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Decision 83 07 014 JUL 20 1983

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
SOUTHERN CALIFORNIA EDISON COMPANY)
for Authority to Lease 220 Acres of)
Real Property to WECS TECH CORPORA-)
TION.)

Application 83-05-31
(Filed May 12, 1983)

O P I N I O N

Southern California Edison Company (Edison) requests authority, under Public Utilities (PU) Code Section 851, to lease to WECS Tech Corporation (WECS Tech) 220 acres of Edison-owned land on which WECS Tech will construct wind generation units and facilities (Project).

Edison, by letter dated, June 8, 1983 requests that Exhibit A to the application be changed to provide that the exact legal description of the property to be leased will be included in the lease as executed, not in an amendment to the application. We will grant Edison's request, but we will require Edison to file with the Commission an executed copy of the proposed lease.

Notice of the filing of the application appeared on the Commission's Daily Calendars of May 18 and 19, 1983. No protests have been received.

Summary of Decision

This decision grants Edison the authority requested in its application and in its letter of June 8, 1983.

Edison, a California corporation, operates as a public utility under the jurisdiction of this Commission. Edison generates, purchases, transmits, distributes, and sell electric energy in portions of central and southern California.

In this application, Edison proposes to enter into a lease with WECS Tech with respect to 220 acres of Edison-owned land located in the San Gorgonio Pass region of Riverside County. This region has been documented as an area of high wind resources potential in studies conducted by the California Energy Commission. Edison purchased land in this area (including the land described in the application) for resource development. Edison presently intends to lease this land to entrepreneurs for the development of these resources.

WECS Tech desires to construct 55 wind energy generating units, with a nameplate rating of 5.5 megawatts (MW), on the land described in the application. WECS Tech will own, operate, and maintain the generating equipment and appurtenant facilities.

In addition to leasing the above-referenced real property to WECS Tech, Edison will do the following:

1. Will own, construct, operate, and maintain the interconnection facilities required to connect the Project facilities to Edison's system;
2. Will pay for permitting costs;

3. Will build a 150-foot meteorological tower for the purpose of collecting wind data to determine the annual energy content of the wind at the project site; and
4. Will be reimbursed by WECS Tech on a monthly basis for the costs of operating and maintaining the meteorological tower.

The terms of the lease provide that Edison shall provide the real property without charge to WECS Tech for a period of 25 years and that WECS Tech will pay all taxes imposed upon Project facilities. The lease also incorporates the provisions of the Wind Park Purchase and Sales Agreement between Edison and WECS Tech. Under that agreement, Edison will pay WECS Tech approximately 72.5% of Edison's avoided cost for net energy and capacity delivered. Average annual energy purchased under the sales agreement is expected to be approximately 12,000,000 kilowatt-hours (kWh). Edison expects that, over the term of the agreement, the value of the land and interconnection facilities and payments for energy and capacity will be less than Edison's avoided costs.

Edison has provided the Commission's Revenue Requirements Division and the Utilities Division with an economic analysis of the WECS Tech Power Purchase Agreement. The analysis indicates that Edison estimates its project savings to be about \$3,650,000 and its project costs to be about \$1,760,000. The difference between these amounts is \$1,890,000, a net savings to Edison and its ratepayers.

The Utilities Division has reviewed Edison's proposed transaction and Edison's economic analysis for reasonableness and recommends that the authority requested in the application be granted. The Revenue Requirements Division concurs with this recommendation.

Edison states that, unless construction of the Project commences by August 1, 1983, WECS Tech will be unable to complete the Project by December 31, 1983, and therefore, will be unable to qualify for 1983 energy tax credits available to owners of commercial alternative energy projects, such as wind farms. Edison states that, if these credits are not available, WECS Tech may withdraw from the Project, thereby, depriving Edison's ratepayers of the benefits of this additional renewable resource.

Approval of the lease is required before the transaction can be consummated. The proposed lease is in the public interest as it expands Edison's resource base to include power purchases from what will be as important wind generation facility without adversely affecting Edison's normal operations. Since the lease is in the public interest, the Commission's Revenue Requirements Division recommends the lease be authorized.

In issuing this decision, the Commission is not addressing nor does it guarantee the following:

1. The power purchase and sales agreement between Edison and WECS Tech;

2. The recovery of payments made for power purchases through an Energy Cost Adjustment Clause, or
3. Recovery of the associated land, inter-connection, or related capital costs.

These issues will be addressed in future proceedings, if appropriate. However, as part of this order, we will require Edison to establish memorandum accounting records that track Edison's leasing revenues, energy purchases, and related capital expenditures associated with the Project.

Because of the need to commence construction of the Project immediately so that it may be completed in time to qualify for 1983 energy tax credits, the Commission's Revenue Requirements Division recommends this order be effective on date of signature.

Findings of Fact

1. Edison, a California corporation, operates as a public utility under the jurisdiction of this Commission.
2. The proposed lease of the land, described in the application, to WECS Tech would facilitate the development of a wind energy generation facility and would be for a proper purpose.
3. The proposed lease of Edison-owned real property, as described in the application, is reasonable and not adverse to the public interest.
4. There is no known opposition to the application and no reason to delay granting the authority requested.

Conclusions of Law

1. A public hearing is not necessary.
2. The application should be granted to the extent set forth in the order which follows.
3. PU Code Section 851 requires that Commission authorization be obtained for Edison to enter into a lease for the land on which wind energy generation units and facilities are to be constructed in the San Gorgonio Pass region near Palm Springs in Riverside County.
4. The lease of the land as described in the application should be approved.

This authorization is for the purpose of this proceeding only and is not to be construed as an approval of: (1) The power purchase and sales agreement between Edison and WECS Tech; (2) The recovery of payments made for power purchase through an Energy Cost Adjustment Clause; or (3) Recovery of the associated land, interconnection, or related capital costs. Furthermore, this authorization is neither a finding of the value of Edison's property nor does it indicate the amounts to be included in ratesetting proceedings.

The following order should be effective on the date of signature to permit the construction of the wind generation facilities expeditiously.

O R D E R

IT IS ORDERED that:

1. The Southern California Edison Company (Edison), on or after the effective date of this order, may lease the real properties covered by Edison's application under terms and conditions consistent with those set forth in the application. | ✓

2. Edison's execution of the proposed lease of its real properties will be at its own risk. There is no guarantee (1) that the power purchase and sales agreement between Edison and WECS Tech will be found reasonable; (2) that Edison will recover payments for power purchases through an Energy Cost Adjustment Clause; or (3) that Edison will be allowed to recover through rates, associated land, interconnection or related capital costs. | ✓

3. Edison shall file one copy of the lease with the Commission within 15 days after its execution.

4. Edison shall maintain memorandum accounting records that track Edison's energy purchases associated with the Project.

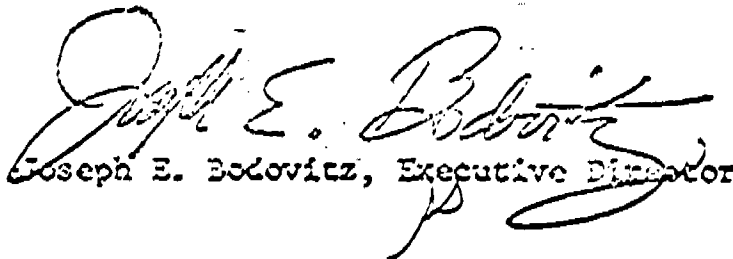
5. Edison shall submit to the Commission's Revenue Requirements Division a copy of its proposed accounting entries showing the account numbers and titles to record the lease transaction. ✓

This order is effective today.

Dated JUL 20 1985, at San Francisco, California.

LEONARD M. GRIMES, JR.
President
VICTOR CALVO
PRISCILLA C. GREW
DONALD VIAL
WILLIAM E. BAGBY
Commissioners

I CERTIFY THAT THIS DECISION
WAS APPROVED BY THE ABOVE
COMMISSIONERS TODAY.


Joseph E. Bolovitz, Executive Director

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