

UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Joseph T. Kelliher, Chairman;
Sudeen G. Kelly, Marc Spitzer,
Philip D. Moeller, and Jon Wellinghoff.

Southern California Edison Company

Docket Nos. ER02-2189-002
ER02-2189-003

OPINION NO. 487

OPINION AND ORDER ON INITIAL DECISION AND REHEARING

(Issued October 25, 2006)

1. This proceeding is before the Commission on exceptions to an *Initial Decision*.¹ At issue is whether Southern California Edison Company (SCE) properly classified certain facility upgrades needed to interconnect Whitewater Hill Wind Partners, LLC's (Whitewater's) generator to SCE's system. SCE wants to treat the upgrades as non-integrated facilities and thus directly assign the costs of these to Whitewater, rather than classifying them as upgrades to the integrated transmission network (network upgrades),²

¹ *Southern California Edison Co.*, 111 FERC ¶ 63,032 (2005) (*Initial Decision*).

² The Interconnection Agreement uses the term "Reliability Upgrades" rather than "Network Upgrade," as it predates *Standardization of Generator Interconnection Agreements and Procedures*, Order No. 2003, 68 Fed. Reg. 49,845 (Aug. 19, 2003), FERC Stats. & Regs. ¶ 31,146 (2003), *order on reh'g*, Order No. 2003-A, 69 Fed. Reg. 15,932 (Mar. 26, 2004), FERC Stats. & Regs. ¶ 31,160 (2004), *order on reh'g*, Order No. 2003-B, 70 Fed. Reg. 265 (Jan. 4, 2005), FERC Stats. & Regs. ¶ 31,171 (2004), *order on reh'g*, Order No. 2003-C, 70 Fed. Reg. 37,661 (Jun. 30, 2005), FERC Stats. & Regs. ¶ 31,190 (2005), *appeal docketed sub nom. National Association of Regulatory Utility Commissioners, et al. v. FERC*, Nos. 04-1148, *et al.* (D.C. Cir. filed Apr. 29, 2004 and later). Reliability Upgrades are integrated transmission network upgrades that benefit the entire transmission system and whose costs are assigned to all transmission customers (*i.e.*, rolled in with other transmission costs). Distribution Upgrades are upgrades to non-integrated facilities whose costs are directly assigned to the generator. *Initial Decision* at n.12.

whose costs are not directly assignable to the interconnection customer. As discussed below, we affirm the *Initial Decision*'s findings that Breaker 12-S is a network upgrade and that the Venwind Line is not a network upgrade. However, we modify the finding to clarify how Whitewater will be reimbursed for the payments it made to SCE for the construction of Breaker 12-S and Breaker 12-M.³

2. Additionally, in this order the Commission denies rehearing and grants clarification of its April 14, 2004 Order in this proceeding.⁴

I. Background

A. Procedural Background

3. This proceeding arose from Whitewater's request to interconnect its 66 MW wind generating facility to SCE's "distribution" facilities⁵ to deliver energy to the California Independent System Operator Corporation's (CAISO's) grid at the Windpark Tap of the Devers-Garnet-Windpark-Banning-Zanja 115 kV line (Devers-Zanja Line). SCE initially determined that 65 MW of capacity would be available for Whitewater, but that, in order

³ SCE admits that Breaker 12-M should have been classified as a network upgrade.

⁴ *Southern California Edison Co.*, 107 FERC ¶ 61,017 (2004) (*Second Hearing Order*).

⁵ We note that the term "distribution" is often confused with "local distribution." As we explained in Order No. 2003,

"Local distribution" is a legal term; under [Federal Power Act] section 201(b)(1)[, 16 U.S.C. § 824(b)(1) (2000)], the Commission lacks jurisdiction over local distribution facilities. "Distribution" is an unfortunately vague term, but it is usually used to refer to lower-voltage lines that are not networked and that carry power in one direction. Some lower-voltage facilities are "local distribution" facilities not under our jurisdiction, but some are used for jurisdictional service such as carrying power to a wholesale power customer for resale and are included in a public utility's OATT (although in some instances, there is a separate OATT rate for using them, sometimes called a Wholesale Distribution Rate).

Id. at P 803-04 (footnotes and citations omitted). Therefore, in this order we will refer to the facilities that SCE calls distribution as "non-integrated facilities."

to continue to accommodate Whitewater's request after a higher-queued generator comes on line, a reconfiguration of the Devers-Zanja Line would be required.⁶

4. SCE submitted for filing three agreements that provided for the interconnection of Whitewater's generator, reliability standards, and the delivery of energy from Whitewater's generator to the CAISO's grid. At issue here is an interconnection facilities agreement (Interconnection Agreement).⁷ The Commission conditionally accepted SCE's agreements, suspended them and made them effective June 29, 2002, subject to refund, and set for hearing tax-related issues regarding the Interconnection Agreement between SCE and Whitewater.⁸

5. In the *First Hearing Order*, the Commission considered whether the cost of reconfiguring the Devers-Zanja Line should be treated as a network upgrade or as an upgrade to a non-integrated facility. SCE argued that the Commission has already classified the Devers-Zanja Line as "local distribution"⁹ and that, since required upgrades would be made to that system, the costs are properly directly assigned to Whitewater. Whitewater argued that the line performs a network function, and thus, that the reconfiguration of the line should be treated as a network upgrade, the costs of which are not directly assignable to Whitewater.

⁶ See SCE's System Impact Study and cover letter dated October 12, 2001 (also Exh. WW-4) and SCE's Facilities Study and cover letter dated January 31, 2002.

⁷ On October 24, 2003, SCE filed an Amended Interconnection Facilities Agreement (Amended Interconnection Agreement) and an Amended Service Agreement for Wholesale Distribution Service (Amended Service Agreement) in Docket No. ER04-76-000, which were accepted by filing by delegated letter order on December 1, 2003 (Exh. WW-3).

⁸ *Southern California Edison Co.*, 100 FERC ¶ 61,219 at P 25 (2002) (*First Hearing Order*). The parties settled the tax-related issues. *Southern California Edison Co.*, 103 FERC ¶ 61,196 (2003) (May 19, 2003 order approving settlement agreement).

⁹ SCE cited *Pacific Gas and Electric Co., et al.*, 77 FERC ¶ 61,077 (1996).

6. We applied the “at or beyond point of interconnection” test¹⁰ and found that “the point of interconnection is where the line from the Whitewater generating facility dead-ends into the Sanwind substation.”¹¹ Accordingly, we directed SCE to revise the Interconnection Agreement to: (1) reflect that its facilities at or beyond the point of interconnection, *i.e.*, where the line from the Whitewater generating facility dead-ended into the Sanwind Substation, including the substation, are network facilities for which SCE is required to provide transmission credits with interest; and (2) provide a crediting mechanism for the transmission service credits.

7. SCE and Whitewater sought rehearing of the *First Hearing Order*. SCE argued that the Commission had failed to analyze whether the disputed upgrades are part of the integrated grid. In addition, SCE argued that the Commission failed to explain its finding that the point of interconnection was where the line from Whitewater's generating facility dead-ended into the Sanwind Substation. In its rehearing request, Whitewater argued that the Commission’s decision to use transmission credits as the means to reimburse Whitewater for the cost of upgrades would not work because it was not SCE's transmission customer and, therefore, does not pay SCE transmission charges for which a credit would apply.

8. On rehearing, upon further consideration, we found that we could not apply the simple at or beyond test to this case, and thus, the Commission set for hearing (and established settlement judge procedures) whether the disputed upgrades were network upgrades.¹² The Commission noted that normally, generation interconnections only involve two categories of facilities: interconnection facilities (which are directly assigned to the interconnection customer) and network upgrades. The Commission

¹⁰ The Commission has developed a simple test for distinguishing interconnection facilities from network upgrades: network upgrades include only facilities at or beyond the point where the interconnection customer's generating facility interconnects to the transmission provider's transmission system. *Entergy Gulf States, Inc.*, 98 FERC ¶ 61,014 at 61,023, *reh'g denied*, 99 FERC ¶ 61,095 (2002), *remanded sub nom. Entergy Services, Inc. v. FERC*, 391 F.3d 1240 (D.C. Cir. 2004), *reh'g and reh'g en banc denied*, No. 02-1199 (D.C. Cir. February 11, 2005), *order on remand sub nom. Nevada Power Co.*, 111 FERC ¶ 61,161, *reh'g denied*, 113 FERC ¶ 61,007 (2005), *appeal docketed sub. nom. Nevada Power Co. v. FERC*, No. 05-1437 (D.C. Cir. filed Nov. 30, 2005); *see also Public Service Co. of Colorado*, 59 FERC ¶ 61,311 (1992), *reh'g denied*, 62 FERC ¶ 61,013 at 61,061 (1993).

¹¹ *First Hearing Order* at P 18-19.

¹² *See Second Hearing Order*, *supra* note 4.

concluded that in this proceeding, there may be a third category of facilities consisting of an upgrade to a non-integrated facility that can be directly assigned to the generator. The Commission also directed the administrative law judge (presiding judge) to determine how Whitewater would receive reimbursement for any network upgrades to which it may be entitled.¹³

9. Whitewater filed a request for clarification or, in the alternative, a request for rehearing of the *Second Hearing Order*. First, Whitewater asked the Commission to specify the factors that determine whether the upgrades function as part of the integrated transmission network. Second, Whitewater stated that the Commission should clarify that if the upgraded facilities function as part of the integrated transmission network, then Whitewater is entitled to reimbursement. Finally, Whitewater argued that the Commission erred in not setting for hearing the issue whether SCE incurred excess costs for the upgrade at issue. SCE filed a motion seeking to dismiss Whitewater's rehearing as being out-of-time and a response to Whitewater's motion. Whitewater filed a motion seeking to respond to SCE's June 1 filing.

10. The presiding judge issued her *Initial Decision* addressing the following issues: (1) whether Breaker 12-S and the Venwind Line should be classified as part of the integrated transmission system, which entitles Whitewater to transmission credits for any facilities constructed under the Interconnection Agreement; and (2) whether the provision in the Interconnection Agreement that requires facilities to be under the CAISO's Operational Control¹⁴ before credits are paid is just and reasonable.

¹³ *Second Hearing Order* P 20-21.

¹⁴ Operational Control is defined as:

The rights of the ISO under the Transmission Control Agreement and the ISO Tariff to direct Participating [Transmission Owners (TOs)] how to operate their transmission lines and facilities and other electric plant affecting the reliability of those lines and facilities for the purpose of affording comparable non-discriminatory transmission access and meeting Applicable Reliability Criteria.

11. Whitewater and SCE filed briefs on exception to the *Initial Decision* on June 6, 2006. Whitewater, SCE and Trial Staff filed briefs opposing exceptions on June 27, 2005.

B. Description of the Facilities

12. Ordinarily, for generator interconnections, there are only two categories of facilities: interconnection facilities and network upgrades.¹⁵ An interconnection facility is a facility on the generator's side of the point of interconnection to the transmission grid, and its cost can be directly assigned to the generator without credits. Network upgrades are upgrades to the transmission grid and include all facilities at or on the transmission provider's side of the point of interconnection. However, in this case, the disputed facilities may belong to a third category: they may be upgrades to non-integrated facilities that can be directly assigned to the generator.¹⁶ In California, the integrated transmission network is controlled by the CAISO, while the non-integrated facilities under SCE's control are referred to as "distribution facilities," even when used for wholesale transactions.¹⁷ For consistency, this order will use the term "network upgrade" when discussing upgrades to the integrated transmission network.

13. Before Whitewater's request for interconnection and the resulting upgrades, there were two 115 kV transmission lines under the CAISO's control running between the Devers and Garnet substations.¹⁸ These 115 kV lines are part of the CAISO-controlled grid. SCE's 115 kV line, which is classified as a non-integrated line under its WDAT tariff, is interconnected with one of the two 115 kV transmission lines at the Windpark

¹⁵ *Second Hearing Order* at P 22.

¹⁶ In Order No. 2003, we explained that "Distribution Upgrades" are upgrades to the utility's jurisdictional "distribution system." *Id.* at P 803-04. Facilities in this system are generally lower voltage, are not networked, and carry power in one direction. Upgrades to such facilities can be directly assigned to the generator because they generally do not benefit other transmission customers. *Id.* at P 697.

¹⁷ SCE provides transmission service under its "Wholesale Distribution Access" Tariff (WDAT). SCE states that this tariff governs wholesale service across its non-integrated facilities for eligible wholesale customers; it does not provide service for retail sales or purchases. *See* SCE's proposed WDAT, Docket No. ER97-2355-000, filed March 31, 1997.

¹⁸ *See* Attachment 1 – Facilities Before Upgrades, Exh. S-2 (Revised).

Tap near the Devers Substation. The segment of the 115 kV CAISO-controlled line between Windpark Tap and Devers Substation is referred to as the Devers Leg.

14. Based on the system impact study, SCE determined that there would be overloads on two line segments, the Devers Leg and the segment between the Venwind Tap and the Windpark Tap, and that these segments would need to be upgraded to relieve the overloads.¹⁹

15. With regard to the Devers Leg, the study identified preexisting overloads of 120 percent of the normal rating, but found that the overload would increase to 152 percent after Whitewater's generator was interconnected. A reconfiguration of the Devers Leg into two circuits was proposed to relieve the overload: one line in the double circuit goes between the Devers Substation and the Windpark Tap, now forming a continuous Devers-Zanja Line, and the other circuit is a line between the Devers Substation and the Garnet Substation. SCE classified this latter line as a network upgrade in the Interconnection Agreement, and found that it was a part of the integrated grid for which Whitewater is entitled to receive reimbursement of its costs.²⁰ No parties dispute the cost responsibility for this upgrade.

16. Also, the system impact study found that once Whitewater interconnected, there would be overloads on the Venwind Tap to Windpark Tap segment of the Windpark-Banning-Zanja line. Before Whitewater's interconnection, the segment was loaded at 80 percent of its normal rating, but it would increase to 115 percent of its normal rating after the interconnection. In order to interconnect Whitewater's generator and address the overload, the existing Venwind generator was disconnected from the Windpark-Banning-Zanja Line and reconnected by installing a new 2.2 mile 115 kV line from the Venwind generator to one of the new double 115 kV circuits between the Devers and Garnet Substations (Venwind Line).²¹ SCE classified this line as a generation tie line that was not a part of the integrated transmission system and directly assigned cost responsibility to Whitewater.

¹⁹ See Exh. WW-4, Whitewater Energy Corporation Interconnection Study System Impact Study.

²⁰ Exh. WW-3, Amended Interconnection Agreement at Exh. A3: Reliability Upgrades Facilities Description.

²¹ See Attachment 2: S-3 (Revised), Facilities after upgrades.

17. When the Devers Leg was replaced by a double circuit line, the Position 12 Breaker Bay was reconfigured from a two breaker to a three breaker bay. A tie or middle breaker (Breaker 12-M) was added and the Position 12-S breaker (Breaker 12-S) was upgraded to terminate the new line at the Devers Substation. The Devers-Zanja Line connects to the Position 12 Breaker Bay between Breaker 12-M and Breaker 12-S.

18. Whitewater has paid SCE the full cost of all of the upgrades related to its project, including the cost of the disputed upgrades, Breaker 12-S and the Venwind Line. Whitewater also paid the directly assigned costs for the interconnection facilities built to interconnect its generator to the Sanwind Substation. SCE concedes that Breaker 12-M should have been classified as a reliability upgrade.

19. In August 2002, Whitewater interconnected to SCE at SCE's Sanwind Substation, which feeds into the Devers-Zanja Line.²²

II. Discussion

A. New Breaker 12-S at Devers Substation

1. Initial Decision

20. The *Initial Decision* addressed whether SCE properly classified the new breaker added at the Devers Substation at Position 12 as a non-integrated facility upgrade. The presiding judge concluded that Breaker 12-S is a network upgrade because it serves a reliability function, is an integral part of the Position 12 breaker bay and operates in-line with the CAISO transmission system to protect system reliability.²³ Further, she was convinced by SCE witness Allstun's testimony that Breaker 12-S serves the same function as the other two breakers in the Position 12 bay; she pointed out that SCE admits these other breakers are part of the transmission network.²⁴ Thus, the presiding judge found that the Interconnection Agreement must be amended to reflect the classification of

²² 61.5 MW of Whitewater's generation was interconnected with SCE's facilities as of September 2004. Exh. WW-1 at 4, n.2.

²³ *Initial Decision* at P 18.

²⁴ *In the Matter of: Southern California Edison Co.*, Docket No. ER02-2189-003, Transcript of Hearing on January 18 -19, 2005, Tr. 215:1-2.

Breaker 12-S as an integrated transmission network upgrade and that Whitewater must receive credits for costs associated with the breaker.²⁵

2. Parties' Arguments in Response

21. On exceptions, while SCE disagrees that Breaker 12-S is a network upgrade, it states that it is willing to accept the presiding judge's finding and place the breaker under the CAISO's Operational Control upon the Commission's order affirming the *Initial Decision*.²⁶ SCE also states that at the same time, it will classify Breaker 12-M, which has been under the CAISO's Operational Control since it went into commercial operation, as a network upgrade.

22. However, SCE questions whether the *Initial Decision* properly found that Breaker 12-S is an integrated network transmission facility before it is placed under the CAISO's Operational Control.²⁷ SCE contends that under Commission precedent, the CAISO must assume Operational Control over a facility before it can be found to be integrated.²⁸ Regardless of the integration test used, SCE argues that only the costs of integrated facilities can be included in the transmission rates of the transmission providers.²⁹ It argues that if the CAISO cannot assume Operational Control over the facilities, the CAISO cannot provide service over these facilities to its transmission customers. Therefore, if Operational Control were not a prerequisite to a finding of integration, transmission ratepayers may be required to pay for facilities from which they do not benefit. According to SCE, under the CAISO's tariff, SCE cannot place facilities

²⁵ *Initial Decision* at P 18.

²⁶ SCE's Brief on Exceptions at 7 and 12 (Before and during the hearing, SCE had argued that Breaker 12-S was properly classified as a non-integrated facility upgrade under the seven-factor approach to classification in the Transmission Control Agreement.)

²⁷ SCE's Brief on Exceptions at 8.

²⁸ SCE's Brief on Exceptions at 8-11, citing *Southern California Edison Co.*, 111 FERC ¶ 61,122 at P 5 (2005); *Southern California Edison Co.*, 92 FERC ¶ 61,070 at 61,255 (2000) (Opinion No. 445), *reh'g denied*, 108 FERC ¶ 61,085 (2004); and *City of Vernon, California*, 109 FERC ¶ 63,057 at P 50 (2004); *also citing to Southwest Power Pool, Inc.*, 108 FERC ¶ 61,078 at P 20 (2004).

²⁹ SCE's Brief on Exceptions at 11.

classified as non-integrated facilities under the CAISO's Operational Control and cannot include the cost of such facilities in SCE's transmission rates.

23. SCE also argues that under the Transmission Control Agreement,³⁰ a facility found to be non-integrated under the seven-factor test cannot be made part of the CAISO-controlled grid. Therefore, SCE contends that it could not have included the costs of the breaker in its transmission revenue requirement (and thus in the CAISO rates) until after the CAISO assumed Operational Control over it.³¹

24. Whitewater points out that the circuit breakers protect the transmission system automatically and do not depend on the CAISO's control.³² It notes that breakers respond in a fraction of a second to faults on nearby facilities, irrespective of the entity in control of the breaker.³³ Furthermore, Whitewater argues that if the benefits depended on the CAISO's Operational Control over the breaker, SCE's delay in amending the Interconnection Agreement and transferring control has deprived the customers of the benefits, and SCE should be responsible for the cost of such delay.³⁴

³⁰ A Transmission Control Agreement establishes the terms and conditions under which transmission owners participate in the CAISO, and the respective duties and responsibilities of each transmission owner and the CAISO. Each transmission owner that signs the agreement transfers to the CAISO Operational Control of certain transmission lines and facilities that become part of the CAISO-controlled grid. Under the terms of the Transmission Control Agreement, each transmission owner continues to own and maintain its transmission lines and associated facilities. Also, each transmission owner retains its Entitlements and associated responsibilities. *Pacific Gas and Elec. Co., San Diego Gas & Elec. Co. and Southern California Edison Co.*, 81 FERC ¶ 61,122, at 61,559 (1997).

³¹ SCE's Brief on Exception at 14, *citing, e.g., Pacific Gas and Elec. Co.*, Opinion No. 466, 106 FERC ¶ 61,144, *order on reh'g*, Opinion No. 466-A, 108 FERC ¶ 61,297 (2004), *appeal docketed sub nom. California Department of Water Resources v. FERC*, D.C. Cir. No. 04-7613 (filed Nov. 22, 2004) (*Pacific Gas & Elec. Co.*).

³² Whitewater's Brief Opposing Exceptions at 6.

³³ *Id.*

³⁴ Whitewater's Brief Opposing Exceptions at 2, 8-11. Whitewater argues that the date for Breaker 12-S should be as early as December 20, 2004 (and up to 60 days after that date to reflect time to transfer control to the CAISO). That is the date on which,

25. Trial Staff also challenges SCE's argument that the Commission cannot find that Breaker 12-S is an integrated transmission facility before SCE turns over the facility to the CAISO's Operational Control.³⁵ According to Trial Staff, SCE's arguments on cost responsibility are not relevant here, but should be raised in a rate proceeding involving recovery of the costs of open access transmission facilities.³⁶ Trial Staff also argues that the Transmission Control Agreement does not limit the CAISO to just using the seven-factor test,³⁷ and that this case is not a rate case. Here, the issues are related to the function of the disputed facilities and paying Whitewater back for facilities found to be network upgrades.

according to SCE witness Allstun, this breaker began providing reliability benefits (Exh. SCE-9 at 23, 1.1.2-15). However, Whitewater argues that Breaker 12-M has been under the CAISO's control since it went into commercial operation; thus, because of non-action by SCE, Whitewater's refund is delayed until the Commission decides the entire case and orders a compliance filing. Whitewater suggests that although SCE argues that Whitewater will receive interest for the lapsed time, the interest rates bear no relation to either forgone returns Whitewater's owners could be earning or the returns SCE is earning. Whitewater asserts that the Commission should require immediate payment of the portion of credits that would have been paid as of the date of Breaker 12-M's commercial operation.

³⁵ Trial Staff's Brief Opposing Exceptions at 15.

³⁶ Trial Staff's Brief Opposing Exceptions at 14.

³⁷ To determine what facilities would be under the Commission's jurisdiction and what facilities would remain under the states' jurisdiction for purposes of retail stranded cost adders or other retail regulatory purposes, in Order No. 888, the Commission developed a seven-factor test to determine what facilities are transmission facilities and what facilities are local distribution facilities. *See Promoting Wholesale Competition Through Open Access Non-Discriminatory Transmission Services by Public Utilities; Recovery of Stranded Costs by Public Utilities and Transmitting Utilities*, Order No. 888, 61 Fed. Reg. 21,540 (May 10, 1996), FERC Stats. and Regs. ¶ 31,036 (1996), *order on reh'g*, Order No. 888-A, 62 Fed. Reg. 12,274 (March 14, 1997), FERC Stats. and Regs. ¶ 31,048 (1997), *order on reh'g*, Order No. 888-B, 81 FERC ¶ 61,248 (1997), *order on reh'g*, Order No. 888-C, 82 FERC ¶ 61,046 (1998), *aff'd in part sub nom. Transmission Access Policy Study Group v. FERC*, 225 F.3d 667 (D.C. Cir. 2000), *aff'd sub nom. New York v. FERC*, 535 U.S. 1 (2002).

26. Trial Staff and Whitewater argue that the cases SCE cites as support for its position involve different types of facilities than Breaker 12-S.³⁸ They explain that those cases involved non-jurisdictional entities and that the facilities in question were physically separate from the CAISO grid and thus, were not available for use by the CAISO before it had Operational Control over them.³⁹ Trial Staff explains that Breaker 12-S is not a stand-alone facility, but part of the CAISO-controlled transmission circuit, and because it is a breaker, it is not a facility that a customer would specifically select to use in scheduling service.⁴⁰

27. Trial Staff argues that Breaker 12-S is an integrated network facility located at or beyond the point of interconnection to the CAISO grid; is currently functioning on the CAISO transmission system as part of Breaker Bay 12, which carries transmitted energy between two transmission circuits in the CAISO-controlled Devers Substation; and is currently protecting the transmission network from any faults emanating from SCE's non-integrated system through the Devers-Zanja line.⁴¹ Trial Staff also argues that Breaker 12-S performs the same function as other two breakers on the same bus and that these breakers are classified as network upgrades.⁴²

28. Trial Staff explains further that without Breaker 12-S or if Breaker 12-S malfunctions, a fault on the Devers-Zanja Line would enter the transmission system and cause other breakers to open and, thus, stop the current from flowing to the transmission grid.⁴³ Thus, Trial Staff asserts that Breaker 12-S performs the same reliability function

³⁸ Trial Staff's Brief Opposing Exceptions at 15 and Whitewater's Brief Opposing Exceptions at 7.

³⁹ Trial Staff's Brief Opposing Exceptions at 14 and Whitewater's Brief Opposing Exceptions at 7.

⁴⁰ Trial Staff's Brief Opposing Exceptions at 15.

⁴¹ *Id.*

⁴² *Id.* at 12.

⁴³ Trial Staff's Brief Opposing Exceptions at 39 citing to Exh. S-1 (Revised at 17:6-15).

as do the other two breakers in the bay at Position 12, which are controlled by the CAISO and which also protect transmission circuits.⁴⁴

3. Commission Determination

29. We note that SCE accepted the presiding judge's finding that Breaker 12-S is a network upgrade. We agree with Trial Staff that Breaker 12-S is an integrated network transmission facility because it is physically integrated into the transmission bus in the Devers Substation controlled by the CAISO; transmission energy can pass continuously through it under normal circumstances; and when tripped open, it provides reliability to the transmission grid controlled by the CAISO by helping to isolate the grid from faults.⁴⁵ For these reasons and the reasons enumerated in the *Initial Decision*, we affirm the presiding judge's finding that Breaker 12-S is a network upgrade.

30. Furthermore, we deny SCE's contention that Breaker 12-S cannot be classified as a network transmission facility until the CAISO assumes Operational Control over it. We agree with Whitewater and Trial Staff that it is unnecessary for the CAISO to assume Operational Control of Breaker 12-S before Whitewater receives credits for this network upgrade. Breaker 12-S is different from the non-jurisdictional facilities involved in the cases cited by SCE because there the facilities in question were physically separate from the CAISO grid and thus, were not available for use by the CAISO before CAISO got Operational Control over them.⁴⁶ In addition, in the present situation the CAISO-controlled grid is already benefiting from the breaker being in service; it is not necessary for the CAISO to control the breaker for such benefits to occur. Moreover, given SCE's concession that Breakers 12-M and 12-S are network upgrades, we see no reason why SCE should have the discretion to decide when to turn control of them over to the CAISO. We affirm the presiding judge's finding that SCE must amend the Interconnection Agreement consistent with this finding and give Whitewater credits for costs associated with the breaker. SCE must also amend the Interconnection Agreement to state that Breaker 12-M is a network upgrade and that Whitewater will be reimbursed for costs associated with this breaker.

⁴⁴ Exh. S-1 (Revised) at 17:15-18.

⁴⁵ Trial Staff's Brief Opposing Exceptions at 12.

⁴⁶ *Citing Southern California Edison Co.*, 111 FERC ¶ 61,122 at P 5 (2005); *Southern California Edison Co.*, Opinion No. 445, 92 FERC ¶ 61,070 at 61,255 (2000); and *City of Vernon, California*, 109 FERC ¶ 63,057 at P 50 (2004); *also citing Southwest Power Pool, Inc.*, 108 FERC ¶ 61,078 at P 20 (2004).

B. Reimbursing Whitewater for the costs of Breakers 12-M and 12-S**1. Initial Decision**

31. The presiding judge found that section 12.5 of the Interconnection Agreement must be modified to allow Whitewater to receive credits for integrated network facilities regardless of whether the CAISO has Operational Control of those facilities.⁴⁷ Section 12.5 reads in part as follows:

SCE will provide transmission credits, with Interest, in the amount of the Reliability Upgrades Cost and any ITCC⁴⁸ associated with the Reliability Upgrades paid by Whitewater. Such transmission credits will be in the form of twenty (20) cash payments, including Interest, paid to Whitewater on the last business day of each quarter over the five (5) year period succeeding SCE's receipt of the Reliability Upgrades Cost associated ITCC. Notwithstanding the above, payment of such transmission credits to Whitewater will commence not earlier than sixty (60) calendar days after the later of the following events: (i) the in-service date of the Reliability Upgrades or (ii) acceptance of the operational control of the Reliability Upgrades by the ISO.

32. The presiding judge directed SCE to modify the last sentence of section 12.5 of the Interconnection Agreement as recommended by Trial Staff:⁴⁹

~~Notwithstanding the above, p~~Payment of such transmission credits to Whitewater will commence not earlier than sixty (60) calendar days after the later of the following events: (i) the in-service date of the Reliability Upgrades or (ii) earlier of (a) acceptance of the operational control of the Reliability Upgrades by the ISO or (b) the effective date of the

⁴⁷ *Initial Decision* at P 36.

⁴⁸ ITCC is defined in Section 4.30 of the IFA as the "Income Tax Component of Contribution specified in the Preliminary Statement, Part M of SCE's tariff on file with the CPUC, applicable to the New Interconnection Facilities Cost, Distribution System Facilities Cost, Reliability Upgrades Cost and the Capital Additions Cost." Exhibit WW-3.

⁴⁹ *Initial Decision* at P 41-42.

determination by the Federal Energy Regulatory Commission that the upgrades are integrated transmission network upgrades.

She concluded that Whitewater's ability to receive credits should not be tied to whether the CAISO deems a facility to be transmission or distribution.

2. Parties' Arguments in Response

33. In its brief on exceptions, SCE argues that section 12.5 is reasonable because it reflects the Commission's policy on integration. It says that Operational Control is a prerequisite to a finding of integration and that SCE is not required to pay credits until the facility is actually under the CAISO's Operational Control. SCE protests the modification because it would require the CAISO to retroactively assert Operational Control over a breaker.

34. SCE suggests that if the Commission affirms the *Initial Decision's* finding that Breaker 12-S is a network upgrade, the Commission should order SCE to turn over Operational Control of the breaker to the CAISO. SCE states that consistent with the Interconnection Agreement, the five-year levelized repayment period would begin once the CAISO assumes Operational Control. SCE commits to continue paying over a five-year period from this date, until the costs of the facilities are paid in full with interest. SCE contends that Whitewater would not be harmed by this because SCE will calculate the interest from the date on which Whitewater paid the costs of the upgrades.

35. In its brief on exceptions, Whitewater seeks clarification on the schedule for the payment of credits under the amended section 12.5.⁵⁰ Whitewater contends that the "no earlier than" phrase leaves unstated the date on which the payments should begin. It asks that the Commission clarify that the effective date should be the in-service date of the breakers. Therefore, immediately after the Commission issues its order affirming the *Initial Decision*, SCE should have to make an initial payment to Whitewater reflecting the quarterly payments, plus interest, for the quarters that have passed since the effective date.⁵¹

⁵⁰ Whitewater's Brief on Exception at 22-24.

⁵¹ For example, if three years have elapsed from the in-service date and the date of the initial payment, SCE owes Whitewater three-fifths of the total amount plus interest, and the remaining two-fifths of the total amount plus interest must be paid quarterly over the remaining two years.

36. In its brief opposing exceptions, Trial Staff supports modifying section 12.5 to as directed by the presiding judge to reimburse Whitewater for Breaker 12-S.⁵² Trial Staff would not oppose further modifications to the Interconnection Agreement to allow reimbursement for Breaker 12-S before the CAISO assumes Operational Control. It suggests that the Commission can address Whitewater's concern by simply fixing a date, which may require more information; for example, the in-service date of the breaker.

37. Trial Staff notes that Whitewater disagrees with the language Trial Staff proposed and the presiding judge adopted as to when the payments would begin and end. Under the revised section 12.5 adopted by the *Initial Decision*, SCE would make its first payment to Whitewater 60 days after the later of (i) the in-service date of the network upgrades; or (ii) the earlier of (a) the date on which the CAISO accepts Operational Control of the network upgrades or (b) the effective date as of which the Commission determines that the upgrades are network upgrades (June 29, 2002 is the effective date of the Interconnection Agreement).⁵³ Trial Staff observes that the Commission, upon affirming the *Initial Decision*, should order that payments begin within a reasonable period after its order is issued. However, under Whitewater's proposal, the five-year repayment period would begin with the in-service date of the breaker, and the first payment could include much of the total amount due. Under SCE's proposal, reimbursement would be deferred for too long.⁵⁴ Trial Staff does not oppose Whitewater's proposal, but notes that section 12.5 as amended by the *Initial Decision* would have to be further revised.⁵⁵

⁵² Trial Staff's Brief Opposing Exceptions at 35.

⁵³ See *First Hearing Order*, 100 FERC ¶ 61,219.

⁵⁴ SCE's Brief Opposing Exception at 13-14.

⁵⁵ Trial Staff proposed two options for amending the sentence at issue –
Payment of such transmission credits shall be calculated from the in-service date of the Reliability Upgrades. Payments past quarterly periods that occurred prior to the date of issuance of a Federal Energy Regulatory Commission determination that the upgrades are integrated transmission network upgrades shall be made with interest in one lump sum on the date of the initial payment.

Or -

Payment of such transmission credits shall be calculated from the in-service date of the Reliability Upgrades. The five-year credit-payment period

38. While SCE does not support Whitewater's requested clarification, it does not object to the Commission further clarifying the start date for credits for Breaker 12-S. However, it continues to argue that such credits are not due until the facility is integrated, which it says cannot happen until the facility is placed under the CAISO's Operational Control.⁵⁶

3. Commission Determination

39. Ordinarily, a generator funds network upgrades and then is paid back through transmission credits for such costs plus interest once it begins to take the delivery component of transmission service.⁵⁷ In this particular case, however, Whitewater is not SCE's transmission customer and therefore cannot receive credits for transmission service. Instead, Whitewater is simply receiving a refund of the costs of the network upgrades that it funded.

40. As discussed above, the Commission affirms the presiding judge's finding that Breaker 12-S is a network upgrade and SCE admits that Breaker 12-M has been a network upgrade since the date it went into service. We find that Whitewater and Trial Staff have demonstrated that the breakers are integrated network facilities, currently function on the CAISO transmission system as part of Breaker Bay 12 (which carries transmission energy between two transmission circuits in the CAISO-controlled Devers Substation), and currently protects the transmission network from any faults emanating from SCE's non-integrated system through the Devers-Zanja line.⁵⁸ Therefore, as we

succeeding SCE's receipt of the Reliability Upgrades cost and associated ITCC shall commence upon the date of issuance of a Federal Energy Regulatory Commission determination that the upgrades are integrated transmission network upgrades. Payment of such transmission credits will commence in the quarter occurring 60 days after such Commission determination.

Trial Staff Brief Opposing Exceptions at 46.

⁵⁶ SCE's Brief Opposing Exception at 17.

⁵⁷ Under our precedent, unless the Transmission Provider or Transmission Owner elects to fund the capital for the Network Upgrades, they shall be solely funded by the Interconnection Customer. *See, e.g.,* article 11.3 *pro forma* Interconnection Agreement in Order No. 2003.

⁵⁸ Trial Staff Brief Opposing Exceptions at 15.

conclude above, in this case, CAISO Operational Control is not a prerequisite to the finding of integration of Breaker 12-S.

41. SCE is directed to amend section 12.5 of the Interconnection Agreement to contain the following language:

Payment of refunds shall be calculated from the in-service date of the Reliability Upgrades. The five-year refund period succeeding SCE's receipt of the Reliability Upgrades cost and associated ITCC shall commence upon the date of issuance of a Federal Energy Regulatory Commission determination that the upgrades are integrated transmission network upgrades. Payment of refunds will commence in the quarter occurring 60 days after such Commission determination.

42. Also, SCE agreed in its testimony to treat Breaker 12-M as a network upgrade and reimburse Whitewater for it.⁵⁹ SCE is directed to amend the Interconnection Agreement accordingly to reimburse Whitewater for the costs of these two breakers consistent with section 12.5 of the Interconnection Agreement, as modified above.

43. Within 30 days from the issuance of this order, SCE shall comply with the findings and conclusions in the *Initial Decision* as adopted or modified by the Commission in this opinion and order.

C. Venwind Line

44. At issue is whether the 2.2 mile 115 kV line built to reconnect the Venwind generator to one of the new double 115 kV circuits between the Devers and Garnet substations is properly classified as a non-integrated upgrade.

45. In the *Initial Decision*, the presiding judge found that the costs of the Venwind Line were properly assigned directly to Whitewater because the line operates as a radial, generation tie line where power flows in only one direction, and is solely used to deliver power generated at Venwind into the grid.⁶⁰

46. Whitewater argues that Venwind Line, although a generation tie line, together with other upgrades benefits the CAISO grid and that the costs of the Venwind Line

⁵⁹ See Exh. SCE-9 at 4:19-20.

⁶⁰ *Initial Decision* at P 29-35.

therefore should be treated as a network upgrade cost and repaid to Whitewater. First, it argues that the upgrades⁶¹ relieve the preexisting overloads on the Devers Leg and the Devers-Zanja Line. Then, Whitewater argues that the Devers Leg is part of the CAISO grid and that relieving a preexisting overload on that line benefits the CAISO grid. Next, it applies the *Mansfield* factors⁶² to attempt to prove that the Devers-Zanja Line is integrated with the CAISO grid.

1. **Does the Venwind Line, a generation tie line, benefit the network?**

47. The presiding judge found that the Venwind Line is a radial line, that power flows only in one direction over it, and that its sole use is to deliver power generated at Venwind into the grid.⁶³ She found that the Venwind Line functions as a generation tie line and that any fault on the Venwind Line would have little or no effect on the integrated transmission network. She concluded that the Venwind Line is not an integrated network transmission facility and the costs of the Venwind Line are properly directly assigned to Whitewater. SCE and Trial Staff support these findings; however, Whitewater takes exception to them.

48. Whitewater states that the presiding judge erred in finding that the Venwind Line is not a network facility.⁶⁴ It argues that a radial, generation tie line that is not integrated with the network system should not be disqualified per se from network status, but should be examined for its benefits to the network. It argues that the Venwind Line relieves overloads on the integrated transmission network and increases the capability and reliability of the integrated transmission network.

⁶¹ These upgrades include disconnecting the Venwind Substation from the Devers-Zanja Line and reconnecting it through a new 2.2 mile line directly to the Devers Substation; rebuilding the Devers Leg from a single circuit to a double circuit; changing the breaker arrangement in the Devers Substation; and disconnecting the Devers-Zanja Line from the Devers-Garnet Line and reconnecting it directly to the Devers Substation.

⁶² *Mansfield Municipal Electric Dept.*, Opinion No. 454, 97 FERC ¶ 61,134 at 61,613-14 (2001), *reh'g denied*, Opinion No. 454-A, 98 FERC ¶ 61,115 (2002) (*Mansfield*) (the *Mansfield* factors were first discussed in the *Initial Decision*).

⁶³ *Initial Decision* at P 29.

⁶⁴ Whitewater's Brief on Exceptions at 4.

49. SCE states that the Commission's policy and the Transmission Control Agreement generally prohibit the classification of radial generation ties as network facilities. It recognizes that the Transmission Control Agreement also sets forth certain Commission-approved circumstances under which a radial generation tie may be turned over to the CAISO and thus made an integrated network facility.⁶⁵ However, SCE and Trial Staff support the presiding judge's conclusion that the Venwind Line does not provide benefits to the network and is not integrated with the network.

Concerted Analysis

50. Whitewater argued in the hearing that the classification of the Venwind Line must be considered together with all upgrades made to interconnect Whitewater to the SCE system. The presiding judge disagreed, noting that Whitewater had cited no authority for such a "concerted analysis."⁶⁶ She also rejected Whitewater's claim that the various upgrades "in concert," including the Venwind Line,⁶⁷ provide benefits to the integrated network by relieving preexisting overloads and increasing the capacity and reliability of the CAISO-controlled grid.

51. Whitewater argues that the presiding judge erred in viewing the Venwind Line in isolation from the related upgrades and in attributing the upgrade to Whitewater alone rather than to all loads.⁶⁸

52. SCE and Trial Staff note, as did the presiding judge, that Whitewater has cited no Commission precedent to support its position that when a series of facilities are installed for a new generator, they must be examined as a concerted whole instead of on an individual basis.⁶⁹ SCE opposes allowing non-integrated, non-network facilities to be classified as integrated network upgrades because other upgrades in the same series are network upgrades.⁷⁰ Trial Staff contends that since each of the upgrades has a different

⁶⁵ SCE's Brief Opposing Exceptions at 2.

⁶⁶ *Initial Decision* at P 29.

⁶⁷ *See supra* note 61.

⁶⁸ Whitewater's Brief on Exceptions at 5-6 (the overload relieved by Venwind Line was a combination of preexisting loading and Whitewater's loading).

⁶⁹ *Initial Decision* at P 29; Trial Staff's Brief Opposing Exceptions at 16-17.

⁷⁰ SCE's Brief on Exception at 2.

relationship with the CAISO-controlled grid, it is appropriate to review the function of each one separately.⁷¹ Trial Staff also asserts that Whitewater's concerted analysis approach inappropriately attempts to introduce a non-disputed upgrade, the reconfiguration of the Devers-Garnet corridor, into the discussion.⁷² It argues that Whitewater fails to distinguish between SCE's non-integrated system, which includes the Devers-Zanja Line, and SCE's transmission facilities under the CAISO's Operational Control.⁷³

53. The presiding judge explained that if Whitewater wanted an examination of the reasons for building the Venwind Line, then the analysis must include the initial cause, which was Whitewater's requested interconnection.⁷⁴ She concluded that the evidence shows that the actual upgrades were constructed as a direct result of Whitewater's request for an interconnection.⁷⁵ The presiding judge noted that if Whitewater disputed these upgrades, it should have done so before these facilities were constructed.⁷⁶ It would be speculative to address possible alternatives to the upgrades at this time, the presiding judge concluded.⁷⁷

54. SCE claims that Whitewater is responsible for the cost of the Venwind Line because under the *Mansfield* factors,⁷⁸ the character and function of the line make it a non-integrated facility.⁷⁹ SCE notes that the presiding judge further found that generation at Venwind was removed from the Devers-Zanja line because the cumulative addition of

⁷¹ Trial Staff's Brief Opposing Exceptions at 17.

⁷² *Id.* at 16-17.

⁷³ *Id.* at 18.

⁷⁴ *Initial Decision* at P 30.

⁷⁵ *Id.* at P 32.

⁷⁶ *Id.* at P 35.

⁷⁷ *Id.*

⁷⁸ See detailed discussion *infra* at section C.2. SCE's Brief Opposing Exceptions at 6, citing *Mansfield*, 97 FERC ¶ 61,134 at 61,613-14.

⁷⁹ SCE's Brief Opposing Exceptions at 6.

Whitewater caused certain overloads on that line.⁸⁰ SCE agrees that upgrades should not be directly assigned simple because “but for” the generator the upgrades would not have been needed, but argues that here the upgrades are not integrated network transmission upgrades.⁸¹ Trial Staff and SCE argue that the upgrades are to a non-integrated system, and accordingly that the costs of this line can be directly assigned to Whitewater.

55. The presiding judge noted that if the Devers-Zanja Line had been upgraded in order to interconnect Whitewater’s generator, then the classification of the line might have been relevant.⁸² The presiding judge further concluded that without additional load flow studies, any attempt to determine the effect of any upgrade to the Devers-Zanja Line on the system would be speculative.⁸³

2. **Does the Venwind Line relieve preexisting overloads on the network?**

56. The *Initial Decision* rejected Whitewater’s argument that the installation of the Venwind Line and the reconfiguration of the Devers Leg were needed to relieve preexisting overloads on the Devers Leg and a potential overload on a segment of the Devers-Zanja Line. The interconnection study identified these two separate problems and provided separate solutions for them.⁸⁴ The presiding judge stated that the preexisting overloads on the Devers Leg were the only preexisting overloads at the time SCE constructed the upgrades.⁸⁵

57. SCE and Trial Staff support the presiding judge’s conclusion that the pre-existing overloads on the Devers Leg were mitigated by the two-circuit rebuild of the line and that the Venwind Line was installed to avoid overloads caused by the interconnection of Whitewater on the Devers-Zanja Line between Venwind Tap and the Old Windpark

⁸⁰ *Id.* at 7.

⁸¹ *Id.* at 8 citing *Tampa Elec. Co.*, 99 FERC ¶ 61,192 at 61,796-97 (2002) and *Entergy Gulf States, Inc.*, 99 FERC ¶ 61,095 at 61,399 (2002).

⁸² *Initial Decision* at 32.

⁸³ *Id.*

⁸⁴ Interconnection Study, Exhibit WW-4 at 14.

⁸⁵ *Initial Decision* at P 32.

Tap.⁸⁶ The presiding judge noted that the upgrade of the Devers Leg was classified as a network upgrade for which Whitewater will receive transmission credits.

58. Whitewater argues that the Venwind Line should be classified as a integrated transmission network upgrade for two reasons: (1) the Venwind Line was an integral part of the upgrades (the “concerted analysis”) that relieved the preexisting network overload on the Devers Leg, a network facility; and (2) the Venwind Line eliminated a post-Whitewater overload on the Devers-Zanja Line from the old Venwind Tap to the old Windpark Tap.⁸⁷

a. Overloads on Devers Leg

59. First, the presiding judge explained that rebuilding the Devers Leg into the double circuit configuration solved the problem of any preexisting overloads on that segment.⁸⁸ The presiding judge noted that Whitewater is already receiving a credit for alleviating a preexisting overload on the Devers Leg, since other customers will benefit from these facilities.⁸⁹

60. Whitewater disagrees with the presiding judge’s finding that the rebuilding of the Devers Leg into a double circuit configuration relieved the preexisting overload.⁹⁰ It argues that rebuilding the Devers Leg created a new circuit that was overloaded.⁹¹ It asserts that the new Venwind Line then had to be built to shift the Venwind generation to relieve the overload after the rebuild of the Devers Leg, a network facility.⁹²

⁸⁶ See Trial Staff Witness Navedo, Exh. S-1(Revised) at 10-12.

⁸⁷ Whitewater’s Brief on Exceptions at 5-6.

⁸⁸ *Initial Decision* at P 32.

⁸⁹ Whitewater states that SCE properly classified the Devers Leg as a Reliability Upgrade in the Interconnection Agreement, for which it will receive credits for relieving a preexisting overload on that portion of the Devers-Garnet Line.

⁹⁰ Whitewater’s Brief on Exceptions at 14.

⁹¹ *Id.*

⁹² *Id.* at 15.

61. On the other hand, Trial Staff and SCE argue that the preexisting overloads were relieved by the network upgrades that reconfigured the Devers Leg, not by redirecting the Venwind generation.⁹³ Trial Staff further claims that in any event, the preexisting load on the Devers Leg was being adequately managed by the CAISO.⁹⁴

b. Overloads on Devers-Zanja Line

62. Next, the presiding judge found that the overload on the Devers-Zanja Line from the Old Venwind Tap to the Windpark Tap segment was caused by the addition of Whitewater. The overload was relieved by installing the new Venwind Line and removing the old Windpark Tap from the Devers-Zanja Line.⁹⁵ The presiding judge noted that the Venwind Line was built to avoid overloading this segment by the addition of Whitewater's generator.⁹⁶ Therefore, the *Initial Decision* found that Whitewater should not receive credit for the Venwind Line.

63. Whitewater contends that the presiding judge ignored the benefits of the Venwind Line to the Devers-Zanja Line, which it alleges is integrated with the transmission system.⁹⁷ It disagrees with the presiding judge that the overload was caused by the addition of Whitewater's generation to the Devers-Zanja Line.⁹⁸ Instead, Whitewater argues that overloads are caused by all loads rather than by the last load.⁹⁹

64. Trial Staff asserts that there was no preexisting overload on the segment of the Devers-Zanja Line between the Venwind Tap and the Old Windpark Tap and that the

⁹³ Trial Staff's Brief Opposing Exceptions at 19; SCE's Brief Opposing Exceptions at 9-12.

⁹⁴ Trial Staff's Brief Opposing Exceptions at 17-18.

⁹⁵ *Initial Decision* at P 31-34

⁹⁶ *Id.* at P 37.

⁹⁷ Whitewater's Brief on Exceptions at 15.

⁹⁸ *Id.*

⁹⁹ *Id.*

Venwind Line was installed to avoid overloading that segment when the Whitewater project was interconnected.¹⁰⁰

65. SCE disputes Whitewater's contention that an upgrade that relieves combined network overloads should not be assigned solely to the last load under the *Mansfield* test.¹⁰¹ It argues that either the "any degree of integration" test in *Northeast Texas Electric Cooperative, Inc.*¹⁰² or the *Mansfield* test¹⁰³ applies, depending on the characteristics of a facility in dispute. SCE argues that when evaluating whether the costs of a radial, non-pool facility should be rolled into transmission rates, the determination of whether such a facility is integrated should be performed under *Mansfield*.¹⁰⁴ *NTEC* does not apply to mere radial lines; under that case, a facility showing any degree of integration is classified as an integrated network facility.¹⁰⁵ SCE contends that *Mansfield* applies where a line is radial and not operated in parallel with the transmission system. Accordingly, the Venwind Line, as a radial line that is not operated in parallel with the CAISO grid, should be evaluated under the *Mansfield* factors.¹⁰⁶ It asserts that Whitewater is arguing, in effect, that the Commission can ignore the remaining *Mansfield* factors because the Venwind Line meets the "any degree of integration test" of *NTEC*.¹⁰⁷ SCE responds that the Commission has made clear that either one test or the other applies, based on the characteristics of the subject facility.

¹⁰⁰ Trial Staff Brief Opposing Exceptions at 20-21, *citing* to Exh. S-1 (Revised) at 11-12.

¹⁰¹ SCE's Brief Opposing Exceptions at 4 *citing* *Mansfield*, 97 FERC ¶ 61,134.

¹⁰² 108 FERC ¶ 61,084 (2004), *reh'g denied*, 111 FERC ¶ 61,189 (2005) (*NTEC*).

¹⁰³ SCE claims this test determines whether the costs of the facilities that do not operate in parallel with the transmission system should nonetheless be included in transmission rates.

¹⁰⁴ SCE's Brief Opposing Exceptions at 4 *citing* *Mansfield*, 97 FERC ¶ 61,134 at 61,615.

¹⁰⁵ SCE's Brief Opposing Exceptions at 5.

¹⁰⁶ *NTEC*, 108 FERC ¶ 61,084 (emphasis added).

¹⁰⁷ SCE's Brief Opposing Exceptions at 5.

3. **Does the Venwind Line increase the reliability and capacity of the network?**

66. Whitewater's witness Russell testified that the Venwind Line freed up capacity on the reconfigured Devers-Zanja Line. Whitewater argues that the Venwind Line benefits the Devers-Zanja Line by increasing its power-carrying ability, by freeing up capacity for future growth, and by providing an alternate outlet for the Windpark and Windfarm generators.¹⁰⁸ Accordingly, Whitewater contends that the upgrade increased reliability and capability and can be counted on for coordinated operation of the grid.¹⁰⁹

67. Trial Staff and SCE contest Whitewater's argument that the upgrades freed up capacity on the Devers-Zanja Line.¹¹⁰ SCE points out that while Venwind's 45 MW generator was removed, Whitewater's 66 MW generator was added to the same line without any other change to the line, resulting in a net loss of 21 MW in capacity.¹¹¹ Therefore, Whitewater has not financed new capacity for future growth to move power to the Banning load. Also, SCE states that there is no evidence to support the claim that the Devers-Zanja Line has a higher megavolt ampere (MVA) rating and/or can now carry more power.¹¹² In addition, SCE notes that there is less capacity for Windfarm generators to use because the overall power carrying capability of the Devers-Zanja Line did not change.¹¹³ Further, SCE argues there is no evidence that such changes altered the physical capability of the line to carry a given amount of power from the Windfarm or anywhere else. Trial Staff argues that even if the Venwind Line increased the capacity of the Devers-Zanja Line, such an increase would benefit SCE's customers located on this radial line or Whitewater's customer. Therefore, any increase in capacity does not increase the capability and reliability of the transmission grid, and the line cannot be relied upon for coordinated operation of the grid, according to Trial Staff.

¹⁰⁸ Whitewater's Brief on Exceptions at 16.

¹⁰⁹ *Id.*

¹¹⁰ Trial Staff's Brief Opposing Exceptions at 22, 25-26 and SCE's Brief Opposing Exceptions at 14.

¹¹¹ SCE's Brief Opposing Exceptions at page 15.

¹¹² *Id.*

¹¹³ SCE's Brief Opposing Exceptions at 16.

4. Commission Determination

68. As discussed in more detail below, we will affirm the *Initial Decision's* finding that the Venwind Line is a generation tie line that is not integrated with the CAISO grid, and thus that the direct assignment of the costs of that line to Whitewater is appropriate.

69. As we stated in the *Second Hearing Order*, ordinarily, for generator interconnections, there are only two categories of facilities: interconnection facilities and network upgrades.¹¹⁴ Here, however, the facilities may belong to a third category: they may be upgrades to non-integrated facilities that can be directly assigned to the generator.¹¹⁵ We must decide whether the Venwind Line is a network facility whose costs should be rolled in or an interconnection facility or non-integrated facility whose costs are directly assigned.

70. In most cases, the Commission will use its well-settled “at or beyond the point of interconnection” test to determine whether a facility is a network upgrade, as opposed to an interconnection facility. Under that test, the determination of whether a facility is directly assignable is simply a function of determining where the point of interconnection is. That is, anything constructed on the generator’s side of the point of interconnection is considered to be an “Interconnection Facility,” which is directly assignable to the generator, and anything constructed on the network side is considered to be a “Network Upgrade,” which the generator pays for upfront and then is reimbursed through transmission credits.

71. Here, however, the interconnection at issue involves three different types of facilities: interconnection facilities, non-integrated facilities, and CAISO network facilities. Moreover, this interconnection is unusual in that it involved the construction of new facilities to reconnect an existing generator, as well as upgrades to several other facilities of different classifications, in several different locations.

72. Accordingly, we will apply the *Mansfield* factors to determine whether the Venwind Line is part of the integrated grid. Applying the five factors of *Mansfield* is appropriate in this case because, as SCE points out, the factors were used in *Mansfield* to analyze whether radial lines not operated in parallel with the transmission system should nonetheless be classified as network facilities and thus rolled-in. Similarly, the Venwind Line is a radial line, as the presiding judge found in the *Initial Decision*. Thus, we find

¹¹⁴ *Second Hearing Order* at P 22.

¹¹⁵ *Id.*

that application of the *Mansfield* factors is a reasonable approach to analyzing the Venwind Line.

73. We reiterate that, in most cases involving generator interconnections, we simply apply the “at or beyond test” to facilities to determine whether they are interconnection facilities that may be directly assigned or network upgrades that may not be directly assigned. However, while this test allows us to distinguish between interconnection facilities and network upgrades, it does not help us to distinguish between non-integrated facilities and network upgrades. Therefore, as discussed above, we do not use that test here because although the Venwind Line is “beyond” the generator’s side of interconnection, our decision turns on the function of the Venwind Line, not just its location. Consequently, we use the *Mansfield* factors to determine whether the Venwind Line is a network upgrade or a non-integrated facility, and therefore whether its costs should be directly assigned to Whitewater or whether Whitewater is entitled to transmission credits, consistent with Commission policy.

74. The presiding judge noted that Whitewater had cited no precedent for the “concerted analysis” it urges. Whitewater has also not cited any supporting precedent to the Commission in post-*Initial Decision* briefs. Regardless, even if we applied a “concerted analysis” as requested by Whitewater, Whitewater is receiving refunds for relieving the preexisting overloads on the Devers Leg because this leg is part of the CAISO grid. However, refunds are not due to Whitewater for the overloads relieved on the Devers-Zanja line because the overloads are on SCE’s non-integrated system, not the CAISO grid. Furthermore, the Venwind Line does not increase the reliability or the capacity of the CAISO grid. Moreover, Whitewater has failed to demonstrate that the non-integrated Venwind Line was constructed in lieu of network upgrades for which Whitewater would have been entitled to refunds. Therefore, as discussed in more detail below, we find that the costs of the Venwind Line are properly directly assigned to Whitewater. Accordingly, our decision would not change even if we applied a concerted analysis.

75. Thus, in the paragraphs that follow, we discuss the application of each of the *Mansfield* factors to the Venwind Line.

a. **Whether the Venwind Line and/or Devers-Zanja Line are integrated with the network under *Mansfield*?**

76. Whitewater argues that under the *Mansfield* test, the Devers-Zanja Line is integrated with the SCE's transmission grid.¹¹⁶ Its main argument is that the Whitewater-financed upgrades to the Venwind Line relieved pre-existing overloads on the Devers-Zanja line, and because the Devers-Zanja Line satisfies the *Mansfield* factors, the upgrades are integrated transmission facilities and eligible for credits.¹¹⁷

77. In order to determine whether the Venwind Line is integrated, Trial Staff and SCE apply the five *Mansfield* factors.¹¹⁸ These factors are:

- (1) Whether the facilities are radial, or whether they loop back into the transmission system;
- (2) Whether energy flows only in one direction, from the transmission system to the customer over the facilities, or in both directions, from the transmission system to the customer, and from the customer to the transmission system;
- (3) Whether the transmission provider is able to provide transmission service to itself or other transmission customers . . . over the facilities in question;
- (4) 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 operation of the grid; and
- (5) Whether an outage on the facilities would affect the transmission system.¹¹⁹

¹¹⁶ Whitewater's Brief on Exceptions at 16.

¹¹⁷ *Id.* at 22.

¹¹⁸ *Mansfield*, 97 FERC at 61,613-14.

¹¹⁹ *Mansfield*, 97 FERC ¶ 61,134 at 61,613-14.

78. While SCE and Trial Staff argue that this test should only be applied to the facility that is being considered for integration, *i.e.*, the Venwind Line, Whitewater applies the factors to the Devers-Zanja Line. SCE chooses not to respond to Whitewater on this issue, given the presiding judge's conclusion that the issue is irrelevant to the classification of the Venwind Line and Whitewater's alleged failure to show that the upgrades benefited the Devers-Zanja Line.¹²⁰

79. As explained earlier, Whitewater interconnected to the Devers-Zanja Line, which was designated by SCE, using the seven-factor test and approved by the Commission, as a non-integrated facility. Whitewater's point of interconnection was on the section of the Devers-Zanja Line designated as a part of the non-integrated system. The addition of Whitewater created the need to upgrade both the non-integrated and the transmission portions of the Devers-Zanja Line. The question is whether the upgrades beyond the point of interconnection are non-integrated upgrades or network upgrades entitled to credits. Whitewater argues that the entire Devers-Zanja Line should be classified as transmission and therefore that any upgrades related to it also should be considered transmission and entitled to credits. One of the required upgrades to Devers-Zanja Line was reconnecting an existing generator (Venwind) via a new generation tie line (Venwind Line) to a new location on the system. The *Initial Decision* concludes that the Venwind Line, a radial generation tie line, does not provide any benefits to the transmission system and therefore should be directly assigned to Whitewater.¹²¹

80. Whitewater's arguments regarding the *Mansfield* factors focus on the Devers-Zanja Line; as discussed above, Whitewater argues that the construction of the Venwind Line should be viewed in concert with other upgrades and that it provides benefits to the Devers-Zanja Line, which in turn is integrated under the *Mansfield* factors. We note that the Devers-Zanja Line is classified as a WDAT facility under the SCE tariff, and is not classified as a network facility under the CAISO tariff. Given the findings in the *Initial Decision* and Trial Staff's analysis, we find that the Devers-Zanja Line is not an integrated transmission network facility. Additionally, we note that the preexisting overloads on the Devers Leg, which is part of the integrated transmission network, were being managed by the CAISO, but now have been relieved by reconfiguring this leg. SCE has already identified these upgrades as network upgrades in the Interconnection Agreement, and Whitewater is already receiving refunds for these upgrades. Moreover, with regard to the alleged preexisting overload on the Devers-Zanja Line, we agree with the presiding judge and conclude based on the system impact study that no overload

¹²⁰ SCE's Brief Opposing Exceptions at 16.

¹²¹ *Initial Decision* at P 27-31.

existed prior to Whitewater's request for interconnection.¹²² Finally, as SCE points out, there is no evidence in the record that the Devers-Zanja line received any capacity or reliability benefit from the Venwind Line.¹²³

81. Below, we analyze both the Venwind Line and the Devers-Zanja line individually, based on their own characteristics, to determine whether the Venwind Line is integrated with the transmission network and thus whether Whitewater is entitled to a refund of what it paid for that line. In particular, we apply the *Mansfield* factors to ensure that we appropriately consider the status of the Venwind Line. We conclude that the Venwind Line is not integrated and that its costs were appropriately assigned directly to Whitewater. Where appropriate, we also consider arguments regarding the Devers-Zanja Line.

(1) **Factor 1: Whether the facilities are radial, or whether they loop back into the transmission system.**

82. The presiding judge found that the Venwind Line is not an integrated network transmission facility but is a radial line, over which power flows only in one direction, and whose sole use is to deliver power generated at Venwind into the grid.¹²⁴

83. Whitewater states that the Devers-Zanja Line is part of a loop with the integrated transmission grid that assures reliable service at Banning and to loads at Zanja.¹²⁵

84. Trial Staff argues that there is no evidence in the record that the Venwind Line loops into the CAISO transmission network loop because the line is not physically connected to the Devers-Zanja Line, but is connected to a 115kV transmission line between the Devers and Garnet Substations.¹²⁶ In addition, Trial Staff observes that

¹²² *Initial Decision* at P 33.

¹²³ Brief Opposing Exceptions of SCE at 15.

¹²⁴ *Initial Decision* at P 29.

¹²⁵ Whitewater's Brief on Exceptions at page 17-18.

¹²⁶ Trial Staff's Brief Opposing Exceptions at 26-29.

Whitewater relies upon its witness Russell's definition of loop¹²⁷ and states that his definition is inconsistent with generally accepted electrical engineering definition.¹²⁸

85. Next, Trial Staff argues that no looping benefits currently can be derived from the Devers-Zanja Line to the integrated system, because an electrical loop would have to provide more than just an occasional, alternate current path.¹²⁹ Moreover, Trial Staff asserts that evidence in the record demonstrates that even an occasional loop is unlikely because: (1) switches and breakers on SCE's non-integrated system would have to be simultaneously closed to permit the lines serving Banning and Zanja and the radial line between the Garnet and the Maraschino Substations (the Garnet-Maraschino Line) to provide a looping function; (2) except for a temporary period during upgrade construction, when special safety measures were taken, the non-integrated system has never operated in this manner; and (3) sufficient protection does not exist to permit the breakers to be simultaneously closed for a sustained period of time.¹³⁰

Commission Conclusion

86. The evidence shows that the Venwind Line is a radial line that does not loop back into the transmission system; as a result, the line does not satisfy the first factor of *Mansfield*. First, as the presiding judge found in her decision, "[t]he Venwind Line is a radial line, where power flows only in one direction, and whose sole use is to deliver power generated at Venwind into the grid."¹³¹ Moreover, we agree with Trial Staff that the Venwind Line does not loop back into the integrated transmission network.

¹²⁷ Witness Russell defines a loop as a redundant path that quickly provides a backup supply. Exhibit WW-8 at 8:16-20.

¹²⁸ According to Trial Staff, an electrical loop cannot be formed unless all of the segments are connected to form a closed current path. Citing *Initial Decision* at P 28.

¹²⁹ Citing to *Florida Municipal Power Agency v. Florida Power & Light Co.*, 74 FERC ¶ 61,006 at 61,010 (1996) (*FMPA*), *reh'g denied*, 96 FERC ¶ 61,130 (2001), *aff'd*, 315 F.3d 362 (D.C. Cir. 2003) (rejecting occasional loop flows as a basis for finding that facilities are integrated into the transmission network).

¹³⁰ Citing Exhibit SCE-15 at 3:5 - 4:17; Exhibit S-1 (Revised) at 13:21-23 and Exh. S-1(Revised) at 14:2-19.

¹³¹ *Initial Decision* at P 29.

87. As noted above, Whitewater argues that the Devers-Zanja Line provides a loop with the integrated transmission system. However, as Trial Staff points out, this analysis ignores the evidence in the record that the SCE non-integrated system (which includes the Devers-Zanja Line) is normally operated with the breakers open, preventing loop flows to the integrated grid. As Trial Staff correctly notes, the Commission has previously stated that an occasional loop flow does not compel the conclusion that a facility is integrated with the transmission network.¹³²

(2) **Factor 2: Whether energy flows only in one direction, from the transmission system to the customer over the facilities, or in both directions, from the transmission system to the customer, and from the customer to the transmission system.**

88. SCE and Trial Staff support the presiding judge's finding that the Venwind Line is a generation tie line, over which power flows only in one direction.¹³³

89. Whitewater asserts that the Devers-Zanja Line has bi-directional flows and therefore satisfies *Mansfield* factor 2.¹³⁴ It states that the direction of flow depends on whether the load connected to the line exceeds or is less than the amount of Windpark generation. For example, Whitewater's witness Russell testified that under normal conditions, the switch at Zanja is open and power in excess of the needs of Banning load will flow east to the Devers-Garnet corridor; if the Banning load requirement exceeds Windpark generation power, power will flow west from Devers-Garnet to serve load at Banning.¹³⁵

90. Trial Staff argues that the only significant energy flows on the Venwind Line are from the generator to the grid and that therefore the Venwind Line fails to satisfy this factor.¹³⁶

¹³² See *Florida Municipal Power Agency v. Florida Power & Light Co.*, *supra* note 129.

¹³³ *Initial Decision* at P 29.

¹³⁴ Whitewater's Brief on Exceptions at 19.

¹³⁵ *Id.*

¹³⁶ Trial Staff's Brief Opposing Exceptions at 29-31 citing to Exh. S-1 at 12:16-18.

91. Further, Trial Staff argues that even if the factor was applied to the Devers-Zanja Line, that line would fail to qualify as an integrated network facility. Trial Staff contends that the *Mansfield* factor 2 does not test simply whether there is bi-directional flow on the line, but rather whether the transmission provider relies on that bi-directional flow to serve its own load or the load of its other transmission customers.¹³⁷ Trial Staff argues that the Devers-Zanja Line does not permit the CAISO to serve its own load or the load of other transmission customers. The Devers-Zanja Line normally performs a dual function as a radial line carrying power to the Banning Substation and as a large generation interconnection facility carrying power from the Windpark generators to the Devers Substation.¹³⁸ These two functions involve two separate types of power flows, not a single flow that goes to and from the grid to the same customer. Moreover, Trial Staff argues that the CAISO does not depend upon the line to serve other transmission customers. It explains that if the normally open switch between Banning and Zanja were closed in an emergency situation, power could flow to the Zanja Substation from Banning, but that would not involve the transmission load of a transmission customer served by the CAISO; it would just result in the substitution of one radial line for another to deliver power within SCE's non-integrated system.¹³⁹ Finally, Trial Staff concludes that the Windpark generators do not provide the CAISO with any bi-directional flow to serve its load or the load of other customers. It notes that other than minimal power used for station functions or to excite the generators, the power flow from the generator is in one direction.¹⁴⁰

Commission Conclusion

92. We find that *Mansfield* factor 2 is not satisfied with regard to the Venwind Line. As noted above, the presiding judge found that the Venwind Line is a generation tie-line

¹³⁷ Citing *Consumers Energy Co.*, 86 FERC ¶ 63,004 at 65,016 (1999), *aff'd but reversed on other issues*, Opinion No. 456, 98 FERC ¶ 61,333 (2002) ("The studies . . . show some bi-lateral power flows, which the witness concluded evidenced integration; however, the study fails to show persuasively that [the utility] relied upon those flows to serve its own load or the load of other transmission customers").

¹³⁸ Exhibit WW-8 at 7:9-10.

¹³⁹ Exhibit SCE-15 at 2:1-9.

¹⁴⁰ Trial Staff's Brief Opposing Exceptions at 31, *citing* to Exh. SCE-1 at 35:10-13.

over which power flows in only one direction.¹⁴¹ Additionally, Whitewater argues that the Devers-Zanja Line satisfies this factor because it has bi-directional flows. We agree with Trial Staff, however, that the Devers-Zanja Line does not carry bi-directional flows such that it would satisfy *Mansfield* factor 2; the line operates 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.¹⁴²

(3) **Factor 3: Whether the transmission provider is able to provide transmission service to itself or other transmission customers over the facilities in question.**

93. SCE and Trial Staff agree with the presiding judge's finding that the Venwind Line is a generation tie line whose sole use is to deliver power generated at Venwind into the grid.

94. Whitewater disagrees with the presiding judge's finding and argues that SCE can use the Devers-Zanja Line to provide transmission service to its customers at Banning.¹⁴³ In addition, Whitewater states that its witness Russell testified that the upgrade benefits other generators that interconnected before Whitewater by relieving preexisting overloads.¹⁴⁴

95. Trial Staff suggests that certain of the *Mansfield* factors are given more weight than others. It points to the Commission's recent decision in *NTEC*, which it says turned on *Mansfield* factor 3.¹⁴⁵ The Commission stated that to "satisfy the Commission's requirement, in customer credit cases, that for customer-owned facilities to be integrated and entitled to credits, the transmission provider must be able to provide transmission service to itself or other transmission customers over these facilities."¹⁴⁶ According to

¹⁴¹ *Initial Decision* at P 29.

¹⁴² See Trial Staff's Brief Opposing Exceptions at 30.

¹⁴³ Whitewater's Brief on Exceptions at 20.

¹⁴⁴ *Id.*

¹⁴⁵ *NTEC*, 108 FERC ¶ 61,084.

¹⁴⁶ *NTEC*, 108 FERC at P 53 citing as examples of this single-factor test: *Southern California Edison Co.*, Opinion No. 445, 92 FERC ¶ 61,070 at 61,255 (2000), *reh'g denied*, 108 FERC ¶ 61,085 (2004), and *FMPA*, *supra* note 129.

Trial Staff, this single factor test used in *NTEC* was established by the Commission in Order No. 888 and affirmed by the court in *FMPA*.¹⁴⁷

96. Trial Staff argues that the Venwind Line fails the *Mansfield* factor 3 test because any benefits the Venwind Line might create by increasing the capacity of the Devers-Zanja Line accrue to SCE's customers that are located on that non-integrated line. Trial Staff also argues that the Venwind Line is connected to the transmission grid at only one point and that it only transmits power between the Venwind generator and that point.¹⁴⁸ Trial Staff asserts that any such capacity would add nothing to the existing power-carrying capability of the CAISO grid. Therefore, the transmission provider cannot provide transmission service to itself or transmission customers over the Venwind Line, which is a radial line that only serves as a generation interconnection facility.¹⁴⁹

Commission Conclusion

97. We conclude that *Mansfield* factor 3 is not satisfied. As a radial generation tie-line used solely to deliver power generated at Venwind to the grid, the Venwind Line cannot be used by CAISO or SCE to provide transmission service to themselves or other transmission customers. With regard to the Devers-Zanja Line, we agree with Trial Staff that any capacity benefit that the Venwind Line might have provided to the Devers-Zanja Line accrues to SCE's customers on that line, not to the integrated transmission grid. Thus, CAISO cannot provide transmission service to other transmission customers over that line, failing *Mansfield* factor 3.

¹⁴⁷ *FMPA*, 315 F.3d at 364, citing *Promoting Wholesale Competition Through Open Access Non-discriminatory Transmission Services by Public Utilities; Recovery of Stranded Costs by Public Utilities and Transmitting Utilities*, Order No. 888, 61 Fed. Reg. 21,540 at 21,630 (May 10, 1996), FERC Stats. & Regs. ¶ 31,036 at 31,682 (1996), *order on reh'g*, Order No. 888-A, 62 FR 12274 (March 14, 1997), FERC Stats & Regs. ¶ 31,048 (1997), *order on reh'g*, Order No. 888-B, 81 FERC ¶ 61,248 (1997), *order on reh'g*, Order No. 888-C, 82 FERC ¶ 61,046 (1998), *aff'd in relevant part sub nom.* Transmission Access Policy Study Group v. FERC, 225 F.3d 667 (D.C. Cir. 2000), *aff'd sub nom.* New York v. FERC, 535 U.S. 1 (2002).

¹⁴⁸ Citing Exhibit S-1 (Revised) at 12:16-20; Exhibit S-3 (Revised).

¹⁴⁹ Citing Exhibit SCE-1, 36:5-7.

(4) **Factor 4: 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 operation of the grid.**

98. Whitewater contends that *Mansfield* factor 4 is satisfied because its witness Russell testified that the Devers-Zanja Line provides reliability benefits. Whitewater's argument is that SCE designed the system in the vicinity of Whitewater to meet the N-1 criterion to continue to serve loads after outages (that would have severe impacts on Banning load) with backup provided by the Garnet-Maraschino line.¹⁵⁰ For this reason, Whitewater argues that the Devers-Zanja Line is part of the transmission network.¹⁵¹

99. Trial Staff disagrees. It argues that the facilities near Whitewater are SCE's non-integrated facilities and were designed by SCE to the N-1 protection (loss of a critical load service element) to benefit SCE's non-integrated system and its wholesale and retail customers, not the CAISO transmission grid. For example, any N-1 outage in Banning's principal supply would be resolved by SCE through its non-integrated system, not directly by the CAISO transmission grid.¹⁵² Also, Trial Staff argues that SCE's customers at Banning and at Zanja are non-integrated customers and that serving them is part of SCE's non-integrated service function, not the CAISO's transmission function. Thus, the service provided by the Devers-Zanja Line does not provide any transmission benefits to the CAISO system.

100. Further, Trial Staff argues that the *Mansfield* factor 4 should actually be applied to the Venwind Line, and that the line does not satisfy this test. Trial Staff's witness Navedo testified that the Venwind Line only performs the function of moving power generated at Venwind.¹⁵³ Therefore, Trial Staff argues that if the Venwind Line was out

¹⁵⁰ Whitewater's witness Russell further testifies that the N-1 criterion is the concept that utility planners design transmission systems so that the desired amounts of power can be carried to load even after loss of the most critical load-serving element of the transmission system.

¹⁵¹ Whitewater Brief on Exceptions at 21.

¹⁵² Trial Staff's Brief Opposing Exceptions at 32, *citing* to Exh. WW-1 at 14:15-17; Exh. SCE-15 at 2:5-6.

¹⁵³ *Citing* Exhibit S-1 (Revised) at 12:16-18.

of service, Venwind's customers would be affected, but the transmission grid would experience only a negligible decrease in capability.¹⁵⁴

Commission Conclusion

101. We agree with SCE and Trial Staff and conclude that the Venwind Line does not satisfy *Mansfield* factor 4. The evidence shows that neither the Venwind Line nor the Devers-Zanja Line provide any benefits to the CAISO integrated transmission system in terms of capacity or reliability, and that neither facility can be relied on for coordinated operation of the grid. Moreover, we agree with Trial Staff that the design of the facilities in Whitewater's area to N-1 protection was done to provide reliability benefits to SCE's non-integrated customers (since the Devers-Zanja Line is classified as a non-integrated facility), not to provide reliability benefits to the integrated transmission system.

(5) Factor 5: Whether an outage on the facilities would affect the transmission system.

102. Finally, SCE and Trial Staff agree with the presiding judge that the Venwind Line functions as a generation tie line and that any fault on the Venwind Line would have little or no effect on the integrated transmission network.

103. Whitewater argues, on the contrary, that an outage on the Devers-Zanja Line would affect SCE's transmission system;¹⁵⁵ SCE would close the breaker at Banning on the Garnet-Maraschino line to serve load at Banning and then open the breaker at Banning to the Devers-Zanja Line. Whitewater alleges that this would cause the wind generation on the Devers-Zanja Line to be cut, thus reducing loading in the intermediate area and causing increased flows on the 230 kV transmission lines to serve area load.¹⁵⁶ Also, Whitewater argues that shifting the Banning load to the Garnet-Maraschino line would unload the 115 kV lines along the Devers-Garnet corridor, lines that are part of the CAISO grid. Whitewater argues that, alternatively, SCE might close the switch at the Zanja Substation to serve Zanja load from Banning, thus reducing the loading on the 230 kV Devers-Vista transmission system. The reduction in loading would occur because the power that flows from Devers to Vista to serve Zanja load would instead flow from the Devers-Garnet corridor over the Devers-Zanja 115 kV Line.

¹⁵⁴ Exhibit SCE-9 at 27:14-17

¹⁵⁵ Whitewater's Brief on Exceptions at 21.

¹⁵⁶ *Id.*

104. As explained earlier, Trial Staff argues that if the Venwind Line experienced an outage, there would not be a significant effect on the transmission grid. Also, Trial Staff disagrees with Whitewater that an outage on the Devers-Zanja Line would increase flows on the 230 kV transmission lines to serve SCE load in the area. It explains that the only load that would have to be served differently would be the load served by the Banning Substation (since the Windpark generators are generation, not load). In that case, the increased flows to serve the Banning load would be on the 115 kV transmission lines between Devers and Garnet Substations and on the SCE 115 kV Garnet-Maraschino line, not on the 230 kV transmission lines.¹⁵⁷ Next, Trial Staff contests Whitewater's suggestion that closing the normally open switch between Banning and Zanja would cause loading on the 230 kV Devers-Vista transmission lines to drop. Trial Staff notes that a closing of the switch between Banning and Zanja during emergencies or other unusual events would result in the opening of the normally closed switch on the circuit that usually carries energy to Zanja from the San Bernardino Substation. As a result, Zanja would be served via the Devers-Zanja Line rather than via the San Bernardino Substation.¹⁵⁸ Also, Trial Staff argues that there is no evidence that in situations on the Devers-Zanja Line described by Whitewater, the net amount of bulk power flowing in the transmission system in the area served by the Garnet, Devers, and Vista Substations would not remain essentially the same.¹⁵⁹

Commission Conclusion

105. As noted elsewhere, we agree with the presiding judge that the Venwind Line is a generation tie line, over which power flows in one direction, and whose sole use is to deliver power generated at Venwind into the grid. Further, we affirm the presiding judge's conclusion that "any fault on the Venwind Line will have little or no effect on the integrated transmission network."¹⁶⁰ In addition, with regard to the Devers-Zanja Line, we find that an outage on the Devers-Zanja Line would not affect the CAISO integrated transmission grid because the only load affected would be the load served by the Banning

¹⁵⁷ Trial Staff's Brief Opposing Exceptions at 33-34, *citing* to Exhibit SCE-15 at 2:5-9.

¹⁵⁸ Trial Staff's Brief Opposing Exceptions at 34, *citing* to Exhibit S-1 (Revised) at 8:20 - 9:1; Exhibit SCE-5 at 7:13-19.

¹⁵⁹ Trial Staff's Brief Opposing Exceptions at 34, *citing* to Exhibit SCE-5 at 4:13.

¹⁶⁰ *Initial Decision* at P 29.

Substation, and that load would be served by increased flows over SCE non-integrated lines and not integrated transmission lines. Accordingly, we find that *Mansfield* factor 5 is not satisfied.

D. Whitewater's rehearing request

106. Rule 713(d)(1) of the Commission's Rules of Practice and Procedure, 18 C.F.R § 385.713(d)(1) (2005), prohibits answers to requests for rehearing. Accordingly, we will reject the answers filed by SCE and Whitewater.

107. Whitewater asks the Commission to specify that the *Mansfield* factors must be used to determine whether the upgrades function as part of the integrated transmission network. It also argues that the Commission should clarify that witnesses could provide additional factors to show that a facility was integrated. Whitewater argued that the Commission should make clear that integration does not depend on whether the facilities are under the Operational Control of the CAISO.

108. Given our decisions above, these requests are now moot. We are affirming the presiding judge's conclusion that Breaker 12-S is a network upgrade and that CAISO Operational Control is not a prerequisite for a finding of integration. We also evaluated the parties' application of the *Mansfield* factors to determine that the Venwind Line is not integrated with the CAISO-controlled grid. Moreover, the *Second Hearing Order* required the parties to explore at hearing what makes a facility integrated. The *Second Hearing Order* stated that there were issues of material fact concerning whether the disputed upgrades were transmission facilities that function as part of the integrated transmission network.

109. Next, Whitewater seeks clarification that if disputed upgrades function as part of the integrated transmission network, it is entitled to reimbursement. It argues that the "if any" clause in the following sentence was in error: "If the presiding judge finds that any of the upgrades at issue are network upgrades, then the judge must determine how Whitewater will receive the reimbursement, if any, to which it is entitled."

110. Whitewater's request for clarification is granted. This sentence was designed to provide guidance to the presiding judge that he or she had to determine a mechanism for payment of the credits to Whitewater for any facilities found to be network upgrades. As explained earlier, Whitewater is not a transmission customer of SCE and so cannot receive transmission credits. Instead, Whitewater is simply being repaid the money it paid SCE for the network upgrades. Therefore, we clarify that Whitewater is entitled to reimbursement for Breaker 12-S and 12-M, since they are integrated network upgrades.

111. Whitewater also argues that the Commission should have set for hearing the issue of whether SCE incurred excess costs for the disputed upgrades. It claims that it raised this issue in its July 2002 intervention and protest, but given the Commission's finding in the *First Hearing Order* that Whitewater was entitled to money for all the disputed upgrades, it did not seek rehearing on this issue. However, when the Commission set for hearing the issue of whether the disputed upgrades are network upgrades in the *Second Hearing Order*, Whitewater renewed its request that we set this issue for hearing.

112. Whitewater argues that SCE failed to show that the reconfiguration of SCE's facilities was necessary. It also argues that SCE should have examined less expensive alternatives to upgrading the facilities in question.

113. We will deny rehearing on this issue. Before executing an interconnection agreement or building any of the upgrades, SCE undertook a system impact and facilities study. When this study, along with the agreement, was filed at the Commission, the only argument presented in Whitewater's July 2002 protest failed to justify setting this issue for hearing. The sum of Whitewater's argument was that its witness expressed concern based on his experience that SCE's study provides "far less detail and explanation for [its] cost estimate than is the custom in other regions."¹⁶¹ Such a statement does not compel us to set this issue for hearing.¹⁶²

114. Whitewater, in its rehearing request, argues that it did not have an opportunity to contest the direct assignment of costs or the level of those costs. Whitewater notes that the initial cost estimate of \$4,141,000 was reduced to \$2,562,000 as a result of a revised Interconnection Agreement.¹⁶³ In that proceeding, Whitewater failed to protest SCE's filing. Furthermore, the Commission has found that the scope of a hearing is not

¹⁶¹ Intervention at 10, *citing* to Attachment to Whitewater's Intervention, Affidavit of Whitfield A. Russell at P 35 (dated July 19, 2002).

¹⁶² Whitewater argues that if the Commission found that reconfiguration was necessary, a hearing should be held to determine the allocation of the reconfiguration costs amongst other generators.

¹⁶³ The \$4,141,000 amount was in the May 30, 2002 Interconnection Agreement at Exh. A-2, Facility Study, while the \$2,562,000 amount was in the revised Interconnection Agreement executed on October 16, 2003 and approved by a delegated letter order in Docket No. ER04-76-000.

necessarily limited to the matter set for hearing, but includes “all issues that are relevant to an assessment of justness and reasonableness.”¹⁶⁴

115. For the reasons above, we deny Whitewater’s rehearing request.

The Commission orders:

(A) SCE is hereby directed to amend the Interconnection Agreement to classify Breaker 12-S and Breaker 12-M as network upgrades, as discussed in the body of this order.

(B) SCE is hereby directed to revise section 12.5 of the Interconnection Agreement, as discussed in the body of this order.

(C) SCE is hereby directed to reimburse Whitewater for the payments it made to SCE for the construction of Breaker 12-S and Breaker 12-M, as discussed in the body of this order.

(D) Whitewater’s request for rehearing is hereby denied, as discussed in the body of this order.

By the Commission. Commissioner Wellinghoff dissenting in part with a separate statement attached.

(S E A L)

Magalie R. Salas,
Secretary.

¹⁶⁴ *Texas-New Mexico Power Co. v. El Paso Electric Co.*, 107 FERC ¶ 61,316 at P 11-12 (2004); *Cincinnati Gas & Elec. Co.*, 59 FERC ¶ 61072 at 61,291 (1992).

UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Southern California Edison Company

Docket No. ER02-2189-002
Docket No. ER02-2189-003

(Issued October 25, 2006)

WELLINGHOFF, Commissioner, dissenting in part:

I disagree with the analytical approach used by the majority.

This proceeding arose from Whitewater's request to interconnect its 66 MW wind generating facility to SoCal Edison's 115 kV line to deliver energy to CAISO. Before Whitewater's request for interconnection, there were two 115kV transmission lines under CAISO's control between the Devers and Garnet substations (Devers-Garnet Corridor). SoCal Edison's 115 kV line, which is classified as a distribution line under its WDAT tariff, is interconnected to one of the CAISO controlled 115 kV line near the Devers substation. Venwind, an existing wind generating facility, is interconnected to SoCal Edison's 115 kV line. Whitewater's interconnection required reconfiguring and expanding the CAISO controlled 115 kV lines, adding a new breaker at the Devers substation, and disconnecting the Venwind line from SoCal Edison's 115 kV line and reconnecting it to a new CAISO controlled 115 kV line.

The parties did not dispute that the reconfiguring and expanding the CAISO controlled 115 kV lines are network upgrades. Further, the order finds that the new breaker was a network upgrade. As network upgrades, Whitewater is entitled to be reimbursed for the cost of building those facilities. The issue is whether the cost of relocating the Venwind line should be directly assigned to Whitewater.

This interconnection case involves unusual circumstances. In most interconnection cases, the Commission applies the "at or beyond the point of interconnection" test to determine whether costs will be rolled-in or directly assigned. In this case, however, the order acknowledges that costs incurred on third-party facilities, in this case to relocate the Venwind line, are not accounted for using the "at or beyond the point of interconnection" test. Instead, the order substitutes the *Mansfield*¹ test.

¹ *Mansfield Municipal Electric Dept.*, Opinion No. 454, 97 FERC ¶ 61,134 (2001),

Applying the *Mansfield* factors, the majority reaches the conclusion that the function of the Venwind line is a generation tie line that is not integrated with the CAISO-controlled grid. As a non-integrated facility, the order finds that Whitewater should not be reimbursed for the cost of relocating the Venwind line.

The majority states that *Mansfield* is appropriate because its decision turns on the function of the Venwind line. In that regard, *Mansfield* can be used to determine whether the Venwind line is a network upgrade. I believe *Mansfield* is inapposite. Similar to the problem with the applicability of the “at or beyond the point of interconnection” test, *Mansfield* does not address third-party costs. Even after its relocation, the Venwind line will continue to function as an interconnection facility.² However, the function of the facility is not dispositive because the costs were incurred for an entirely different reason. As Whitewater argued, the relocation of the Venwind line was part of an integrated package of upgrades. Whitewater explained that reconfiguring the CAISO controlled 115 kV lines relieve one overload on CAISO network facilities but created another. Thus, the upgrades that no one disputes are integrated facilities necessitated the relocation of the Venwind line. In other words, the upgrades worked in tandem.

I believe the “concerted analysis” approach has merit. The majority discounts the “concerted analysis” approach since the Commission has not previously employed it. Any analytical approach, such as *Mansfield*, that views the relocation of the Venwind line in isolation simply ignores the fact that each component of the upgrade package was causally linked. The case presents us with unusual circumstances. I would have used the “concerted analysis” approach and found Whitewater was entitled to be reimbursed for the cost of relocating the Venwind line.

For these reasons, I respectfully dissent in part.

Jon Wellinghoff
Commissioner

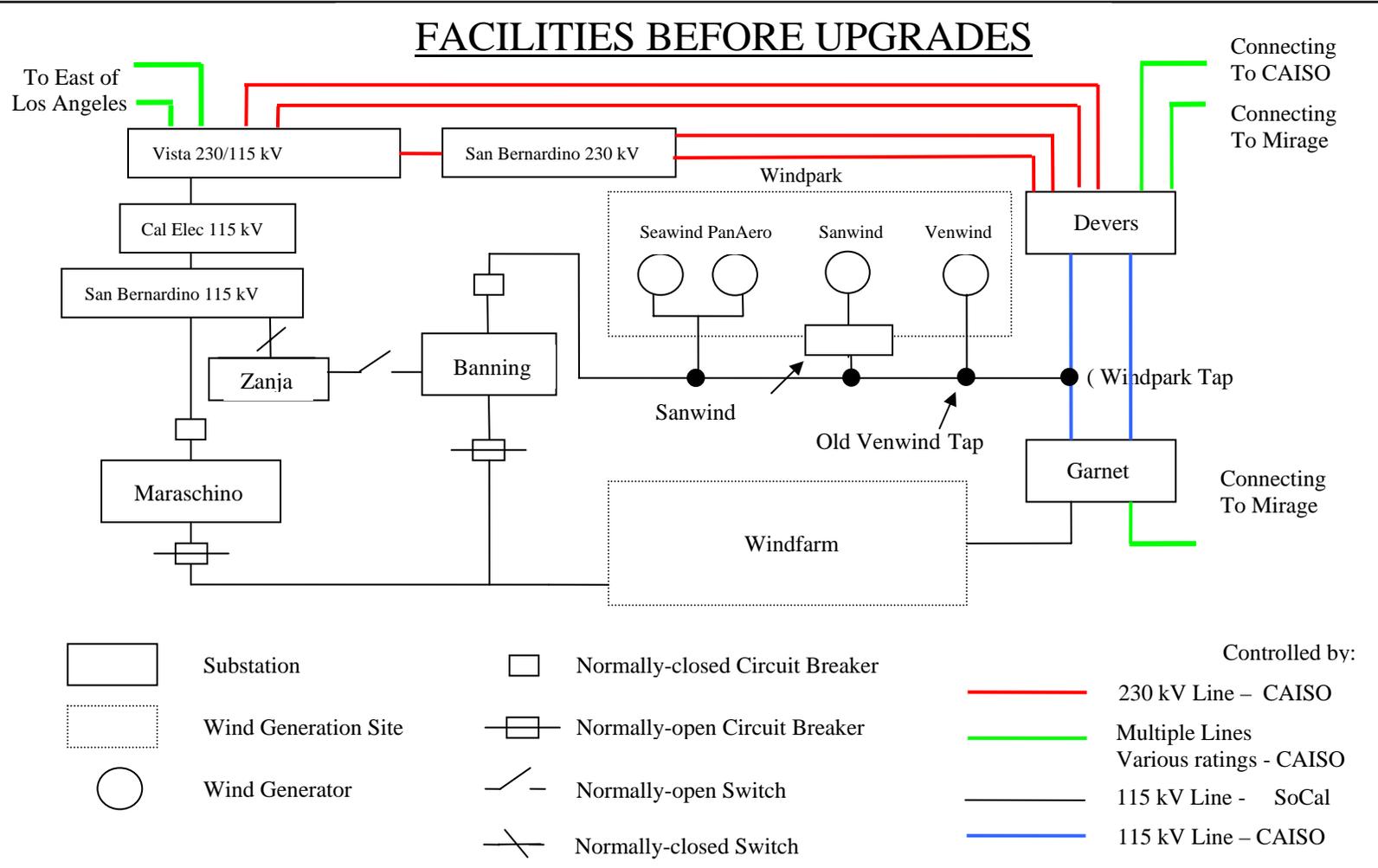
reh’g denied, Opinion 454-A, 98 FERC ¶ 61,115 (2002).

² Venwind paid for the costs to construct its interconnection line, just as Whitewater is not disputing that it must pay for its generator interconnection line. *Initial Decision*, 111 FERC ¶ 63,032 at 65,088 (2005).

Attachment 1

Docket Nos. ER02-2189-002 and ER02-2189-003

FACILITIES BEFORE UPGRADES



Attachment 2

ER02-2189-002 and ER02-2189-003

