

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

Southern California Edison      )  
Company                            )      **Docket No. ER10-796-000**  
  )

**SOUTHERN CALIFORNIA EDISON COMPANY’S  
REQUEST FOR LEAVE AND RESPONSE TO PROTEST**

Pursuant to Rules 212 and 213 of the Federal Energy Regulatory Commission’s (“FERC” or the “Commission”) Rules of Practice and Procedure, 18 C.F.R. §§ 385.212 & 385.213 (2009), Southern California Edison Company (“SCE”) requests leave to submit this answer to the “Protest on Behalf of the Cities of Anaheim, Azusa, Banning, Colton, Pasadena, and Riverside, California” (“Six Cities Protest”) and the “Motion to Intervene and Protest of the M-S-R Public Power Agency and Cities of Santa Clara and Redding, California” (“M-S-R Protest”) (collectively “Protests”) filed in this docket on March 18, 2010 in response to SCE’s February 25, 2010 filing of the Large Generator Interconnection Agreement (“LGIA”) among SES Solar One, LLC (“Interconnection Customer”), SCE, and the California Independent System Operator Corporation (“CAISO”). The arguments raised in the Protests represent an attack on a request for incentives under Section 219 of the Federal Power Act, that SCE has not, as of this date, filed. When SCE files its petition for transmission incentives, seeking 100% recovery of costs if SCE has to abandon the project for reasons outside of its control, Six Cities and M-S-R will have the opportunity to raise concerns about SCE’s request in that forum.

**I. REQUEST FOR LEAVE TO RESPOND TO PROTEST**

Permitting SCE to file a response to the Protests will aid the Commission in its deliberation on the issues in this docket. Accordingly, to the extent necessary, SCE requests waiver of Rule 213, 18 C.F.R. § 385.213(a)(2), which prohibits answers to protests. The

Commission routinely allows answers to protests when they serve to complete the record, clarify the issues in dispute, or otherwise assist the Commission in the decision-making process. <sup>1/</sup>

## **II. RESPONSE**

### **A. Background and Summary**

On February 25, 2010, SCE filed the LGIA with the Commission, requesting that the Commission accept the LGIA for filing, to be effective on February 26, 2010. The LGIA provides for the interconnection of a proposed 850 MW solar thermal generating facility (“Generating Project”) with the SCE transmission system. As described in the transmittal of the LGIA, Appendix A to the LGIA identifies Network Upgrades and Distribution Upgrades that are necessary to interconnect the Generating Project. This project is to be constructed in two phases. The first phase involves the interconnection of up to 275 MW of output of the Generating Project at the existing Pisgah 220 kV Switchyard (“Phase I”). In order to accommodate this new 275 MW of output, the Pisgah 220 kV Switchyard will need to be expanded to accommodate the Interconnection Customer’s new generation tie-lie. Additionally, SCE will need to provide diverse and redundant telecommunications for a special protection system. The cost of the Phase I interconnection is estimated to be approximately \$48 million which will be financed by the Interconnection Customer. The second phase of the project involves interconnection of the remaining 575 MW of the Generating Project (“Phase II”), and will be completed after the Interconnection Customer has successfully interconnected 275 MW of power. The Phase II will trigger the need for a new 500/220 kV Pisgah Substation through which SCE’s existing Eldorado

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<sup>1/</sup> See, e.g., *Southwest Power Pool, Inc.*, 119 FERC ¶ 61,199, at P 18 (2007) (accepting answers to answers because they provide information that assisted the Commission in its decision-making process); *The New Power Co. v. PJM Interconnection, Inc.*, 98 FERC ¶ 61,208, at p. 61,756 (2002).

– Lugo line will be looped. In addition, SCE will remove its existing Lugo-Pisgah No. 2 220 kV line and replace it with a new Lugo-Pisgah 500 kV line and upgrade existing 220 kV facilities at other SCE substations (the “Lugo-Pisgah Project”). The estimated cost for the Lugo-Pisgah Project is approximately \$389 million. SCE has committed to up-front finance the Reliability Network Upgrades necessary to interconnect the Phase II of the Generating Project, contingent upon (i) SCE’s receipt of a Commission order that it can recover 100 percent of its prudently incurred costs for the Lugo-Pisgah Project if such project is abandoned due to circumstances outside of SCE’s control; and (ii) achievement of the development milestones by the Interconnection Customer set forth in Appendix A.

SCE agreed to upfront finance the Lugo-Pisgah Project according to the provisions set forth above as a way to break the chicken-and-egg problem confronting the development of transmission and renewable generation. SCE believes that funding the cost of Network Upgrades for certain renewable generation in its service territory is the best way for the State of California to meet its renewable portfolio goals (“RPS”).

**B. The Arguments in the Protests are properly raised when SCE files a request for Recovery of 100% Abandoned Plant Costs for the Lugo-Pisgah Project**

As part of the LGIA, SCE has agreed to file a request for declaratory order that the Lugo-Pisgah Project qualifies for incentive rate treatment, including recovery of 100% of any abandoned plant costs. SCE believes that this petition will show the Commission that the Lugo-Pisgah Project is precisely the type of project that Congress and the Commission envisioned when they passed Section 219 of the Federal Power Act and Order 679, respectively. However, SCE has not yet filed its incentives petition. The arguments raised in the Protests represent an attack on a request for incentives that has not yet been filed, and therefore cannot be ruled upon at this time.

### **C. Appendix A to the LGIA is Not a Material Deviation from the Pro Forma LGIA**

The Protests argue that the language in Appendix A conditioning SCE's up-front financing on approval of the abandoned plant incentive should be omitted from the LGIA.<sup>2/</sup> The Protests claim that the language constitutes an unsupported material deviation from the CAISO's pro forma interconnection agreement and that the condition is unduly discriminatory and provides SCE a competitive advantage. These arguments do not provide any basis for modification of the LGIA and the arguments should be rejected.

The Protests are wrong in characterizing the abandoned plant condition as a material deviation from the CAISO pro forma LGIA. The CAISO's pro forma LGIA, just as the FERC's pro forma LGIA, explicitly gives the transmission owner the option to up-front finance identified network upgrades.<sup>3/</sup> It is clear from the CAISO tariff language that the decision to provide such up-front financing is at the transmission owner's discretion and there is nothing in the CAISO tariff or Commission precedent that in any way imposes any conditions on when a transmission owner can exercise the option or limits the conditions the transmission owner may impose upon an Interconnection Customer as consideration for exercising the option. In fact, the Commission explicitly noted in Order 2003 in response to issues concerning the five-year refund period for the cost of network upgrades, that the transmission provider may elect to fund the network upgrades itself with no advance payment by the interconnection customer and thus no need for

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<sup>2/</sup> Additionally, the Protests argue that there are additional non-conforming changes to Appendix A of the LGIA, however none of these changes are actually identified. Therefore, the Commission should disregard these allegations as they are not explained in sufficient detail for SCE to respond.

<sup>3/</sup> Conformed Fourth Replacement CAISO Tariff, Appendix U, § 3.4.1 ("Unless the Participating TO elects to fund the capital for Reliability and Delivery Network Upgrades, they shall be solely funded by the Interconnection Customer"); *see also* Appendix V, § 11.3.

subsequent credits.<sup>4/</sup> If the Commission believed that any conditions needed to be imposed in order for the transmission provider/owner to up-front finance the cost of network upgrades, it would have been addressed in that rulemaking proceeding since discrimination in interconnecting generation was the central focus of that proceeding. However, if the Commission finds the abandoned plant condition to be a material deviation from the CAISO pro forma agreement, it should approve the condition as being superior to the pro forma, as it increases the likelihood that the generation will actually be able to interconnect to the CAISO grid.

The Protests' other argument, that the abandoned plant condition is discriminatory and provides SCE with a competitive advantage is fatally flawed and based on speculation. SCE has opted to fund the Network Upgrades contingent upon the receipt of the abandoned plant incentive; however, this option was not based on the fact that the Interconnection Customer has a Power Purchase Agreement with SCE.

Throughout the past few years, SCE has been working diligently to ensure that it reaches its RPS goals. One of the realizations that not only SCE, but many other stakeholders within California have come to, is that in order to meet the State's ambitious renewable energy and climate change goals, substantial new transmission facilities are needed to enable access to renewable generation resources located in California and the Western U.S.<sup>5/</sup> As a result of this need, SCE has undertaken an effort to determine the optimum network upgrades within in its

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<sup>4/</sup> *Standardization of Generator Interconnection Agreements and Procedures*, Order No. 2003, F.E.R.C. Stats. & Regs. ¶ 31,146 (2003) at P 720.

<sup>5</sup> See Renewable Energy Transmission Initiative, Phase 2A Final Report, dtd September 2009 prepared by the Renewable Energy Transmission Initiative, available at <http://www.energy.ca.gov/2009publications/RETI-1000-2009-001/RETI-1000-2009-001-F-REV2.PDF>; and 33% Renewables Portfolio Standard Implementation Analysis Preliminary Results, June 2009 prepared by the California Public Utilities Commission, available at <http://www.cpuc.ca.gov/NR/rdonlyres/1865C207-FEB5-43CF-99EB-A212B78467F6/0/33PercentRPSImplementationAnalysisInterimReport.pdf>

service territory that will need to be financed and constructed in order to ensure that the state can reach its RPS goals. However, contrary to the Protests, the fact that there is a Power Purchase Agreement (“PPA”) with SCE is not the only factor SCE uses in determining whether to upfront finance Network Upgrades. For example, SCE is exercising its option to upfront fund the Eldorado – Ivanpah Project (“EITP”), which is similarly triggered by renewable solar generation. In that case, the Pacific Gas and Electric Company has executed PPAs for significant amounts of the generation to be interconnected via the EITP.<sup>6/</sup> SCE maintains its view that an open, transparent procurement process is the best way to ensure that renewable resources have a path to the market, and its selection of which Network Upgrades to upfront fund does not inhibit an open procurement process in the least.

M-S-R’s Protest also cites to 6 LGIAs that SCE has filed this year, contending that 3 involve SCE’s upfront financing, where SCE has a PPA with that generator (Solar Partners, SES Solar I and Alta Wind) and the remaining 3, where SCE does not have a PPA (Brea Power II, Dagget Ridge and Western Wind Energy), in an unsubstantiated effort to demonstrate that SCE does not appear to treat all renewable generators with equal favor. Interestingly, however no Network Upgrades are even associated with the Brea Power II, Dagget Ridge and Western Wind Energy generator interconnections.<sup>7/</sup> In the case of the Alta Wind LGIA, SCE had already received approval from the CAISO and the Commission to upfront fund the Tehachapi Project, which Alta Wind will utilize for the Network Upgrades to facilitate its interconnection to the CAISO grid.<sup>8/</sup>

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<sup>6</sup> Petition Of Southern California Edison Company For Declaratory Order, at pg. 7, Docket No. EL10-1 (filed Oct. 1, 2009)

<sup>7</sup> See Docket Nos. ER10-510, ER10-405, ER08-814, and ER10-103)

<sup>8</sup> See Docket No. ER10-805

M-S-R's Protest incorrectly states that SCE can provide benefits to the generator at the expense of its transmission customers because it will earn a return on equity on the Network Upgrades because it is choosing to upfront fund. However, the Network Upgrades are part of the SCE transmission system and SCE earns a return on this investment regardless of who provides the upfront funding. Furthermore, once a generator goes into commercial service, all transmission ratepayers pay for the cost of the network upgrades, regardless of whether they were initially funded by the generator or by SCE.

Finally, M-S-R's Protest alleges that SCE may have violated the Standards of Conduct by exercising its option to fund Network Upgrades. This is nothing more than a bad faith allegation to try to intimidate SCE with the suggestion that there should be an investigation. SCE takes compliance with Standards of Conduct extremely seriously and there has been no impropriety with respect to SCE exercising its option to fund these Network Upgrades.

### **III. CONCLUSION**

For the reasons provided above and in SCE's Petition, SCE requests that the Commission accept the LGIA as filed.

Respectfully submitted,

REBECCA A. FURMAN

Rebecca A. Furman

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Attorney for  
SOUTHERN CALIFORNIA EDISON COMPANY

April 2, 2010

**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 2nd day of April, 2010.

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