137 FERC ¶ 61,055
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

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

Southern California Edison Company	Docket Nos. ER11-4358-000
California Independent System Operator Corporation	ER11-4512-000

ORDER ACCEPTING NON-CONFORMING LARGE
GENERATOR INTERCONNECTION AGREEMENT

(Issued October 20, 2011)

1. On August 24, 2011, Southern California Edison Company (SoCal Edison) filed under its transmission tariff, a non-conforming Large Generator Interconnection Agreement (LGIA) among itself, NextEra Desert Center Blythe, LLC (NextEra), and the California Independent System Operator Corporation (CAISO). CAISO also filed the identical LGIA, as a non-conforming service agreement under its tariff in Docket No. ER11-4512-000. In this order, we accept the LGIA under both SoCal Edison and CAISO's tariffs, effective August 25, 2011.

I. The SoCal Edison and CAISO Filings

2. NextEra applied to CAISO to interconnect its proposed 500 MW solar generating facility ("Genesis McCoy Solar Project") to SoCal Edison's planned Colorado River Substation expansion. The Genesis McCoy Solar Project will consist of the Genesis Station, a 250 MW solar thermal generating facility, and separately, the McCoy Station, a 250 MW photovoltaic generating facility. According to SoCal Edison, studies were performed which identified the system modifications and/or additions to SoCal Edison's electrical system that are necessary to interconnect the Genesis McCoy Solar Project. While NextEra has elected for the Genesis McCoy Solar Project to have full capacity deliverability status, construction of the transmission facilities necessary to provide full deliverability will not be completed until 2017. In light of that fact, the parties have agreed to permit NextEra to construct the four generating units in two sequences to match the construction of the transmission upgrades necessary for each unit.

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 NextEra will pay for, interconnection service. SoCal Edison states that Appendix A of the LGIA identifies the interconnection facilities and network upgrades at issue.

4. SoCal Edison and CAISO state that the LGIA varies from CAISO's *pro forma* LGIA in two significant respects, relating to upfront financing of certain network upgrades and a partial termination provision. Regarding upfront financing, SoCal Edison states that it has committed to upfront finance reliability network upgrades and delivery network upgrades contingent upon NextEra's continued achievement of milestones, contained in Appendix A to the LGIA, which relate to the development of the Genesis McCoy Solar Project.[1]

5. SoCal Edison and CAISO state that SoCal Edison is extending upfront financing for network upgrades that have already received Commission approval for abandoned plant recovery.[2] Regarding the terms relating to abandoned plant approval, SoCal Edison states that the LGIA maintains language from CAISO's *pro forma* LGIA stating that an interconnection customer may face termination charges related to distribution upgrades. However, SoCal Edison states that, consistent with the *BrightSource* order,[3] the Genesis McCoy Solar Project LGIA contains additional language in Article 2.4 to specify that NextEra will not face termination charges related to any network upgrades for which SoCal Edison has abandoned plant approval from the Commission.

6. CAISO and SoCal Edison state that the second non-conforming provision included in the LGIA is the ability of NextEra to partially terminate the LGIA. SoCal Edison and CAISO explain that the LGIA is the third non-conforming LGIA filed by CAISO and SoCal Edison for generating facilities in SoCal Edison's Eastern service territory that includes partial termination provisions because the network upgrades include the "West of Devers" upgrades that will not be completed until 2017.[4] CAISO explains that, under its existing *pro forma* LGIA, a failure to complete any portion of the project results in the customer's default of the LGIA, along with the forfeiture of some or all of the interconnection financial security posted by the customer and potential termination of the entire LGIA with loss of interconnection service for the entire project. In this LGIA,

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[1] Genesis McCoy Solar Project LGIA, app. A, § 14(d).

[2] *Southern Cal. Edison Co.*, 134 FERC ¶ 61,181, at P 79, 99 (2011).

[3] *Southern Cal. Edison Co.*, 132 FERC ¶ 61,150 (2010) (*BrightSource*).

[4] SoCal Edison August 24, 2011 Filing at 6 n.6, citing *Southern Cal. Edison Co.*, 134 FERC ¶ 61,087 (2011) (Blythe Solar); *Southern Cal. Edison Co.*, 134 FERC ¶ 61,108 (2011) (Palen Solar).

however, SoCal Edison incorporates a partial termination provision in Article 2 that permits NextEra to terminate the LGIA solely related to the generating unit(s) that cannot achieve commercial operation, with the LGIA continuing to remain in force for the remaining units. SoCal Edison and CAISO explain that Article 2.4.4 provides that NextEra would pay a partial termination charge to exercise this option, and the charge would be allocated to CAISO's transmission ratepayers through a credit against SoCal Edison's transmission revenue rate requirement.[5]

7. CAISO and SoCal Edison submits that these non-conforming provisions are necessary due to the unique circumstances surrounding the interconnection, including a proposed commercial operating date of 2013 for the generating facilities, a corresponding 2013 completion date for the first phase of transmission upgrades, but an estimated completion date of 2017 for the second and final phase of transmission upgrades. SoCal Edison also asserts that the partial termination provisions are reasonable insofar as they provide protection to ratepayers so that transmission is not being developed if the generation is not being constructed, thereby preventing stranded investment.

8. SoCal Edison also states that NextEra will be responsible for the interconnection facilities payment. According to SoCal Edison, this payment compensates SoCal Edison for the capitalized costs associated with the engineering, design, procurement, construction and installation of the NextEra interconnection facilities, including any non-capitalized costs associated with the facilities. SoCal Edison estimates the interconnection facilities payment to be $3,394,000 for the first sequence. According to SoCal Edison, after the completion of the interconnection facilities, NextEra will pay SoCal Edison a monthly interconnection facilities charge of $12,897.20 per month to recover the on-going revenue requirements for those facilities.[6] SoCal Edison has provided a table showing the estimated revenues it will collect under the LGIA during the first 12 billing months.[7]

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[5] SoCal Edison and CAISO state that the partial termination charge is equal to ten percent of NextEra's share of the cost of network upgrades as calculated by CAISO's cluster LGIA. This value is then multiplied by the ratio of terminated generating capacity to the total generating capacity of the entire facility as originally intended. The product of these two values equals the partial termination charge.

[6] The interconnection facilities charge is a product of the customer-financed monthly rate and the interconnection facilities cost (0.38% x $3,394,000). The customer-financed monthly rate is the rate most recently adopted by the California Public Utilities Commission for application to SoCal Edison's retail electric customers for customer-financed added facilities.

[7] *See* SoCal Edison August 24, 2011 Filing, app. A.

9. SoCal Edison and CAISO request waiver of the 60-day prior notice requirement[8] so that the LGIA can become effective August 25, 2011, which is one day after the date of the SoCal Edison filings. SoCal Edison states that the waiver would be consistent with the Commission's policy set forth in *Central Hudson Gas & Electric Corporation*.[9] 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 Genesis McCoy Solar Project to the CAISO-controlled grid by NextEra's requested date, thus facilitating the availability of renewable power to California customers.[10]

10. 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 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 in Docket ER11-4358-000. CAISO requests that the LGIA be accepted as a Non-Conforming Service Agreement No. 2220 under its Open Access Transmission Tariff, effective August 25, 2011.

II. Notices of Filings

11. Notice of SoCal Edison's filing was published in the *Federal Register*, 76 Fed. Reg. 54,754 (2011), with interventions and protests due on or before September 14, 2011. NextEra Energy Resources, LLC (NextEra Energy) filed a timely motion to intervene and comments supporting the LGIA.

12. Notice of the CAISO's filing in Docket No. ER11-4512-000 was published in the *Federal Register*, 76 Fed. Reg. 58,491 (2011), with interventions and protests due on or before October 4, 2011. None were filed.

III. Discussion

A. Procedural Matters

13. Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.214 (2011), NextEra Energy's timely, unopposed motion to intervene serves to make it a party to this proceeding.

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[8] 16 U.S.C. § 824d(d) (2006); 18 C.F.R. § 35.3 (2011).

[9] 60 FERC ¶ 61,106, *reh'g denied*, 61 FERC ¶ 61,089 (1992).

[10] *See* 18 C.F.R. § 35.5 and § 35.13 (2011).

B. Substantive Matters

14. As discussed below, we will accept the non-conforming Genesis McCoy Solar Project LGIA. We will also grant the requested waivers of the 60-day notice requirement for good cause shown.[11] We agree with SoCal Edison that good cause exists because granting the waiver will enable it to commence engineering, design and procurement of the facilities necessary to connect the project to the CAISO-controlled grid by NextEra's requested in-service date.

15. In the *Blythe Solar* and *Palen Solar* orders, the Commission accepted similar upfront financing and partial termination provisions in LGIAs among CAISO, SoCal Edison, and interconnecting generators.[12] As we previously explained, both Order No. 2003 and CAISO's *pro forma* LGIA contemplate that Transmission Owners may choose to upfront fund network upgrades associated with an interconnection customer's project.[13] Further, the Commission recently approved SoCal Edison's application for abandoned plant recovery for transmission projects, including upgrades required for this LGIA.[14] The Commission considered SoCal Edison's upfront financing of certain transmission projects, and determined that the abandoned plant incentive would encourage completion of the transmission projects and ameliorate the risk of regulatory and development uncertainty to SoCal Edison.[15] Here the Commission re-affirms as just and reasonable SoCal Edison's decision to provide upfront financing of network upgrades in the Genesis McCoy Solar Project LGIA.

16. Regarding the partial termination provision, the Commission again finds that both parties face risks due to the protracted time period that will elapse before completion of all the transmission upgrades necessary to achieve full capacity deliverability status. The timing of the upgrades, combined with the termination provisions of CAISO's *pro forma*

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[11] *See Central Hudson Gas & Electric Corp*., 60 FERC ¶ 61,106, at 61,338-39, *order on reh'g*, 61 FERC ¶ 61,089 (1992); *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).

[12] *Blythe Solar*, 134 FERC ¶ 61,087, at P 45-51; *Palen Solar*, 134 FERC ¶ 61,108, at P 46, 51.

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

[14] *Southern Cal. Edison Co.*, 123 FERC ¶ 61,181, at P 98-102 (2011).

[15] *Id.* P 100.

LGIA, creates risk for developing the different phases of the Genesis McCoy Solar Project, and the Commission agrees that the non-conforming partial termination provision is reasonable in light of this risk. The Commission also finds that the partial termination charge is reasonable because it would help to mitigate any stranded costs to SoCal Edison caused by unused network upgrades.

17. Consistent with the discussion above, we accept CAISO's version of the Genesis McCoy Solar Project LGIA, which it filed to comply with the Commission's eTariff requirements but is identical to SoCal Edison's filing in all material respects.

The Commission orders:

SoCal Edison and CAISO's Genesis McCoy Solar Project LGIA is accepted, effective August 25, 2011, as discussed in the body of this order.

By the Commission. Commissioner Spitzer is not participating.

(S E A L)

Kimberly D. Bose,
Secretary.

Document Content(s)