FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, DC 20426

In Reply Refer To:
California Independent System
Operator Corporation
Docket Nos. ER12-1312-000
ER12-1305-000
Southern California Edison
Company
Docket No. ER12-1302-000
May 10, 2012

California Independent System Operator Corporation
Attention: Baldassaro Di Capo
250 Outcropping Way
Folsom, CA 95630

Southern California Edison Company
Attention: James A. Cuillier
Post Office Box 800
2244 Walnut Grove Avenue
Rosemead, California 91770

Dear Sirs:

On March 21, 2012, California Independent System Operator Corporation (CAISO) submitted for filing with the Commission, in Docket No. ER12-1312-000, a proposed notice of termination canceling the Large Generator Interconnection Agreement (LGIA) among the Nevada Hydro Company, Inc. (Nevada Hydro), San Diego Gas & Electric Company (SDG&E) and CAISO. The LGIA sets forth the contractual rights and obligations of Nevada Hydro, SDG&E, and CAISO regarding the interconnection of Nevada Hydro's planned Lake Elsinore Advanced Pumped Storage (LEAPS) project to transmission facilities owned by SDG&E and operated by CAISO. CAISO requests that the termination become effective on November 7, 2011.

According to CAISO, Nevada Hydro breached the terms of the LGIA by failing to meet the milestone dates set forth in Appendix B of the LGIA and has failed to cure the breach. Because Nevada Hydro is in default of its obligations under the LGIA, CAISO contends that it is authorized to terminate the LGIA, subject to the Commission's acceptance of the notice of termination.

CAISO further asserts that Nevada Hydro has not yet obtained the permits necessary for the LEAPS project to be constructed, and it will be required to restart the license application process and receive the required environmental documents before construction of the LEAPS project and related interconnection facilities can begin. According to CAISO, this will only serve to delay the project's In-Service Date and Commercial Operation Date even more.

On March 21, 2012, CAISO also submitted for filing, in Docket No. ER12-1305-000, an unexecuted LGIA among Nevada Hydro, Southern California Edison Company (SoCal Edison) and CAISO. Also on March 21, 2012, SoCal Edison separately filed the identical LGIA, in Docket No. ER12-1302-000, under its own tariff. The unexecuted LGIA sets forth the contractual rights and obligations of Nevada Hydro, SoCal Edison and CAISO regarding the interconnection of the proposed LEAPS project to transmission facilities owned by SoCal Edison and operated by CAISO. CAISO requests that the unexecuted LGIA become effective on May 21, 2012.

Please be advised that additional information is needed for the Commission to process these filings.

First, with respect to the proposed notice of termination in Docket No. ER12-1312-000, the Commission stated in *Midwest Independent Transmission System Operator, Inc.*, issued October 4, 2011, that "Commission precedent supports acceptance of a notice of termination if the applicant demonstrates that the proposed termination is not unjust, unreasonable, unduly discriminatory or preferential, or if it is consistent with the public interest. When considering whether to extend milestones or to grant or extend a suspension, the Commission takes into account many factors, including whether the extension would harm generators lower in the interconnection queue and any uncertainty that speculative projects may present to other projects in the queue."[1] Accordingly, CAISO is directed to file a response to the following questions and provide to the Commission the information requested below:

1. Are there any Interconnection Customers in the interconnection queue that will experience higher costs if the Interconnection Agreement with Nevada Hydro is not terminated (i.e., milestones are extended)? If so, why will the costs increase, what is the estimated cost for each customer, and what remedy could be imposed to protect interconnection customers in the interconnection queue?

---

[1] 137 FERC ¶ 61,008 at P 25. See also *Midwest Indep. Transmission Sys. Operator, Inc.*, 130 FERC ¶ 61,124 (2010) at P 25; *Midwest Indep. Transmission Sys. Operator, Inc.*, 130 FERC ¶ 61,172 (2010) at P 13; *Illinois Power Company,* 120 FERC ¶ 61,237 (2007) at P 17; and *Southern Montana,* 113 FERC ¶ 61,023 (2005) at P 24.

2. Are there any Interconnection Customers in the interconnection queue that will experience lower costs if the Interconnection Agreement with Nevada Hydro is not terminated? If so, why will the costs decrease and what is the estimated cost savings for each customer?

3. Are there any Interconnection Customers in the interconnection queue that will experience adverse non-cost impacts if the Interconnection Agreement with Nevada Hydro is not terminated? If so, describe the impacts and explain why they occur.

4. Please explain any safety and reliability concerns related to Nevada Hydro's request to extend the Commercial Operation Date for the LEAPS project under the current LGIA. Please provide a detailed list of what costs, if any, Nevada Hydro may be required to pay to ensure the safety and reliability of the transmission system if its obligations under the LGIA are extended.

With regard to the proposed LGIA filed by CAISO and SoCal Edison in Docket Nos. ER12-1305-000 and ER12-1302, respectively, CAISO and/or SoCal Edison are directed to file a response to the following questions and provide the information requested below:

1. If the Commission rejects CAISO's proposed notice of termination in Docket No. ER12-1312, how will this affect the proposed LGIA?

2. What is CAISO's rationale for treating the proposed LGIA as a stand-alone interconnection agreement with SoCal Edison when the existing LGIA among Nevada Hydro, SDG&E and CAISO is a part of the overall interconnection request?

3. Did Nevada Hydro submit one interconnection request and one interconnection request deposit to CAISO for the interconnection of LEAPS?

4. Was a single scoping meeting held with Nevada Hydro, CAISO, SoCal Edison and SDG&E or were there separate scoping meetings with SDG&E and SoCal Edison? If the latter, please explain why.

5. What assumptions were included in the interconnection feasibility study agreement with regard to the point(s) of interconnection of LEAPS? What assumptions were made regarding the point(s) of interconnection of LEAPS in the interconnection system impact study?

6. With regard to the point(s) of interconnection of LEAPS, were different assumptions made by SDG&E and SoCal Edison in conducting interconnection feasibility and system impact studies? If so, was this at the direction of CAISO? Please explain.

7. Are the interconnection studies conducted by SoCal Edison consistent with the direction provided by CAISO to SoCal Edison with regard to study plans and assumptions?

8. On page 5 of the transmittal letter in Docket No. ER12-1302-000, you state that "a table showing the estimated revenues SCE will collect under the LGIA during the first twelve months is provided in Attachment A to this filing letter." However, we note that Attachment A was not included with your submittal. Therefore, please provide the estimated 12 month revenues in your response.

The information requested in this letter will constitute an amendment to CAISO's and SoCal Edison's filings. A notice of the amendment will be issued upon receipt of the response.

This letter is issued pursuant to the authority delegated to the Director, Division of Electric Power Regulation – West, under 18 C.F.R. § 375.307 and is interlocutory. This letter is not subject to rehearing pursuant to 18 C.F.R. 385.713. The CAISO must file a response within 30 days of the date of this letter. An additional electronic copy of the response should be emailed to Brian Dunn at brian.dunn@ferc.gov.

Failure to respond to this order within the time period specified may result in a further order rejecting the filing. Pending receipt of the above information, a filing date will not be assigned to the submittal.

Sincerely,

Steve Rodgers, Director
Division of Electric Power
Regulation - West

Document Content(s)