

**UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION**

**California Independent System) Docket No. ER14-2063-000
Operator Corporation)**

**CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION'S
ANSWER TO LIMITED PROTEST**

The California Independent System Operator Corporation (“CAISO”) files this answer to the limited protest submitted by the Cities of Anaheim, Azusa, Banning, Colton, Pasadena, and Riverside, California (together, “Six Cities”) in response to the CAISO’s May 29, 2014, tariff amendment (“May 29 filing”).¹ In its limited protest, Six Cities argues that the CAISO’s proposal to include an annual opportunity for interconnection customers to downsize their project is incomplete because it does not specify that customers who fail to build the full capacity of their projects will forego reimbursement for network upgrades built and subsequently determined in the downsizing process to be unnecessary. The Commission should reject Six Cities’ protest. Six Cities misunderstands the scope of the downsizing study; the downsizing study will not examine the utilization of network upgrades that are already built and Six Cities acknowledges

¹ The CAISO files this answer pursuant to Rules 212 and 213 of the Commission’s Rules of Practice and Procedure, 18 C.F.R. §§ 385.212, 385.213. The CAISO requests waiver of Rule 213(a)(2), 18 C.F.R. § 385.213(a)(2), to permit it to make an answer to the limited protest. Good cause for this waiver exists here because the answer will aid the Commission in understanding the issues in the proceeding, provide additional information to assist the Commission in the decision-making process, and help to ensure a complete and accurate record in the case. See, e.g., *Equitrans, L.P.*, 134 FERC ¶ 61,250, at P 6 (2011); *California Independent System Operator Corp.*, 132 FERC ¶ 61,023, at P 16 (2010); *Xcel Energy Services, Inc.*, 124 FERC ¶ 61,011, at P 20 (2008).

that the scenario it posits – upgrades already built but not needed due to underbuilt capacity – would be unlikely to occur. Therefore, there is no compelling reason to require the CAISO to increase the costs and complexity of its study process in order to address this unlikely scenario. Because Six Cities fails to demonstrate that the CAISO’s proposal is in any way unjust and unreasonable, the Commission should adopt the CAISO’s proposal as filed.

I. Answer

Six Cities requests that the Commission direct the CAISO to make a further tariff change, to state that an interconnection customer that fails to build its project to its full megawatt capacity and does not qualify for the safe harbor set forth in the May 29 filing, must forego reimbursement for a pro rata share of the network upgrade costs associated with the project’s unbuilt megawatt capacity, if the results of the next annual downsizing process indicate that those upgrades were no longer needed either by that specific project or by other projects in the interconnection queue.² The Commission should reject Six Cities’ request.

Six Cities’ proposal is an alternative proposal to the CAISO’s, rather than a “further change” thereto.³ The proper legal standard to apply is whether the CAISO’s proposal – not any alternative proposal – is just and reasonable under section 205 of the Federal Power Act.⁴ The CAISO has demonstrated that its

² Six Cities at 4.

³ *Id.* at 3-4.

⁴ *Calpine Corp. v. California Independent System Operator Corp.*, 128 FERC ¶ 61,271, at P 41 (2009). See also *New England Power Co.*, 52 FERC ¶ 61,090, at 61,336 (1990), *aff’d*,

proposed tariff language is just and reasonable and responsive to stakeholder concerns.⁵ Six Cities fails to demonstrate that the CAISO's proposal is unjust and unreasonable without the modification that Six Cities urges.

First, Six Cities' argument appears to be based on the mistaken assumption that the annual downsizing process will examine the utilization of network upgrades that are already constructed and placed into service. It will not. The study of the impact of project downsizing will, per the CAISO's proposal, be performed as part of the CAISO's annual reassessment process. Because the primary purpose of the annual reassessment process is to account for the impact of changes in the interconnection queue (such as project withdrawals and downsizing) on existing plans of service, the reassessment only studies the continued need for network upgrades that have not yet been constructed. When upgrades are constructed and placed into service they become part of the existing transmission system. Moreover, during the development of the base case needed to perform the study, if construction activities on a network upgrade have commenced, then the study assumes that the network upgrade is in service. Accordingly, both upgrades in service and those under construction are included in the "baseline" for the reassessment. Attempting to study the utilization of transmission facilities already placed into

Town of Norwood v. FERC, 962 F.2d 20 (D.C. Cir. 1992) (rate design proposed need not be perfect, it merely needs to be just and reasonable), *citing Cities of Bethany, et al. v. FERC*, 727 F.2d 1131, 1136 (D.C. Cir. 1984) (utility needs to establish that its proposed rate design is reasonable, not that it is superior to all alternatives).

⁵ Transmittal letter for May 29 filing at 14-15 & n.31.

service would interject significant additional complexity into the reassessment process, and thereby increase the costs to customers of performing this study.

In addition, there is no compelling need to increase the scope and costs of the reassessment in this manner. Six Cities even acknowledges that a situation involving actual construction of unnecessary upgrades due to projects coming online with significantly less capacity than set forth in their interconnection agreements may be “atypical.”⁶ The CAISO agrees and anticipates that this situation would occur rarely, if ever. This is particularly true with respect to projects studied and planned under the current GIDAP interconnection procedures. Pursuant to the GIDAP, large-scale delivery network upgrades are determined based not on individual interconnection requests, but through the transmission planning process.⁷ Therefore, the utilization of such upgrades is not contingent on individual projects building their agreed-upon capacity. Moreover, with respect to reliability network upgrades, the GIDAP caps the reimbursement for such upgrades at \$60,000 per MW of project capacity.⁸ As a result, even if a reliability network upgrade constructed and placed into service turned out to be unnecessary, the reimbursement amount, and consequently the ratepayer impact thereof, would be limited.

⁶ Six Cities at 4.

⁷ See GIDAP section 6.3.2. Under GIDAP, interconnection customers can obtain access to the capacity made available by delivery upgrades through the transmission plan deliverability allocation process. Customers also have the option to separately fund delivery upgrades, but are not entitled to cash reimbursement for such upgrades. See GIDAP section 7.2.

⁸ See GIDAP section 14.3.2.1.

For these reasons, the Commission should not direct the CAISO to adopt Six Cities' alternative proposal.

II. Conclusion

For the foregoing reasons, the Commission should accept the CAISO's May 29 filing as submitted.

Respectfully submitted,

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Dated: July 3, 2014

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 above-referenced 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 Washington, DC this 3rd day of July, 2014.

/s/ Bradley R. Miliauskas
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