

general transmission rates from the outset, rather than require the interconnecting generator to finance the upgrades initially and receive credits later.

CalWEA has comments in the four areas set forth below.

I. The importance of integration

The Commission should shape this proposal to be consistent with its precedents on integration and rolled-in pricing.¹ Otherwise, the Commission will be vulnerable on judicial review for deviating from its precedent without explanation. To achieve this consistency, the Commission should find that the facts presented, when they are presented, demonstrate that the upgrade at issue is “integrated” in some way with the transmission system. *See Northeast Texas Electric Cooperative, et al.*, 108 FERC para. 61,084 (July 29, 2004) at para. 48 (“a showing of any degree of integration is sufficient”). This showing can be made by one or more of the following: a high voltage, voltage support provided by interconnected generators making use of the upgrade, availability of parallel paths created by the upgrade, ability of the upgrade to reduce loading on other transmission lines, and other criteria. *See Mansfield Municipal Electric Department v. New England Power Co.*, Opinion No. 454, 97 FERC ¶ 61,134 (2001), *aff’d*, 94 FERC ¶ 63,023 (initial decision).² Based on the Commission’s understanding of the line SCE

¹ For a discussion of these precedents, *see* the Presiding Judge's decision in *Northeast Texas Electric Cooperative, et al.*, 100 FERC para. 63,033 (2002) (Initial Decision), *aff’d*, 108 FERC para. 61,084 (July 29, 2004).

² *Mansfield* lists the following five factors for determining integration:

“1. Whether the facilities are radial, or whether they loop back into the transmission system;

proposes to build, the Commission can articulate general criteria for “integration” which the proposed line satisfies. But to adhere to the Commission’s precedents, the Commission must find integration.

Some might argue that because the line is a “gentie,” it cannot be “integrated.” We disagree. A line can serve as a gentie, i.e., the means by which a generator moves its output to the grid, while also providing integration benefits. Consider the case of the Tehachapi upgrade. The line will accommodate not one generator but as much as 4000 MW of new generation, allocated among 20-40 projects. When fully built out, the line will consist of up to three 500 KV lines, covering a distance of 75-90 miles. These lines will interconnect the Tehachapi area (including both the wind resources and the served load in that area) with Path 26. (Path 26 is a

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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.”

segment of the main north-south EHV transmission grid in California). The Tehachapi upgrade also will provide a new, strengthened link between the Vincent and Antelope substations, thus strengthening the connection of Path 26 with the Big Creek Corridor (a 230 kV transmission system).

The upgrade also will facilitate the improvement of transmission service to the load in the area. Transmission service in the area needs improvement: the present web of transmission lines crosses mountains and deserts, is strung on wooden poles exposed to road and fire hazard, and has no static ground line. This arrangement leads to unpredictable service due to lightning strikes, weather damage, and fire and auto accidents. The new trunk facility and associated substations create the core transmission infrastructure necessary for resolving these problems economically and expeditiously. It will enable the load to move to a direct path, with reliability improved due to static ground lines, dedicated right of way, and steel poles with no road risk or fire risk. This likelihood that the new trunk facility will lead to improved transmission service adds to its integrating benefits.

II. The role of renewables

The Commission should not restrict its “trunk facility” policy to upgrades which facilitate access to renewable power. Since the Federal Power Act does not distinguish renewable sources from other sources, a “renewables” category will make the policy vulnerable on judicial review. A legally sound approach is to state that when the facility falls within the “network” category (i.e., because it creates integration benefits), the utility may not force upfront financing on the generator, if the state commission (or state law) has determined that the benefits of the project exceed its reasonable costs and that the state’s ratepayers therefore will bear those reasonable

costs should the upgraded capacity go unused. Under these facts (which exist in the Tehachapi upgrade as described in Part III below), there is no legitimate reason for the transmission provider to assign the financing responsibility to the generator.

III. The abandoned plant rule

SCE has suggested that the Commission waive the abandoned plant rule in the case of renewable resource trunk facilities. If the trunk line satisfies the conditions described in Part III above, this waiver makes sense: the state has committed its retail ratepayers to the project's risk, so the transmission provider should not also bear risk.

The Commission may be concerned that granting this waiver will invite sponsors of other types of transmission projects to seek similar treatment. The Commission can resolve this concern by limiting the waiver's availability to situations where state law provides a backstop that obligates retail ratepayers to cover such stranded costs. The California Public Utilities Commission has authority to require its retail ratepayers to cover the reasonable upgrade cost should FERC deny it. Public Utilities Code sec. 399.25(b) requires that the Commission must --

- (1) make findings determining the need for and benefits of transmission upgrades that are necessitated by certain renewable facilities;
- (2) direct utilities making such investments, if such directive is permissible under federal law, to seek cost recovery of those investments through FERC-approved transmission rates;
- (3) seek FERC designation of the upgrades as network upgrades; and
- (4) *ensure that transmission costs of the upgrade, when approved by the FERC, are fully reflected in retail rates, including retail rate recovery of upgrade costs, if prudently incurred, that FERC did not approve for recovery.*

(emphasis added). With such a state statute in place, the FERC can be confident that its waiver will not burden ratepayers any more than a state's policy already has determined to be appropriate.

IV. Facilities other than renewable resource trunk facilities

SCE's concept is only one type of transmission upgrade, over which cost allocation disputes are causing gears to grind in the generator community. While the Commission adoption of this approach will advance the ball on upgrades, the Commission should remain open to broader proposals that bring clarity to the generation interconnection process. CalWEA expects to bring such a proposal to the Commission in the near future.

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