

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

Southern California Edison Company) Docket No. ER10-510-000

**MOTION FOR LEAVE TO RESPOND AND
RESPONSE OF
SOUTHERN CALIFORNIA EDISON COMPANY**

Rebecca Furman
Anna J. Valdborg
Southern California Edison Company
2244 Walnut Grove Avenue
Post Office Box 800
Rosemead, CA 91770

February 3, 2010

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Pursuant to Rule 213 of the Federal Energy Regulatory Commission's ("FERC" or "Commission") Rules of Practice and Procedure,¹ Southern California Edison Company ("SCE") hereby files this Motion for Leave to Respond and Response to the Motion to Intervene and Protest of Brea Power II, LLC filed in the above-referenced docket ("Brea Protest"). As explained in more detail below, Brea's primary objections to the various terms and provisions of the Brea Agreements² are grounded in its refusal to acknowledge that the terms and conditions of SCE's Wholesale Distribution Access Tariff ("WDAT"), including its *pro forma* Large Generator Interconnection Agreement ("WDAT LGIA"), constitute a filed rate that ensures non-discriminatory treatment of all generators that interconnect to the Distribution System of SCE. Brea's

¹ 18 C.F.R. §§ 385.212, .213(a) (2009).

² The agreements in question relate to the interconnection of the "Brea Power Project" and are the Brea Power II Large Generator Interconnection Agreement ("Brea LGIA"), Service Agreement for Wholesale Distribution Service ("Brea Service Agreement"), and Brea Power II Project Tie Line Facilities Agreement ("Brea Tie-Line Agreement") (collectively "the Brea Agreements"). The Brea Agreements were filed unexecuted by SCE in this docket on December 28, 2009.

other objections also lack merit. As such, the Brea Agreements should be approved in the form they had been submitted by SCE.

I. MOTION FOR LEAVE TO RESPOND

Although Commission Rule 213(a)(2) generally prohibits responses to protests, the Commission will waive this Rule and allow a response when it ensures a complete and accurate record in the case.³ The Commission also permits responses that assist the Commission in addressing the issues raised in the protests.⁴ SCE's Answer achieves all of these goals because it provides factual information and legal authority that refutes the allegations made in the Brea Protest – information that SCE believes will be useful to the Commission in addressing the merits of this case. As such, SCE requests that the Commission accept and consider SCE's Answer.

³ See, e.g., *Delmarva Power & Light Co.*, 93 FERC ¶ 61,098 at 61,259 (2000) (allowing answers to a protest in order to “insure a complete and accurate record”); *N. Natural Gas Co.*, 91 FERC ¶ 61,212 at 61,767 n.10 (2000) (allowing an answer to a protest “to achieve a complete and accurate record”).

⁴ See, e.g., *Carolina Power & Light Co.*, 93 FERC ¶ 61,032 at 61,068 (2000) (allowing an answer to a protest where the answer would assist in the Commission's “understanding and resolution of the issues raised”); *Int'l Transmission Co.*, 92 FERC ¶ 61,276 at 61,912-13 (2000) (accepting an answer to a protest where the answer assists in the Commission's “understanding and resolution of the issues in this proceeding”). See *Potomac-Appalachian Transmission Highline, LLC*, 122 FERC ¶ 61,188 at P 23 (2008) (“*PATH*”) (answer accepted because it assisted decision-making process); *S. Cal. Edison Co.*, 122 FERC ¶ 61,187 at P 19 (2008) (“*2008 CWIP Order*”) (answer assists decision-making process).

II. DISCUSSION

A. The Classification of Upgrades Is Governed by the WDAT

1. Introduction

The classification dispute between SCE and Brea boils down to a simple question: whether certain upgrades that are necessary to interconnect Brea to the SCE Distribution System are directly-assignable Distribution Upgrades, as SCE alleges, or whether they are Network Upgrades, as Brea claims. The answer to that question is readily ascertainable given the WDAT LGIA's definitions and the existing list of facilities which comprise the CAISO Controlled Grid ("CAISO Grid"). The Commission's approach to classifying facilities as Network Upgrades or Distribution Upgrades in the context of the WDAT is quite clear and is routinely applied on a non-discriminatory basis. And, cost responsibility follows such classifications. Brea believes that there is an assortment of policy reasons to ignore the WDAT LGIA, refusing to accept that SCE, as well as the Commission, is bound by a filed rate. SCE cannot choose to rewrite the WDAT LGIA, which has been applied to numerous wholesale generators, including those owned by SCE, in a non-discriminatory fashion. Nor is reclassification of the facilities comprising the SCE Transmission and Distribution Systems appropriate, as Brea has failed to provide any engineering analysis that would support such result.

2. The WDAT's FERC-Approved Classification Scheme

The SCE electric system, to the extent used by wholesale customers, already has been split in two – a Transmission System and a Distribution System.⁵ Those pieces are defined by the WDAT LGIA as follows:

Distribution System shall mean those non-ISO transmission and distribution facilities owned, controlled and operated by the Distribution Provider that are used to provide Distribution Service under the Tariff, which facilities and equipment are used to transmit electricity to ultimate usage points such as homes and industries directly from nearby generators or from interchanges with higher voltage transmission networks which transport bulk power over longer distances. The voltage levels at which distribution systems operate differ among areas.

Transmission System shall mean those transmission facilities owned by the Distribution Provider that have been placed under the ISO's Operational Control and are part of the ISO Grid.

This FERC-approved split makes determining whether existing facilities are part of the Transmission System or the Distribution System a very simple factual inquiry – are the facilities under CAISO Operational Control? A list of facilities turned over to the CAISO's control is found in an ISO Register on the CAISO website. Given the split, before an interconnection request is even acted upon, the CAISO and SCE each ensure that the correct entity – the Transmission Provider (CAISO) or Distribution Provider (SCE) has received and will process the request. The fact that Brea sought

⁵ The Commission frequently prefers the term “non-integrated transmission” to “distribution” when referring to facilities that are not integrated. But, given that the word Distribution is used through the WDAT and WDAT LGIA, SCE will follow its naming convention.

interconnection under the WDAT reflects the fact that was seeking to interconnect to SCE's Distribution System.

The WDAT LGIA also contains very important definitions used to classify upgrades:

Interconnection Facilities shall mean the Distribution Provider's Interconnection Facilities and the Interconnection Customer's Interconnection Facilities. Collectively, Interconnection Facilities include all facilities and equipment between the Generating Facility and the Point of Interconnection, including any modification, additions or upgrades that are necessary to physically and electrically interconnect the Generating Facility to the Distribution Provider's Distribution System. Interconnection Facilities are sole use facilities and shall not include Distribution Upgrades, Stand Alone Network Upgrades or Network Upgrades

Distribution Upgrades shall mean the additions, modifications, and upgrades to the Distribution Provider's Distribution System at or beyond the Point of Interconnection to facilitate interconnection of the Generating Facility and render the transmission service necessary to affect Interconnection Customer's wholesale sale of electricity in interstate commerce. Distribution Upgrades do not include Interconnection Facilities.

Network Upgrades shall mean Delivery Network Upgrades and Reliability Network Upgrades.

Reliability Network Upgrades shall mean the transmission facilities at or beyond the point where the Distribution Provider's Distribution System interconnects to the ISO Grid, necessary to interconnect a Large Generating Facility safely and reliably to the ISO Grid, which would not have been necessary but for the interconnection of the Large Generating Facility, including Network Upgrades necessary to remedy short circuit or stability problems resulting from the interconnection of the Large Generating Facility to the Distribution Provider's Distribution System. Reliability Network Upgrades also include, consistent with WECC

practice, the facilities necessary to mitigate any adverse impact the Large Generating Facility's interconnection may have on a transmission path's WECC rating.

Delivery Network Upgrades shall mean the transmission facilities at or beyond the point where the Distribution Provider's Distribution System interconnects to the ISO Grid, other than Reliability Network Upgrades, identified in the Interconnection Studies to relieve constraints on the ISO Grid.

In sum, for each interconnection of a generator to the SCE Distribution System, there are two key points, the Point of Interconnection ("POI") and the "the point where the Distribution Provider's Distribution System interconnects to the ISO Grid," which we will call the "T-D POI."

Brea claims that the upgrades at issue are at or beyond the POI and then argues that they are *therefore* Network Upgrades. Brea Protest at 5. Actually, their notion that Order No. 2003⁶ and its *pro forma* LGIA stand for the proposition that all upgrades located at or beyond the POI are Network Upgrades is erroneous. The text of FERC's *pro forma* LGIA confirms that *Distribution Upgrades*, as well as Network Upgrades, may be located "at or beyond the Point of Interconnection."⁷ A location at or beyond the POI is thus not the determining factor as to whether an upgrade is a

⁶ 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).

⁷ The *pro forma* LGIA states that "**Distribution Upgrades** shall mean the additions, modifications, and upgrades to the Transmission Provider's Distribution System at or beyond the Point of Interconnection to facilitate interconnection of the Generating Facility and render the transmission service necessary to effect Interconnection Customer's wholesale sale of electricity in interstate commerce. Distribution Upgrades do not include Interconnection Facilities."

Distribution Upgrade or Network Upgrade under Commission policy. The WDAT LGIA, which governs here, states that a Distribution Upgrade is at or beyond the POI.

What is most relevant, for evaluation of Brea's arguments, therefore, is how the WDAT LGIA defines *Network Upgrades*. . In order for an upgrade to be a Network Upgrade under the WDAT LGIA, it must be located "at or beyond the point where the Distribution Provider's Distribution System interconnects to the ISO Grid." That is, at or beyond the T-D POI. Thus, the only relevant issue, for purposes of classification and thus cost responsibility, is whether the Brea-related upgrades are "at or beyond the *T-D POI*," as *that* is the location where one finds Network Upgrades according to the filed rate. Brea's notion that the "at or beyond test" renders all upgrades at or beyond the POI to be Network Upgrades is also belied by dozens of accepted WDAT LGIA filings, including the ones cited by Brea in footnote 6 of its Protest, which LGIAs identify facilities at or beyond the POI, but not at or beyond the T-D POI, as Distribution Upgrades.⁸

3. The Upgrades in Dispute Here Are Not At or Beyond the T-D POI and Thus Their Costs May Be Directly Assigned Pursuant to the Terms of the WDAT LGIA

In order to accommodate the interconnection of the Brea Power Project, two existing 66 kV lines will be shifted over one breaker position each and some associated changes will be made to accommodate this shift. Also, one new circuit

⁸ Brea's argument that SCE treats its own generators more favorably is simply untrue. Given the language of the WDAT LGIA, SCE classifies upgrades for its own generators in the fashion
(Continued ...)

breaker must be installed in Position 3 and one circuit breaker must be upgraded at Position 5 to accommodate the Brea Power Project at the Brea 66 kV Substation. All this work will occur at the Brea 66 kV Substation, a Distribution System facility. The Brea 66 kV Substation is not under CAISO Operational Control as shown on Exhibit 1, which is a one-line diagram delineating CAISO Grid facilities (red) from SCE Distribution System facilities (black). The Brea 66 kV Substation is not even directly connected to any CAISO Grid facility.

The Brea 66 kV Substation is connected by 66 kV distribution lines to the Olinda 66kV - 220 kV Substation which is pictured in Exhibit 1 and is discussed below by referring to its two components -- the Olinda 66 kV Substation and Olinda 220 kV Substation. Two breakers at Position 15 at the Olinda 66 kV Substation (“Olinda P-15 Breakers”) must be upgraded to accommodate the Brea Power Project. The Olinda 66 kV Substation is also not under the CAISO’s Operational Control and is part of the Distribution System; it is thus colored black on Exhibit 1. The Olinda 66 kV Substation, like many other distribution level substations on the SCE system, is connected via a series of step-down transformers, which are under SCE control as they are also Distribution System facilities, to the Olinda 220 kV Substation. The Olinda 220 kV Substation is under CAISO Operational Control and thus is colored red on Exhibit 1. The Olinda P-15 Breakers are replacing two existing Distribution System circuit breakers that are not under the CAISO’s Operational Control. These Olinda P-15 Breakers (current

described above. Upgrades at or beyond the POI, but not at or beyond the T-D POI, are

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and new) do not connect directly to the Olinda 220 kV Substation or any other CAISO substation.

Applying the classification scheme in the FERC-approved WDAT LGIA is simple. Brea does not dispute the location of the POI, which is at the Brea 66 kV Substation. Brea does not recognize the relevance of the T-D POI, but that point is located on the Olinda 220 kV Substation bus (i.e., the red-colored line with Positions 1 through 8, noted near the very top of Exhibit 1). Very simply, none of the required upgrades meets the definition of Network Upgrades because none of them are “at or beyond the point where the Distribution Provider’s Distribution System interconnects to the [CA]ISO Grid,” the Olinda 220 kV Substation bus.

And, just as the WDAT LGIA governs the classifications of facilities, it also determines the cost responsibility for upgrades that are necessary to accommodate a new generator. Since Network Upgrades benefit all users of the CAISO Grid as a whole, the generator pays the up front costs of such Network Upgrades, but it is credited back these amounts. WDAT LGIA § 11.4.1. The costs of the Network Upgrades are ultimately passed on by SCE and the CAISO to the CAISO ratepayers. Distribution Upgrade costs are born by the Interconnection Customer under WDAT LGIA § 11.3. Likewise, Interconnection Facility costs are borne by the Interconnection Customer. WDAT LGIA §§ 11.1 and 11.2.

classified as Distribution Upgrades.

4. Brea's Arguments Are Irrelevant in Light of the Plain Language of the WDAT

Brea argues that SCE is somehow misleading the Commission into thinking that the facilities at issue in this case comprise part of its Distribution System when FERC itself has recognized that SCE “provides transmission service under its Wholesale Distribution Access Tariff.” Brea Protest at 5. While Wholesale Distribution service is a form of transmission service, that fact is irrelevant. It does not turn the facilities providing the Wholesale Distribution service into Transmission System facilities.

Brea notes that “the output of the Brea Power II Project will be scheduled for transmission on the CAISO-controlled grid.” Brea Protest at 5. Again, this point is of no import, as there is no Commission policy that exempts generators from the costs of Distribution Upgrades simply because they intend to sell power that contractually is delivered over the CAISO Grid. *All* WDAT-connected generators sell power that will reach the CAISO Grid. Indeed, the very definition of Distribution Upgrade assumes that such upgrades will “render the transmission service necessary to affect Interconnection Customer's wholesale sale of electricity in interstate commerce.” The legally relevant issue is the classification of the facilities that require the upgrade and their location in relation to the POI and T-D POI, not how the generator intends to sell its output. Under Brea's arguments, no WDAT-connected generator would ever be obligated to pay for any Distribution Upgrades. Certainly, such an outcome cannot be squared with the plain language of the WDAT LGIA, Commission precedent on Distribution Upgrades, or the

myriad WDAT interconnection agreements that FERC has accepted with directly assigned Distribution Upgrade costs.

Having admitted that the facilities being upgraded are not part of the CAISO Grid and are not directly connected to the CAISO Grid (“the upgrades at issue here must be classified as Network Upgrades, just as they would be *if Brea were connecting directly to the CAISO-controlled grid*, rather than SCE’s WDAT facilities”), Brea – on the same page – proceeds to argue that “the upgrades here will (i) be physically integrated into CAISO-controlled substation.” Brea Protest at 8. To say the least, this argument appears to be internally inconsistent. There will be no actual physical interconnection between the breakers at issue and the CAISO Grid.

5. The *Whitewater* Decision Does Not Support Brea’s Position

***a. Whitewater* Predated the WDAT LGIA**

Relying on the *Whitewater* case,⁹ Brea claims that an upgrade’s location on the Distribution System does not rule out the possibility that it is a Network Upgrade. Brea states “the issue of whether facilities qualify as integrated network facilities turns on whether the facilities provide benefits to the CAISO-controlled grid, not whether they are controlled by the CAISO.” Brea Protest at 6. Brea fails to understand that the *Whitewater* case was decided before the *pro forma* WDAT LGIA was accepted by FERC,¹⁰ and thus the definitions of Transmission System, Distribution System, Distribution Upgrades, and Network Upgrades that guide the result here were not in

⁹ *S. Cal. Edison Co.*, 117 FERC ¶ 61,103 (2006) (“*Whitewater*”).

place.¹¹ At the time of the *Whitewater* decision, FERC assumed that facilities at or beyond the POI *were* integrated transmission facilities, and the utility bore the burden of proving that they were not.

Now, by defining Distribution Upgrades to be upgrades located between the POI and T-D POI, and Network Upgrades to be at or beyond the T-D POI, the case-by-case analysis required by *Whitewater* is no longer needed. The WDAT LGIA put an end to the need to litigate whether upgrades are being made to facilities that function as part of the integrated transmission network or are to non-integrated transmission (i.e., distribution). The issue is the location of the T-D POI which is resolved by the WDAT LGIA and the ISO Register.

Moreover, the *Whitewater* decision addressed cost responsibility for a breaker that was “physically integrated into the transmission bus in the Devers Substation controlled by the CAISO,” and that would be placed under the CAISO Operational Control. Thus, the only issue that remained in dispute before the Commission was if the breaker could be classified as network transmission *before* the CAISO formally assumed Operational Control of the breaker. The Commission expressly noted that the breaker was “different” than the facilities that are “are physically separate from the CAISO grid and thus, were not available for use by the CAISO before CAISO got Operational

¹⁰ *Whitewater* at P 1 n.2.

¹¹ Notably, the proceedings in the *Whitewater* case began before the Commission finalized its new interconnection policies and rules. By the time the Commission issued its decision in the *Whitewater* case, SCE had already *conceded* that under the new rules, the breaker upgrades in

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Control over them.”¹² These breakers are physically separated from the CAISO Grid by intervening Distribution System facilities. The Commission itself, therefore, expressly distinguished the Brea situation from the situation present in *Whitewater*.

b. The LGIA Dockets Cited Confirm that Case-by-Case Analysis Is No Longer Required

Ever since the WDAT LGIA defined the Transmission and Distribution System, upgrades to those systems have been classified based on their location in relation to the Transmission and Distribution System. Cost responsibility is then dictated by the classification. In effect, the WDAT LGIA recognizes the fact that, through the TCA and ISO Register, the entire SCE system already has had an integration test applied to it and that there is no need to re-apply an integration test each time a facility on that system is added or replaced. Only a substantial change in system configuration, i.e., not the replacement or addition of breakers, would cause a need to revisit the existing classifications.

Brea erroneously claims that under a host of LGIAs “SCE has routinely classified associated upgrades as Network Upgrades.” Brea Protest at 6. Actually, all seven of the LGIAs listed in the Brea Protest footnote 6 had Distribution Upgrades whose costs were directly assigned to the customer (SCE). One such LGIA, had facilities classified as Network Upgrades and many of them also included references to certain

question qualified as transmission network upgrades. “SCE accepted the presiding judge’s finding that the [breaker in question] was a transmission upgrade.” *Id.*

¹² *Id.*

contingencies under which Network Upgrades also would be needed. But, the facilities that looked largely, if not completely, identical to the facilities here – new or replacement breakers in a 66 kV Distribution System substation – *all* were classified as Distribution Upgrades. Brea cannot point to one LGIA listed in its footnote where a 66 kV substation breaker was classified as a Network Upgrade.¹³

For example, in Docket No. ER09-1375, eight new breakers were needed in a 66 kV Substation and were classified as Distribution Upgrades. An even more apt comparison can be made to Docket No. ER07-1081. There, SCE had two adjoining substations at Mira Loma, one that is 66 kV and classified as a Distribution System facility and one that is 220 kV and classified as a Transmission System facility. The new generator caused the need to upgrade the breakers at Position 12 of the 66 kV Substation, which was right next to Position 11 of the 66 kV Substation. It was at Position 11 to which the 220-66 kV transformer was attached. Upgrades to the 66 kV Substation at Position 12 were thus classified as Distribution Upgrades, just like the Olinda breakers here, which neighbor the breaker position that connects directly to the CAISO Grid. *See also* Docket No. ER07-1084.

¹³ Brea also seems confused about upgrades to Mesa Substation. There are no upgrades required to that 220 kV Substation by the Brea LGIA, *unless* certain contingencies occur. Brea is not being assigned cost responsibility for those facilities at this time. Rather, if such contingencies occur, Brea would be asked to up front fund the cost of those upgrades to that 220 kV facility, but would receive credits back, because the upgrades would be classified as Network Upgrades.

6. The *Mansfield* Analysis Presented by Brea Is Erroneous

Brea argues that the *Mansfield* integration test supports classifying the breakers in dispute as integrated transmission. Even assuming that the *Mansfield* test is appropriately applied in this case – a case where all of the issues have been resolved by Commission approved tariffs and the filed rate doctrine – there is still no doubt that Brea cannot avoid its costs responsibilities. Brea argues that the five-factor *Mansfield* test compels a finding that the breakers at issue in this case are “Network Upgrades.” Brea Protest at 10. Before even applying the test, Brea makes its first error by claiming that meeting any one factor is sufficient. Brea Protest at 11. Brea is confusing the “any degree of integration test” applied to looped facilities with *Mansfield* which is applied to radial systems such as the radial 66 kV system that “drops down” from the Olinda 220 kV Substation.¹⁴

Radial. As for the first *Mansfield* factor, are the facilities radial, that factor is typically applied to lines, not circuit breakers. Nonetheless, Brea argues that the facilities “may, in fact, loop back into the transmission system.” Brea Protest at 12. The notion that circuit breakers themselves are “looped” defies basic principles of electrical engineering. In any case, not only are the circuit breakers in and of themselves not looped, the 66 kV lines that connect the circuit breakers plainly are not looped back to the 220 kV system. That is, power that enters the Olinda 220 kV Substation, is transformed

¹⁴ *Northeast Tex. Elec. Cooperative, Inc.* 111 FERC ¶ 61,189 at P 6 (2005) (holding that the purpose of the *Mansfield* test “is to determine whether *radial* lines exhibit any degree of integration”).

to 66 kV, enters the Olinda 66 kV Substation, and moves on through to the Brea 66 kV Substation does not loop back to the CAISO Grid to be stepped up to 220 kV.

Energy Flows. The second *Mansfield* factor focuses on whether the energy can flow in both directions on the facilities that are being upgraded. Brea alleges that power flows in both directions and that the WDAT LGIA itself makes clear that the upgrades may be used for wholesale transmission and retail distribution service. Brea appears to be confusing contractual flows with actual flows. Theoretically, if a radial distribution system interconnects both load and generation, such as the Brea Power Project, power could flow in either direction, if the load is at times lower than the output of the plant. Brea has not even proven that this is the case here by power flow studies. And, in any event, this possibility does not mean that this factor is met. As FERC explained in *Whitewater*, a radial line may operate “in a manner that carries separate power flows to separate substations and does not carry a single flow to and from the transmission system and the customer.”¹⁵

The third *Mansfield* factor looks at whether the transmission provider – in this case the CAISO – can use the facilities in question to provide transmission service “to itself or other transmission customers.” Brea argues that the upgrades “may be utilized to provide wholesale transmission service and retail distribution service.” Brea Protest at 12. But, the CAISO, the only entity that provides transmission service over SCE’s Transmission System, cannot provide any service – either to itself or to its

¹⁵ *Whitewater* at P 92.

customers – over the SCE Distribution System where the upgrades are located. The breakers and the substations in which they are located simply are not part of the Transmission System.

Benefits. The fourth *Mansfield* factor looks at “whether the facilities provide benefits to the transmission grid in terms of capability or reliability, and whether the facilities can be relied on for coordinated operations of the grid.” Brea claims that “Brea facilities will provide a new source of renewable energy to the CAISO-controlled grid, provide supply diversity” In other words, Brea argues that because it intends to sell “green” or “renewable” power to the grid, it does not need to pay for the upgrades to the facilities needed to accommodate the Brea generator.¹⁶ These arguments are not relevant as the test is whether the CAISO can use the facilities to transfer additional power or operate more reliably. Moreover the argument can just as well be made by any generator interconnecting to SCE’s Distribution System with the intent to sell renewable energy, and there have been dozens, if not hundreds in the last few decades. There is no exemption for “green” power under the *Mansfield* integration test adopted by the Commission. As such, much as SCE supports renewable energy, SCE is not in a position to violate Commission policy and afford Brea any preferential treatment for its generator. Brea also argues that the upgrades will provide a benefit to the grid because they “continuously convey transmission energy under normal circumstances” and “provide

¹⁶ “Brea facilities will provide a new source of renewable energy to the CAISO-controlled grid, provide supply diversity, increase reliability, foster a more competitive market, add additional
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reliability to the transmission grid.” Such statements are meaningless rhetoric; all distribution facilities convey energy and there is no support for the claim that the CAISO Grid is made more reliable as a result of the facilities at issue.

Outages. The final Mansfield factor addresses whether an outage would affect the transmission system (i.e., the CAISO Grid). Brea argues that the breaker upgrades meet the “integration test” because the Brea generator will have a protection system that will take the generator off-line to prevent “thermal overloads and unstable conditions resulting from outages” Brea Protest at 8-9. The protection scheme will prevent overloads and unstable conditions on the Distribution System. In any case, the issue is whether an outage of the *breakers* would impact the CAISO Grid. No evidence has been provided that such is the case.

In sum, all of Brea’s arguments lack merit, and, as such, the Commission should assign the cost responsibility for breaker upgrades to Brea and accept the LGIA filed by SCE.

B. Brea Cannot Avoid Its Actual Cost Responsibilities for the Tie-Line by Relying on Preliminary Cost Estimates

Brea also takes issue with Tie-Line Facilities charge.¹⁷ Through the course of processing Brea’s Interconnection Request for the Brea Power Project, SCE produced

energy supplies, reduce the need for imports and associated congestion, and facilitate compliance with renewable portfolio standards.” Brea Protest at 11.

¹⁷ Brea Protest at 13. While Brea claims that SCE’s Tie-Line Facilities Charge, a defined term under the Tie-Line Agreement, is unjust, unreasonable, and unsupported, it is clear from Brea’s protest that it is the estimated cost of the Tie-Line that Brea protests and not the proposed monthly charge under the Tie-Line Agreement.

estimates of the cost of the Tie-Line in the Interconnection System Impact Study, the Interconnection Facilities Study, and most recently in accordance with the terms and conditions of a letter agreement between SCE and Brea which was filed with the Commission and designated as Service Agreement No. 214 under the WDAT. Brea's only apparent issue is that SCE's latest estimate reflected in the Tie-Line Agreement exceeds SCE's preliminary cost estimates provided in the interconnection study reports.

Generally, the cost estimate prepared as part of the Interconnection System Impact Study is a preliminary "desk-top study" and a cost evaluation based on the cost of similar facilities installed elsewhere on SCE's electric system. Estimates at this point in the interconnection process will be less detailed and less accurate than later cost estimates that are developed after the method of service has been finalized, and the generator has finalized its proposed facilities and interconnection plans. For example, in this case, at the time SCE commenced its System Impact Study for Brea, it was not clear if the Tie-Line would be required, by the municipal authorities in the City of Brea, to be constructed underground, but Brea made it clear that they preferred the Tie-Line to be constructed above ground to save costs. SCE researched the issue, and found that SCE had the right to build distribution facilities, in the City of Brea, above ground. Although Brea had been informing SCE that the tie-line may be required to be constructed underground, by the City of Brea, the issue was not clear to SCE until a meeting was held with Brea, SCE, and the City of Brea officials in January of 2009. At that meeting it became clear that the above-ground approach was not feasible despite SCE's rights and despite Brea's preferences. Following the January 2009 meeting (which occurred after

the “desk-top” Interconnection System Impact Study had been completed), SCE prepared a more detailed cost estimate pursuant to the terms of WDAT Service Agreement No. 214 and provided it to Brea on August 28, 2009.

Brea has advocated that the Tie-Line Facilities charge must be summarily rejected and that SCE should be required to negotiate a just and reasonable Tie-Line Facilities charge that is consistent with the prior estimate. Brea Protest at 13. The entire argument about these estimates is somewhat beside the point however. Commission precedent allows utilities to estimate the cost of direct-assignment facilities which are then trued-up to reflect the actual, prudently-incurred costs.¹⁸ Brea is obligated to pay the actual recorded costs of construction, regardless of the magnitude of any of the SCE estimates. SCE will not have the actual recorded costs for the Tie-Line until the construction of the facilities has been completed and all of the costs associated with the facilities have been accurately calculated. As such, the Tie-Line estimate does not represent a legitimate issue of factual dispute among the parties.

C. Brea Is Obligated to Pay the Cost of the New Poles Required to Support the Tie-Line

Brea argues that it should be exempt from paying for the costs of replacement poles required for the Tie-Line. Brea argues that when pre-existing wood poles on the SCE distribution system were burned in a 2008 California wildfire, SCE, at Brea’s request, should have put in place poles that incorporated “the pole design specified for the Brea Power II Project.” Brea Protest at 14.

In November of 2008, a major wildfire burned in Southern California. The fire burned approximately 30,305 acres in the Orange County area, and the damage to the SCE system was significant. As the result of the fire, SCE had to replace approximately 125 damaged poles, including the wooden poles that are at issue here. As with any wildfire, as soon as SCE employees were able to access the damaged portions of the SCE system, they identified where the damage occurred, identified the type of damage, created a list of materials and equipment that needed to be replaced, and developed a resource plan for replacing the damaged facilities as quickly and efficiently as possible. In cases of natural disasters such as this one, SCE's number one priority is restoring service and replacing damaged facilities.

Brea did ask SCE to replace the wooden poles that had been burned with poles that met the design specified for the Tie-Line. There are several reasons, however, why SCE could not accommodate that request.¹⁹ As noted above, SCE's first responsibility in cases of fire damage is to restore service as soon as possible and replace the damaged facilities. Brea's request would have significantly interfered with that responsibility.

¹⁸ See e.g., *S. Cal. Edison Co. v. FERC*, 502 F.3d 176 (D.C. Cir. 2007).

¹⁹ SCE did not have a contractual obligation with Brea at the time Brea made its request for the construction of the Brea Tie-Line, nor were there any agreements in place for Brea to bear the cost of such construction. If SCE had accommodated Brea's request and installed the taller poles, and if Brea subsequently changed its mind about proceeding with the installation of the Brea Power Project, or its request for SCE to construct the Tie-Line on SCE's right-of-way, then SCE would have had to determine how to recover the costs associated with Brea request. SCE cannot bear the risk of incurring such costs without any supporting contractual documentation to mitigate that risk.

First, SCE did not have the poles that are required for the Tie-Line readily available. Because these poles have to be ordered with sufficient lead time, something that cannot be done during an unforeseen natural disaster such as the 2008 fire, waiting for them to be obtained would have unnecessarily delayed the restoration of electric service to the homes and businesses in the vicinity of the burned area.²⁰

Second, even if the poles were available, they could not have been installed by SCE in a reasonable amount of time. At the time of the fire, SCE did not have the proper easement in place which would have allowed SCE to install the taller poles. SCE's cannot delay replacement of damaged facilities and the restoration of electric service to an entire community while it attempts to obtain an easement to accommodate one party, *i.e.* Brea.

Third, the taller poles would have been more expensive than the poles which replaced the then-existing burned facilities. SCE replaces catastrophically damaged facilities with the same or similar type of equipment. It would have been unreasonable for SCE to request that its retail ratepayers pay the additional cost associated with the taller poles which were not required for system restoration simply to save Brea some money, and there was no contractual commitment to pay for the poles from Brea. In any event, had the poles not burned in the fire, Brea would have had to pay the cost to replace the existing poles with poles meeting the Tie-Line specifications.

²⁰ Brea also alleges that SCE installed substandard poles following the fire. It should be noted that SCE replaced the burned poles like-for-like. Such replacement poles are not substandard for the purpose they serve. *Id.*

Brea's attempt to shift the pole costs required by the Tie-Line to SCE's retail customers has no merit, is unreasonable, and should be summarily dismissed.

D. Brea, Like Any Other Interconnection Customer, Must Pay For The Costs of Necessary Telecommunication Equipment

Finally, Brea argues that expenditures associated with the fiber optic cable and other telecommunication facilities that must be installed along the Brea Tie-Line are "grossly excessive" and "unduly discriminatory." Brea Protest at 14. Brea claims that SCE must be "gold-plating the tie-line facilities" because SCE charges less to its "Generation Business Unit" in connection with such projects as the McGrath Beak Peaker Project. *Id.*

Yet again, the underlying problem appears to be that Brea does not understand that there are general rules in place, and that these rules cannot simply be eliminated for Brea's benefit. Specifically, SCE operates a large scale, inter-utility telecommunications network. In order to reliably and cost effectively engineer, construct, operate, and maintain such a network, it is necessary to implement consistent designs throughout the system. SCE's telecommunications design practices provide operational functionality, such as remote monitoring of system performance, and remote fault diagnostics, which are essential to the cost effective and reliable operation and maintenance of a large network. SCE's design practices ensure that when problems on the SCE system do occur, they can be identified and the system sectionalized to allow fast restoration of service. Additional benefits of SCE's consistent design practices include reduction of training requirements, improved management and utilization of

spare parts, and efficiencies of scale. The equipment that SCE utilizes is widely used throughout the electric utility industry.

All of these considerations cannot be set aside simply because Brea would like to save some money. SCE is maintaining its standard telecommunication design practice for the Brea Power Project, because although diverging from SCE's design might modestly reduce Brea's costs, it would burden SCE and SCE's ratepayers with increased costs, reduce operational efficiencies, and potentially impact SCE's system as a whole. Moreover, a divergence from SCE's design would expose the Brea Power Project to a reduction in interconnection service reliability.

Brea had recommended that SCE provide protective relaying channels via direct connection, relay to relay, on dedicated fiber optic cables strands, thus not requiring SONET multiplexers. Brea also recommended utilizing 'fiber drivers' to provide the required SCADA/telemetry connection, and utilizing 'multi-mode' fiber optic cable instead of 'single-mode' fiber optic cable. These telecommunications facilities, however, would be a digression from SCE's design practices, and would introduce new and inconsistent elements to the SCE telecommunication network. Also, the savings Brea is attempting to achieve are illusory because, for example, removing the SONET multiplexers from the design, with direct relay to relay connection, would eliminate the remote monitoring and diagnostic capabilities afforded by SCE's design. Not only would this impose a cost and operational burden on SCE, but it could also result in delays to restoration of service as a result of a fiber optic cable problem, which could ultimately require that the Brea Power Project be disconnected from the SCE Distribution System

due to a lack of adequate line protection. Removing the SONET multiplexers from the design may also require that the customer furnish additional protective relays, offsetting any perceived cost benefit. Finally, by introducing divergent elements to the SCE telecommunication network, such as external fiber drivers, Brea will cause the need for increased technician training and stocking of spare parts, including a different type of fiber optic cable which would need to be available for emergency replacement in the event of a cable problem. Although Brea's recommended telecommunications facilities would eliminate multiplexer equipment at the customer's facility, additional equipment, not included in the current design, would need to be added at the SCE facility to allow for the SCADA/Telemetry channel to be extended on SCE's telecommunications network to SCE's Energy Management System. This would offset the perceived cost benefit of Brea's recommended telecommunications facilities.

As for Brea's claims about SCE's telecommunication facilities for its Generating Business Unit peakers, such as McGrath, the fact is that the McGrath Peaker project design is actually more stringent than the Brea project design. The McGrath Peaker project design incorporates *two* overhead fiber optic cables. An existing fiber optic cable is routed in close proximity to the proposed project site, and will be utilized by constructing short (400') cable taps into the McGrath facility. A *second* cable, about one quarter mile in length, will be newly constructed, and will be overhead construction. The Brea design is comprised of *one* fiber optic cable, with a total length of approximately one and a half miles. One mile will be overhead construction, and a half mile will be underground construction. Indeed, a significant cost component of the

overall estimate is related to the required underground section of fiber optic cable, which was not required by the peaker units such as McGrath.

III. CONCLUSION

For the foregoing reasons, SCE requests that the Commission approve the Brea Agreements as filed by SCE.

Respectfully submitted,
/s/Anna J. Valdborg
Anna J. Valdborg
Southern California Edison Company
2244 Walnut Grove Avenue
Post Office Box 800
Rosemead, CA 91770

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document on those parties on the Service List compiled by the Secretary in this proceeding.

Dated at Rosemead, CA, this 3rd day of February, 2010.

Laura Placencia
Southern California Edison Company
2244 Walnut Grove Avenue
Post Office Box 800
Rosemead, CA 91770

Exhibit 1