

Decision 83 10 019 OCT 5 - 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 275 Acres of
Real Property to LUZ ENGINEERING
CORPORATION

Application 83-09-13
(Filed September 2, 1983)

O P I N I O N

Southern California Edison Company (Edison) requests authority under Public Utilities (PU) Code § 851 to lease Luz Engineering Corporation (Luz) 275 acres of real property. Edison also requests that the resolution of any ratemaking issues be deferred to an appropriate proceeding.

The 275-acre parcel of land, which is adjacent to Edison's Cool Water Generating Station (Cool Water) near Daggett, California, is in Edison's rate base. The water rights appurtenant to this real property are used and useful in the operation of the Cool Water facility. Luz desires to construct a 45 megawatt (MW) solar parabolic-trough power system on the land. Luz intends to build the solar facility in two phases, with the first phase of 15 MW scheduled to be completed by December 31, 1984. Edison states that the operation of the solar facility will in no way interfere with the operation of the existing Cool Water facility and that it will simply add an auxiliary role to land already being used by the utility.

The lease specifies that Edison shall provide Luz use of the land for a rental of one dollar per year for a period of 30 years. This period is coterminous with an agreement under which Edison will purchase the power generated by the solar system. Luz agrees to pay all taxes imposed upon the solar facilities. Edison states it expects, over the term of the agreement, that the value of the land and interconnection facilities and the payments for energy and capacity will be less than its avoided costs.

Edison's total investment in Phase I of the solar facility will be the book value of the 275 acres (\$112,475) plus \$30,000 in permitting costs. It is Edison's position that, because the utility is already using the land for water rights needed in the operation of its Cool Water facility, only the \$30,000 in permitting costs should be considered as a monetary investment by Edison in this project.

Edison states that, unless construction of the project commences by October 5, 1983, Luz will be unable to complete Phase I of the project by December 31, 1984, and thus Luz will not qualify for 1984 energy tax credits available to owners of commercial alternative energy projects. Edison expresses concern that, if these credits are not available, Luz may withdraw from the project, thereby depriving Edison's ratepayers of the benefits of this renewable resource.

No protests have been received to the granting of the authority requested in the application.

In issuing this decision, we are not addressing issues related to: (1) the purchase and sales agreement between Edison and Luz; (2) the recovery of payments made for power purchases through an Energy Cost Adjustment Clause (ECAC); or (3) recovery of any related capital costs not currently in Edison's rate base. If appropriate, these issues will be addressed in future proceedings. As part of this order, however, we will require Edison to establish memorandum accounting records which track Edison's revenues, energy purchases, and related capital expenditures associated with the project.

Because of the need to commence construction of the solar project in time to qualify the facility for 1984 energy tax credits, this order will be effective on the date of signature.

Findings of Fact

1. The lease of the real property to Luz will facilitate the development of a solar energy generation facility.

2. The lease of the property, as described in the application, is reasonable and will not be adverse to the public interest.

3. There is no known opposition to the project, and there is 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. This authorization is for the purpose of this proceeding only and is not to be construed as being an approval of: (1) the purchase and sales agreement between Edison and Luz; (2) the recovery of payments made for power purchase through an ECAC; or (3) recovery of any related capital costs not currently in Edison's rate base.

O R D E R

IT IS ORDERED that:

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

2. Edison's execution of the proposed lease of its real properties shall be at Edison's own risk. This order may not be construed as a guarantee: (1) that the purchase power and sales agreement between Edison and Luz will be found reasonable; (2) that Edison will be permitted to recover payments for power purchases through an ECAC; or (3) that Edison will be allowed to recover interconnection or permitting costs.

3. Edison shall maintain memorandum accounting records which track its revenues, energy purchases, and capital expenditures associated with the project.

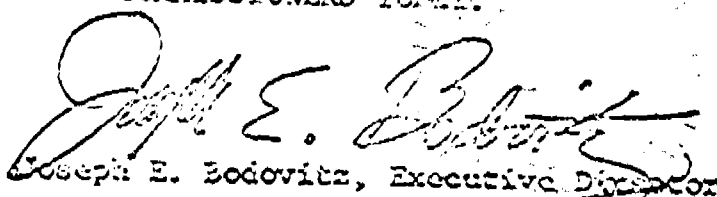
4. Edison shall submit to the Commission's Revenue Requirements Division a copy of its proposed accounting entries showing the account numbers and titles used to record the lease transaction.

This order is effective today.

Dated OCT 5 1983, at San Francisco, California.

LEONARD M. GRIMES, JR.
President
VECTOR CALVO
PRISCILLA C. CREW
DONALD VIAL
WILLIAM T. SACLEY
Commissioners

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


Joseph E. Bodovitz, Executive Director

The lease specifies that Edison shall provide Luz use of the land for a rental of one dollar per year for a period of 30 years. This period is coterminous with an agreement under which Edison will purchase the power generated by the solar system. Luz agrees to pay all taxes imposed upon the solar facilities. Edison states it expects, over the term of the agreement, that its avoided costs will exceed the aggregate ~~the~~ value of the land and interconnection facilities and the payments for energy and capacity. rn

Edison's total investment in Phase I of the solar facility will be the book value of the 275 acres (\$112,475) plus \$30,000 in permitting costs. It is Edison's position that, because the utility is already using the land for water rights needed in the operation of its Cool Water facility, only the \$30,000 in permitting costs should be considered as a monetary investment by Edison in this project.

Edison states that, unless construction of the project commences by October 5, 1983, Luz will be unable to complete Phase I of the project by December 31, 1984, and thus Luz will not qualify for 1984 energy tax credits available to owners of commercial alternative energy projects. Edison expresses concern that, if these credits are not available, Luz may withdraw from the project, thereby depriving Edison's ratepayers of the benefits of this renewable resource.

No protests have been received to the granting of the authority requested in the application.