

Decision 83 11 015 November 2, 1983

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the matter of the application of)
SOUTHERN CALIFORNIA EDISON COMPANY)
for a certificate that the present and)
future public convenience and necessity)
require or will require that Applicant)
construct and operate a 220 kV trans-)
mission line for the Kern River Field)
Cogeneration Facility, located in the)
State of California, County of Kern,)
near Bakersfield, California.)

Application 82-11-20
(Filed November 8, 1982)

ORDER OF DISMISSAL

Statement of Facts

The Getty Oil Company (Getty) at present burns large quantities of fuel to produce steam to induce flowing of heavy crude oil at the company's Kern River oil field near the City of Bakersfield, California.

Southern California Edison Company (Edison), an electrical corporation as defined in Section 218 of the Public Utilities Code, provides public utility electrical services in substantial areas of the southern half of California. Based upon the utility's load forecast, load management impacts, the need to provide adequate reserve margins, replace terminating power purchases and planned contingent retirement of existing oil and gas generation, in the 1982-1992 time frame Edison projects a need for 6566 MW of future electric resources. It plans to meet part of this from its renewable/alternate resources program, including power from cogeneration sources.

A cogeneration plant producing steam and electricity at the same time would be in the interests of both Getty and Edison. Accordingly the two companies determined to form a joint venture

to build a 300 MW cogeneration plant at Getty's oil field. The cogeneration plant is to be known as the Kern River Field Cogeneration Plant (plant) and will use natural gas to provide steam for Getty's oil operations and electricity to be used by Edison's southern California customers and for some of Getty's oil field operations. The joint venture's application for certification was accepted by the California Energy Commission (CEC) on October 7, 1982. The CEC has since given final site certification to the project.

Two miles away from the planned cogeneration plant site, Edison has a seven mile right-of-way containing two single circuit tower 220 kV transmission lines connecting its Vestal and Magunden substations. Approximately two miles of new transmission facilities would be required to connect the cogeneration plant to Edison's existing Vestal-Magunden transmission line. As the existing Vestal-Magunden lines have insufficient capacity to carry the projected cogeneration project power in addition to their present power transfer schedule, one of these existing Vestal-Magunden lines must be rebuilt within the existing right-of-way to carry the total power transfer load. This involves replacing the existing single circuit 220 kV line with a double circuit 220 kV tower line.

On November 8, 1982 Edison filed this application for a certificate of public convenience and necessity to reconstruct approximately seven miles of the existing Vestal to Magunden transmission line to increase transmission capacity, and to construct 1/2 mile of single circuit pole line to extend from the Vestal-Magunden line to the Getty property line.^{1/} Rebuilding the seven miles of the Vestal-Magunden transmission line and construction of the 1/2 mile

^{1/} The cogeneration plant itself and the first 1-1/2 miles of single circuit pole line construction, all within the Getty property, were specifically excluded from Edison's application.

connecting single circuit pole line was estimated to cost \$5,136,300. The application states that the costs of the 1/2 mile construction would be financed with funds from "the entity or entities which will own and operate the cogeneration plant," while the seven mile rebuild costs will be paid for by Edison through financing from "available funds or funds obtained through the sale of securities, application of which will be filed with the commission."^{2/}

The Commission staff had objections to Edison's application in that it purported to be filed under Section V of General Order 131-B which relates to utility proposals to construct electric generating and related transmission facilities subject to the power plant siting jurisdiction of the CEC. The objections were set forth in correspondence with Edison and copies of this correspondence are included in the formal file. But neither the terms of Edison's application with this Commission nor Docket No. 82-AFC-2 filed with the CEC included an electric generating plant to be constructed or owned by Edison, but rather referred to a cogeneration plant to be built by Getty or possibly as a joint venture. The application as filed placed Edison's proposed construction of transmission line facilities within the ambit of Section VII of General Order 131-B (which relates to electric public utility construction of transmission line facilities in this state).

Consultations between staff and Edison followed during which refiling under Section VII of General Order 131-B was discussed as well as a possible alternative of withdrawal of the application under the premise that the seven mile rebuild might be considered an integral part of the cogeneration project.

^{2/} However, the funds would be advanced by the owner or owners of the cogeneration plant.

On February 7, 1983 Edison filed a written request to withdraw its application, stating that it was following the staff's recommendation and also that "the project involves 'unique features' in that the transmission line from the cogeneration facility to the 'point of junction' is under the jurisdiction of the CEC."

Subsequently, in CEC's siting proceeding, Edison explained that it would be a partner with Getty in the cogeneration project but would limit its ownership interest pursuant to PURPA, so that the project, including the seven mile rebuild and 1/2 mile additional construction, would be a "qualifying facility."^{3/} Edison also stated that it did not plan to advance its share of the financing in a form that would require review by this Commission.

On August 25, 1983, concerned with potential ramifications raised by Edison's planned participation in the full project, as well as possible rate base issues, the Commission's Executive Director asked Edison a list of questions. On September 25, 1983 Edison responded, indicating that its 50% participation in the project would be through its wholly owned subsidiary, Southern Sierra Energy Company (SSEC),^{4/} using funds available from retained earnings and previous authorization for the issuance of securities. Edison further stated that its ratepayers would not be materially affected since expenses, wages and salaries, as well as financing relative to the project, would be through its unregulated subsidiary and will not be ultimately paid by Edison's ratepayers.

3/ Kern River Cogeneration Company (KRCC), a California general partnership, was formed on July 25, 1983, between Edison's subsidiary and Getty Energy Company, a Delaware corporation wholly owned by Getty. KRCC filed a request for certification as a qualifying facility pursuant to Title 18, Code of Federal Regulations, Section 292.207(b) on September 12, 1983 to comply with PURPA and FERC's rules.

4/ SSEC was incorporated in California on June 3, 1983.

Discussion

Cogeneration facilities are exempt from certain parts of the Commission's regulatory jurisdiction, even when partly owned by regulated electric utilities, if the utility's participation involves ownership not exceeding 50% of the facility. The information available to the Commission indicates that Edison will (through its wholly owned subsidiary SSEC) own 50% of the project. It is possible to view the rebuilding of the existing seven mile transmission line leading to the Magunden Substation as being so cognate and germane to the entire cogeneration project that it necessarily must form a part of it. Under that view, and so long as Edison does not plan to seek inclusion of the cost of the existing line rebuild in its utility rate base, or use Edison personnel, guarantees, financing or facilities that relate to rate base considerations in its joint venture project, the project could be exempt from our regulatory jurisdiction, subject, however, to the possibility of an affiliate adjustment. However, Edison's application is not clear on this point. It suggests that Edison may expect to include the cost of the transmission line rebuild in rate base as part of its utility plant. On the other hand its request for withdrawal of the application fails to mention this subject, and in subsequent conversations Edison has indicated to staff that it may seek other arrangements to fund the rebuild.

Given this unsettled and uncertain state of affairs we will not speculate as to Edison's motives for requesting withdrawal of its application. While the small scale of the rebuild suggests that it may fall within the exception from certification set forth in Section I of General Order 131-B for minor relocations, the Commission wishes to emphasize that Edison or other utilities which plan to seek inclusion in rate base of the cost of all or part of transmission line modifications related to cogeneration projects are required

to secure appropriate certification pursuant to Public Utilities Code Section 1001 and General Order 131-B, Section VII, as well as review of the final cost sought to be allowed in rate base. ✓

In that under some aspects of General Order 131-B, it is required that the Commission issue a decision no later than one year after the filing date of the application, and as that one year anniversary date is upon us, we will immediately order dismissal without prejudice to Edison's refiling the application. No stipulations have been adopted or offered. We will accept Edison's request to withdraw and dismiss the application.

O R D E R

IT IS ORDERED that Application 82-11-20 is dismissed without prejudice.

This order is effective today.

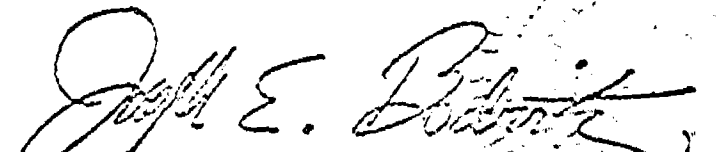
Dated November 2, 1983, at San Francisco, California.

LEONARD M. GRIMES, JR.
President

VICTOR CALVO
PRISCILLA C. GREW
WILLIAM T. BAGLEY
Commissioners

Commissioner Donald Vial, being necessarily absent, did not participate.

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


Joseph E. Bodovitz, Executive Director

ALJ/lk/jc

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However, we will not speculate as to Edison's motives for asking to withdraw its application.

In that under some aspects of General Order 131-B, it is required that the Commission issue a decision no later than one year after the filing date of the application, and that one year anniversary date is upon us, we will immediately order dismissal without prejudice to Edison's refiling the application. By doing so we do not infer approval of any of the alternatives that may have

Insert starts here: However, Edison - - -

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Dated NOV 2 1983, at San Francisco,
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LEONARD M. GRIMES, JR.
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