

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

Pacific Gas and Electric Company)

Docket No. EL16-47-000

**REQUEST FOR REHEARING OF
THE CALIFORNIA INDEPENDENT SYSTEM OPERATOR**

The California Independent System Operator Corporation (“CAISO”) respectfully submits this request for rehearing of the Commission’s August 24, 2017 order in this proceeding.¹ In the August 24 Order, the Commission rejected in part a petition for declaratory order filed by Pacific Gas and Electric Company (“PG&E”) seeking certain transmission rate incentives for eight electric transmission projects approved by the CAISO in its transmission planning process. The incentives requested by PG&E include recovery of 100 percent of prudently incurred costs for any of the eight projects that may be abandoned or canceled, in whole or in part, for reasons beyond PG&E’s control. In the August 24 Order, the Commission approved recovery of abandonment costs for three projects, but denied it for the other projects. The CAISO submits that the Commission erred in so limiting PG&E’s requested recovery of abandoned plant costs.

¹ *Pac. Gas & Elec. Co.*, 160 FERC ¶ 61,018 (2017) (“August 24 Order”). The CAISO submits this request pursuant to Section 313(a) of the Federal Power Act, 16 U.S.C. § 825(a) and Rule 713 of the Commission’s Rules of Practice and Procedure, 18 C.F.R. § 385.713.

I. Background

PG&E's filing sought authorization for certain transmission rate incentives for eight transmission projects² pursuant to Order No. 679,³ including 100 percent recovery of abandoned plant costs. The CAISO determined the need for all of these projects through its annual transmission planning process. Through that process, the CAISO identifies projects to address reliability needs, economically driven needs, and policy driven needs. The CAISO approved these specific projects to meet identified reliability needs on the CAISO system.⁴

The CAISO selected PG&E to develop the Wheeler Ridge Substation and Spring Substation projects pursuant to its Order No. 1000 competitive solicitation process. Although the CAISO selected another project sponsor for the Estrella project, PG&E was responsible for certain elements of the overall project as the incumbent utility. Of the remaining five projects addressed in PG&E's petition, the CAISO approved four others prior to implementing the Commission's Order

² October 24 Order at P 2. The eight projects are (1) Wheeler Ridge Substation Junction 230 kV Substation (Wheeler Ridge Substation); (2) Northern Fresno 115 kV Reinforcement (Northern Fresno Reinforcement); (3) Midway-Andrew 230 kV Project (Midway-Andrew Project); (4) Estrella 230/70 kV Substation (Estrella Substation); (5) Lockeford-Lodi Area 230 kV Development (Lockeford-Lodi); (6) Martin Bus 230 kV Bus Extension (Martin Extension); (7) Oro Loma 70 kV Reinforcement (Oro Loma Reinforcement); and (8) Spring 230 kV Substation (Spring Substation).

³ *Promoting Transmission Investment through Pricing Reform*, Order No. 679, FERC Stats. & Regs. ¶ 31,222, *order on reh'g*, Order No. 679-A, FERC Stats. & Regs. ¶ 31,236 (2006), *order on reh'g*, 119 FERC ¶ 61,062 (2007).

⁴ See Comments of California Independent System Operator Corp., filed April 11, 2016, in Docket No. EL-16-47.

No. 1000 competitive solicitation process, and the fifth, Martin Extension, was ineligible for competitive solicitation.⁵

The Commission authorized recovery of prudently incurred costs associated with the abandonment of Wheeler Ridge Substation, Northern Fresno Reinforcement, and Midway-Andrew Project.⁶ The August 24 Order limited 100 percent abandoned plant cost recovery to costs expended after the date of that order.⁷ The Commission denied PG&E's request for the 100 percent recovery of abandoned plant cost for the remaining projects on the basis that PG&E had not demonstrated that the risks and challenges presented by the projects were sufficient to satisfy the Order No. 679 nexus test.⁸

II. Statement of Issues and Specification of Error⁹

The issue is whether the Commission erred in denying abandoned plant recovery for five of PG&E's projects. The Commission erred —

1. by discounting the risks and challenges imposed by projects where the decision to abandon the project is under the control of another

⁵ August 24 Order at P 2. The CAISO implemented a competitive solicitation process prior to Order No. 1000, but reliability projects were not eligible for competition under the pre-Order No. 1000 process.

⁶ *Id.* at P 58.

⁷ *Id.* at P 63.

⁸ *Id.* at P 58

⁹ The CAISO understands PG&E will be seeking rehearing of the Commission denial, based on Commission policy, of 100% abandoned cost recovery prior to the August 24 Order. The Commission should not interpret the CAISO's failure to seek rehearing on this issue as agreement with the Commission's statement of policy in the August 24 Order.

entity, such as an independent transmission operator or regional transmission organization; and

2. denying the 100 percent abandoned plant recovery incentive for PG&E's portion of the Estrella project while approving this incentive when requested by NextEra Energy Transmission West, LLC ("NEET West") for its portion of the same project.

III. Request for Rehearing

A. The Commission Erred by Discounting the Risks and Challenges Imposed by Projects Where the Decision to Abandon the Project is Under the Control of Another Entity.

The CAISO believes that authorization of a rate incentive permitting 100 percent abandoned plant recovery is appropriate when a facility has been initially proposed and approved through a process involving stakeholder input, such as the CAISO's transmission planning process, and the subsequent decision to abandon the project is under the control of another entity.

Under the CAISO tariff, project sponsors such as PG&E are obligated to make a good faith effort to obtain all approvals and property rights for needed transmission projects approved in the annual transmission plan for which they are responsible and to construct the project.¹⁰ It is particularly important that project sponsors proceed with reliability projects in a diligent and timely manner so the CAISO does not face potential reliability criteria violations. In addition, risks and challenges associated with transmission projects can be heightened when an independent system operator or regional transmission organization is

¹⁰ CAISO tariff section 24.6.

the decision maker regarding modifications to the project or its schedule and abandonment of the project. For example, in recent transmission planning cycles the CAISO has cancelled certain PG&E transmission projects, including some smaller scale projects, the CAISO had approved in previous transmission plans, and the CAISO is currently assessing whether to cancel additional previously approved projects. The risk of abandonment is not hypothetical.

The availability of abandoned plant recovery is an important incentive for potential project sponsors to participate in competitive solicitations for proposals to meet reliability and other needs identified in the CAISO's annual transmission planning process. It provides an important level of certainty to developers who are bidding on projects. The Commission's order, however, creates potential uncertainty for developers who are considering whether to participate in a competitive solicitation and how to frame their bids. In that regard, the Commission granted the abandoned plant incentive for the new Wheeler Ridge sub-station that the CAISO approved through its competitive solicitation process but denied abandoned plant authority for the new Spring sub-station that also was approved through the competitive solicitation process. Both sub-stations were new greenfield projects, and both projects were needed to meet reliability needs identified by the CAISO.

B. The Commission Erred by Denying 100% Abandoned Plant Recovery for the Estrella Substation While Allowing Such Recovery to NEET West.

The CAISO approved the Estrella Substation project in its 2013-2014 transmission plan and selected NEET West as the project sponsor to construct the competitive portion of the project in the competitive solicitation process. The

CAISO determined that PG&E was responsible for the other part of the integrated project; which involved related work, including transmission line, bus, and termination equipment work that were not subject to competitive solicitation. Both the NEET West and PG&E work were components of a single, integrated project.

In denying the 100 percent abandoned plant cost recovery incentive for PG&E's portion of the Estrella Substation project, the Commission stated that the land is owned by NEET West and that PG&E's-related work, which involved lower voltage transmission upgrades and limited 230 kV line work, presents only limited risks or challenges associated with land acquisition because NEET West and PG&E have a reason to reach agreement. It also found the need for federal and state permits to be speculative at this stage dependent on the final siting decision.¹¹

The CAISO understands that PG&E may be challenging some of the Commission's factual findings with regard to the Estrella project, but regardless of the accuracy of those findings, the CAISO believes it is an error to approve the 100 percent abandoned plant cost recovery incentive for NEET West and not for PG&E. The two portions of this project are interdependent and part of a single, integrated project. If the NEET West portion is abandoned, then there will be no need for the PG&E work. PG&E therefore bears comparable risks to NEET West with respect to this project, and differential treatment is unwarranted.

¹¹ *Id.* at P 65.

The CAISO respectfully submits that the abandoned plant recovery incentive should be available to all developers of a project selected through the CAISO planning process that are eligible for such incentives. In particular, if the Commission grants the abandoned plant incentive to the project sponsor of one part of an integrated transmission project, it should also grant the incentive to the project sponsor of the other part.

IV. Conclusion

For the reasons discussed herein, the CAISO respectfully requests that the Commission grant rehearing of the August 24 Order as discussed above.

Respectfully submitted,

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Dated: September 25, 2017

CERTIFICATE OF SERVICE

I hereby certify that I have served the foregoing document upon the parties listed on the official service list in 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).

Signed in Folsom, CA, this 25th day of September, 2017.

Is/ Anna Pascuzzo

Anna Pascuzzo