

137 FERC ¶ 61,031  
UNITED STATES OF AMERICA  
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Jon Wellinghoff, Chairman;  
Philip D. Moeller, John R. Norris,  
and Cheryl A. LaFleur.

Arizona Public Service Company

Docket No. ER11-3667-002

ORDER ON INTERCONNECTION AGREEMENT AND WAIVER REQUEST

(Issued October 11, 2011)

1. In this order, we accept Arizona Public Service Company's (APS) proposed amendments to the existing Arizona Nuclear Power Project (ANPP)<sup>1</sup> Hassayampa Switchyard Interconnection Agreement (Hassayampa Interconnection Agreement), effective April 29, 2011, and grant APS's request for waiver of the requirements of Order No. 2003,<sup>2</sup> as discussed below.

**Background**

2. In order to facilitate the construction of and govern the ownership rights to the ANPP, its owners (ANPP Participants) executed the ANPP Participation Agreement on August 23, 1973.<sup>3</sup> Since the ANPP became fully operational in 1988, the Palo Verde

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<sup>1</sup> The ANPP, or Palo Verde Nuclear Generating Station, is located approximately 50 miles from Phoenix, Arizona, and is the largest nuclear generating facility in the United States.

<sup>2</sup> See *Standardization of Generation Interconnection Agreements and Procedures*, Order No. 2003, FERC Stats. & Regs. ¶ 31,146 (2003) (Order No. 2003), *order on reh'g*, Order No. 2003-A, FERC Stats. & Regs. ¶ 31,160, *order on reh'g*, Order No. 2003-B, FERC Stats. & Regs. ¶ 31,171 (2004), *order on reh'g*, Order No. 2003-C, FERC Stats. & Regs. ¶ 31,190 (2005), *aff'd sub nom Nat'l Ass'n of Regulatory Util. Comm'rs v. FERC*, 475 F.3d 1277 (D.C. Cir. 2007), *cert. denied*, 552 U.S. 1230 (2008).

<sup>3</sup> The ANPP Participants include Commission jurisdictional and non-jurisdictional parties. The jurisdictional ANPP Participants are APS, El Paso Electric Company, Public Service Company of New Mexico, and Southern California Edison Company. The non-jurisdictional ANPP Participants are the City of Los Angeles by and through the Department of Water and Power, and Salt River Project Agricultural Improvement and Power District (SRP).

Switchyard at the generating facility has become a market hub for sales of wholesale power in the southwest. However, according to APS, the ANPP Participants received numerous interconnection requests from parties to physically interconnect approximately 5,000 megawatt (MW) beginning in 1999. One year later, the ANPP Participants began constructing the Hassayampa Switchyard as a satellite facility to accommodate the numerous interconnection requests and serve as a common bus with the Palo Verde Switchyard.<sup>4</sup>

3. On August 31, 2001, the ANPP Participants, subject to the Commission's jurisdiction, filed separate, non-conforming interconnection agreements with the Commission for each interconnection customer.<sup>5</sup> APS states that the interconnection agreements established the interconnection of the new generating facilities to the common bus at the Palo Verde/Hassayampa Switchyards, and the accompanying rates, terms, and conditions for the maintenance and operation of the interconnection facilities.<sup>6</sup> These agreements, according to APS, were modeled after each participant's respective transmission tariffs and were considered non-conforming. The Commission accepted the separate agreements for filing on October 22, 2001 and, in that proceeding, designated the Hassayampa Interconnection Agreement that APS filed with Mesquite Power as APS Service Agreement No. 193.<sup>7</sup>

4. APS explains that Mesquite Solar 1, LLC (Mesquite Solar) submitted a request to SRP, the operating agent for the Hassayampa Switchyard, to increase the capacity of Mesquite Power's interconnection by 700 MW, add a second 500 kV tie-line to connect the Mesquite Substation and Hassayampa Switchyard, and transfer certain ownership

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<sup>4</sup> APS July 19, 2011 Filing at 2 (July 19 Filing).

<sup>5</sup> The original interconnection customers that signed interconnection agreements for the Hassayampa Switchyard with the jurisdictional ANPP Participants are Duke Energy Arlington Valley, LLC; Pinnacle West Energy Corporation; Mesquite Power, LLC (Mesquite Power); Harquahala Generating Company, LLC; and Gila Bend Power Partners, LLC.

<sup>6</sup> July 19 Filing at 2. *See also Arizona Public Serv. Co.*, 96 FERC ¶ 61,156 (2001) (accepting amendments to the ANPP Participants' respective tariffs to treat the Palo Verde/Hassayampa Switchyards as a common bus, which enabled multiple, competing generating units to sell power into the market without having to pay additional transmission charges for service between these switchyards).

<sup>7</sup> *Arizona Public Serv. Co.*, Docket No. ER01-2994-000 (Oct. 22, 2001) (delegated letter order).

rights from Mesquite Power to Mesquite Solar.<sup>8</sup> APS explains that the new tie-line will allow Mesquite Solar to interconnect an additional 700 MW from a newly proposed solar generation facility to the Hassayampa Switchyard. In April 2011, the ANPP Participants approved and executed an amendment (Amendment 1) to the Hassayampa Interconnection Agreement, to be effective April 29, 2011.

5. On May 27, 2011, APS filed Amendment 1 to the Hassayampa Interconnection Agreement among itself, the ANPP Participants, and Mesquite Power to reflect Mesquite Solar's request (May 27 Filing).<sup>9</sup> On July 19, 2011, APS filed additional information regarding the May 27 Filing and requested waiver of the Commission's requirements under Order No. 2003.<sup>10</sup> On August 12, 2011, APS submitted a second amendment to the May 27 Filing, integrating Amendment 1 into the Hassayampa Interconnection Agreement with Mesquite Power and Mesquite Solar.

#### **APS Filings and APS Request for Waiver**

6. APS states that the proposed Amendment 1 revises APS Service Agreement No. 193 to reflect the increased generating capacity, new transmission line, and transfer of certain ownership rights from Mesquite Power to Mesquite Solar. Also, according to APS, Amendment 1 proposes new ratios for cost, terms, and conditions for the maintenance and operation of certain facilities within the Hassayampa Switchyard.<sup>11</sup>

7. APS states that the proposed Amendment 1 is consistent with its original Commission-approved Hassayampa Interconnection Agreement with Mesquite Power. APS notes that Mesquite Power transferred ownership rights to Mesquite Solar pursuant to section 20 of the Agreement, which permits Mesquite Power to assign all or any part of its rights or interest with prior written approval of the ANPP Participants.<sup>12</sup> APS also explains that the other ANPP Participants vetted and approved Mesquite Solar's request to increase generating capacity and to add a new transmission line under section 9.1.2 of

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<sup>8</sup> Pursuant to section 20 of the Hassayampa Interconnection Agreement, Mesquite Power is permitted to reassign all or any parts of its rights with prior written approval. APS July 19 Filing at 3.

<sup>9</sup> Mesquite Solar is a sister company of Mesquite Power, a public utility within the meaning of the Federal Power Act. Both companies are wholly-owned subsidiaries of Sempra Generation.

<sup>10</sup> APS July 19 Filing at 4.

<sup>11</sup> APS May 27 Filing at 2.

<sup>12</sup> APS July 19 Filing at 3.

the existing agreement. Under that section, according to APS, an interconnector is permitted to make certain changes in the interconnection arrangements.<sup>13</sup>

8. APS maintains that, as required under the ANPP Participation Agreement, the standing ANPP Engineering and Operating Committee approved the underlying reliability studies supporting the proposed Amendment 1. APS notes that the reliability studies were fully vetted to ensure continuing reliability of the Hassayampa Switchyard and affected systems.<sup>14</sup> Thus, APS asserts that, because the proposed Amendment 1 is consistent with the governing agreements among the ANPP Participants, the Commission should approve the proposed amendments in the Hassayampa Interconnection Agreement, which adds Mesquite Solar as a party.

9. In addition, APS believes that the proposed Amendment 1 to the existing Hassayampa Interconnection Agreement is consistent with the requirements of Order No. 2003, except that the Agreement is not a stand-alone agreement. APS requests waiver of Order No. 2003, which requires transmission providers to execute a new *pro forma* large generator interconnection agreement (LGIA) for increases in generation capacity from an existing generator. APS argues that, given its unique circumstances and the inclusion of non-jurisdictional entities in the Hassayampa Interconnection Agreement, good cause exists to justify granting the requested waiver.

10. Finally, APS asks that the Commission accept the newly filed, integrated interconnection agreement, containing Amendment 1, effective April 29, 2011, as originally requested in the May 27 Filing. APS states that good cause exists to grant this effective date because APS originally submitted the Hassayampa Interconnection Agreement and Amendment 1 in accordance with the Commission's prior notice requirements.<sup>15</sup>

### **Notice of Filings**

11. Notice of APS's May 27 Filing was published in the *Federal Register*, 76 Fed. Reg. 33,750 (2011), with interventions, comments, and protests due on or before June 17, 2011. APS's July 19 Filing was published in the *Federal Register*, 76 Fed. Reg. 45,242 (2011), with interventions, comments, and protests due on or before August 9, 2011. APS's August 12 Filing was published in the *Federal Register*, 76 Fed. Reg. 53,121 (2011), with interventions, comments, and protests due on or before September 2, 2011.

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<sup>13</sup> *Id.*

<sup>14</sup> *Id.* at 3-4.

<sup>15</sup> 18 C.F.R. § 35.3(a)(2) (2011).

No protests, interventions, or comments were filed in response to any of these three filings.

### **Discussion**

12. We accept the proposed Amendment 1 to the Hassayampa Interconnection Agreement. We find that the revisions are consistent with and provided for under sections 9.1.2 and 20 of APS's existing Commission-approved Hassayampa Interconnection Agreement with Mesquite Power, including the terms for cost sharing and both maintenance and operation of interconnection facilities within the Hassayampa Switchyard. Also, we find that the proposed Amendment 1 will facilitate the addition of the new tie-line to allow Mesquite Solar to interconnect an additional 700 MW from the newly proposed solar generation facility to the Hassayampa Switchyard.

13. Regarding the request for waiver, we find that the proposed revisions of the interconnection agreement to accommodate Mesquite Solar's interconnection request and the associated revisions contained in Amendment 1 do not conform in all respects to the requirements that the Commission established in Order No. 2003. Under Order No. 2003, any interconnection customer submitting a new Commission-jurisdictional interconnection request must execute an LGIA pursuant to the transmission provider's large generator interconnection procedures (LGIP).<sup>16</sup> This includes requests to increase the capacity of, or modify the operating characteristics of, an existing generating facility that is connected with the transmission provider's transmission system. The parties failed to do so here, seeking instead to amend an existing interconnection agreement. However, APS has requested a limited waiver of those requirements based on uncertainty regarding its Commission obligations in light of the contractual relationship APS maintains with certain ANPP Participants that are not subject to the Commission's jurisdiction.

14. The Commission historically has granted certain waiver requests involving an emergency situation or an unintentional error. Waiver, however, is not limited to those circumstances. Where good cause for waiver of limited scope exists, there are no undesirable consequences, or the resultant benefits to customers are evident, the Commission has found that a one-time waiver is appropriate. We find that the requested waiver in the instant proceeding meets the criteria.

15. We find that APS's request for waiver is limited in scope and arises out of its unique circumstances, which distinguish its agreement from traditional interconnection agreements. Granting APS's request for waiver will allow for the construction of interconnection facilities needed to connect Mesquite Solar's new 700 MW solar generating facility without interfering with the unique contractual arrangements that

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<sup>16</sup> Order No. 2003, FERC Stats. & Regs. ¶ 31,146 at P 911, 928.

govern the ANPP Participants' ownership and operation of the Hassayampa Switchyard. Furthermore, we find that because all parties to Hassayampa Interconnection Agreement have approved the proposed Amendment 1, we do not believe that undesirable consequences will arise from our grant of waiver in this proceeding. Thus, we will grant the requested limited waiver and will accept the revised interconnection agreement for filing, effective April 29, 2011, as requested.

The Commission orders:

(A) APS's revised interconnection agreement is hereby accepted for filing, effective April 29, 2011, as discussed in the body of this order.

(B) The Commission hereby grants APS's request for a limited waiver of the requirements of Order No. 2003, as discussed in the body of this order.

By the Commission. Commissioner Spitzer is not participating.

( S E A L )

Nathaniel J. Davis, Sr.,  
Deputy Secretary.