

construction of the transmission facilities necessary to provide full deliverability will not be completed until 2017.

The letter agreement filed in this docket initially funds interim upgrades that provide an opportunity for NextEra to accelerate attainment of full capacity deliverability status for the 500 MW Genesis-McCoy Project prior to the 2017 schedule for completion of the permanent upgrades identified in the NextEra LGIA. The ISO requests that the Commission accept the letter agreement as filed.

I. Background

The NextEra LGIA dated August 12, 2011 specifies, among other things, the terms and conditions pursuant to which the ISO and SCE will provide for the interconnection of Genesis McCoy Project to SCE's planned Colorado River 500/220 kV Substation.³ The NextEra LGIA provides the Genesis-McCoy Project with full capacity deliverability status under the ISO tariff, upon completion of the identified delivery network upgrades, namely the rebuilding of the four existing 220 kV transmission lines having a terminus at SCE's Devers Substation and extending westward into the SCE service territory ("West of Devers Upgrades").

SCE now estimates that the West of Devers Upgrades will be completed in 2018. Based on this extended timeframe, NextEra and other similarly situated interconnection customers requested that the ISO and SCE explore options for earlier deliverability. The ISO and SCE identified the interim upgrades described

³ This large generator interconnection agreement was accepted for filing by the Commission in its Order Accepting Non-Conforming Large Generator Interconnection Agreement, 137 FERC ¶ 61,055, issued on October 20, 2011 in Docket Nos. ER11-4358-000 and ER11-4512-000.

in the letter agreement (“Interim WOD Upgrades”) in response to these requests, and have since conducted a study to demonstrate that these upgrades would temporarily provide approximately 1050 MW of delivery capability. This delivery capability was, in turn, offered to all three interconnection customers who could benefit from the Interim WOD Upgrades.⁴

However, NextEra was the only interconnection customer out of the potential beneficiaries to enter into a letter agreement with SCE and fund the Interim WOD Upgrades in return for the opportunity to obtain full capacity deliverability status in advance of the West of Devers Upgrades. As a result of the other two potential beneficiaries’ election not to participate at this time, NextEra has agreed to fund the entire cost of the Interim WOD Upgrades.

II. Comments

The Interim WOD Upgrades funded by the letter agreement provide an important opportunity for interconnection customers dependent on the West of Devers Upgrades to obtain accelerated full capacity deliverability status. Without the Interim WOD Upgrades, the three projects identified by the ISO as potential beneficiaries would be not be eligible to have full capacity deliverability status until at last 2018, and this condition represents a barrier that could jeopardize their development. While the parties have included partial termination provisions for some of these beneficiaries, this provision only allows a path for partial

⁴ There are two other similarly situated interconnection customers, Palo Verde Solar II, LLC and NRG Solar Desert Center LLC, both of which were tendered a letter agreement by SCE but elected not to participate in the Interim WOD Project at this time.

termination as to later phases, not a chance to accelerate the full deliverability of any project phase.

The Interim WOD Upgrades will be fully funded by NextEra under the terms of the letter agreement.⁵ NextEra will in turn receive accelerated full capacity deliverability status for its proposed 500 MW Genesis-McCoy Project, leaving 550 MW of additional deliverability unsubscribed by the two other potential beneficiaries identified by the ISO. Accordingly, the ISO proposed in a letter dated December 23, 2011, attached as Exhibit A to the SCE filing of the letter agreement, that the two other potential beneficiaries retain limited rights to participate at a later date and obtain full capacity deliverability status for their projects.

Specifically, the ISO indicated that it would enter into a large generator interconnection amendment with these potential beneficiaries, provided they agree to repay NextEra a reasonable amount of the costs for the Interim WOD Upgrades. This approach provides (i) an opportunity for the potential beneficiaries who did not enter into a letter agreement to join as “late comers” and be in a similar position to what they otherwise would have been had they initially funded the Interim WOD Upgrades, and (ii) a corresponding opportunity for NextEra to recover some of the additional costs that it is incurring under the letter agreement for acting as the first mover and funding the Interim WOD Upgrades.

⁵ As described in the letter agreement and for the reasons stated therein, the Interim WOD Upgrades will not be considered network upgrades and NextEra will not recover its costs from SCE.

This option for the two interconnection customers who could potentially benefit but elected not to participate expires when the Interim WOD Upgrades are placed into service. This means there may still remain unsubscribed deliverability at that time. Should this circumstance arise, the ISO would make any unsubscribed capacity available to any other interconnection customers in the ISO queue who may benefit from the deliverability in accordance with the generator interconnection procedures in effect at that time. The ISO's evaluations done in connection with the WOD Interim Upgrades do not identify to the ISO any *present* interconnection customer – other than the three offered an opportunity to participate in the Interim WOD Upgrades projects – that can practically benefit from those upgrades, since all other interconnection customer projects in the pertinent electrical areas are dependent on additional network upgrades that will not be in service until *after* completion of the West of Devers Upgrades.

The circumstances may very well change between now and the in-service date for the Interim WOD Upgrades, and this allows an opportunity for the ISO to assess whether there may be other interconnection customers who could step in and achieve accelerated full capacity deliverability status in advance of the West of Devers upgrades.

III. Next Steps

The ISO, NextEra and SCE are in the process of negotiating an amendment to the NextEra LGIA that will supersede the letter agreement. This amendment will be filed with the Commission by the ISO and SCE.

If either of the two other potential beneficiaries exercises their option to participate prior to the in-service date of the Interim WOD Upgrades, the ISO would enter into a similar amendment to their large generator interconnection agreement and file it with the Commission. Participation after the in-service date of the Interim WOD Upgrades would be in accordance with the ISO tariff in effect at that time and a filing with the Commission may or may not be necessary depending upon the terms and conditions of service.

IV. Description of the ISO and Communications

The ISO is a non-profit public benefit corporation organized under the laws of the State of California with its principal place of business at 250 Outcropping Way, Folsom, CA 95630. The ISO is the balancing authority responsible for the reliable operation of the electric grid comprising the transmission systems of a number of utilities, including SCE, and administers the generator interconnection procedures applicable to those facilities. The ISO requests that all communications and notices concerning this motion and these proceedings be provided to:

John Anders
Senior Counsel
California Independent System
Operator Corporation
250 Outcropping Way
Folsom, CA 95630
Tel: (916) 608-7287
Fax: (916) 608-7222
E-mail: janders@caiso.com

Keith Johnson
Manager, Infrastructure Policy
California Independent System
Operator Corporation
250 Outcropping Way
Folsom, CA 95630
Tel: (916) 608-7100
Fax: (916) 351-2487
E-mail: kjohnson@caiso.com

V. Conclusion

The ISO requests that the Commission accept the letter agreement as proposed by SCE.

Respectfully submitted

By: /s/ John Anders

Nancy Saracino

General Counsel

Sidney Davies

Assistant General Counsel

John Anders

Senior Counsel

California Independent System

Operator Corporation

250 Outcropping Way

Folsom, CA 95630

Tel: (916) 608-7287

Fax: (916) 608-7222

janders@caiso.com

Attorneys for the California Independent
System Operator Corporation

Dated: February 3, 2012

CERTIFICATE OF SERVICE

I hereby certify that I have served the foregoing document upon all of the parties listed on the official service list for the captioned proceeding, in accordance with the requirements of Rule 2010 of the Commission's Rules of Practice and Procedure (18 C.F.R. § 385.2010).

Dated at Folsom, California this 3rd day of February 2012.

Is/ Anna Pascuzzo

Anna Pascuzzo