

Decision 98-10-014 October 8, 1998

**BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA**

Application of Southern California Edison Company (U-338-E) for Order Approving Contract Restructuring Agreement between Southern California Edison Company, on the one hand, and City National Bank as Trustee for the Westwind Association, Frederick W. Noble and Wind Turbine Equipment Company, on the other hand.

**ORIGINAL**

Application 98-05-040  
(Filed May 20, 1998)

**OPINION**

**Summary**

The terms and conditions of the Contract Restructuring Agreement and Termination Amendment by and between Southern California Edison Company (Edison) and City National Bank, as Trustee for Westwind Trust, the Westwind Association, Frederick W. Noble and Wind Turbine Equipment Company (collectively, Westwind) dated as of April 3, 1998 (Restructuring Agreement) are approved. Edison may recover payments that it will make pursuant to the Restructuring Agreement through its Annual Transition Cost Proceeding or such other cost recovery mechanism as the Commission may authorize, in either case subject to Edison's reasonable administration of the Restructuring Agreement.

**Procedural History**

Edison filed its application on May 20, 1998, together with a motion for a protective order so that portions of the application would be held confidential. The application was noticed in the Daily Calendar on May 27, 1998. On June 4, 1998 in Resolution (Res.) ALJ 176-2994, the Commission preliminarily categorized this proceeding as ratesetting and preliminarily determined that hearings were

required. On June 26, 1998, the Office of Ratepayer Advocates (ORA) filed a response that recommended approval of the Restructuring Agreement. On June 29, 1998, the assigned Administrative Law Judge on the law and motion calendar issued a protective order. On August 11, 1998, the assigned Commissioner issued a scoping memo that determined no hearings were necessary; we affirmed the assigned Commissioner's change of our preliminary hearing determination (Res. ALJ 176-2994) in Decision (D.) 98-09-026.

### **Discussion**

Edison and the predecessor of Westwind entered into a long-term power purchase agreement on April 17, 1985 (Power Purchase Agreement). The Power Purchase Agreement provided that Westwind could construct up to 22,500 kilowatt-hours (kW) of as-available capacity from a wind generator facility located in the San Geronio Pass near Palm Springs, California for which Edison would make payments for both energy and capacity. The 30-year term of the Power Purchase Agreement provided for one schedule of payments through December 30, 1995 and another schedule for the remainder of the term, through December 30, 2015. Edison is currently obligated to pay for energy at its published avoided cost of energy and for capacity at \$180/kW per year. Edison's current forecasts of actual annual as-available capacity costs for the remainder of the Power Purchase Agreement term are less than \$180/kW per year.

Westwind has installed 16,207 kW under the Power Purchase Agreement, and has the right to install an additional 6,293 kW of capacity. Under the terms of the Restructuring Agreement, Westwind would relinquish its right to install any additional capacity in exchange for a payment, the amount of which is confidential, pursuant to the protective order issued on June 29, 1998.

Edison estimates, based on a 10% discount rate, that the net present value as of January 1, 1998 (NPV) of the payment under the Restructuring Agreement

combined with the avoided future capacity payments under the Power Purchase Agreement would range from \$1.098 million to \$1.490 million, depending on the assumptions employed. This is a reasonable estimate of the benefits from the Restructuring Agreement.

In D.88-10-032, we established criteria by which we would consider proposed "buyouts" of qualifying facilities projects, such as this one. Those criteria assumed that no portion of the project had yet been completed. Even so, the present proposal meets all of the criteria set forth in D.88-10-032:

- Westwind has already submitted a completed Project Description and Interconnection Study Request Form;
- Westwind has already submitted proof of site control for the entirety of the project site;
- Westwind has already completed the detailed interconnection study for the entire project and the development of the remaining 6,292 kW capacity would use the same interconnection;
- Westwind has already established an escrow account containing the \$5/kW capacity project fee;
- Westwind has already obtained permits for the developed portion of the project, and there appears to be no impediment to issues of the permits required for the balance of 6,292 kW capacity;
- Westwind has already met the five-year deadline for coming online;
- Westwind has already procured and installed equipment for the developed portion of the project, and no obstacle to installing similar equipment for the balance of the 6,292 kW capacity appears to exist;
- No engineering or design issues appear to make development of the balance of the capacity not viable;
- No obstacle to financing the balance of the capacity appears;
- The projected cash flow from development of the balance of the capacity appears to be positive and substantial; and

- The project has a proven track record of successful operation over a 12-year period.

For the foregoing reasons, Edison believes that the development and operation of the 6,292 kW of remaining capacity is technically and economically feasible. We agree.

### **Findings of Fact**

1. The Power Purchase Agreement provided that Westwind could construct up to 22,500 kW of as-available capacity from a wind generator facility located in the San Geronio Pass near Palm Springs, California for which Edison would make payments for both energy and capacity.

2. The 30-year term of the Power Purchase Agreement provided for one schedule of payments through December 30, 1995 and another schedule for the remainder of the term, through December 30, 2015.

3. Edison is currently obligated to pay for energy at its published avoided cost of energy and for capacity at \$180/kW per year.

4. Edison's current forecasts of actual annual as-available capacity costs for the remainder of the Power Purchase Agreement term are less than \$180/kW per year.

5. Westwind has installed 16,207 kW under the Power Purchase Agreement, and has the right to install an additional 6,293 kW of capacity.

6. Under the terms of the Restructuring Agreement, Westwind would relinquish its right to install any additional capacity in exchange for a payment, the amount of which is confidential, pursuant to the protective order issued on June 29, 1998.

7. Edison estimates, based on a 10% discount rate, that the net present value as of January 1, 1998 (NPV) of the payment under the Restructuring Agreement combined with the avoided future capacity payments under the Power Purchase

Agreement would range from \$1.098 million to \$1.490 million, depending on the assumptions employed.

8. In D.88-10-032, we established criteria by which we would consider proposed "buyouts" of qualifying facilities projects, such as this one.
9. Westwind has already submitted a completed Project Description and Interconnection Study Request Form.
10. Westwind has already submitted proof of site control for the entirety of the project site.
11. Westwind has already completed the detailed interconnection study for the entire project and the development of the remaining 6,292 kW capacity would use the same interconnection.
12. Westwind has already established an escrow account containing the \$5/kW capacity project fee.
13. Westwind has already obtained permits for the developed portion of the project, and there appears to be no impediment to issues of the permits required for the balance of 6,292 kW capacity.
14. Westwind has already met the five-year deadline for coming online.
15. Westwind has already procured and installed equipment for the developed portion of the project, and no obstacle to installing similar equipment for the balance of the 6,292 kW capacity appears to exist.
16. No engineering or design issues appear to make development of the balance of the capacity not viable.
17. No obstacle to financing the balance of the capacity appears.
18. The projected cash flow from development of the balance of the capacity appears to be positive and substantial.
19. The project has a proven track record of successful operation over a 12-year period.

20. The development and operation of the 6,292 kW of remaining capacity is technically and economically feasible.

**Conclusions of Law**

1. The Restructuring Agreement should be approved.
2. Edison should be permitted to recover the cost of the payment pursuant to the Restructuring Agreement in its Annual Transition Cost Proceeding, subject to the reasonable administration of the Restructuring Agreement.

**O R D E R**

**IT IS ORDERED that:**

1. The terms and conditions of the Contract Restructuring Agreement and Termination Amendment by and between Southern California Edison Company (Edison) and City National Bank, as Trustee for Westwind Trust, the Westwind Association, Frederick W. Noble and Wind Turbine Equipment Company dated as of April 3, 1998 (Restructuring Agreement) are approved.
2. Edison may recover payments that it will make pursuant to the Restructuring Agreement through its Annual Transition Cost Proceeding or such other cost recovery mechanism as the Commission may authorize, in either case subject to Edison's reasonable administration of the Restructuring Agreement.

A.98-05-040 ALJ/RC1/cap \*

3. Application 98-05-040 is closed.

This order is effective today.

Dated October 8, 1998, at Laguna Hills, California.

**RICHARD A. BILAS**

President

**P. GREGORY CONLON**

**JESSIE J. KNIGHT, JR.**

**HENRY M. DUQUE**

**JOSIAH L. NEEPER**

Commissioners