

Decision 00-10-047 October 19, 2000

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of Southern California Edison Company (U 338-E) to Review and Recover Transition Cost Balancing Account Entries from July 1, 1998 through June 30, 1999 and Various Generation-Related Memorandum Account Entries.

Application 99-09-013
(Filed September 1, 1999)

(See Appendix A for Appearances.)

**OPINION ON 1999 ANNUAL
TRANSITION COST PROCEEDING**

Summary

The Commission approves an all-party settlement in Southern California Edison Company's 1999 Annual Transition Cost Proceeding (ATCP).

The Application

Southern California Edison Company (Edison) filed its 1999 ATCP application on September 1, 1999 requesting that the Commission find:

1. Edison's entries made to the Revenue Account and the various subaccounts of the Current Costs Account and Post-2001 Eligible Costs Account of the Transition Cost Balancing Account (TCBA) during the period July 1, 1998 through June 30, 1999 (1999 Record Period) are in compliance with applicable Commission decisions and with Assembly Bill (AB 1890);
2. Edison's natural gas fuel procurement and management activities are justified;
3. Edison's fossil, nuclear, and hydroelectric generation related costs are justified;

4. Edison's Nuclear Unit Incentive Procedure (NUIP) rewards are justified;
5. Edison's interutility contract administration activities are justified;
6. Edison's Qualifying Facilities (QF) contract administration activities are justified;
7. Edison's entries recorded in the TCBA related to employee-related costs are justified;
8. The costs and revenues recorded in Edison's "going-forward" memorandum accounts (ISO Revenue, PX Revenue, Hydro Generation, and Unavoidable Fuel Contracts) are in compliance with applicable Commission decisions; and
9. The costs and revenues recorded in Edison's other generation-related memorandum accounts are in compliance with applicable Commission decision(s).

Procedural Summary

Concurrently with Edison, Pacific Gas and Electric Company (PG&E) and San Diego Gas & Electric Company (SDG&E) also filed their 1999 ATCP applications on September 1, 1999, Application (A.) 99-09-006 and A.99-09-011, respectively. The Office of Ratepayer Advocates (ORA) was the only party protesting Edison's application. PG&E's, SDG&E's, and Edison's applications were subsequently consolidated for hearing. Separate decisions will be issued in each application.

On November 3, 1999, May 5, 2000, and June 7, 2000, the Assigned Commissioner and the presiding Administrative Law Judge (ALJ) convened prehearing conferences (PHCs) to determine the parties, positions of the parties, issues, and other procedural matters. PG&E and Edison each filed PHC Statements on November 2, 1999.

On November 23, 1999, following the first PHC, the Assigned Commissioner issued a Scoping Memo categorizing the proceeding, designating the presiding ALJ, defining the scope of the proceeding, and establishing the

proceeding schedule. Pursuant to the adopted procedural schedule, ORA submitted direct testimony on February 23, 2000. PG&E, SDG&E, and Edison served rebuttal testimony on March 29, 2000. Finally, on April 3, 2000, PG&E and Edison served update testimony addressing modifications and additions necessitated by the Commission's decision in the 1998 ATCP.

Evidentiary hearings were held on June 8, 9, and 16, 2000. Opening briefs were filed on July 14 and the proceeding was submitted when reply briefs were filed on August 14, 2000.

Motion To Strike

In its report, ORA recommends that authorization for recovery of Post Retirement Benefits Other than Pensions transition obligations and Long Term Disability regulatory assets be postponed until compliance with previous Commission decisions is demonstrated. On March 16, 2000, PG&E, SDG&E, and Edison jointly moved to strike that recommendation and Chapter 8 of ORA's Report, which supported the recommendation. On April 27, 2000, the presiding ALJ granted the utilities' motion to strike.

Settlement Agreement

Edison met with ORA several times prior to hearings to discuss a potential resolution of the issues in the proceeding. These meetings led to the parties' resolution of all of the issues associated with Edison in this proceeding and was memorialized in the "Settlement Agreement Between Southern California Edison Company and the Office of Ratepayer Advocates in the 1999 Annual Transition Cost Proceeding (Application No. 99-09-006, *et al*)," (Exhibit 30). A Settlement Conference was held on June 7, 2000, and the Settlement was executed on June 15, 2000. At the evidentiary hearings on June 16, 2000, the presiding ALJ adopted Edison's motion for the waiver of the requirements of Rule 51.3 to file a motion for adoption of the Settlement, and permitted the

parties to address in their briefs whether the Settlement is reasonable in light of the record, consistent with the law, and in the public interest. The Settlement was received in the record for this proceeding as Exhibit 30.

In its report, ORA addresses six different areas of Edison's filing: (1) the TCBA; (2) TCBA revenues; (3) fossil generation-related costs; (4) interutility contract costs; (5) QF costs; and (6) employee-related costs. These were the only contested issues associated with Edison's application in this proceeding. No party contests any other aspect of the revenues and costs Edison recorded in the TCBA during the 1999 Record Period. The Settlement resolved the issues ORA raised and also addresses most of the uncontested issues in the proceeding.

1. TCBA

In its report, ORA recommends that Edison be ordered to include interest in its Post-Record Period Adjustments, arguing that the interest associated with those adjustments was not recorded during the 1999 Record Period. As discussed in Edison's rebuttal testimony, Edison did include interest, in the amount of \$0.489 million, in the post-record period adjustments it made to the TCBA. In the Settlement, ORA and Edison agree that this matter is no longer at issue.

2. TCBA Revenues

ORA recommends that Edison be ordered to remove the Franchise Fees and Uncollectibles (FF&U) adjustment it made to the emission trading credit amounts recorded in the TCBA. Edison concurs with ORA that the emission trading credits should not have been adjusted for FF&U and, in November 1999, Edison credited the TCBA in the amount of \$13,129.36 (\$12,624.54 plus accrued interest of \$504.82) to reverse the adjustment. In the Settlement, ORA and Edison agree that this matter was no longer at issue.

3. Fossil Generation-Related Costs

ORA recommends that determination of the reasonableness of Edison's natural gas procurement and management activities related to pipeline capacity held on El Paso be delayed until a settlement between Edison and El Paso is implemented. During settlement negotiations, Edison provided additional information to ORA concerning its activities during the 1999 Record Period and the Federal Energy Regulatory Commission's review of Edison's settlement with El Paso. As a result, ORA and Edison agree that no delay in reviewing the reasonableness of Edison's natural gas procurement and management activities related to pipeline capacity held on El Paso was necessary.

ORA also recommends that Edison be ordered to remove return on rate base and income taxes associated with Edison's authorized capital additions for oil/gas-fired generating stations subsequent to their dates of divestiture that were erroneously recorded in Edison's Non-Nuclear Generating Capital Additions Memorandum Account (NGCAMA) and transferred to the TCBA. Edison concurs with ORA's recommendation. In February 2000, Edison made a credit adjustment to the TCBA to remove \$5.567 million of return and income taxes associated with authorized 1996 oil/gas-fired generation capital additions that were inadvertently recorded in the NGCAMA (plus a credit adjustment of \$0.389 million for associated accrued interest). Supporting documentation for this adjustment will be included in Edison's 2000 ATCP application. Subject to its confirmation in the 2000 ATCP that the adjustment was actually made, the Parties agree that this matter was no longer at issue and the remaining amounts recorded in the NGCAMA that were transferred to the TCBA are reasonable.

Finally, with regard to fossil generation-related costs, ORA recommends that Edison be ordered to re-estimate the market value of its coal fired generating stations in accordance with the decision in the 1998 ATCP, Decision (D.) 00-02-048. D.00-02-048, however, specifically provides that assets jointly owned with other utilities shall be excluded from this approach. As a result, ORA no longer recommends that the Commission order Edison to re-estimate the market value of its coal fired generating stations in accordance with D.00-02-048.

ORA does not contest any natural gas procurement and management activities during the 1999 Record Period. Therefore, Edison requests that these activities should be found reasonable by the Commission.

4. Interutility Contract Costs

ORA recommends that the Commission find Edison's settlement of a contractual dispute with the Sacramento Municipal Utilities District (SMUD) associated with two Edison/SMUD Power Sales Agreements unreasonable. After Edison provided additional information to ORA, ORA no longer contests the reasonableness of the settlement and no longer recommends a disallowance associated with this matter. ORA does not contest any other purchase power interutility contract costs or contract administration matter during the 1999 Record Period.

5. Qualifying Facilities Costs

ORA recommends that the Commission order Edison to remove from the TCBA amounts paid to Wheelabrator associated with the portion of Edison's Settlement with Wheelabrator resolving a tariff dispute in Wheelabrator's capacity as a customer of Edison. Edison concurs with ORA that \$82,754.45 was inappropriately debited to the QF Subaccount of the TCBA. Edison credited the TCBA for this amount, plus interest in December 1999.

Supporting documentation will be provided in the 2000 ATCP filing by Edison. ORA and Edison agree that this matter was no longer at issue.

ORA also recommends that the Commission order Edison to remove the interest component of capacity payments it withheld from two QFs, San Gorgonio Farms and Section 7 Trust. Edison concurs with ORA that \$53,749.27 was inappropriately debited to the TCBA. In March 2000, Edison credited the TCBA for this amount, plus interest. Supporting documentation will be provided in the 2000 ATCP filing by Edison. ORA and Edison agree that this matter was no longer at issue.

ORA does not contest any QF contract execution or any other QF contract administration costs recorded in the TCBA during the 1999 Record Period. Therefore, Edison requests that these QF contract costs and contract administration should be found reasonable by the Commission.

6. Employee-Related Costs

In its application, Edison requests recovery of \$3,013,544 plus interest as employee-related transition costs. Edison also provides detailed testimony on its Worker Protection Benefits Programs (WPB) and its Involuntary Separation Plan (ISP). Edison seeks a finding from the Commission that these employee benefit programs and plans are reasonable and the costs associated with these programs comply with Pub. Util. Code § 375(a)¹ and are recoverable through the TCBA.

ORA reviewed these programs for reasonableness. Under its WPB, Edison provides benefits to its employees who are covered by collective bargaining agreements. Edison's ISP provides benefits to employees who are not

¹ All statutory references are to the Public Utilities Code, unless otherwise noted.

covered by collective bargaining agreements (nonrepresented employees). ORA's objective is to determine if: (1) Edison's employees that received employee-related transition benefits were eligible to do so; and (2) if Edison's employee programs and the amounts incurred for utility employees working in, or in direct support of, divested gas-fired generation facilities were fair and reasonable and qualify under Pub. Util. Code § 375(a) and related decisions for transition costs recovery. In its Report, ORA makes the following recommendations:

- ◆ That the Commission approve \$ 573,000 in costs incurred for Cash Severance Benefits for 11 represented employees;
- ◆ That the Commission approve \$1,020,000 in costs incurred for Enhanced Pension and Retiree Health Care benefits for 11 represented employees;
- ◆ That the Commission disallow \$105,000 in costs incurred for Vacancy Premium Benefits for 13 represented employees who worked at divested plants and were placed in other positions at Edison;
- ◆ That the Commission approve \$7,751 in costs incurred for Educational and Retraining Benefits for six affected employees working in divested plants;
- ◆ That the Commission disallow \$7,455 in costs incurred for Educational and Retraining benefits for one employee who worked at a divested plant and took aviation related courses until Edison provides more supporting documentation; and
- ◆ That the Commission disallow \$78,328 in costs incurred for Educational and Retraining Benefits for 35 represented employees because these employees did not work at divested plants and are therefore not eligible for ratepayer-funded employee benefits.

ORA also finds the following Edison WPB programs to be fair and reasonable: Cash Severance Benefits; Enhanced Pension and Retiree Health Care Benefits; Special Early Retirement provisions; Pay Protection and Relocation Benefits; and

Outplacement Benefits. The only provision of the WPB programs that ORA contests is the reasonableness of the bumping process. ORA also contests the WPB Vacancy Premiums for 12 employees, and Educational and Retraining expenses for employees working at non-divested plants.

ORA finds the following ISP programs and the associated costs are fair and reasonable: the Cash Severance Benefits (\$291,630), Special Early Retirement Program, Enhanced Pension and Retiree Health Care Benefits (\$593,000), Relocation (\$2,000), Outplacement (\$7,000), and Education, Retraining and Redeployment Benefits (\$243,000).

Finally, ORA finds that \$24,000 of the \$85,000 in retention bonuses requested by Edison qualify for recovery under Section 375(a).

In the Settlement, ORA and Edison (Parties) agree that the provisions of the IBEW 47 and UWUA 246 WPB Agreements and the ISP were reviewed for reasonableness by ORA in this proceeding. The Parties agree that the programs and benefits in each of these WPB Agreements and the ISP are reasonable, provide employee benefits that comply with Section 375(a), and the costs incurred qualify for recovery as transition costs through the TCBA. The Parties further agree that the programs and benefits contained therein will not be reviewed again for reasonableness and eligibility under Section 375(a) in future ATCPs or other successor proceedings. However, any amendments to any of the WPB Agreements and ISP may be reviewed for reasonableness and eligibility in future ATCP applications.

Finally, the Parties agree that Edison may recover all future recorded costs associated with these WPB Agreements and the ISP through the TCBA, subject to the terms of the settlement specified herein. Review of future costs incurred under the WPB Agreements and ISP shall consist of reviewing:

- (1) whether the employees whose employee benefit costs are being reviewed was

an eligible employee pursuant to Section 375; (2) that the costs were accurately recorded; (3) whether the costs were associated with the WPB Agreements and ISP; and (4) whether the costs were consistent with the terms of the Settlement.

ORA now agrees that the Alternative Reduction In Forces Process (RIF) contained in the WPB Agreements is reasonable, including the bumping process. In future ATCP proceedings where Edison seeks transition cost recovery of employee-related costs for employees at non-divested plants and work units who were part of the RIF bumping cycle, Edison agrees that it will demonstrate how an employee at a non-divested plant or work unit is related to the employee at a divested plant who was first declared excess.

The Parties agree that 100% of the Educational and Retraining Benefit costs for represented employees working at divested plants are eligible employee-related costs. The Parties further agree that Educational and Retraining Benefit costs incurred by a represented employee working at a non-divested plant or work unit are not recoverable as employee-related transition costs unless and until said employee takes a WPB severance package. For that employee, the Parties agree that Edison may recover as employee-related transition costs, 50% of the Educational and Retraining costs incurred by that employee, since January 1, 1998. If a represented employee from a divested plant bumps into a non-divested plant or work unit, the Parties agree that Edison may recover Educational and Retraining Benefit costs incurred while that employee worked at the divested plant.

In its application, Edison sought recovery of \$93,534 for educational and retraining costs paid to 42 represented employees. In its Report, ORA recommended that \$7,751 of the \$93,534 be recoverable. In its rebuttal testimony, Edison withdrew its request for recovery of costs for 33 employees, seeking recovery however of education and retraining costs paid to three

employees totaling \$12,212 in addition to the \$7,751 in costs which ORA found reasonable. Pursuant to the Settlement, the Parties now agree and recommend to the Commission that Edison recover \$17,661.50 (\$9,910.50 plus \$7,751) of the original \$93,534 requested as employee-related transition costs that qualify for recovery under Section 375(a).

In its application, Edison sought recovery of \$95,000 in Vacancy Premium Benefits incurred for 12 employees. ORA claimed it was not able to make a reasonableness determination without more documentation to fully explain the program and substantiate these costs. Edison provided the additional information for ORA and withdrew its request for recovery of \$85,000 of the \$95,000 in Vacancy Premium Benefits paid. After reviewing Edison's rebuttal testimony, ORA agrees that the modified Vacancy Premium Program is reasonable. The Parties agree and recommend that the Commission allow Edison to recover the \$10,000 vacancy premium paid to Employee No. 17 as employee-related costs pursuant to Section 375(a).

In its application, Edison sought recovery of \$85,000 in retention bonuses paid to six employees. ORA recommended that \$24,000 for one retention bonus qualifies for recovery. The Parties now recommend that the Commission allow Edison to recover \$54,000 of the \$85,000 for four retention bonuses as employee-related costs.

The Parties agree that the following uncontested WPB or ISP program costs are fair and reasonable and qualify for recovery. Therefore, the Parties recommend that the Commission allow Edison to recover the following Record Period employee-related costs through the TCBA:

- 1) \$573,000 in costs incurred for Cash Severance Benefits for 11 represented employees;

- 2) \$1,020,000 in costs incurred for Enhanced Pension and Retiree Health Care benefits for 11 represented employees;
- 3) ISP program costs (a) Cash Severance Benefits (\$291,630); (b) Enhanced Pension and Retiree Health Care Benefits (\$593,000); (c) Relocation Costs (\$2,000); (d) Outplacement Costs (\$7,000); and (e) Education, Retraining and Redeployment Benefits (\$243,000) were fair and reasonable and qualify for recovery under Section 375(a).

7. Uncontested Issues

The following issues were not contested by ORA or any other Party in this proceeding but were incorporated into the Settlement:

- a. The reasonableness of Edison's scheduling and dispatching costs associated with QFs and Interutility Contracts.
- b. The reasonableness of Edison's Eastwood Plant Pumped Storage Energy Costs for the 1998 and 1999 ATCP Record Periods. ORA recommends that the \$13.232 million credit shown for the Hydro Subaccount for the 1999 Record Period be accepted as filed.
- c. Edison's calculation of its NUIP reward of \$3,434,530 for Palo Verde Unit 2 Fuel Cycle 8, and \$3,179,322 for Unit 3 Fuel Cycle 7. ORA agreed that Edison should be authorized to book those NUIP amounts into the TCBA.
- d. Recovery of the revenue requirement associated with Edison's off-site generation-related retained assets through the TCBA during the 1999 Record Period, since this equipment is:
 - (a) used to service Edison's remaining generation facilities;
 - (b) stranded; or
 - (c) used to support activities required under AB 1890.
- e. Transfer of the balance in the Increased Return on Equity on Divestiture Memo Account as of June 30, 1999, plus interest, to the TCBA.
- f. Transfer of the balance in the Reduced Return on Equity Memorandum Account as of June 30, 1999, plus interest, to the TCBA.

- g. Transfer of the balance in the Transition Cost Audit Memorandum Account as of June 30, 1999, plus interest, to the TCBA.
- h. Transfer of the adjustments recorded in the ISO/PX Implementation Delay Memorandum Account after March 31, 1998 to the TCBA.
- i. The reasonableness of amounts recorded in the SONGS 2 & 3 Sunk Costs Subaccount, the SONGS 2 & 3 ICIP Subaccount, Palo Verde Sunk Costs Subaccount and the Palo Verde Incremental Costs Subaccount for the 1999 Record Period.

Therefore, Edison requests that the above costs and the NUIP rewards be found reasonable and their transfer to the TCBA should be authorized by the Commission.

Discussion

The Settlement is an agreement among all active parties to this proceeding that have contested Edison's issues now resolved in the Settlement. Other than ORA, no other party submitted prepared testimony regarding Edison's application. The June 7, 2000 settlement conference was attended by Edison, ORA (by phone) and Coalition of California Utility Employees (CCUE). CCUE did not express opposition to the Settlement.

In D.88-12-083, the Commission established a standard for review of settlements and stipulations. Rule 51.1(e) of the Commission's Rules of Practice and Procedure, adopted shortly after the decision, recites the standard:

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

In D.92-12-019 (46 CPUC 2d 538), the Commission set forth criteria for its approval of a proposed all-party settlement:

- ◆ all active parties must sponsor the settlement;

- ◆ the sponsoring parties must be fairly reflective of the affected interests;
- ◆ no term of the proposed settlement can contravene statutory provisions or prior Commission decisions; and
- ◆ the settlement must convey sufficient information to permit us to discharge our future regulatory obligations with respect to the parties and their interests.

Proceedings such as the ATCP, which address issues that are primarily factual in nature, are likely candidates for the settlement process. The Settlement meets all three elements of the standard for review and the criteria for all-party settlements.

Reasonableness In Light Of The Whole Record

In the decisions discussed above, the Commission discussed many factors that might be balanced in determining whether a proposed settlement is reasonable. The Settlement meets those standards. First, the Settling Parties represent all affected interests. No other active parties contested Edison's application. Edison represents the interests of its shareholders and provides necessary energy services to its customers. ORA represents the interests of all of Edison's retail customers.

Second, the Settlement is a reasonable compromise of strongly held views. ORA and Edison submitted extensive evidentiary showings in this proceeding. The Settlement resolves all the disputed issues raised in the prepared testimony.

Third, several adjustments have been made as a result of additional information. In addition, the recovery recommendations regarding employee-related costs is a fair and reasonable settlement of the costs in dispute. The relationship of the amount agreed upon compared to the risk of each party obtaining its desired result is reasonable.

Fourth, the Settlement will spare the Commission and the parties the effort required to litigate complex disputed issues. Commission approval of the Settlement will conserve the resources of the parties and the Commission. The Settlement constitutes a more efficient and optimal use of the parties' resources in comparison with traditional litigation.

Fifth, counsel and witnesses for the Settling parties are experienced in public utility litigation, and ORA is a governmental participant. These negotiations were accomplished at arm's length and without collusion.

Sixth, the Settlement is uncontested, as was demonstrated by the lack of opposition at the settlement conference. Despite the breadth and magnitude of disputed issues, no other party opposes the Settlement. The absence of adverse reaction from affected interests favors approval.

For all of these reasons, we believe that the Settlement is reasonable in light of the whole record.

Consistency With Law

There is no statutory provision or prior Commission decision that would be contravened or compromised by the Settlement.

Among other things, the two parties reviewed the provisions of IBEW 47 and UWUA 246 WPB agreements and the ISP for reasonableness. The two parties agree that the programs and benefits in each of the WPB agreement and the ISP, as referenced in the settlement, are reasonable, provide employee benefits that comply with Section 375(a), and the costs incurred pursuant to them qualify for recovery as transition costs through the TCBA.

Public Interest

There is a strong public policy favoring the settlement of disputes to avoid costly and protracted litigation. Absent opposition and absent identification of any serious defect in the Settlement, the Commission should

adopt the Settlement. Nonetheless, the Commission has long held that settlements submitted for review and approval are not simply the resolution of private disputes like those that may be heard in civil court. The public interest and interests of ratepayers must be considered, and it is the Commission's duty to protect those interests.

The principal public interests affected by this proceeding are facilitating electric industry restructuring and reforming utility regulation, as required by both legislation and prior Commission decisions. Settlement of factual matters related to transition costs and reasonableness issues advances these interests because the Commission is spared the time and effort to hear and decide transition cost issues regarding balancing and memorandum accounts, purchased power agreements, pumped storage operations, post retirement benefits, and employee-related costs. Settlement of the employee-related issues also saves litigation time and effort, and promotes safe, reliable service at reasonable rates. The Settlement is a reasonable compromise of ratepayer and shareholder responsibility for the reasonableness review of employee-related costs as part of the transition to competition caused by AB 1890. The settled amount is within the range of dispute.

Finally, the Settlement contains sufficient information to permit the Commission to discharge its future regulatory obligations with respect to the parties and their interests.

In summary, we believe the Settlement: (1) is reasonable in light of the testimony and the whole record; (2) is consistent with the law; (3) is in the public interest; and (4) provides for a mutually-acceptable outcome to a pending proceeding, thereby avoiding the time, expense, and uncertainty of litigating the issues resolved by the Settlement. Accordingly, we agree that the Settlement should be approved.

Comments on Proposed Decision

The proposed decision of the ALJ in this matter was mailed to the parties in accordance with Section 311(d) of the Public Utilities Code and Rule 77.1 of the Rules of Practice and Procedure. Comments were filed by Edison on October 3, 2000. No reply comments were filed. We have reviewed the comments and made changes to the proposed decision where appropriate.

Findings of Fact

1. ORA was the only active party to dispute any entries to Edison's TCBA and related memorandum accounts and subaccounts.
2. On July 15, 2000, Edison and ORA executed the "Settlement Between Southern California Edison Company and the Office of Ratepayer Advocates in the 1999 Annual Transition Cost Proceeding (Application No. 99-09-006, et al.)" (Settlement) resolving all contested issues.
3. The Settlement is the product of extensive discussions between Edison and ORA. Both parties entered into these discussions after conducting discovery and reviewing the testimony of each party.
4. No party has opposed the Settlement.
5. The Settlement is reasonable in light of the strength of each party's litigation position, the risk, expense, and complexity of litigation, and the settled amounts upon which the parties agreed.
6. Edison's Post-Record Period TCBA Adjustments included accrued interest, in the amount of \$0.489 million, associated with adjustments made subsequent to the record period. No additional adjustments for interest are required.
7. Edison's emission trading credits should not have been adjusted for FF&U and, in November 1999, Edison credited the TCBA in the amount of \$13,129.36 (\$12,624.54 plus accrued interest of \$504.82) to reverse the adjustment. Edison's adjustment in the TCBA should be reviewed in the 2000 ATCP.

8. Edison's natural gas procurement and management activities during the record period, including its activities related to pipeline capacity held on El Paso, are reasonable.

9. The reasonableness of Edison's natural gas procurement and management activities related to pipeline capacity held on El Paso should not be delayed until a settlement between Edison and El Paso is implemented.

10. The return on rate base and income taxes associated with Edison's authorized capital additions for oil/gas-fired generating stations subsequent to their dates of divestiture were erroneously recorded in Edison's NGCAMA and transferred to the TCBA. In February, 2000, Edison credited the TCBA in the amount of \$5.956 million (\$5.567 million of return and income taxes associated with authorized 1996 oil/gas-fired generation capital additions that was inadvertently recorded in the NGCAMA, plus accrued interest of \$0.389 million) to reverse the error. Said adjustment should be reviewed in the 2000 ATCP.

11. Edison's settlement of a contractual dispute with SMUD associated with two Edison/SMUD Power Sales Agreements, the SMUD Termination and Edison/ORR Settlement, are reasonable.

12. Edison's interutility and QF contract costs recorded in the TCBA during the record period are reasonable.

13. The portion of Edison's settlement with Wheelabrator resolving a retail tariff dispute in Wheelabrator's capacity as a customer of Edison was erroneously debited to the QF Subaccount of the TCBA. Edison credited the TCBA in the amount of \$82,754.45, plus interest, to reverse the error. Said TCBA entry should be reviewed in the 2000 ATCP.

14. The interest owed to Edison on capacity payments Edison has withheld from San Gorgonio Farms and Section 7 Trust, \$53,749.27, was erroneously debited to the TCBA. Edison credited the TCBA in the amount of \$53,749.27,

plus interest, to reverse the error. Said TCBA adjustment should be reviewed in the 2000 ATCP.

15. Edison's QF contract executions and QF contract administration activities during the record period are reasonable.

16. Edison's scheduling and dispatching costs associated with QFs and Interutility contracts during the record period are reasonable.

17. Amounts recorded in Edison's Fossil Sunk Costs Subaccount and Fossil Generation Subaccount of the TCBA for the record period are reasonable.

18. Amounts recorded in Edison's Power Exchange Revenue Memorandum Account, Independent System Operator Revenue Memorandum Account, Hydro Generation Memorandum Account, and the Unavoidable Fuel Contract Costs Memorandum Account for the record period are reasonable.

19. Amounts recorded in Edison's Regulatory Assets Subaccount of the TCBA for the record period are reasonable.

20. Amounts recorded in Edison's Biennial Resource Plan Update (BRPU) Subaccount of the TCBA for the record period are reasonable.

21. Edison provides benefits to its represented employees who are negatively impacted by electric industry restructuring under its WPB Agreements with IBEW 47 and UWUA 246. Edison provides benefits to its non-represented employees under the ISP.

22. ORA reviewed the WPB and ISP Agreement for reasonableness in the proceeding.

23. The programs and benefits in each of the WPB Agreements and ISP provide employee benefits comply with Section 375(a) and the costs incurred pursuant to them qualify for transition cost recovery through the TCBA.

24. The Alternative RIF procedure contained in the WPB Agreements is reasonable, including the bumping process.

25. The WPB Educational and Retraining Benefit costs for represented employees working at divested plants are eligible employee-related costs pursuant to Section 375(a).

26. For employees working at a non-divested plant or work location, the Settlement provides that Edison may recover, as employee-related transition costs, 50% of the WPB Educational and Retraining Costs incurred by that employee since January 1, 1998, if that employee takes a WPB severance package.

27. The Settlement meets the criteria set forth in D.92-12-019 for the review of all party settlements. Edison represents the interest of its shareholders and employees and ORA represents the interests of all ratepayers.

Conclusions of Law

1. The Settlement is reasonable in light of the whole record, consistent with the law, and in the public interest as required by Rule 51.1(e) and should be approved.

2. Ordering Paragraph No. 6 of D.00-02-048 specifically provides that assets jointly owned with other utilities, which include Edison's coal fired generating stations, are not subject to market value re-estimation requirements of that decision.

3. Edison should recover the NUIP amounts, plus applicable interest, by booking these amounts into the TCBA.

4. The record period revenue requirement associated with Edison's off-site generation-related retained assets should be recovered through the TCBA, since this equipment is (a) used to service Edison's remaining generation facilities, (b) stranded, or (c) used to support activities required under AB 1890.

5. The balance in the Increased Return on Equity on Divestiture Memorandum Account as of June 30, 1999, plus interest, are reasonable and should be transferred to the TCBA.

6. The balance in the Reduced Return on Equity Memorandum Account as of June 30, 1999, plus interest, are reasonable and should be transferred to the TCBA.

7. The balance in the Transition Cost Audit Memorandum Account as of June 30, 1999, plus interest, should be transferred to the TCBA.

8. The adjustments recorded in the ISO/PX Implementation Delay Memorandum Account after March 31, 1998 should be transferred to the TCBA.

9. The amounts recorded in the SONGS 2 & 3 Sunk Costs Subaccount, the SONGS 2 & 3 ICIP Subaccount, Palo Verde Sunk Costs Subaccount, and the Palo Verde Incremental Costs Subaccount for the record period are reasonable.

10. Review of future costs incurred under the WPB Agreement and ISP shall consist of reviewing: (1) whether the employee whose employee benefit costs are being reviewed was an eligible employee pursuant to Section 375; (2) that the costs were accurately recorded; (3) were costs associated with the WPB Agreements and the ISP; and (4) are consistent with the terms of the Settlement.

11. Edison should recover the employee-related costs requested in its application consistent with the terms of the Settlement adopted herein.

12. Edison's Eastwood Plant Pumped Storage Energy Costs for the 1998 and 1999 Record Periods and the other costs recorded in the Hydro Subaccount are reasonable and the \$13.232 million credit shown for the Hydro Subaccount for the record period should be accepted as filed.

13. Edison's calculation of its NUIP reward of \$3,434,530 for Palo Verde Unit 2 Fuel Cycle 8, and \$3,179,322 for Unit 3 Fuel Cycle 7 is reasonable and the reward amounts should be booked into the TCBA.

O R D E R

IT IS ORDERED that:

1. The Settlement Between Southern California Edison Company (Edison) and the Office of Ratepayer Advocates (ORA) in the 1999 Annual Transition Cost Proceeding (ATCP) is adopted, as set forth in exhibit 30.

2. Edison is authorized to record the Nuclear Unit Incentive Procedure (NUIP) rewards in the amounts of \$3,434,530 and \$3,179,322, plus interest, associated with the operation of the Palo Verde Nuclear Plant, Units 2 and 3, to the Transition Cost Balancing Account (TCBA).

3. Edison is authorized to transfer the balances recorded in the Non-Nuclear Generating Capital Additions Memorandum Account (NGCAMA) except for the agreed upon adjustment, Increased Return on Equity on Divestiture Memorandum Account, Reduced Return on Memorandum Account, Transition Cost Audit Memorandum Account, ISO/PX Implementation Delay Memorandum Account, as of June 30, 1999, plus interest, to the TCBA.

4. Edison is authorized to recover the costs and transfers to the TCBA requested in its application consistent with the Settlement approved herein.

5. Within 30 days of the effective date of this decision, Edison shall file and serve a compliance advice letter to confirm the adopted Settlement and adjusted entries in its TCBA and related memorandum accounts required by the Settlement. The advice letter will become effective after appropriate review by the Energy Division. The adjustments required herein shall be reviewed in the next ATCP.

6. This proceeding is closed.

This order is effective today.

Dated October 19, 2000, at Los Angeles, California.

LORETTA M. LYNCH
President

HENRY M. DUQUE
JOSIAH L. NEEPER
RICHARD A. BILAS
CARL W. WOOD
Commissioners

APPENDIX A
LIST OF APPEARANCES

Applicant: James P. Scott Shotwell, and Janet K. Lohmann, Attorneys at Law, for Southern California Edison Company.

Interested Parties: Mark R. Huffman, Attorney at Law, for Pacific Gas & Electric Company; and; Steven C. Nelson, Attorney at Law, and Tom Whelan, Sempra Energy, for San Diego Gas & Electric Company; Ellison & Schneider, by Andrew Brown, Attorney at Law, for California Dept. of General Services; Bruno Gaillard, for Enron Corporation; Grueneich Resource Advocates, by Dian Grueneich; Attorney at Law, for City and County of San Francisco; Ellison & Schneider, by Douglas Kerner, Attorney at Law, for Independent Energy Producers; Ronald Liebert, Attorney at Law, for California Farm Bureau Federation; Sutherland, Asbill & Brennan, by Keith McCrea, Attorney at Law, for California Manufacturers Association; Adams, Broadwell, Joseph & Cardozo, by Katherine S. Poole, Attorney at Law, for Coalition of California Utilities; James Weil, for Aglet Consumer Alliance; Norman J. Furuta, Attorney at Law, for Federal Executive Agencies; and Goodin, MacBride, Squeri, Ritchie & Day, by James W. McTarnaghen, Attorney at Law, for himself.

Legal Division: Darwin Farrar, Attorney at Law.

Office of Ratepayer Advocates: Donna-Fay Bower.

Energy Division: Kayode Kajopaiye.

Public Advisor's Office: Rosalina White.

(END OF APPENDIX A)