

42. APPROVAL OF EIGHTH MODIFICATION OF THE 1965 PLAN OF DEVELOPMENT AND OPERATIONS AND BUDGET, LONG BEACH UNIT, WILMINGTON OIL FIELD, LOS ANGELES COUNTY - W.O. 5200.301 AND W.O. 5200.311.

Following presentation of Calendar Item 39 attached, Deputy Attorney General Warren G. Abbott reported that the Eighth Modification was the first problem that had come up in the administration of Chapter 138. That chapter requires plans of operations and budget approval for periods exceeding one year. In order to operate successfully, the contractor is going to have to enter into long-term contracts, such as the present one for electrical facilities. Since there is a remote chance that plans approved by the City and the State Lands Commission might not contain this item, each of the long-term contracts will have to have a penalty provision allowing the contractor to get out of the contract. The Eighth Modification sets up in the budget a contingent liability on this particular long-term contract in the event some time in the next ten years the plan as approved by the City and the State Lands Commission changes the method of operation. The problem is going to come up frequently, but this is the first occurrence.

UPON MOTION DULY MADE AND UNANIMOUSLY CARRIED, THE FOLLOWING RESOLUTION WAS ADOPTED:

THE COMMISSION, PURSUANT TO SECTION 5(g) OF CHAPTER 138, STATUTES OF 1964, 1ST E.S., APPROVES THE EIGHTH MODIFICATION OF THE 1965 PLAN OF DEVELOPMENT AND OPERATIONS AND BUDGET, LONG BEACH UNIT.

Attachment

Supplemental Calendar Item 39 (1 page)

SUPPLEMENTAL CALENDAR ITEM

39.

APPROVAL OF EIGHTH MODIFICATION OF THE 1965 PLAN OF DEVELOPMENT AND OPERATIONS AND BUDGET, LONG BEACH UNIT, WILMINGTON OIL FIELD, LOS ANGELES COUNTY - W.O. 5200.301 AND W.O. 5200.311.

The City of Long Beach, pursuant to Section 5(g), Chapter 138, Statutes of 1964, 1st E.S., has requested State approval of the Eighth Modification of the 1965 Plan of Development and Operations and Budget for the Long Beach Unit to include a contingent liability of approximately \$2,202,390 which the Field Contractor will be required to pay the Southern California Edison Company in the event of abandonment of electrical supply facilities built by Edison for the Unit.

Under a proposed contract, Edison will install, maintain, operate and own two 66KV positions at the Pico Substation, submarine cables, terminals and two 66-4KV transformers on each of the four islands, and will bill the Unit a monthly charge of 1 $\frac{1}{4}$ % of the approximate \$2,383,230 cost of these Added Facilities.

This contract will also permit the Unit either to purchase the Added Facilities at any time after installation by paying Edison the reproduction cost new of the facilities, less depreciation; or abandon the facilities and pay Edison the initial installation costs, plus removal costs, less salvage. At any time prior to the expiration of five years from commencement of service, it is estimated that abandonment will cost the Unit approximately \$2,202,390. After five years, abandonment costs will be reduced gradually by depreciation of the facilities.

Additionally, the Field Contractor will execute a contract for electrical service with Edison, providing that the Unit will purchase all its electrical energy needs from Edison for a period of ten years, and pay for same under California Public Utility Commission Rate Schedule No. A-8.

This modification will not affect the total expenditures for 1965, but will permit the Field Contractor to enter into a contract which includes as a contingent liability a possible estimated payment of \$2,202,390.

The staff has reviewed the terms of the proposed contractual arrangements between the Field Contractor and Edison and is of the opinion that the proposal set forth in this modification will provide the best and most economical means of supplying electrical energy to the Long Beach Unit.

IT IS RECOMMENDED THAT THE COMMISSION, PURSUANT TO SECTION 5(g) OF CHAPTER 138, STATUTES OF 1964, 1st E.S., APPROVE THE EIGHTH MODIFICATION OF THE 1965 PLAN OF DEVELOPMENT AND OPERATIONS AND BUDGET, LONG BEACH UNIT.