

134 FERC ¶ 61,032
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Jon Wellinghoff, Chairman;
Marc Spitzer, Philip D. Moeller,
John R. Norris, and Cheryl A. LaFleur.

Southern California Edison Company
California Independent System Operator Corporation

Docket Nos. ER11-2177-000
ER11-2369-000

ORDER CONDITIONALLY ACCEPTING NON-CONFORMING LARGE
GENERATOR INTERCONNECTION AGREEMENT AND
DENYING MOTIONS TO CONSOLIDATE

(Issued January 20, 2011)

1. On November 23, 2010, Southern California Edison Company (SoCal Edison) filed under its transmission tariff, a Large Generator Interconnection Agreement (LGIA or Granite Wind LGIA) among itself, Granite Wind, LLC (Granite Wind) as interconnection customer, and the California Independent System Operator Corporation (CAISO). On December 14, 2010, CAISO filed the identical LGIA as a non-conforming service agreement under its tariff in Docket No. ER11-2369-000. In this order, we conditionally accept the LGIA under both SoCal Edison and CAISO's tariffs, effective November 24, 2010. We also deny motions to consolidate this proceeding with certain other proceedings, as discussed herein.

I. Background

2. Granite Wind proposes to interconnect a 60 MW wind generating facility, to be located in San Bernardino County, California (Granite Mountain Project), to SoCal Edison's transmission system at the proposed Jasper 220 kV Substation via a customer-owned 220 kV generation tie-line, and to transmit energy and/or ancillary services to the CAISO-controlled grid.

3. SoCal Edison states that the LGIA is based on CAISO's *pro forma* LGIA. It specifies the terms and conditions pursuant to which SoCal Edison and CAISO will provide, and Granite Wind will pay for, interconnection service. SoCal Edison will design, procure, construct, install, own, operate, and maintain the interconnection facilities and reliability network upgrades required to interconnect the Granite Mountain Project to SoCal Edison's transmission system.

4. SoCal Edison states that Appendix A of the LGIA identifies the interconnection facilities, network upgrades, and distribution upgrades of the LGIA. SoCal Edison states that it has committed to up-front finance reliability network upgrades and the distribution upgrades, as specifically identified in Appendix A to the LGIA, subject to the following conditions: (1) SoCal Edison has received a Commission order granting it recovery of 100 percent of its prudently incurred costs for these facilities if the Granite Mountain Project is abandoned due to circumstances outside of SoCal Edison's control (abandoned plant approval);¹ and (2) Granite Wind's achievement of the development milestones set forth in Appendix A to the LGIA.

5. SoCal Edison identifies the following provisions in Appendix A to the LGIA as possibly being interpreted as differing from the *pro forma* CAISO LGIA: (1) definition of abandoned plant approval;² (2) its commitment to up-front finance the cost of the reliability network upgrades and distribution upgrades; (3) the development milestones, including actions to be taken following completion of or failure to complete milestones in sections 13(d), (e), (g), (h), and (k) of Appendix A; (4) limits on SoCal Edison's commitment to finance the network upgrades required for the Granite Mountain Project in section 13(f) of Appendix A; and (5) SoCal Edison's commitment to file for abandoned plant approval within sixty (60) calendar days of the execution and filing of the LGIA. SoCal Edison anticipates that, to the extent these provisions are non-conforming to the CAISO's *pro forma* LGIA, CAISO will make a filing of this LGIA with the Commission and request that the Commission consolidate our review of CAISO's filing with our review in this docket.

6. SoCal Edison states that, in accordance with Appendix A to the LGIA, Granite Wind is required to provide credit support in the amount of \$500,000 to cover SoCal Edison's estimated costs for the network upgrades anticipated to be incurred for approximately six months from the effective date of the LGIA in the absence of abandoned plant approval. SoCal Edison states that this security will be a backstop

¹ On December 9, 2010, SoCal Edison filed in Docket No. EL11-10-000 a petition for declaratory order seeking certain rate incentives, including that it may recover 100 percent of its prudently incurred costs for the network upgrades and distribution upgrades that SoCal Edison has agreed to up front fund in the Granite Wind LGIA if these facilities are abandoned due to circumstances beyond SoCal Edison's control.

² Appendix A to the LGIA defines abandoned plant approval as a FERC final order, not subject to rehearing or appeal, unconditionally granting the Participating Transmission Operator's (TO) request for a declaratory order that the Participating TO can recover 100 percent of its prudently incurred costs for the Network Upgrades if such facilities are abandoned due to circumstances outside of the Participating TO's control.

funding mechanism for costs incurred to perform work on the network upgrades in the event that Granite Wind terminates the LGIA prior to SoCal Edison's receipt of abandoned plant approval. SoCal Edison states it will release the security following abandoned plant approval.

7. SoCal Edison states that, in accordance with Appendix A to the LGIA, Granite Wind is to be responsible for an interconnection facilities payment of \$2,325,000.³ Following the completion date of the interconnection facilities, Granite Wind will also pay SoCal Edison a monthly interconnection facilities charge to recover the ongoing revenue requirement for SoCal Edison's interconnection facilities. This monthly charge is calculated as the product of the customer-financed monthly rate and the interconnection facilities cost. The customer-financed monthly rate is 0.38 percent.⁴ The monthly interconnection facilities charge will be \$8,835 (0.38 percent x \$2,325,000).

8. SoCal Edison and CAISO request waiver of the 60-day prior notice requirement⁵ so that the LGIA can become effective November 24, 2010. SoCal Edison states that the waiver would be consistent with the Commission's policy set forth in *Central Hudson Gas & Electric Corporation*.⁶ SoCal Edison claims that good cause exists because granting such waiver will enable SoCal Edison to commence engineering, design, and procurement of the facilities necessary to connect the project to the CAISO-controlled grid by Granite Wind's requested in-service date of October 2013.

9. Separately, CAISO filed the same LGIA as SoCal Edison to have it accepted as a non-conforming service agreement under the CAISO tariff and to enter it into CAISO's

³ SoCal Edison states that the interconnection facilities payment compensates SoCal Edison for the capitalized costs incurred by SoCal Edison associated with the engineering, design, procurement, construction and installation of the Participating TO's interconnection facilities, including any non-capitalized costs associated with such facilities.

⁴ SoCal Edison states that this rate is the rate most recently adopted by the California Public Utilities Commission (CPUC) for application to SoCal Edison's retail electric customers for customer-financed added facilities. According to SoCal Edison, use of the CPUC rate is consistent with the SoCal Edison rate methodology accepted for filing by the Commission in prior large generator interconnection agreement dockets. SoCal Edison states that it provided cost justification for this rate in Docket No. ER10-1435-000.

⁵ 16 U.S.C. § 824d(d) (2006); 18 C.F.R. § 35.3 (2010).

⁶ 60 FERC ¶ 61,106, *reh'g denied*, 61 FERC ¶ 61,089 (1992).

eTariff system consistent with SoCal Edison's filing. CAISO requests that the Commission consolidate the review of its filing with the review of SoCal Edison's filing of the same LGIA, designated by SoCal Edison as Service Agreement No. 91 under its Transmission Owner Tariff in Docket No. ER11-2177-000. CAISO requests that the LGIA be accepted as a Non-Conforming ISO Service Agreement No. 1748 under its Open Access Transmission Tariff, effective November 24, 2010. CAISO states that the provisions in the LGIA that may be interpreted as differing from its *pro forma* LGIA were justified by SoCal Edison in its November 23, 2010 filing, noting that the Granite Wind LGIA contains similar provisions to those approved in Docket No. ER10-732-000 and ER10-2169-000.⁷

II. Notices of Filings and Responsive Pleadings

10. Notice of SoCal Edison's filing in Docket No. ER11-2177-000 was published in the *Federal Register*, 75 Fed. Reg. 76710 (Dec. 9, 2010), with interventions due on or before December 14, 2010. Timely motions to intervene were filed by the Cities of Anaheim, Azusa, Banning, Colton, Pasadena, and Riverside, California (Six Cities), Sacramento Municipal Utility District (SMUD), California Municipal Utility Association (CMUA), and Modesto Irrigation District (Modesto). A timely motion to intervene, request for hearing, and protest was filed by the Cities of Redding and Santa Clara, California and the M-S-R Public Power Agency (collectively, the M-S-R Parties). Six Cities filed a timely protest and motion to consolidate. Granite Wind filed a motion to intervene out of time on January 4, 2010.

11. Notice of CAISO's filing in Docket No. ER11-2369-000 was published in the *Federal Register*, 75 Fed. Reg. 80,484 (Dec. 15, 2010), with interventions due on or before January 4, 2011. Granite Wind, Modesto, SMUD, and the M-S-R Parties filed timely motions to intervene.

12. In addition, CMUA and SMUD filed motions to consolidate in this and certain other proceedings on December 21, 2010 (collectively, Motions to Consolidate).⁸ On December 23, 2010, Transmission Agency of Northern California (TANC) filed a motion to intervene out of time and answer in support of the Motions to Consolidate.

⁷ *Southern Cal. Edison Co.*, 132 FERC ¶ 61,150 (2010); *Southern Cal. Edison Co.*, 133 FERC ¶ 61,019 (2010).

⁸ Specifically, the dockets which CMUA and SMUD seek to consolidate are: (1) Docket No. ER11-2204-000; (2) Docket No. ER11-2177-000; (3) Docket No. ER11-2316-000; (4) Docket No. ER11-2322-000; (5) Docket No. ER11-2411-000; (6) Docket No. EL11-10-000; (7) Docket No. ER11-2318-000; (8) Docket No. ER11-2368-000; and (9) Docket No. ER11-2369-000.

13. SoCal Edison filed an answer to protests on December 29, 2010. SoCal Edison and CAISO filed answers in opposition to the Motions to Consolidate on January 5, 2011. On January 7, 2011, Six Cities filed an answer to SoCal Edison's December 29 answer, arguing that SoCal Edison's answer had misrepresented Six Cities' protest by suggesting that it raised the same arguments as the M-S-R Parties.

A. Motions to Consolidate

14. The Motions to Consolidate explain that the Commission is presently considering a number of large generator interconnection agreements between SoCal Edison and generators, including the Granite Wind LGIA, that involve network upgrades to the SoCal Edison transmission system. The Motions to Consolidate state that each of the interconnection agreements relates to facilities proposed for rate incentive treatment by SoCal Edison in Docket No. EL11-10-000, and that the relief requested by SoCal Edison in that proceeding is mirrored in these non-conforming interconnection agreements. Therefore, the Motions to Consolidate argue, there is a direct and necessary link between the terms of the interconnection agreements and the relief requested by SoCal Edison in Docket No. EL11-10-000. Accordingly, they request that the Commission consolidate these proceedings to facilitate a complete evaluation of all relevant facts, and request that the Commission establish the comment date of January 10, 2011 as the date for all relevant dockets. The Motions to Consolidate argue that this will further administrative efficiency and would allow parties to fully assess the recent Commission order regarding CAISO's revised transmission planning process.

15. In its protest and motion to consolidate, Six Cities requests that the Commission condition acceptance of the Granite Wind LGIA on the outcome of Docket No. EL11-10-000, and asks that the Commission consolidate the two proceedings to facilitate evaluation of all of the relevant facts.

B. M-S-R Parties' Protest

16. The M-S-R Parties argue that the Granite Wind LGIA raises significant concerns regarding the imposition of unreasonable costs on transmission customers, as well as potential issues regarding SoCal Edison's decision to fund what it deems to be network upgrade costs on behalf of an entity from which SoCal Edison is purchasing renewable generation output.

17. The M-S-R Parties explain that the Granite Wind LGIA proposes to treat \$50 million in projected interconnection facility costs as network upgrades, and that SoCal Edison proposes to finance these upgrades and charge the costs to transmission customers. The M-S-R Parties further note that the facilities will serve SoCal Edison's purpose of obtaining access to the planned 60 MW of renewable generation. However, the M-S-R Parties assert, there is no perceivable benefit to SoCal Edison's transmission

customers. The M-S-R Parties understand that it is SoCal Edison's prerogative to contract for higher cost renewable generation, noting their own contracts for such higher cost generation; however, the M-S-R Parties state that they do not allocate those increased costs to third parties that do not benefit from those resources. In this case, the M-S-R Parties argue, SoCal Edison is inappropriately allocating the costs of the purported network upgrades to its transmission customers.

18. Moreover, the M-S-R Parties argue, the Granite Wind LGIA is only one in a series of interconnection agreements between SoCal Edison and renewable generators that unfairly allocate purported network upgrade costs to SoCal Edison's transmission customers.⁹ The M-S-R Parties state that the total cost associated with the series of four interconnection agreements appears to be approximately \$770 million. The M-S-R Parties state that SoCal Edison is offering to fund these \$770 million of upgrades on the condition that the Commission grant it 100 percent abandoned plant recovery as a transmission incentive that it requested in its petition for declaratory order in Docket No. EL11-10-000. The M-S-R Parties contend that SoCal Edison seeks to shift to its transmission customers the risk of generation project failures, at the same time SoCal Edison is contracting to purchase most of the renewable energy produced by the generators to benefit SoCal Edison and its retail load service obligations.

19. The M-S-R Parties assert there is a link between SoCal Edison's agreement to fund network upgrades and the price that generators will charge for the renewable energy purchased by SoCal Edison for its retail customers. Accordingly, the M-S-R Parties argue, SoCal Edison's decision to treat the interconnections as network facilities at transmission customers' expense must be scrutinized with an eye towards the deals SoCal Edison is making to purchase the renewable generation.

20. The M-S-R Parties further argue that SoCal Edison's agreement to finance interconnection costs it deems to be network upgrades unreasonably shifts costs and risks from SoCal Edison's retail generation procurement to transmission customers. The M-S-R Parties assert that SoCal Edison receives a return on costs paid by transmission customers, which would otherwise be financed by generators, who would then pass the costs on to SoCal Edison via higher wholesale power costs. According to the M-S-R Parties, such an arrangement inappropriately shifts costs from generators to transmission customers, when the two parties that actually receive a benefit from the interconnection are Granite Wind (which will benefit from access to the CAISO grid) and SoCal Edison (which will benefit from ease of compliance with California's RPS requirements). The M-S-R Parties recognize that SoCal Edison's offer to pay the up-front costs of the

⁹ The M-S-R Parties point to interconnection agreements filed by SoCal Edison in Docket Nos. ER11-2204-000, ER11-2316-000, and ER11-2322-000.

interconnection facilities removes an obstacle for the renewable generators, but argue that SoCal Edison's "generosity should not extend to the pocketbooks of its wholesale transmission customers."¹⁰ The M-S-R Parties contend that, if SoCal Edison wants to fund these costs, it should do so at the risk of its retail service function and not by shifting cost responsibility to its transmission customers, which they believe is an unjust and unreasonable cost allocation.

21. Next, the M-S-R Parties assert that there is no indication that the costs of the Project have been subject to any scrutiny or that lower cost options were considered. According to the M-S-R Parties, the Commission itself has stated that the large generator interconnection process that produced the Granite Wind LGIA is not an open and transparent transmission planning process. The M-S-R Parties suggest that "[t]he proposed interconnection could be riddled with the sort of gold-plating transmission that would far exceed the minimum facilities necessary to accommodate the interconnection."¹¹ The M-S-R Parties state that transmission customers cannot be certain that costs were evaluated as part of the CAISO process. They also assert that SoCal Edison's self-serving finding that the facilities should be treated as network upgrades has not been subject to review.

22. The M-S-R Parties contend that SoCal Edison's filing here raises concerns that they have previously raised in earlier, similar proceedings.¹² The M-S-R Parties explain that they had argued in those earlier proceedings that the interconnection agreements at issue were the product of unduly discriminatory treatment of generation interconnection customers that had negotiated a power purchase agreement with SoCal Edison, and that SoCal Edison had engaged in a pattern of anti-competitive and discriminatory conduct, contrary to Order No. 2003.¹³ The M-S-R Parties had asserted that SoCal Edison provided interconnection customers building desirable renewable generation with preferential treatment by agreeing to provide up-front financing of network upgrades. The M-S-R Parties had also raised the possibility that the interconnection agreements in

¹⁰ M-S-R Parties' Protest at 9.

¹¹ *Id.* at 10.

¹² The M-S-R Parties refer to Docket Nos. ER10-796-000 and ER10-2169-000.

¹³ *Standardization of Generator Interconnection Agreements and Procedures*, Order No. 2003, FERC Stats. & Regs. ¶ 31,146 (2003), *order on reh'g*, Order No. 2003-A, FERC Stats. & Regs. ¶ 31,160, *order on reh'g*, Order No. 2003-B, FERC Stats. & Regs. ¶ 31,171 (2004), *order on reh'g*, Order No. 2003-C, FERC Stats. & Regs. ¶ 31,190 (2005), *aff'd sub nom. Nat'l Ass'n of Regulatory Util. Comm'rs v. FERC*, 475 F.3d 1277 (D.C. Cir. 2007), *cert. denied*, 552 U.S. 1230 (2008).

those cases could be the product of a violation of the Commission's standards of conduct, because of the potential for collusion between SoCal Edison's load-serving function (which negotiates power purchase agreements) and its transmission function (which negotiates the interconnection agreements).¹⁴

23. The M-S-R Parties state that the Granite Wind LGIA raises these same concerns. They further argue that evidence of potential unduly discriminatory and anti-competitive conduct has surfaced, citing a letter to the Commission filed by one project developer, Solar Millennium, LLC (Solar Millennium), in Docket No. ER11-2316-000 on December 8, 2010. The M-S-R Parties state that Solar Millennium's letter explained that, if SoCal Edison did not receive the abandoned plant incentive it requested in its petition in Docket No. EL11-10-000, then "the economics of the project will have to be restructured to account for the financing of an addition \$122,126,000 of network upgrade costs and a price increase would be sought" and that, if the price increase were not approved, the project would not be able to move forward due to lack of financing.¹⁵ According to the M-S-R Parties, this letter provides evidence that the cost of the output of the facility is tied to SoCal Edison's commitment to provide up-front financing of network upgrades.

24. Next, the M-S-R Parties argue that when SoCal Edison is in the position of being both the transmission provider and the purchaser of the generation output, it is in the position of being able to negotiate a better deal in return for funding the portions of the interconnection facilities that it deems to be network upgrades. The M-S-R Parties contend that, in such circumstances, SoCal Edison would gain an unfair competitive advantage in the market for renewable generation through its ability to choose which generators it will provide with favorable terms.

25. Additionally, the M-S-R Parties argue that, notwithstanding standardized agreements and common definitions that are part of the Commission's generator interconnection policies, transmission providers can still wield significant negotiating power with generators over the terms of an interconnection, as evidenced by Solar Millennium's letter. The M-S-R Parties assert that the decision to provide up-front

¹⁴ The M-S-R Parties note that, while the Commission had denied the protests in those earlier cases based on insufficient evidence, it acknowledged that the option of providing up-front financing of network upgrades cannot be based on unduly discriminatory or anti-competitive practices. M-S-R Parties' Protest at 12 (citing *Southern Cal. Edison Co.*, 133 FERC ¶ 61,019, at P 35 (2010)).

¹⁵ Solar Millennium Letter to the Commission, Docket No. ER11-2316-000 (Dec. 8, 2010).

financing is a decision of significant importance to project developers, in addition to the relatively greater power transmission providers have regarding what facilities constitute distribution upgrades versus network upgrades.

26. According to the M-S-R Parties, Solar Millennium's letter also highlights concerns that the standards of conduct could be violated if a transmission function is encouraged to make decisions to benefit the retail load service function or if interconnection agreement negotiations overlap with power purchase agreement negotiations. While the M-S-R Parties do not allege direct evidence of a violation by SoCal Edison, based on the public record, the M-S-R Parties argue that more scrutiny is warranted of the non-transparent process that resulted in the Granite Wind LGIA, as well as increased scrutiny of characterization of the costs as network upgrades and the level of costs associated with the planned interconnection facilities.

27. Finally, the M-S-R Parties urge the Commission to ensure that generation interconnection costs are not unjustly characterized as network upgrades and that transmission projects are thoroughly examined to ensure that lower cost alternatives are vetted. According to the M-S-R Parties, requiring transmission customers to fund \$50 million for every 60 MW of renewable energy procured by SoCal Edison for its RPS obligations will result in unsustainable transmission rates.

C. SoCal Edison's Answer

28. In response to the M-S-R Parties' protest, SoCal Edison argues that the facilities in question are network upgrades. SoCal Edison notes that CAISO executed the Granite Wind LGIA, thereby signaling its agreement that the facilities identified as network upgrades were properly designated. SoCal Edison also asserts that the facilities will be part of the integrated transmission system because energy is expected to flow in both directions, CAISO will be able to use the available capacity for multiple purposes, the facilities will provide transfer capability and reliability benefits to the transmission grid and will be relied upon for coordinated operation of the grid, and an outage on the facilities would affect the transmission system as a whole. Additionally, SoCal Edison notes that the M-S-R Parties failed to provide any analysis explaining why those facilities should not be considered network upgrades.

29. SoCal Edison also argues that, regardless of who provides up-front financing for network facilities, any network upgrade is ultimately included in transmission rates. SoCal Edison further contends that the protest incorrectly implies that SoCal Edison is the entity that determines whether a transmission upgrade should be treated as a network upgrade or a generator interconnection facility. However, SoCal Edison states, it is CAISO that makes that determination through its interconnection planning process.

30. Moreover, SoCal Edison asserts that the Granite Wind LGIA is not unduly discriminatory, and that the M-S-R Parties' allegations to the contrary are grounded in unfounded speculation. SoCal Edison argues that its decision to provide up-front financing of the network upgrades contingent on receiving the abandoned plant incentive was not based on the fact that Granite Wind has a power purchase agreement with SoCal Edison. SoCal Edison cites the Commission's recent findings that SoCal Edison has reasonably exercised its authority to elect to up-front finance network upgrades in approving multiple interconnection agreements with similar provisions.¹⁶

31. SoCal Edison also asserts that the protest incorrectly states that SoCal Edison can provide benefits to the generator at the expense of its transmission customers because it will earn a return on equity on the network upgrades as a result of its choice to provide up-front financing. SoCal Edison argues that the network upgrades are part of its transmission system, so it earns a return on equity regardless of who finances those facilities. Moreover, SoCal Edison argues that once a generator goes into commercial service, all transmission ratepayers pay for the costs of the network upgrades, regardless of who finances them.

32. Finally, SoCal Edison contends that the M-S-R Parties' arguments regarding SoCal Edison's potential violation of the standards of conduct is a bad faith allegation. SoCal Edison notes that the M-S-R Parties have raised this argument in earlier cases and the Commission has rejected it.

III. Discussion

A. Procedural Matters

33. Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure, the timely, unopposed motions to intervene serve to make the entities that filed them parties to this proceeding.¹⁷ Pursuant to Rule 214(d) of the Commission's Rules of Practice and Procedure, the Commission will grant the late-filed motions to intervene filed by TANC and Granite Wind, given the parties' interest in the proceeding, the early stage of the proceeding, and the absence of undue prejudice or delay.¹⁸

¹⁶ SoCal Edison Answer at 5 (citing *Southern Cal. Edison Co.*, 132 FERC ¶ 61,150, at P 30 (2010); *Southern Cal. Edison Co.*, 133 FERC ¶ 61,200 (2010)).

¹⁷ 18 C.F.R. § 385.214 (2010).

¹⁸ 18 C.F.R. § 385.214(d) (2010).

34. Rule 213(a)(2) of the Commission's Rules of Practice and Procedure prohibits an answer to a protest unless otherwise ordered by the decisional authority.¹⁹ We will accept SoCal Edison's and Six Cities' answers because they provided information that assisted us in our decision-making process.

B. Commission Determination

1. Granite Wind LGIA

35. As discussed below, we will conditionally accept the LGIA with Granite Wind, subject to the outcome of the proceeding in Docket No. EL11-10-000 regarding SoCal Edison's request for incentives and abandoned plant approval. According to SoCal Edison's filing, it will up-front finance the network upgrades and distribution upgrades if Granite Wind achieves certain development milestones set forth in Appendix A to the LGIA and SoCal Edison receives abandoned plant approval.

36. We will grant waiver of the 60-day notice requirement for good cause shown and conditionally accept the LGIA subject to the Commission's decision regarding SoCal Edison's request for abandoned plant approval under Docket No. EL11-10-000, effective November 24, 2010.²⁰ We agree with SoCal Edison that good cause exists because granting waiver will enable it to commence engineering, design, and procurement of the facilities necessary to connect the project to the CAISO-controlled grid by Granite Wind's requested in-service date of October 2013.

37. With respect to the M-S-R Parties' argument that the facilities in question may be inappropriately classified as network upgrades, we note that the determination of network upgrades is an aspect of CAISO's generator interconnection procedures, the M-S-R Parties have failed to provide any evidence that the facilities should not be classified as network upgrades, and our review of the Granite Wind LGIA indicates that the facilities in question are network upgrades. The Commission further rejects the M-S-R Parties' claim that this LGIA involves anti-competitive or discriminatory behavior. In addressing the M-S-R Parties' protest, we note that the M-S-R Parties proffer no convincing evidence in support of their allegations of potentially anti-competitive or discriminatory behavior on the part of SoCal Edison. Rather, the M-S-R Parties' protest is based largely

¹⁹ 18 C.F.R. § 385.213(a)(2) (2010).

²⁰ See *Central Hudson Gas & Electric Corp.*, 60 FERC at 61,338-39, order on reh'g, 61 FERC ¶ 61,089; see also *Prior Notice and Filing Requirements under Part II of the Federal Power Act*, 64 FERC ¶ 61,139, at 61,984, order on reh'g, 65 FERC ¶ 61,081 (1993) (waiver of prior notice will be granted if service agreements are filed within 30 days after service commences).

on assumptions drawn by the M-S-R Parties as a result of SoCal Edison's choice to up-front finance network upgrades for the Granite Mountain Project while also entering into a purchase power agreement with Granite Wind.

38. Moreover, as we have previously explained, both Order No. 2003 and CAISO's *pro forma* LGIA²¹ contemplate that Transmission Owners may choose to up-front fund network upgrades associated with an interconnection customer's project.²² Additionally, there are no specified standards which must be applied in deciding whether to up-front fund network upgrades. Nevertheless, the Commission would not sanction undue discrimination or anti-competitive practices in connection with the option to provide up-front funding for network upgrades. In the absence of evidence to the contrary, we find just and reasonable SoCal Edison's decision to provide up-front financing of network upgrades in the Granite Wind LGIA.

39. We are not persuaded by the M-S-R Parties' assertion that Solar Millennium's December 8, 2010 letter to the Commission demonstrates the link between the cost of the output of the facility and SoCal Edison's commitment to provide up-front financing of network upgrades. First, the Solar Millennium letter does not refer to the Granite Wind LGIA, but to a separate interconnection agreement in a different proceeding. Second, we do not find that the letter by itself establishes evidence of unduly discriminatory or anti-competitive conduct by SoCal Edison, and provides no indication that there is any such conduct in this proceeding. Nor does the letter provide any evidence of a potential violation of the standards of conduct. Third, we view Solar Millennium's concern as relating to its inability to provide the up-front financing. However, regardless of which party provides up-front financing, the end result for the generator is the same. Order No. 2003 established a mechanism under which transmission providers pay for network upgrades, either through up-front financing or by providing transmission credits to generators that finance the network upgrades.²³ This is the mechanism set forth in

²¹ See Conformed Fifth Replacement CAISO Tariff, Appendix U, § 3.4.1 ("Unless the Participating TO elects to fund the capital for Reliability and Delivery Network Upgrades, they shall be solely funded by the Interconnection Customer"); *see also* Conformed Fifth Replacement CAISO Tariff, Appendix V, § 11.3.

²² *Southern Cal. Edison Co.*, 133 FERC ¶ 61,019, at P 34 (2010).

²³ See, e.g., Order No. 2003, FERC Stats. & Regs. ¶ 31,146 at P 696 ("[T]he Commission continues in this Final Rule its current policy, as modified below, of requiring a Transmission Provider that is not an independent entity to provide transmission credits for the cost of Network Upgrades needed for a Generating Facility interconnection."). Although an independent entity, CAISO chose to conform to the policy applicable to non-independent entities.

CAISO's large generator interconnection procedures.²⁴ Finally, as we note above, nothing in Order No. 2003 or CAISO's *pro forma* LGIA prohibits SoCal Edison from providing up-front financing for network upgrades, an arrangement with which all parties to the Granite Wind LGIA agreed. For these reasons, we conclude that Solar Millennium's December 8, 2010 letter does not provide evidence of unduly discriminatory or anti-competitive conduct.

40. We also agree with SoCal Edison that there is no evidence presented on this record that SoCal Edison's agreement to provide up-front funding of network upgrades, subject to conditions, is violative of our standards of conduct. The M-S-R Parties provide no evidence of preferential exchange of information between SoCal Edison's transmission and marketing arms. Nor do we find evidence that this LGIA was negotiated in an inequitable manner. Granite Wind is an independent entity without corporate ties to SoCal Edison. Based on these facts, we are unable to conclude that any impropriety has occurred in the negotiation of this LGIA.

41. Finally, we conclude that our acceptance of the Granite Wind LGIA, subject to the outcome of Docket No. EL11-10-000, is consistent with similar orders in which we conditionally accepted interconnection agreements among SoCal Edison, CAISO, and interconnection customers, pursuant to which SoCal Edison agreed to provide up-front financing of network upgrades subject to it receiving abandoned plant recovery.²⁵

2. CAISO's Version of the Granite Wind LGIA

42. Consistent with the discussion in the prior section, we conditionally accept CAISO's version of the Granite Wind LGIA, which it filed to comply with the Commission's eTariff requirements but is identical to SoCal Edison's filing in all material respects. We note that CAISO's filing in Docket No. ER11-2369 is unprotested.

3. Motions to Consolidate

43. We deny the Motions to Consolidate, as well as Six Cities' motion. While we agree that there may be common issues of fact and law in the various proceedings for which movants seek consolidation, we conclude that administrative efficiency would not be served by consolidation. The various proceedings which are sought to be consolidated were submitted at differing times and are subject to review and decision based upon the Commission's conduct of our business. As a result, we are concerned that consolidation

²⁴ See, e.g., Conformed Fifth Replacement CAISO Tariff, Appendix U, § 3.4.

²⁵ See *Southern Cal. Edison Co.*, 132 FERC ¶ 61,150 at P 30; *Southern Cal. Edison Co.*, 133 FERC ¶ 61,200.

could unreasonably truncate and complicate the Commission's review of the interconnection agreements in other proceedings, as well as SoCal Edison's petition for declaratory order in Docket No. EL11-10-000. In addition, we find that the approach taken here, where we have conditionally accepted the Granite Wind LGIA subject to the outcome of Docket No. EL11-10-000, is reasonable. As discussed above, this approach is consistent with the approach we have taken in similar proceedings.²⁶ It is also consistent with Six Cities' request in its pleading that we condition acceptance of the Granite Wind LGIA on the outcome of Docket No. EL11-10-000.²⁷ Finally, we note that Commission precedent establishes that the Commission retains control over the scope of its proceedings.²⁸ For these reasons, we deny the Motions to Consolidate.

The Commission orders:

(A) SoCal Edison and CAISO's LGIA is conditionally accepted subject to the Commission decision in Docket No. EL11-10-000, effective November 24, 2010, as discussed in the body of this order.

(B) The motions to consolidate are denied, as discussed in the body of this order.

By the Commission.

(S E A L)

Nathaniel J. Davis, Sr.,
Deputy Secretary.

²⁶ See, e.g., *Southern Cal. Edison Co.*, 133 FERC ¶ 61,019 at P 31.

²⁷ See Six Cities' Protest and Motion to Consolidate at 4.

²⁸ See, e.g., *State of Cal. ex rel. Lockyer v. British Columbia Power Exchange Corp., et al.*, 125 FERC ¶ 61,016, at P 32 (2008).

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