cost, adding a value for avoided operation and maintenance costs and other factors (the Adders). Establishing the utility's IER, the avoided fuel costs, and the Adders had been the subject of intense litigation before the Commission in annual Energy Cost Adjustment Clause (ECAC) proceedings and as a result of routine protests to avoided cost postings. Payments under Section 390 were mandated to be made according to a simplified formula. The modified formula does not require the use of the IER or the Adders, and employs a methodology for determining avoided fuel costs that relies on published, widely available natural gas price indices. With the implementation of Section 390, the IER, avoided fuel cost, and operation and maintenance adder factors are no longer issues and, indeed, no longer exist, making the Contracts, as a practical matter, impossible to administer in their current form.

The payment formulas for most QF contracts, the Standard Offer contracts, were conformed to Section 390 as a result of the Commission's Decision 96-12-028. These contracts did not require an amendment to effect this change. Instead, the modified payment formula was integrated into these contracts by a pre-existing contract reference to the utility's monthly SRAC posting.

The non-standard contracts at issue in this proceeding, however, were not conformed to Section 390 as a result of Decision 96-12-028. Rather than relying solely on SCE's monthly SRAC posting, the Contracts provide for the calculation of SRAC payments using contract-specific values for certain of the pricing components of the Commission's traditional pre-AB 1890 SRAC methodology. Moreover, certain of these non-standard contracts contain negotiated price floors or floor components, which limit how far energy

payments may fall. These price floors are also in many cases calculated via formulas which depend upon pre-AB 1890 energy pricing components. The Contracts containing floor provisions also include corresponding discount or ceiling provisions to prevent prices from rising too high. Because of these nonstandard provisions, and the elimination of pre-AB 1890 energy pricing components, the Contracts have become, as a practical matter, impossible to administer. Accordingly, amendments are required.

In negotiating the Amendments, the parties had two primary objectives in mind. First, consistent with principles of contract interpretation, the parties aimed to preserve the bargain originally struck between the utility, on behalf of ratepayers, and the QFs. Preserving the original bargain, the parties reasoned, would ensure that neither ratepayers nor the QFs would face increased risks or burdens as a result of the Amendments. Second, the parties sought to simplify contract administration for SCE and the Commission by minimizing the distinctions between the Standard Offer and nonstandard contracts in their terms, administration and interpretation. The parties state that they have achieved these objectives through the Amendments, as modified through the Settlement Agreements.

B. The Amendments

On May 15, 1998, SCE submitted this application seeking a Commission finding that the Amendments are reasonable and prudent and that SCE may recover from ratepayers all payments to be made under the Amendments, subject to SCE's reasonable administration of the Contracts as amended. The application submitted the Amendments, specified the principles

underlying the negotiation of the Amendments, and provided summaries of key provisions for the Commission's review.[5]

C. *The ORA Protest*

On July 31, 1998, ORA submitted its Protest contending that seven of the nine Amendments failed to meet the standard of maintaining the original bargain or, in other words, economic neutrality with the original contracts. More specifically, ORA questioned:

1. The inclusion of a one-time option for the QF to choose pricing based on 100% of the Power Exchange (PX) price, which ORA suggested could undermine the potential for ratepayers to realize discounted prices under these contracts;[6]

2. The use in the MSCC and Watson contracts of the full SRAC formula, with no discounts, during the period prior to the move to PX-based SRAC pricing under Section 390;

3. The fairness of a trade-off between the Watson and MSCC contracts, in which a 2.5% line loss discount in the MSCC contract was eliminated in exchange for several concessions in the Watson contract, including resolving a dispute regarding an oil-to-gas conversion factor; the changes to the Watson contract, ORA contended, were unlikely to bring any benefits to ratepayers sufficient to offset the concession to MSCC;

4. The use by SCE of a single-year backcast analysis, rather than a forecast, to judge whether the Amendments maintained the bargain in the original Contracts; and

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[5] The contract-specific summaries of the individual Amendments are attached to the Motion as Exhibit Q.

[6] One-time options were included in the contracts for Midway Sunset Cogeneration Company (MSCC), Watson Cogeneration Company (Watson), Kern River Cogeneration Company (KRCC), Sycamore Cogeneration Company (Sycamore) and Brea Power Partners (Brea).

5. The incorporation of a .9 mills operations and maintenance adder into the formula for calculating floor and ceiling prices for the OLS Chino and OLS Camarillo Contracts for the period prior to December 2002.

ORA raised no objection to the Amendments for AES Placerita and Indeck Ontario Cogeneration.

D. Response to the ORA Protest.

On August 25, 1998, SCE filed a reply to the ORA Protest. Among other things, SCE argued: (1) that the Contracts' current energy pricing formulae must be amended because they are unworkable in view of electric industry restructuring, and (2) that the Amendments must result in the economic equivalents of the Contracts they replace, including floors, discounts, and other contract-specific provisions. Moreover, ORA appeared to accept the parties' use of the Section 390 methodology to derive energy pricing terms. SCE contended that ORA's challenges to isolated Amendment terms amounted to an improper attempt to exercise a line-item veto over the parties' negotiations. SCE further contended that these challenges lacked merit and were insufficient to overcome SCE's detailed showing that the Amendments are reasonable and should be approved.

Additionally, the QF Contract Parties submitted a response to the Protest. The QF Contract Parties responded to the Protest on several grounds, including:

1. In opposing the one-time PX pricing election in five of the Contracts, ORA ignores the provision of Section 390(c) providing for a QF option to shift to PX-based pricing.

2. ORA's challenge to the nondiscounting of pre-PX energy payments runs contrary to Section 390(b); it also fails to recognize that the Section 390 formula is based on a period during which the contracts were receiving payments based

on a floor price, and any further discount would amount to a payment below the floor.

3. The opposition to the Watson dispatch price is unsupportable, since the price relies on the contractually established IER and is consistent with the express contract terms.

4. ORA's criticism of the use of a "backcast" analysis fails to recognize the difficulties inherent in the use of the forecasts performed by SCE to assess these amendments; moreover, it would be inequitable to employ these forecasts, which remain unavailable to the Contract Parties, to resolve this proceeding.

On more general grounds, the QF Contract Parties argued that ORA's analysis ignores the existence of price floors in the Contracts and attempts to circumvent the legislative mandate in Section 390.

E. The Settlement Process

1. Settlement Negotiations.

Following the submission of the ORA Protest and the Contract Parties' Response, the Settlement Parties commenced settlement discussions. Informal settlement discussions were held beginning in August and continued through early November. These discussions culminated in the Settlement Agreements, each of which is described below.

A point of negotiation common to all Amendments focused on the use of forecast and backcast[7] data to analyze the economic implications of the

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[7] The backcast analysis compares, for historical periods, energy payments under the Contracts' unamended formulae, with energy payments as they would have been made had the Amendments been in effect for those historical periods. As explained in the Application, the advantage of a backcast approach is that, for historical periods, all traditional SRAC components were known, thus enabling comparisons between the

Footnote continued on next page

Amendments. As noted above, ORA originally proposed that the Amendments be analyzed using a forecast of energy prices, rather than a one-year backcast. ORA intended to rely upon a forecast performed by SCE. SCE, however, sought to keep the data confidential, which the QF Contract Parties contended unfairly impeded their ability to participate in this proceeding.[8] The parties thus reached a compromise, using a five-year backcast to evaluate the economic implications of the Amendments. As explained further below, this broader backcast set the context in which modifications to the Amendments were negotiated.

The Contract-specific features of the settlement negotiations and agreements are described below.[9]

a) The Watson Cogeneration Company Settlement

The Settlement Parties agreed to revise the Watson Amendment in response to ORA's protest. In particular, the Amendment includes the following changes:

- The one-time to switch to 100% PX pricing has been eliminated from Section 8.2.1 of the

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Amendments' and original Contracts' formulae to be made without the speculation inherent in using a forecast methodology.

[8] The QF Contract parties filed a motion to limit the scope of these proceedings, to preclude ORA from using the SCE forecast in support of the Protest, or, alternatively, for an order requiring that the forecast be produced. SCE vigorously opposed production of the forecast. The Administrative Law Judge ruled that SCE was not required to produce its forecast but that ORA could, at SCE's expense, perform an independent forecast. In view of the parties' agreement to evaluate the economic implications of the Amendments using a multi-year backcast, there was no need to perform an independent forecast.

[9] Redline versions of the revised Amendments showing changes agreed to as part of the settlement process, are attached as Exhibits J through P to the motion.

Contract, as modified by the Amendment, as ORA proposed.

- The Amendment was revised to provide for a discount of 4.2% of the SRAC formula Starting Price in the period prior to the time when SRAC converts to PX-based pricing. This change aligns the pre-PX formula with prices during 1995, addressing ORA's criticism of the proposed elimination in the original amendment of the discounted contract price during the pre-PX period.

- The starting price in the dispatch pricing provisions of the Amendment was reduced by 0.4% to reflect (i) the results of a five-year backcast analysis and (ii) a compromise between SCE's and Watson's positions on the disputed oil-to-gas conversion factor.

Through these changes, ORA's protest has been resolved, and the Amendment has been further aligned with ratepayer interests.

b) The Midway Sunset Cogeneration Company Settlement

The Settlement Parties agreed to revise the Midway Sunset Cogeneration Company Amendment in response to ORA's protest. The Amendment has been revised as follows:

- The one-time option to switch to 100% PX pricing has been eliminated from Section 8.2.1 of the Contract, as modified by the Amendment, as ORA proposed.

- The Amendment was revised to provide for a discount of 3% of the SRAC formula Starting Price in the period prior to the time when SRAC converts to PX-based pricing. This change aligns the pre-PX formula with prices during 1995, addressing ORA's criticism of the proposed elimination in the original amendment of the

discounted contract price during the pre-PX period.

- The Amendment was revised to provide for a discount of 2.5%, in the form of a line loss adjustment of .975 for the hourly energy delivered to Edison by MSCC in the period after SRAC prices convert to PX-based pricing. This ORA-recommended change retains a specific line loss adjustment factor of .975 contained in the Contract.

Through these changes, ORA's protest has been resolved, and the Amendment has been further aligned with ratepayer interests.

c) *The Kern River and Sycamore Cogeneration Company Settlements.*

The Settlement Parties agreed to revise both the Kern River Cogeneration Company Amendment and the Sycamore Cogeneration Company Amendment in response to ORA's protest. Both revised Amendments eliminate the one-time option to switch to 100% PX pricing from Section 1 of Appendix B of the Contracts pursuant to the Amendment, as ORA proposed.

d) *The OLS-Camarillo and OLS Chino Settlements*

The Amendments were revised to provide for a discount of 4.3% of the SRAC formula Starting Price in the period prior to the time when SRAC prices convert to PX-based pricing. This change aligns the pre-PX formula with the results of a backcast analysis of that formula for 1995. ORA's concerns with respect to the post-PX period were resolved after its review of a five-year backcast analysis of the Amendment formula applicable to that period.

e) The Brea Power Partners Settlement

This revised Amendment eliminates the one-time option to switch to 100% PX pricing from Section 2 of Appendix B of the Contract pursuant to the Amendment, as ORA proposed.

2. Rule 51 Settlement Conference

Pursuant to Rule 51.1, SCE noticed a settlement conference on November 20, 1998. A settlement conference was held on November 30, 1998, at 2:00 p.m. in Commission conference room 4206. Representatives of SCE, ORA, and the QF Contract Parties attended the conference. No objection to the Settlement Agreements was made by any party.

II. STANDARDS TO APPROVE THE SETTLEMENT AGREEMENTS.

A. The Settlement Agreements Are In the Public Interest.

The Settlement Agreements are being submitted pursuant to Rules 51, *et. seq.* of the Commission's Rules of Practice and Procedure. Our decisions have expressed a strong public policy favoring settlement of disputes if they are fair and reasonable in light of the whole record.[10] As we have stated, this policy is "intended to reduce the expense of litigation to ratepayers, conserve scarce Commission resources and allow the Settling Parties to avoid the risk that a litigated resolution will produce unacceptable results."[11] The Settlement Agreements are consistent with this policy and represent a more efficient and optimal use of resources when compared with traditional litigation.

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[10] *Re Pacific Gas and Electric Co.*, D.88-12-083, 30 CPUC2d 189, 221-223 (1988); *Re Pacific Gas and Electric Co.*, D.91-05-029, 40 CPUC2d 301, 326 (1991).

[11] *Re Southern California Edison Company*, D.98-02-09, 1998 WL 209288 *4 (Cal. P.U.C.) (citing *San Diego Gas & Electric Co.*, D. 92-12-019, 46 CPUC2d 538, 553 (1992).)

Beyond these benefits, the Settlement Agreements and related Amendments serve the public interest in three ways. First, the Amendments resolve the outstanding issues associated with conforming QF energy payments to Section 390. Second, by conforming the Contracts to Section 390, the Settlement Parties have minimized distinctions between Standard Offer and nonstandard contracts in their terms, administration and interpretation. All QF contracts will now rely on a substantially similar formula, thereby simplifying the Commission's review of contract administration. Third, the Amendments have conformed the Contracts in a manner aimed at maintaining the bargain struck among SCE, the ratepayers, and the QFs when the Contracts were initially executed. Accordingly, the modified Amendments protect ratepayers from any increased risk or rate responsibility.

For all of these reasons, the Settlement Agreements are "reasonable in light of the whole record, consistent with the law, and in the public interest" as required under Rule 51.1(e).

B. *The Settlement Agreements Satisfy All of the Criteria for All-Party Settlements.*

In *San Diego Gas & Electric Company*,[12] the Commission adopted a four-pronged test for all-party settlements. The Commission stated its intent to approve a settlement if:

a. The settlement commands the unanimous sponsorship of all active parties to the instant proceeding;

b. The sponsoring parties are fairly reflective of the affected interests;

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[12] 46 CPUC2d 538 (1992).

c. No term of the settlement contravenes statutory provisions or prior Commission decisions; and

d. The settlement conveys to the Commission sufficient information to permit [the Commission] to discharge [its] future regulatory obligations with respect to the parties and their interests."[13]

The Settlement Agreements qualify as "all party," uncontested settlements under Rule 51 and the standards established by the Commission in *Re San Diego Gas and Electric Co.*

1. The Settlement Agreements Command the Unanimous Sponsorship of All Parties to This Proceeding.

The Settlement Agreements command the unanimous sponsorship of all active parties to this proceeding. The parties to this proceeding include SCE, ORA, the QF Contract Parties and Pacific Gas & Electric Company (PG&E). PG&E, which appeared at the initial Prehearing Conference, has indicated that it no longer wishes to participate in this proceeding as an active party.[14] SCE and ORA are signatories to all of the Settlement Agreements. The QF Parties, individually, are signatories to only those Settlement Agreements affecting their interests. No other parties have appeared in this proceeding.

2. The Sponsoring Parties Fairly Reflect the Affected Interests.

The Amendments will affect three primary interests, all of which have been represented in this proceeding. The Amendments will affect the utility, SCE, which is required to administer the Amendments and recover

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[13] 46 CPUC2d at 550-51.

[14] See, Letter Andrew Ulmer (ORA Counsel) to Edward V. Kurtz (PG&E Counsel), dated November 18, 1998 (Exhibit R to the motion).

from ratepayers the energy payments under the Contracts. The Amendments will affect ratepayers, who will continue to compensate SCE for the cost of energy procured from the QFs under the Contracts. ORA has capably represented the interests of all utility ratepayers, large and small. Finally, the Amendments will affect the QFs that will sell and deliver the energy they produce under the Contracts. The QF Contract Parties have represented their interests in the settlement process.[15] No other interests are apparent or have been raised in this proceeding.

3. No Term of the Settlement Agreements Contravenes Statutory Provisions or Prior Commission Decisions.

No party has alleged, in protest or otherwise, that the Settlement Agreements contravene statutory provisions or prior Commission decisions. The Settlement Agreements center on a methodology for QF energy payments based upon Section 390. The Settlement Agreements are entirely consistent with the Commission's interpretation of Section 390 in Decision 96-12-028. The Settlement Parties thus submit that the Settlement Agreements meet the third prong of the *San Diego Gas & Electric Co.* test.

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[15] The QF Contract parties represent the interests of four of the nine QFs affected by this proceeding. The remaining five QFs fall into two categories: (1) Brea, OLS Camarillo and OLS Chino, which although not parties, have indicated their approval of the proposed settlement by executing revised amendments for their projects (see Exhibits C, D and E to the motion), and (2) AES and Ontario, Amendments of which, as noted above, are submitted for approval without change from the Application.

4. The Settlement Agreements Convey to the Commission Sufficient Information to Permit the Commission to Discharge Its Future Regulatory Obligations With Respect to the Parties and Their Interests.

The Settlement Agreements, as submitted, not only permit the Commission to discharge its future obligations, they permit the discharge of these obligations in a simpler way. The Settlement Agreements fully describe the details of the Amendments that were modified to resolve the ORA Protest. In addition, however, the Settlement Agreements have been transformed into modified Amendments, which are attached to the motion. As a result, the energy payment methodology is clearly articulated in each Contract to enable the Commission's review of contract administration.

Importantly, the payment methodology for these Contracts will be simpler to administer than the prior methodology. The payments will be calculated in a manner very similar to the manner used for the calculation of Standard Offer energy payments. The new methodology eliminates the need to determine an IER and replaces the former gas cost calculation with a simplified base price and escalation formula; the formula uses the same published gas market prices used in the Standard Offer SRAC formula. Based on these new provisions, our responsibility to oversee the administration of the Contracts has been simplified.

Although the initial application was contested, this disposition is not, and this order grants the relief requested. Accordingly, pursuant to Pub. Util. Code § 311(g)(2), the otherwise applicable 30-day period for public review and comment is being waived.

Findings of Fact

1. The enactment of AB 1890 resulted in many changes in the electric industry. Among those changes was a legislatively adopted change to the

formula for determining short run avoided cost energy payments to be made to QFs. The shift from the pre-AB 1890 energy payment methodology, as specified in Pub. Util. Code Section 390, required changes in nonstandard QF contracts.

2. With the implementation of Section 390, the IER, avoided fuel cost, and operation and maintenance adder factors no longer exist as QF contract standards.

3. The Contracts provide for the calculation of SRAC payments using contract-specific values for certain of the pricing components of the Commission's traditional pre-AB 1890 SRAC methodology. Moreover, certain of these nonstandard Contracts contain negotiated price floors or floor components, which limit how far energy payments may fall. These price floors are also in many cases calculated via formulas which depend upon pre-AB 1890 energy pricing components. The Contracts containing floor provisions also include corresponding discount or ceiling provisions to prevent prices from rising too high. Because of these nonstandard provisions, and the elimination of pre-AB 1890 energy pricing components, the Contracts have become, as a practical matter, impossible to administer. Accordingly, amendments are required.

4. In negotiating the Amendments, the parties aimed to preserve the bargain originally struck between the utility and the QFS. The Amendments result in the economic equivalents of the Contracts they replace, including floors, discounts, and other contract-specific provisions.

5. The Settlement Agreements and related Amendments serve the public interest in three ways. First, the Amendments resolve the outstanding issues associated with conforming QF energy payments to Section 390. Second, by conforming the Contracts to Section 390, the Settlement Parties have minimized distinctions between Standard offer and nonstandard contracts in their terms, administration, and interpretation. All QF contracts will now rely on a

substantially similar formula, thereby simplifying the Commission's review of contract administration. Third, the Amendments have conformed the Contracts in a manner aimed at maintaining the bargain struck among SCE and the QFs when the Contracts were initially executed.

6. The Settlement Agreements are reasonable in light of the whole record, consistent with the law, and in the public interest.

7. The Settlement Agreements command the unanimous sponsorship of all active parties to this proceeding.

8. The sponsoring parties fairly reflect the affected interests.

9. No term of the Settlement Agreements contravenes statutory provisions or prior Commission decisions.

10. The Settlement Agreements convey to the Commission sufficient information to permit the Commission to discharge its future regulatory obligations with respect to the parties and their interests.

11. The AES and Ontario Amendments in the form submitted which SCE's application are approved.

12. Each of the remaining seven Amendments, as modified through the Settlement Agreements, are reasonable and prudent and are approved.

13. All payments to be made by SCE under the Contracts, as amended, effective October 14, 1996, are prudent and recoverable in full by SCE through rates or such other cost recovery mechanism as may be authorized by the Commission, subject only to SCE's reasonable administration of the Contracts as amended. All payments are subject to the rate freeze of AB 1890.

Conclusions of Law

1. The Settlement Agreement should be adopted.

2. The application as modified by the Settlement Agreement should be granted.

ORDER

IT IS ORDERED that:

1. The Settlement Agreement is adopted.
2. The application as modified by the Settlement Agreement is granted.
3. All payments to be made by Southern California Edison Company under the Contracts, as amended, effective October 14, 1996, are prudent and recoverable in full through rates or such other cost recovery mechanism as may be authorized by the Commission, subject only to Southern California Edison Company's reasonable administration of the Contracts, as amended. All payments are subject to the rate freeze of AB 1890.
4. This docket is closed.

This order is effective today.

Dated February 18, 1999, at San Francisco, California.

RICHARD A. BILAS
President
HENRY M. DUQUE
JOSIAH L. NEEPER
Commissioners