

California, entered into a *pro forma* SGIA² to interconnect Twin Valley's 522 kilowatt (kW) hydroelectric generating facility with PG&E's distribution system.³ On April 17, 2013, PG&E and Twin Valley filed a proposal for binding arbitration pursuant to Rule 605 of the Commission's Rules of Practice and Procedure⁴ with respect to a dispute over Twin Valley's cost responsibility for interconnection facilities and distribution upgrades under the SGIA.⁵ On April 24, 2014, an Arbitration Award was issued to Twin Valley.⁶

II. Instant Filings

4. PG&E proposes to revise its SGIA to update Attachments 2 (Description and Costs of the Small Generating Facility, Interconnection Facilities, and Metering Equipment) and 6 (Distribution Provider's Description of its Upgrades and Best Estimate of Upgrade Costs) with actual costs, and to correct its failure to include all distribution upgrades in its cost of ownership charges.⁷ PG&E states that it "has the right to collect [cost of ownership] charges for all distribution upgrades...."⁸ In its filing, PG&E acknowledges that Twin Valley would disagree with its proposed revisions, and therefore PG&E states that it filed the revised SGIA so that the Commission could resolve any disputes.⁹

² The *pro forma* SGIA was reflected in PG&E's Electric Quarterly Report for the fourth quarter of 2011. *See* PG&E Filing at 1.

³ *See* PG&E Filing, SGIA.

⁴ 18 C.F.R. § 385.605 (2014).

⁵ PG&E Filing at 1.

⁶ *Twin Valley Hydroelectric*, Notice of Arbitration Award, Docket No. MD13-1-000 (2014).

⁷ These costs reflect PG&E's ongoing cost of owning and operating facilities and include maintenance costs and replacement costs (due to age and normal life and deterioration), and ad valorem taxes. *See* PG&E Wholesale Distribution Tariff, Attachment A – Form of Service Agreement for Wholesale Distribution Service, Exhibit E – Cost of Ownership.

⁸ PG&E November 17, 2014 Filing at 2.

⁹ *Id.*

5. PG&E proposes to revise the SGIA to: (1) replace estimated costs with actual costs for the interconnection facilities and distribution facilities in Attachment 2 and Attachment 6, respectively; (2) reflect adjustments to certain distribution upgrade costs in Attachment 6 as a result of the Arbitration Award; and (3) revise the monthly cost of ownership charges to Twin Valley.¹⁰ PG&E's proposes to, on a prospective basis, assess a monthly cost of ownership charge for certain replaced and relocated distribution upgrades that were previously not subject to cost of ownership charges. PG&E explains that the Arbitration Award reduced the monthly cost of ownership charge by exempting certain facilities, but because PG&E proposes to correct an error in the original attachments to the SGIA, the monthly fee results in an increase in charges to Twin Valley.¹¹

6. On January 15, 2015, the Commission staff issued a letter to PG&E requesting additional information regarding the justification for and calculations of cost information in PG&E's filing.¹² In response to the request, PG&E amended its filing¹³ to explain and clarify the revisions it proposes. Specifically, PG&E explains that its proposed revisions to Attachment 6 reflected the Arbitration Award,¹⁴ and other revisions were necessary to replace cost estimates with actual costs. In addition, PG&E clarified that there were mistakes in both its Facilities Study and in Attachment 6 to the initial SGIA, where both documents erroneously state that the customer would not be charged cost of ownership for replacement or distribution upgrades. PG&E also explains how it determines what should be subject to cost of ownership. It states:

¹⁰ See PG&E Filing at 1-2.

¹¹ The monthly ownership charge increased from \$1,584 to \$1,955.87. The \$1,955.87 per month is derived from the total cost of interconnection facilities (\$25,697.23) plus the total cost of distribution facilities (\$381,774.19) multiplied by .48 percent. See PG&E February 4, 2015 Amendment at 5.

¹² *Pacific Gas and Electric*, Docket No. ER15-427-000 (Jan. 15, 2015) (delegated letter order).

¹³ PG&E February 4, 2015 Amendment.

¹⁴ For example, PG&E states that the cost to install two banks of three 100 amp voltage regulators was reduced from the actual cost of \$207,351.19 to \$105,330.28 based on the Arbitration Award. PG&E also states that costs for distribution upgrades to 1) relocate capacitor C434 and 2) replace and relocate capacitor C428 were removed in compliance with the Arbitration Award while other costs were adjusted to reflect actual costs. PG&E Amendment at 2.

all interconnection facility and distribution upgrade work that is “capitalized” should be part of [cost of ownership]. Any work that is “expensed” should not be part of the [cost of ownership]. There is a big misnomer about replacement work not being part of [cost of ownership]. That is incorrect. Since replacement work is capitalized, that work should be part of [cost of ownership].¹⁵

7. On February 26, 2015, Twin Valley submitted for filing, pursuant to sections 205¹⁶ and 206¹⁷ of the FPA, proposed revisions to its SGIA with PG&E.¹⁸ In its filing, Twin Valley proposes to revise the cost of ownership charges under the SGIA, so that these charges would no longer apply to any distribution upgrades. Twin Valley cites Article 12.12 of the SGIA¹⁹ for its authority to make a unilateral filing. In its filing, Twin Valley also disputes the findings of the Administrative Law Judge (ALJ) in the arbitration proceedings, and states that it is not subject to Order No. 2006²⁰ and the interconnection process described therein.

III. Notice of Filings and Responsive Pleadings

8. Notice of PG&E’s November 17, 2014 filing was published in the *Federal Register*, 79 Fed. Reg. 70,171 (2014), with interventions or protests due on or before

¹⁵ PG&E Amendment at 3 (emphasis in the original).

¹⁶ 16 U.S.C. § 824d (2012).

¹⁷ 16 U.S.C. § 824e (2012).

¹⁸ Twin Valley February 26, 2015 Filing (Docket No. EL15-48-000).

¹⁹ Article 12.12 states: “[t]he Distribution Provider shall have the right to make a unilateral filing with FERC to modify this Agreement with respect to any rates, terms and conditions, charges, classifications of service, rule or regulation under section 205 or any other applicable provision of the [FPA] and FERC’s rules and regulations thereunder, and the Interconnection Customer shall have the right to make a unilateral filing with FERC to modify this Agreement under any applicable provision of the [FPA] and FERC’s rules and regulations....” PG&E Filing, SGIA, Article 12.12.

²⁰ *Standardization of Small Generator Interconnection Agreements and Procedures*, Order No. 2006, FERC Stats. & Regs. ¶ 31,180, *order on reh 'g*, Order No. 2006-A, FERC Stats. & Regs. ¶ 31,196 (2005), *order on clarification*, Order No. 2006-B, FERC Stats. & Regs. ¶ 31,221 (2006).

December 8, 2014. On December 8, 2014, Twin Valley filed a protest to PG&E's filing.²¹ On December 15, 2014, PG&E filed a motion for leave to answer and answer to Twin Valley's protest. On December 22, 2014, Twin Valley filed an answer to PG&E's answer.

9. Notice of PG&E's February 4, 2015 filing was published in the *Federal Register*, 80 Fed. Reg. 7452 (2014), with interventions or protests due on or before February 25, 2015. On February 18, 2015, Twin Valley filed a protest to PG&E's amendment. PG&E filed an answer on February 24, 2015.

10. Notice of Twin Valley's filing in EL15-48-000 was published in the *Federal Register*, 80 Fed. Reg. 10,475 (2015), with interventions or protests due on or before March 12, 2015. On February 23, 2015, Twin Valley filed a motion for consideration²² and supplemental information. On February 24, 2015, PG&E filed a motion to intervene, protest, and motion for summary rejection.

A. Twin Valley's Protests in Docket Nos. ER15-427-000 and ER15-427-001

11. Twin Valley objects to PG&E's statement that it "has the right to collect cost of ownership charges for all distribution upgrades, and [that] there is no exception for replaced or relocated distribution upgrades," stating that it runs counter to the parties' agreement in the initial SGIA, and contrary to PG&E's regulations and guidelines, the testimony of PG&E's witnesses, and internal correspondence.²³ Twin Valley states that the Facilities Study for Generator Interconnection conducted by PG&E provides in relevant part:

Where distribution upgrades involve the installation of additional facilities or significant facility upgrades that result in an increased

²¹ Twin Valley's protest was submitted in three parts that includes: (1) Protest to revisions to Service Agreement No. 83, (2) Exhibits 1, 2, 4, 5, 6, and 7 and (3) Exhibit 3.

²² Twin Valley's motion for consideration requests that the Commission consider both Docket Nos. ER15-427-000 and EL15-48-000 prior to making a determination. Twin Valley notes that Docket No. EL15-48-000 was initiated by new information set forth in Docket No. ER15-427-000, but did not specify what the new information is. The supplemental information Twin Valley filed was a calculation correction for its proposed SGIA.

²³ Twin Valley December 8, 2014 Protest at 1.

operating cost to PG&E, they are subject to an additional charge to offset PG&E's cost of ownership; rearrangement or relocation of existing facilities and replacement of existing facilities with equivalent equipment having a comparable operating cost is not subject to cost of ownership.²⁴

12. Twin Valley also includes an internal PG&E email that states in part:

The Form 6 controls and replacement of CO's 2111 will not be subject to [cost of ownership]. The capacitor relocations and the new switched capacitor bank to replace C428 (and replacement of C434 if needed) will not be subject to [cost of ownership], but the VAR controls, current sensors, and current sensor wiring will be subject to [cost of ownership]....²⁵

13. Twin Valley states that PG&E's proposed amendment to the SGIA to make all distribution upgrades subject to cost of ownership is in direct violation of the ruling of the Administrative Law Judge in the arbitration proceeding and serves no other purpose than to "result in an annual overall revenue increase to PG&E."²⁶ Twin Valley requests that the Commission reject PG&E's proposed revisions to the SGIA and set its monthly cost of ownership charges at \$1,225.73, or, alternatively, set the dispute for hearing.

14. Finally, Twin Valley requests that the Commission determine whether paragraph 558 of Order No. 2006²⁷ applies to Twin Valley, in which case Twin Valley believes it should not be responsible for cost of ownership charges.²⁸

²⁴ Twin Valley Protest, Exhibit 1 at 5 (Facilities Study).

²⁵ *Id.* Exhibit 4.

²⁶ Twin Valley Protest at 4.

²⁷ Order No. 2006, FERC Stats. & Regs. ¶ 31,180 at P 558. Paragraph 558 provides that a change in an interconnection customer's contract status does not, by itself, trigger an obligation to file an interconnection request. That paragraph then discusses the situation of a former Qualifying Facility "interconnected with a Transmission System that sells electric energy at wholesale in interstate commerce need not submit an Interconnection Request if it represents that the output of the generating facility is substantially the same as before."

²⁸ Twin Valley Protest at 4.

15. On February 18, 2015, Twin Valley filed its protest to PG&E's amendment, in which it repeats its arguments from its protest of PG&E's initial filing.²⁹

B. PG&E's Answer in Docket No. ER15-427-000

16. In response to Twin Valley's argument that PG&E cannot make all distribution upgrades subject to cost of ownership charges, PG&E states that Article 4.2 of the SGIA³⁰ states that the actual cost of the distribution upgrades, including overheads, shall be directly assigned to the Interconnection Customer.³¹

17. PG&E states that it previously explained to Twin Valley the proposed monthly cost of ownership increase, which was separate from the Arbitration Award which relieved Twin Valley of the obligation to pay for certain distribution upgrade replacement facilities.³² Specifically, PG&E attaches a letter it sent to Twin Valley dated October 30, 2014, which states that \$111,000 of the \$202,000 [Arbitration Award] amount is subject to cost of ownership, because the facilities are new distribution facilities.³³ PG&E also notes that the Arbitration Award did not address the cost of ownership error that is the subject of the instant filings, and that Twin Valley's claim that PG&E violated the terms of the Arbitration Award has no merit.³⁴

C. PG&E's Protest in Docket No. EL15-48-000

18. In its February 24, 2015 protest, PG&E argues that the Commission should reject Twin Valley's filing on the basis that it believes the filing to be superfluous, that Twin

²⁹ Twin Valley disputes PG&E's calculations, the implementation of the Arbitration Award, and PG&E's justifications for its revisions. Twin Valley cites the Arbitration Award and testimony from the arbitration proceedings to argue that PG&E is applying cost of ownership to inflated amounts, and that PG&E is not allowed to now apply cost of ownership to all distribution upgrades. Twin Valley February 18, 2015 Protest.

³⁰ PG&E Filing, SGIA, Article 4.2.

³¹ *Id.*

³² PG&E December 15, 2014 Answer at 2, citing Attachment 1.

³³ PG&E Answer at Attachment 1.

³⁴ PG&E Answer at n.6 and 2.

Valley did not follow the proper filing requirements, and, finally, that Twin Valley is repeating and attempting to re-litigate issues from the arbitration proceeding.³⁵

IV. Discussion

A. Procedural Matters

19. Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.214 (2014), the timely motions to intervene serve to make the entities that filed them parties to these proceedings.

20. Rule 213(a)(2) of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.213(a)(2) (2014), prohibits an answer to a protest and/or answer unless otherwise ordered by the decisional authority. We will accept PG&E's December 15, 2014 answer because it has provided information that assisted us in our decision-making process. We are not persuaded to accept Twin Valley's December 22, 2014 answer and PG&E's February 24, 2015 answer in these proceedings, and therefore reject them.

B. Commission Determination

1. Docket Nos. ER15-427-000 and -001

21. We find PG&E's proposed revisions in its SGIA to (1) replace estimated costs with actual cost for interconnection facilities and distribution upgrades in Attachment 2 and Attachment 6, respectively; (2) reflect adjustments to certain distribution upgrade costs in Attachment 6 as a result of an Arbitration Award; and (3) revise the monthly cost of ownership charges to Twin Valley are just and reasonable, and, therefore, accept them, effective January 19, 2015, as requested. Article 4.2 of the SGIA provides that the "actual cost of the distribution upgrades, including overheads, shall be directly assigned to the Interconnection Customer."³⁶ We therefore find that it is appropriate for PG&E to assign the cost of distribution upgrades to Twin Valley, including those costs to replace or relocate distribution facilities. We further find that it is appropriate to assign the cost of maintaining such facilities to Twin Valley, as the interconnection customer.

³⁵ PG&E February 24, 2015 Protest at 1-2.

³⁶ PG&E November 17, 2014 Filing, SGIA, Article 4.2. This provision is consistent with the Commission's determination in Order No. 2006 that the Interconnection Customer must bear the cost of necessary Interconnection Facilities and Distribution Upgrades. Order No. 2006, FERC Stats. & Regs. ¶ 31,180 at P 425.

Additionally, we find that PG&E is within its rights to make prospective changes to its cost of ownership charges under Article 12.12 of the SGIA.³⁷

22. We accept PG&E's justifications and calculations in its amendment. Specifically, we find that PG&E has sufficiently explained the rationale for applying cost of ownership charges to all distribution upgrades, and we therefore find that PG&E's proposed revisions are just and reasonable. PG&E's filing reflects the costs of interconnection facilities and distribution upgrades associated with the Twin Valley project. As noted above, assessing cost of ownership charges on distribution upgrades is consistent with Order No. 2006, which requires the customer who benefits to bear such costs.³⁸ In its amendment, PG&E has reconciled its work papers supporting the cost of ownership charges associated with interconnection facilities and distribution upgrades.³⁹ We are not persuaded by Twin Valley's argument that PG&E cannot make all distribution upgrades, including the costs to replace distribution facilities, subject to cost of ownership. While Twin Valley points out that the Facilities Study did not subject all distribution upgrades to cost of ownership charges, PG&E has already acknowledged that the Facilities Study incorrectly exempted certain replaced distribution facilities from those charges. Notwithstanding such errors, we find that PG&E is permitted to assess the cost of ownership charges to Twin Valley to recover the costs of replacement and upgrade of such distribution facilities, including associated carrying charges. These costs are appropriately assigned to the interconnection customer as this is the cost to maintain and operate the replacement facilities.

23. Twin Valley's arguments as to whether Twin Valley qualifies as a Qualifying Facility (and, if so, whether Order No. 2006 applies to Twin Valley) are beyond the scope of this proceeding and therefore we will not address them.

2. Docket No. EL15-48-000.

24. We will reject Twin Valley's filing in this docket. First, with respect to Twin Valley's effort to file its revisions under section 205 of the FPA,⁴⁰ it is PG&E, not Twin

³⁷ Article 12.12 states, "[t]he Distribution Provider shall have the right to make a unilateral filing with FERC to modify this Agreement with respect to any rates, terms and conditions, charges, classifications of service, rule or regulation under section 205 [of the FPA]" *See supra* n.19.

³⁸ *See* n.36, *supra*.

³⁹ *See, e.g.*, PG&E Amendment at 2, 5.

⁴⁰ 16 U.S.C. §824d (2012).

Valley, that is providing Commission-jurisdictional service under the SGIA and its Wholesale Distribution Tariff. Accordingly, it is appropriate for PG&E, as the public utility transmission provider, to file revisions to the SGIA under section 205 of the FPA, not Twin Valley, which is the interconnection customer. This is consistent with section 12.12 of the SGIA, which provides that PG&E has the right to make unilateral filings to revise the SGIA under section 205.⁴¹

Second, to the extent that Twin Valley is filing a complaint under section 206 of the FPA,⁴² the Commission denies it. As an initial matter, the filing fails to satisfy the Commission's regulatory requirements relevant to complaints.⁴³ Further, Twin Valley has failed to show that the disputed sections of the SGIA, as previously filed or as proposed, are unjust, unreasonable, unduly discriminatory or preferential, or otherwise unlawful. Instead, Twin Valley essentially raises the same arguments that it asserts in Docket No. ER15-427-000 regarding the appropriate cost of ownership charges and its status as a Qualifying Facility, arguments that we reject for the reasons stated above. As also explained above, we find that PG&E's proposed revisions to the SGIA are just and reasonable.

The Commission orders:

(A) PG&E's proposed tariff revisions in Docket Nos. ER15-427-000 and ER15-427-001 are hereby accepted for filing, effective January 19, 2015, as discussed in the body of this order.

⁴¹ *See supra*, n.37.

⁴² 16 U.S.C. §824e (2012).

⁴³ *See* 18 C.F.R. §385.206(b) (2014).

(B) Twin Valley's proposed tariff revisions in Docket No. EL15-48-000 are hereby rejected, as discussed in the body of this order.

By the Commission.

(S E A L)

Nathaniel J. Davis, Sr.,
Deputy Secretary.