

April 2, 1999

Mr. David Boergers, Secretary  
Federal Energy Regulatory Commission  
888 First Street, N.E.  
Washington, D.C. 20426

Re: *Southern California Edison Co., California Independent System Operator Corp., El Segundo Power, LLC*, Docket Nos. ER98-441-000 and ER98-2550-000

*Pacific Gas & Electric Co., Duke Energy Moss Landing LLC, and Duke Energy Oakland LLC*, Docket Nos. ER98-495-000, ER98-1614-000, ER98-2145-000, ER98-2668-000, ER98-2669-000, ER98-4296-000 and ER98-4300-000

*San Diego Gas & Electric Co.*, Docket Nos. ER98-496-000 and ER98-2160-000

*Southern California Edison Co., Pacific Gas & Electric Co., San Diego Gas & Electric Co., Duke Energy Moss Landing LLC, Duke Energy Oakland LLC*, Docket Nos. ER98-441-001, ER98-495-001, ER98-496-001, ER98-4300-001, ER98-2668-001, ER98-2669-001, ER98-4296-001, ER98-2668-000, ER98-2669-000, ER99-1127-000, ER99-1128-000, ER98-4296-000 and ER98-4300-000

Dear Mr. Boergers:

In accordance with the provisions of Rule 602 of the Rules of Practice and Procedure of the Federal Energy Regulatory Commission ("Commission"), 18 C.F.R. § 385.602 (1998), El Segundo Power, LLC, Pacific Gas and Electric Company, Duke Energy Moss Landing LLC, Duke Energy Oakland LLC, Duke Energy South Bay, LLC, San Diego Gas & Electric Company, Williams Energy Marketing & Trading Company, Reliant Energy Etiwanda, L.L.C., Reliant Energy Mandalay, L.L.C., Southern Energy Delta, L.L.C., Southern Energy Potrero, L.L.C., Cabrillo Power I LLC, Cabrillo Power II LLC, Geysers Power Company, LLC, the California Electricity Oversight Board, Southern California Edison Company, Enron Power Marketing, Inc., and the California Independent System Operator Corporation ("ISO") submit this Offer of Settlement in connection with the above-referenced proceedings. The Public Utilities Commission of the State of California fully supports this Offer of Settlement.

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The matters encompassed by this Offer of Settlement either have been specifically set for hearing or are intertwined with matters set for hearing. The various cases in which the hearing matters arose have been retained for consideration by the Chief Administrative Law Judge who has acted as a Settlement Judge under Rule 603 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.603 (1998). Accordingly, as provided by Rule 602, this filing should be transmitted by the Office of the Secretary to him. Enclosed are the original and fourteen (14) copies of the Offer of Settlement, comprised of this Transmittal Letter, an Explanatory Statement and a Stipulation and Agreement with appendices. Also enclosed is one extra copy to be time-stamped and returned to our messenger.

In accordance with the provisions of Rule 602(c)(iii), the parties submitting this Offer of Settlement state that the attached Stipulation and Agreement refers to any documents that are relevant to the Offer of Settlement.

#### CONTENTS OF SUBMISSION

This submission includes:

- (i) a Stipulation and Agreement with appendices, which, among other things, include a model contract containing terms and conditions to be used as the basis for Reliability Must-Run Rate Schedules for services to be provided to the ISO; and
- (ii) a separate Explanatory Statement.

#### SIMULTANEOUS AND SUBSEQUENT SUBMISSIONS

Simultaneously with this submission, the ISO is submitting pro forma tariff sheets setting forth changes to the currently effective Tariff of the ISO, to be effective upon the effectiveness of this filing.

As an integral element of this Offer of Settlement, each RMR Owner shall submit, not later than April 9, 1999, its own Revised Reliability Must-Run Rate Schedules conforming to the model Reliability Must-Run Contract that is included as an Appendix to the Stipulation and Agreement. Those filings, although submitted separately, are necessary to implement the Settlement, and in the event of Commission approval of the Settlement, they constitute compliance tariff sheets. These Rate Schedules are being submitted separately, solely to avoid delay in the Commission's consideration of this Offer of Settlement. Unless the Settlement becomes effective, absent a separate election by a filing RMR Owner, the filings will have no independent vitality and shall be considered withdrawn.

#### SERVICE OF SUBMISSION

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A copy of this submission is being served on all participants in the referenced proceedings and on all other persons required to be served by operation of Rule 602(d) of the Commission's Rules of Practice and Procedure.

#### NOTICE RESPECTING COMMENTS REGARDING OFFER OF SETTLEMENT

In accordance with the provisions of Rule 602(d)(2) the parties making this filing hereby notify all participants in these proceedings as well as all other persons required by Rule 602(d)(1) that Comments on the Offer of Settlement are due to be filed by April 22, 1999, and Reply Comments are due to be filed by May 2, 1999, unless other dates are provided by the Commission or the presiding officer. The parties making this filing are requesting such a shortened comment period to the extent consistent with the *Order of Chief Judge Scheduling Dates for Filing Settlement and Comments* issued March 16, 1999, as described below.

The parties making this filing specifically direct the attention of persons served with this Offer of Settlement to Section 602(f)(3) of the Commission's Rules of Practice and Procedure which provides that, "Any failure to file a comment constitutes a waiver of all objections to the offer of settlement."

#### REQUEST FOR EXPEDITED CONSIDERATION

The parties making this filing believe and wish to emphasize that implementation of this Settlement prior to June 1, 1999 is important to the interests of all participants in the California market for electric generation and that expedited consideration is, therefore, consistent with the public interest.

The parties to the referenced proceedings have been engaged in the settlement negotiations that led to the submission of this instrument for more than a year. The content of the Settlement reflects a compromise of interests so fragile that any change in its contents or component elements will be inconsistent with an important and substantive interest of some party whose active support will remain critical to implementation of the Settlement. Every component of this submission—the words and phrases used to express the intentions of the parties—has been reviewed, edited and revised in numerous drafting sessions to reflect the agreement of affected parties.

In light of the active role which the Chief Administrative Law Judge played in assuring that the process that led to this filing was fair, the participation of all affected parties in reaching the compromises embodied in this Offer of Settlement, and the

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agreement of all affected parties in an informal settlement conference call on March 15, 1999, the parties making this filing submit that there is good cause to grant their request for expedited consideration. Specifically, parties agreed to request that Initial Comments on the Offer of Settlement be required to be filed on or before April 19, 1999, and that Reply Comments be required to be filed on or before April 29, 1999. Further, the parties agreed that Initial Comments on Revised RMR Rate Schedules should be required to be filed on or before April 23, 1999 and that Reply Comments be required to be filed on or before April 29, 1999.

#### SERVICE OF COMMENTS AND OTHER MATERIALS

In light of their interest in expedition, the parties making this filing request that in addition to the normal method of service of documents specified in the Commission's Rules of Practice and procedure, copies of all Initial Comments and Reply Comments also be sent by e-mail to the addresses included in Appendix A to this letter.<sup>1</sup>

Very truly yours,

/s Edward Berlin  
Edward Berlin  
Attorney for the California Independent  
System Operator Corporation

/s John J. Stauffacher  
John J. Stauffacher  
El Segundo Power LLC

/s Stuart K. Gardiner  
Stuart K. Gardiner  
Attorney for Pacific Gas and Electric  
Company

/s Bruce W. Neely  
Bruce W. Neely  
Attorney for Duke Energy Moss Landing  
LLC

/s Bruce W. Neely  
Bruce W. Neely  
Attorney for Duke Energy Oakland LLC

/s Bruce W. Neely  
Bruce W. Neely  
Attorney for Duke Energy South Bay, LLC

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<sup>1</sup> Service by email to this list can also be accomplished by an email to Mark Klupt at [mrklupt@swidlaw.com](mailto:mrklupt@swidlaw.com) or to Bridget Shahan at [bshahan@cammckenna.com](mailto:bshahan@cammckenna.com) either of whom will forward the documents to be served to the list recipients.

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/s Nicholas W. Fels

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Attorney for San Diego Gas & Electric  
Company

/s Dennis Elliott

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/s Randolph Q. McManus

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/s Ronald N. Carroll

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Attorney for Enron Power Marketing, Inc

/s Erik Saltmarsh

Erik Saltmarsh  
Attorney for California Electricity  
Oversight Board

Signed and Dated this 2nd Day of April, 1999

Enclosures