

Decision 99-03-016 March 4, 1999

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of SOUTHERN CALIFORNIA EDISON COMPANY (U 338-E) for Authority to Lease Available Land to Everest Storage, LLC at Three Separate Sites on Transmission Line rights of Way.

Application 98-05-034
(Filed May 18, 1998)

O P I N I O N

Southern California Edison Company (Edison) requests authority, pursuant to Public Utilities (Pub. Util.) Code § 851, for Edison to lease Everest Storage, LLC (Everest) available land at three sites located on transmission line rights of way, specifically: (1) approximately 9.47 acres on the Barre-Villa Park 220 kilovolt (kV) right of way (State College Boulevard site); (2) approximately 6.13 acres on the El Nido-Sepulveda-Culver 66 kV right of way (Aviation Boulevard site); and (3) approximately 5.8 acres on the Mandalay-Santa Clara 220 kv right of way (Victoria Avenue site). The terms and conditions of the three leases are set forth in three agreements, each entitled Option Agreement Between The Southern California Edison Company and Everest Storage, LLC (Agreements), dated July 1, 1997; December 19, 1997; and December 19, 1997. As described in the Agreements, Everest intends to develop and operate self-storage facilities on the available land. The three Agreements are substantially the same except for site-specific terms.

The application was filed on May 18, 1998 and was noticed on the Daily Calendar on May 21, 1998.

In Resolution ALJ 176-2994, dated June 4, 1998, the Commission preliminarily categorized this proceeding as ratesetting, and preliminarily determined that hearings were expected.

On June 25, 1998 the Office of Ratepayer Advocates (ORA) filed a response to the application in which it stated that it did not oppose the application.

In Decision (D.) 98-09-025, September 3, 1998, it was ordered that this proceeding does not require that hearings be held.

Applicant

Edison is an investor-owned public utility engaged in the business of generating, transmitting, and distributing electric energy in portions of Central and Southern California. In addition to its properties in California, it owns, in some cases jointly with others, facilities in Nevada, Arizona, and New Mexico, its share of which produces power and energy for the use of its customers in California. In conducting such business, Edison operates an inter-connected and integrated electric utility system.

Revenue

Development and operation of the proposed self-storage-facilities are compatible with Edison's operation of the transmission lines located on the rights of way. Throughout the lease periods, Edison will continue to own and operate the transmission lines, and will retain unobstructed access to each right of way. The subject rights of way were previously licensed for horticultural purposes to three different licensees. The sum of the license fees for the three licenses was approximately \$32,500 per year which was treated as Other Operating Revenue (OOR).¹ Under the proposed Agreements, Edison will obtain revenues

¹ The annual revenue was \$13,160 from the State College Blvd. site; \$13,259.19 from the Aviation Blvd. site; and \$5,946.17 from the Victoria Avenue site.

substantially higher than the previous license fees to the benefit of Edison's ratepayers.

All of the revenue from the proposed leases will be treated as OOR. Under presently authorized ratemaking treatment for OOR, Edison will record 50% of the revenues from these leases in the Secondary Land Use Revenue (SLUR) Memorandum Account pending a final disposition of the ratepayers' share of such revenues. Disposition of the SLUR Memorandum Account is being addressed in Edison's Application (A.) 97-06-021, filed on June 12, 1997, which seeks approval of a new OOR sharing mechanism for the gross revenues received from the enhanced utilization of utility assets, including leases of available land. Accordingly, the Commission will order Edison to file an advice letter adding the leases that are the subject of this Application to the SLUR Memorandum Account until the Commission issues a decision on Edison's proposed revenue-sharing mechanism in A.97-06.921.

On January 30, 1998, Edison filed Advice 1286-E which set forth proposed categories of non-tariffed products and services offered for sale by Edison and provided descriptions of the existing products or services within each category. This Advice filing was made pursuant to Rule VII.F of the Affiliate Transactions Rules contained in Appendix A of D.97-12-088. Attachment B to Advice 1286-E identified to the Secondary Use of Transmission Right of Ways and Land as a category of existing products or services and listed storage facilities as an existing product or service within that category. This filing complies with the requirements of Rule VII for existing non-tariffed products and services.

This decision grants authority for execution of the leases sought by Edison in its application, but it does not address Advice 1286-E.

A. The State College Site

1. Background

The State College site is approximately 9.47 acres and is located on a portion of Edison's Barre-Villa Park 220 kV right of way located in the City of Anaheim. The site will be used for a self-storage facility that is consistent with the primary use of a site for above-ground power lines. Edison acquired the right of way from Southern Pacific Company, Northwestern Pacific Railroad Company, and Pacific Electric Railway Company in August, 1961.² From October 1993 to December 1997, this site was licensed to Batavia Garden for horticulture purposes. All of the revenue from the Batavia Garden license was credited to OOR. If the license remained in effect today, it would generate only \$13,160 per year (\$1,400 per acre) in revenue. In contrast, under the proposed lease with Everest, the 9.47 acres will generate an expected base revenue of \$25,000 in 1998, \$60,000 in 1999, \$100,000 in 2000, and \$120,000 in the subsequent lease years. Thus, revenue from the proposed lease represents a substantial increase in OOR for the benefit of Edison's ratepayers and shareholders.

2. Proposed Agreement

The Agreement grants Everest the option to lease the site for the development and operation of a self storage facility. The initial term of the lease is 35 years, beginning on the date Everest exercises the option. Everest can renew the lease for one additional 10-year term.

² Parcel 2 and Parcel 6 of this acquisition comprise the State College site. The book value for Parcel 2 is \$25,097 and the book value for Parcel 6 is \$14,930. Therefore, the total book value of the State College site is \$40,027.

Under the Agreement, Everest will pay an annual base lease fee of \$25,000 in the first year, \$60,000 in the second year, \$100,000 in the third year, and \$120,000 in the fourth through tenth years.³ The base lease fee will be adjusted at the tenth, twentieth, and thirtieth years of the lease term and upon exercise of the renewal option based on the then current fair rental value of the site, excluding the value of Everest's improvements. In no event, however, will the adjusted base lease fee be less than the base lease fee otherwise payable immediately prior to such adjustment, or increase more than 5% per year compounded annually for 10 years.⁴ As an additional lease fee, at the end of each year, beginning in year four of the term, Everest will pay the excess of 20% of its gross revenues over the base lease fee for the same year.⁵

The Agreement provides that Everest's activities must not interfere with the operation of the electrical transmission facilities that cross the site. Everest is not allowed to use or store hazardous substances, explosives or flammable materials on the site. Any equipment used by Everest on or adjacent to the site will be used and operated to maintain a minimum clearance of 17 feet from all overhead electrical conductors. Everest is not permitted to use any of

³ The annual base lease fee for the State College site as well as the base lease fees payable under the other Agreements are subject to adjustment to reflect the impact local permitting requirements may have on projected revenues. Edison states that it will notify the Commission if any such changes occur.

⁴ Section 3.1(b) For example, the base lease fee payable in the eleventh year of the lease term could not be less than \$120,000, the amount of the base lease fee payable in the tenth year, or more than approximately \$195,467.

⁵ Section 3(e) For example, if Everest has gross revenue of \$893,292 during the tenth year of the lease term, it would pay Edison a total of \$178,658; \$120,000 as base lease fee, and an additional \$58,658 representing the excess of 20% of the yearly gross revenues over the base lease fee.

the areas directly underneath the electrical towers and must maintain a minimum 100-foot radius around all towers legs and a 10-foot radius around all steel and wood poles. Edison also requires Everest to provide and maintain access roads on the site that are at least 16 feet wide and capable of supporting a gross load of 40 tons on a three-axle vehicle. Edison has the right to approve construction plans and specifications and the selection of a general contractor for the development project.

Edison retains the right and authority to enter the site at any and all reasonable times to inspect the site. Edison also has the right to impose temporary restrictions on Everest in order to perform work, if necessary, on the electrical facilities located on the site. Edison also retains the right to take all or a part of the leasehold by eminent domain or inverse condemnation.

Everest is responsible for all personal site taxes, as well as other general or special assessments or fees levied against the site or improvements. Everest is also responsible for obtaining all permits and approvals for construction and any zone changes or use permits required for the operation of a self-storage facility. Everest must also maintain appropriate comprehensive general liability insurance, comprehensive auto liability insurance, and workers' compensation insurance. Everest further agrees to indemnify Edison against all liability for damages or injury to persons on the site except to the extent caused by Edison's negligent or willful misconduct.

3. Determination of Best Secondary Use

The utility's objective in selecting secondary uses for utility site is to find uses that will provide the greatest revenue consistent with the utility's obligations to maintain the safety and reliability of its facilities. The facilities located on the State College site are used in the transmission of electricity to homes and businesses in various locations throughout the cities of Anaheim,

Fullerton and Orange. Because of the presence of above-ground power lines crossing the site, secondary uses of 9.47 acres of utility site are limited by restrictions on height and clearances.

To evaluate possible secondary uses for this type of utility site, Edison conducted a survey in 1990 of the "secondary use" policies of nine utilities across the nation. The survey revealed that those utilities had identified four possible uses for unused portion of their operating properties: auto parking; recreation vehicle storage; equipment storage and self-storage. Of these possible uses, Edison determined that a self storage-facility offered the highest level of potential revenues for this particular site.

4. Valuation of the State College Site

Traditional "market value" appraisal methods which attempt to determine the highest price that the land would bring if sold on the open market for any use or purpose, are not ideally suited for valuing secondary uses. Instead, real estate appraisers establish rental value for the site based on the value the site has for a specific secondary use.

To evaluate the rental value for the State College site, Edison solicited development proposals from the real estate marketplace. The developers incorporated into their proposals the highest lease rate that they were able to pay for the particular use to be developed. After reviewing all submitted proposals, Edison's financial analyst reviewed rent paid by "comparable" self-storage facilities in Southern California as a function of the effective gross income of the facility. The annual base lease fee Edison will receive from Everest (approximately 20% gross revenues) falls within the acceptable market range established by the analyst based on the analysis of comparable facilities and is in line with the rental income Edison will receive from the leases approved by the Commission in D.96-12-024; D.97-07-009 and D.97-07-010.

5. Selection of Developer

In July 1997, a Request for Proposal (RFP) for development of the State College site was mailed to prospective developers. In August 1997, four responses were received regarding future use of the site. After analysis on each submitted proposal, Edison selected Everest, a California self-storage facility developer, because of the proposed use of the site, and the self-storage background and financial position of the company's members.

Everest is a newly formed limited liability company, specializing in the development and operations of self-storage facilities. Everest was formed in September 1996 by Everest Properties, Inc., a California corporation (Everest Properties) and Carl Beckmann. Everest Properties is owned 7% by W. Robert Kohorst and 25% by a subsidiary of Imperial Bancorp. Although Everest is a newly formed company, its principals have more than 25 years of experience in the real estate and self-storage industry. Both Beckmann and Kohorst were senior executives at Public Storage, Inc. (PSI), which is the nation's largest owner/operator of self-storage facilities. Kohorst was responsible for all private placement fundraising for Public Storage limited partnerships. Beckmann was the senior acquisitions officer for PSI. During his 12 years with PSI, Beckmann and his staff of 30 acquired more than 800 parcels for development.

B. The Aviation Boulevard Site

1. Background

The Aviation Boulevard site is approximately 6.13 acres and is located on a portion of Edison's El Nido-Sepulveda-Culver 66 kV right of way located in the City of El Segundo. The site will be used for a self-storage-facility that is consistent with its primary use as a site for above-ground power lines. Edison acquired this right of way from Edison Securities Company, in March,

1930.⁶ From June 1, 1981 to March 31, 1997, the site was licensed to Toro Nursery (Nursery) for horticulture purposes. All of the revenue from the Nursery license was credited to OOR. If the license remained in effect today it would generate only \$13,259.19 per year (\$2,163 per acre) in revenue. In contrast, under the proposed lease with Everest, the 6.13 acres will generate expected base revenues of \$36,000 in 1998, \$93,600 in 1999, and \$189,600 in each of the subsequent lease years. Thus, revenue from the proposed lease represents a substantial increase in OOR.

2. Proposed Agreement

The Agreement grants Everest the option to lease the site for the development and operation of a self-storage facility. The initial term of the lease is 30 years beginning on the date Everest exercises the option. Everest can renew the lease for one additional 10-year term.

Under the Agreement, Everest will pay an annual base lease fee of \$36,000 in the first year, \$93,600 in the second year, and \$189,600 in the third through tenth years of the lease term. The base lease fee will be adjusted at the tenth and twentieth years of the lease term and upon the exercise of the renewal option based on the then current fair rental value of the site, excluding the value of Everest's improvements. In no event, however, will the adjusted base lease fee be less than the base lease fee otherwise payable immediately prior to such adjustment, or increase more than 5% per year compounded annually for

⁶ The book value for the 6.13 acre site is \$17,664.34.

10 years.⁷ As an additional lease fee, at the end of each year, beginning in year five of the lease term, Everest will pay the excess of 20% of its gross revenues over the base lease fee for the same year.⁸

Other terms of the Agreement are similar or identical to the terms for the State College site described in the application.

3. Determination of Best Secondary Use

The facilities located on the Aviation Boulevard site are used in the transmission of electricity to homes and businesses in various locations in the cities of El Segundo, Hawthorne and Manhattan Beach. Because of the presence of above-ground power lines crossing the site, secondary land uses of the site are limited by restrictions on height and clearances.

The evaluation of possible secondary uses for this type of utility site is described in the application.

4. Valuation of the Aviation Boulevard Site

To evaluate the rental value for the Aviation Boulevard site, Edison hired Jack R. Strobel, Inc. to compute rent paid by comparable self-storage facilities in Southern California as a function of the effective gross income of the facility. The annual base rent Edison will receive from Everest (approximately 20% of projected gross revenues) falls with the acceptable market range established by the appraiser based on the analysis of comparable facilities and is

⁷ For example, the base lease fee payable in the 11th year of the lease term could not be less than \$189,600, the amount of the base lease fee payable in the 10th year, or more than approximately \$308,838.

⁸ For example, if Everest has gross revenues of \$1,314,739 during the 10th year of the lease term, it would pay Edison a total of \$262,978; \$189,600 as base lease fee, and an additional \$73,347 representing the excess of 20% of the yearly gross revenues over the base lease fee.

in line with the rental income Edison will receive from the leases approved by the Commission in D.96-12-024, D.97-09-090 and D.97-07-010.

5. Selection of Developer

See Section A.5 of this decision.

C. The Victoria Avenue Site

1. Background

The Victoria Avenue site is approximately 5.8 acres and is located on a portion of Edison's Mandalay-Santa Clara R/W 220 kV right of way located in the City of Ventura. The site will be used for a self-storage facility that is consistent with its primary use as a site for above-ground power lines. Edison acquired this land from Alma Valentine Argabrite in December of 1957.⁹ From May 1995 to April 1997, the site was licensed to Boething Treeland Farms, Inc. for horticulture purposes. All of the revenues from the Boething Treeland license was credited to OOR. If the license remained in effect today, it would generate only \$5,946.17 per year (\$1,200 per acre) in revenue. In contrast, under the proposed lease with Everest, the 5.8 acres will generate an expected base revenue of \$25,000 in 1998, \$55,000 in 1999, \$100,000 in 2000, and \$115,000 in each of the subsequent lease years.

2. Proposed Agreement

The Agreement grants Everest the option to lease the site for the development and operation of a self-storage facility. The initial term of the lease

⁹ The acreage for the entire Victoria Avenue site totals 8.89. This includes the front portion on Victoria Avenue, which is proposed to be developed by another developer as a full service car wash facility. The total book value for the 8.89 acres is \$78,609.26. Using a pro-rata share method the book value for the 5.8 acre site is \$51,286.13.

is 30 years, beginning on the date Everest exercises the option. Everest can renew the lease for two additional 10-year terms..

Under the Agreement, Everest will pay an annual base lease fee of \$25,000 in the first year, \$55,000 in the second year, \$100,000 the third year, and \$115,000 in the fourth through tenth years. The base lease fee will be adjusted in the tenth and twentieth years of the lease term, and upon exercise of each renewal option, based on the then current fair rental value of the site, excluding the value of Everest's improvements. In no event, however, will the adjusted base lease fee be less than the base lease fee otherwise payable immediately prior to such adjustment, or increase more than 5% per year compounded annually for 10 years.¹⁰ As an additional lease fee, at the end of each year, beginning in year four, Everest will pay the excess of 20% of its gross revenues over the base lease fee for the same year.¹¹

The other terms of the Agreement are similar or identical to the terms of the State College site described in the application.

¹⁰ For example, the base lease fee payable in the 11th year of the lease term could not be less than \$115,000, the amount of the base lease fee payable in the 10th year, or more than approximately \$187,323.

¹¹ For example, if Everest has gross revenues of \$768,083 during the 10th year of the lease term, it would pay Edison a total of \$132,511; \$115,000 as base lease fee, and an additional \$17,511 representing the excess of 20% of the yearly gross revenues over the base lease fee.

3. Determination of Best Secondary Use

The facilities located on the Victoria Avenue site are used in the transmission of electricity to homes and businesses in various locations throughout Ventura and Oxnard. Because of the presence of above-ground power lines crossing the site, secondary uses of the site are limited by restrictions on height and clearances.

The evaluation of possible secondary uses for this type of utility site, is described in the application.

4. Valuation of the Victoria Avenue Site

To evaluate the rental value for the Victoria Avenue site, Edison solicited development proposals from the real estate market place. The developers incorporated into their proposals the highest lease rate that they were able to pay for the particular use to be developed. After reviewing all submitted proposals, Edison's financial analyst reviewed rent paid by "comparable" self-storage facilities in Southern California as a function of the effective gross income of the facility. The annual base lease fee Edison will receive from Everest (approximately 20% of projected gross revenues) falls within the acceptable market range established by the analyst based on the analysis of comparable facilities and is in line with the rental income Edison will receive from the leases approved by the Commission in D.96-12-024, D.97-09-090 and D.97-07-010.

5. Selection of Developer

See Section A.5 of this decision.

D. The Proposed Transactions Will Benefit the Public

Section 851 provides that no public utility "shall...lease...[a site] necessary or useful in the performance of its duties to the public...without first having secured from the commission an order authorizing it so to do." The relevant inquiry for the Commission in Section 851 proceedings is whether the proposed

transaction is "adverse to the public interest."¹² The proposed leases satisfy this test. The public interest is not harmed since the leases will not affect the utility's operation of the transmission lines.¹³ To the contrary, the Commission has determined that the public interest is served when a utility site is used for other productive purposes without interfering with the utility's operation.¹⁴ Because the proposed Agreements will provide additional revenue for ratepayers, with minimal risk to them, Edison requests Commission authorization of the leases.¹⁵

ORA's Response

ORA does not oppose Edison's request to lease the State College, Aviation and Victoria sites to Everest Storage. ORA intends to review all similar Section 851 applications on a case-by-case basis. ORA states that the treatment Edison requests in this application should not imply tacit acceptance of additional Section 851 applications which will be subject to the OOR revenue sharing mechanism the Commission eventually adopts in A.97-06-021. Also,

¹² See, e.g., *Universal Marine Corporation*, D.84-04-102, 14 CPUC2d 644 ("[W]e have long held that the relevant inquiry in an application for transfer is whether the transfer will be adverse to the public interest"); see also D.89-07-016, 32 CPUC2d 233.

¹³ As noted earlier, if the leased properties become necessary for utility operations, Edison has reserved the right to exercise its power of condemnation to re-acquire any or all of the leaseholds.

¹⁴ D.93-04-019, p. 3 ("Joint use of utility facilities has obvious economic and environmental benefits. The public interest is served when utility property is used for other productive purposes without interfering with the utility's operation or affecting service to utility customers.")

¹⁵ In D.96-12-024, the Commission approved a similar agreement pursuant to which Edison leases available land to Outback/Taft, LLC for development and operation of a self-storage facility.

ORA accepts the temporary placement of lease revenues in the SLUR Memorandum Account until the OOR proceeding is resolved.

Environmental Matters

Under the California Environmental Quality Act (CEQA), the Commission is obligated to consider the environmental consequences of a project that is subject to the Commission's discretionary approval. (Public Resources Code § 21080.) A project is an activity that "may cause either a direct physical change in the environment, or a reasonably foreseeable indirect physical change in the environment" and either (a) is directly undertaken by any public agency, (b) is supported by contracts, grants, subsidies, loans, or other forms of assistance from one or more public agencies, or (c) involves the issuance of a lease, permit, license, certificate, or other entitlement for use by one or more public agencies. (Public Resources Code § 21065.)

Pursuant to this statutory directive, Commission staff from the Energy Division Environmental Review Team have engaged in discussions on both the applicability of CEQA to the projects proposed in Edison's application and the potential environmental impacts that might reasonably be foreseen for such projects. Based upon these discussions and its independent assessment of the proposed project, staff has determined that the proposed projects, in their entirety, have the potential for direct or indirect physical changes to the environment which are reasonably foreseeable. Therefore, staff has determined that an environmental review of the projects proposed by Edison in the instant application, and for which a discretionary approval for a leasing agreement is sought by Edison from the Commission, is required pursuant to CEQA prior to implementation of the proposed projects.

Although the leases at issue are for self-storage uses, development of the properties by the lessee is subject to all applicable laws and, before any use or

development will be permitted, discretionary approvals from other public agencies having jurisdiction will be required. This discretionary approval process will also trigger application of CEQA.

This issue is presented whether the necessary CEQA review is performed by the Commission or by another state or local authority. CEQA guidelines expressly recognize that the timing of CEQA review "involves a balancing of competing factors," and that such review should occur "as early as feasible in the planning process to enable environmental considerations to influence project program and design and yet late enough to provide meaningful information for environmental assessment." (14 Cal.Code Regulations § 15004.)

In this case, the Commission will defer to the appropriate state and local authorities having jurisdiction over any proposed changes in use of the site. These authorities are generally in a superior position to evaluate local environmental impacts and develop appropriate mitigation strategies.

Such deference is appropriate under the circumstances here and will not result in any regulatory gap. CEQA specifically applies to discretionary projects such as issuance of conditional use permits and approval of tentative subdivision maps. (See Pub. Res. Code § 21080; see also Myers, supra, 58 Cal.App.3d at 424.) Accordingly, if and when there are more developed proposals to change the uses of the sites, the appropriate state and local authorities having authority over such proposed uses must conduct environmental review under CEQA.

Furthermore, in lieu of conducting CEQA review at this time, the Commission may condition its approval of the proposed leases on lessee's compliance with all applicable environmental regulations. Such conditional approval is commonly imposed and is consistent with Commission precedent under CEQA. (See Sundstrom v. County of Mendocino, 202 Cal.App.3d 292, 308

(1988), citing Perley v. Board of Supervisors, 137 Cal.App.3d 424, 429 (1982); see also in Re: SpectraNet SGV, D.97-06-020, Cal.PUC LEXIS 367 at *37 (1997).)

Due to these circumstances, staff reports that it has concluded that no further environmental review pursuant to CEQA will be required for the approval of this application by the Commission because such an environmental review will be required and conducted by local jurisdictional authorities in their discretionary approval of local permits required for the subsequent later actions necessary to develop the property at issue in this application. Staff's report dated November 16, 1998 addressed to the Administrative Law Judge for this proceeding and a supporting letter from Edison to staff dated August 17, 1997 are on file in this proceeding.

Waiver of Comment Period

Pub. Util. Code § 311(g)(1) provides that this decision must be served on all parties and subject to at least 30 days public review and comment prior to a vote of the Commission. Section 311(g)(2) provides that this 30-day period may be reduced or waived upon the stipulation of all parties in the proceeding.

All parties in the proceeding have stipulated to waive the 30-day waiting period required by Pub. Util. Code § 311(g)(1) and the opportunity to file comments on the draft decision. Accordingly, this matter will be placed on the Commission's agenda directly for prompt action.

Findings of Fact

1. Edison requests authority, pursuant to Pub. Util. Code § 851, for Edison to lease three separate sites on available land on Edison transmission line rights of way to Everest for development of self-storage facilities.

2. Edison is an investor-owned public utility engaged in the business of generating, transmitting, and distributing electric energy in portions of Central and Southern California.

3. Development and operation of the proposed self-storage facilities is compatible with Edison's operation of the transmission lines.

4. Under the proposed leases, Edison will obtain revenues substantially higher than previous revenues, benefiting ratepayers.

5. All of the revenues from the lease will be treated as OOR. Under presently authorized ratemaking treatment for OOR, Edison will record 50% of the revenues from this lease in the SLUR Memorandum Account pending a final disposition of the ratepayers' share of such revenues.

6. The Commission has determined that the public interest is served when utility property is used for other productive purposes without interfering with the utility's operation or affecting service to utility customers.

7. Because the proposed lease will provide additional revenues for ratepayers, with minimal risk to them, Commission authorization of the leases will not be adverse to the public interest.

8. The proposed project, in its entirety, has the potential for direct or indirect physical changes to the environment which are reasonably foreseeable; however, lessee's plans to build are presently preliminary and contingent upon numerous factors.

9. CEQA review will be performed by the appropriate local authority.

10. Because the public interest would best be served by having the lease take place expeditiously, the ensuing order should be made effective on the date of issuance.

Conclusions of Law

1. A public hearing is not necessary.

2. The proposed leases as set forth in the application, and the accounting treatment of the transactions as set forth in the application should be approved.

3. CEQA review is deferred to the appropriate state and local authorities having jurisdiction over proposed changes in use of the site.

O R D E R

IT IS ORDERED that:

1. Within six months after the effective date of this order, Southern California Edison Company (Edison) may lease to Everest Storage, LLC the property as set forth in Application 98-05-034, subject to the reservations therein described.

2. Within 10 days of the actual transfer, Edison shall notify the Commission in writing of the date of which the transfer was consummated. A true copy of the instrument effecting the sale and transfer shall be attached to the written notification.

3. Edison shall file an advice letter adding the leases that are the subject of this application to the Secondary Land Use Revenue Memorandum Account.

4. Approval of this lease is conditional upon compliance by lessee with all applicable environmental regulations.

5. Application 98-05-034 is closed.

This order is effective today.

Dated March 4, 1999, at San Francisco, California.

RICHARD A. BILAS
President
HENRY M. DUQUE
JOSIAH L. NEEPER
Commissioners