

175 FERC ¶ 61,046
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Richard Glick, Chairman;
Neil Chatterjee, James P. Danly,
Allison Clements, and Mark C. Christie.

Citizens S-Line Transmission LLC

Docket No. EL21-15-000

ORDER ON PETITION FOR DECLARATORY ORDER

(Issued April 15, 2021)

1. On November 6, 2020, Citizens S-Line Transmission LLC (Citizens S-Line) filed a petition for declaratory order (Petition) pursuant to Rule 207 of the Commission's Rules of Practice and Procedure,¹ section 219 of the Federal Power Act (FPA)² and Order No. 679³ seeking approval of certain transmission rate treatments and transmission rate incentives for its participation in the S-Line 230 kV transmission upgrade project (S-Line or Project). In this order, we grant Citizens S-Line's Petition, subject to the discussion herein.

I. Background

Citizens S-Line and the Project

2. Citizens S-Line is wholly owned by Citizens Energy Corporation (Citizens Energy), a non-profit Massachusetts corporation, which is a Commission jurisdictional public utility.⁴

¹ 18 C.F.R. § 385.207 (2020).

² 16 U.S.C. § 824s.

³ *Promoting Transmission Investment through Pricing Reform*, Order No. 679, 116 FERC ¶ 61,057, *order on reh'g*, Order No. 679-A, 117 FERC ¶ 61,345 (2006), *order on reh'g*, 119 FERC ¶ 61,062 (2007).

⁴ *Citizens Energy Corp.*, 35 FERC ¶ 61,198 (1986).

3. The S-Line is an 18.1 mile, 230 kV single circuit wood pole construction transmission line owned by the Imperial Irrigation District (IID).⁵ The transmission line runs from IID's El Centro switching station to the Imperial Valley substation, which is jointly owned by IID and San Diego Gas & Electric (SDG&E).⁶ The Project will upgrade the 230 kV S-Line single circuit to a steel tower construction with thermal rating sufficient to support the increased capacity needed for the upgraded El Centro transformer.⁷ The California Independent System Operator Corporation (CAISO) identified the need to upgrade the S-Line as an "economic-driven project" in its 2017-2018 transmission plan. The Project will "provide economic benefits to the [CA]ISO by alleviating limitations on the use of the [CA]ISO system caused by parallel flows (loop flow), . . . reducing local capacity needs materially in the combined San Diego-Imperial Valley areas as well as reducing congestion on the [CA]ISO system – which totaled \$6 million in 2015 and 2016."⁸

II. Citizens S-Line's Petition

4. In its Petition, Citizens S-Line requests advanced approval of its proposed cost recovery mechanism, proposed transmission formula rate (including use of a proxy return on equity and a 50-basis point adder for participating in CAISO), and an abandoned plant incentive, all of which Citizens S-Line explains are necessary for it to participate in the Project. Citizens S-Line explains that, on October 30, 2020, it entered into the S-Line Development Agreement with IID, pursuant to which IID will be responsible for the development, design, permitting, engineering, procurement, construction, and operation and maintenance of the Project. Citizens S-Line will finance the capital costs of the Project up to a maximum of \$40 million in exchange for a 40-year leasehold interest in the incremental transfer capability of the Project. Citizens S-Line states that its proposed cost recovery reflects transmission operating costs, applicable overhead costs,

⁵ IID owns and operates facilities for the generation, transmission, distribution, purchase, and sale of electric energy at wholesale and retail. IID is a Balancing Authority and it provides transmission and generation service on its transmission system. Petition at 11.

⁶ *Id.* at 12 (citing Ex. CSL-4, Entitlement Agreement, app. A at 28).

⁷ *Id.*

⁸ *Id.*, Ex. CSL-2 at 12 (quoting CAISO 2017-2018 Transmission Plan at 252 (March 22, 2018), [www.caiso.com/Documents/BoardApproved-2017-2018 Transmission Plan.pdf](http://www.caiso.com/Documents/BoardApproved-2017-2018%20Transmission%20Plan.pdf)) (CAISO 2017-2018 Transmission Plan)).

and fixed capital requirements costs.⁹ Citizens S-Line explains that it will turn over its interest in the Project to CAISO as an entitlement.¹⁰

5. Citizens S-Line explains that its proposed cost recovery mechanisms and requested transmission formula rate will allow Citizens S-Line to balance the risks attributable to its involvement in the Project and aid in its financing of its entitlement in the Project's transfer capability.¹¹ As explained in more detail here, Citizens S-Line requests that the Commission approve its requested rate methodology, including: (1) a hypothetical capital structure of 50% debt and 50% equity; (2) a proxy return on equity (ROE),¹² inclusive of a 50 basis point adder for its participation in CAISO, subject to Citizen's S-Line making future filings pursuant to FPA section 205; (3) a 30-year levelized filed rate for recovery of capital requirements; (4) a formula rate to recover its actual operating costs;¹³ and (5) recovery of 100% of all prudently incurred development and construction costs in the event that the Project is abandoned as a result of factors beyond Citizens S-Line's control.

⁹ *Id.* at 13 (citing Ex. CSL-2 at PP 14-18).

¹⁰ *Id.* at 2 (citing Entitlement Agreement between Citizens S-Line and CAISO, Ex. CSL-4). Citizens S-Line explains that its involvement with this Project is structured similar to its involvement in the Sunrise Powerlink transmission project, *Citizens Sunrise Transmission LLC*, 138 FERC ¶ 61,129 (2012) (*Citizens Sunrise Transmission*), and the Sycamore-Penasquitos transmission project, *Citizens Sycamore-Penasquitos Transmission LLC*, 164 FERC ¶ 61,149 (2018) (*Citizens Sycamore-Penasquitos*).

¹¹ *Id.* at 31.

¹² While Citizens S-Line is not seeking Commission approval of any specific ROE in this petition, Citizens S-Line states that it will likely seek to use SDG&E's Commission approved ROE as a proxy. *Id.* at 4.

¹³ *Id.* at 3. Citizens S-Line explains that its capital requirements will be determined using an ROE that incorporates a hypothetical capital structure and ROE similar to what the Commission has approved for public power participants who are Participating Transmission Owners in CAISO and for the Citizens Energy subsidiaries associated with both the Sunrise Powerlink transmission project and for the Sycamore-Penasquitos transmission project. *Id.* at 3 n.9 (citing *Citizens Energy Corp.*, 129 FERC ¶ 61,242 (2009) (Sunrise Powerlink Declaratory Order); *Citizens Energy Corp.*, 157 FERC ¶ 61,150 (2016); *Citizens Energy Corp.*, 162 FERC ¶ 61,161 (2018) (Sycamore-Penasquitos Declaratory Order); *Citizens Sycamore-Penasquitos*, 164 FERC ¶ 61,149; *Morongo Transmission LLC*, 148 FERC ¶ 61,139 (2014) (*Morongo*)).

6. Further, Citizens S-Line explains that it has committed to dedicate 50% of its after tax profits to assist IID's low income ratepayers.¹⁴ Citizens S-Line explains that it anticipates its commitment to the Project will be approximately \$500,000 per year over the term of the Project.¹⁵

III. Notice of Filing and Responsive Pleading

7. Notice of Citizens S-Line's filing was published in the *Federal Register*, 85 Fed. Reg. 72,647 (Nov. 13, 2020), with interventions and protests due on December 7, 2020. The California Public Utilities Commission filed a notice of intervention. Timely motions to intervene were filed by CAISO, Calpine Corporation, Cities of Anaheim, Azusa, Banning, Colton, Pasadena, and Riverside, California (Six Cities), City of Santa Clara, California, IID, SDG&E, and Southern California Edison Company. No protests were filed.

IV. Discussion

A. Procedural Matters

8. Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure,¹⁶ the notice of intervention and timely, unopposed motions to intervene serve to make the entities that filed them parties to this proceeding.

B. Substantive Matters

1. FPA Section 219 Requirements

9. In the Energy Policy Act of 2005,¹⁷ Congress added section 219 to the FPA, directing the Commission to establish, by rule, incentive-based rate treatments to promote capital investment in certain transmission Participating Transmission Owners in the infrastructure. The Commission subsequently issued Order No. 679, which sets forth processes by which a public utility may seek transmission rate incentives pursuant to section 219, including the rate treatments requested by Citizens S-Line. Additionally, in November 2012, the Commission issued the 2012 Incentives Policy Statement providing

¹⁴ *Id.* at 2-3.

¹⁵ *Id.* at 13-14 (citing Ex. CSL-1 at P 29).

¹⁶ 18 C.F.R. § 385.214 (2020).

¹⁷ Energy Power Act of 2005, Pub. L. No. 109-58, § 1241, 119 Stat. 594 (2005).

additional guidance regarding its evaluation of application for transmission rate incentives under section 219 and Order No. 679.¹⁸

10. Pursuant to Order No. 679, an applicant may seek to obtain incentive rate treatment for a transmission infrastructure investment that satisfies the requirements of FPA section 219, i.e., the applicant must show that “the facilities for which it seeks incentives either ensure reliability or reduce the cost of delivered power by reducing transmission congestion.”¹⁹ Order No. 679 established the process for an applicant to demonstrate that it meets this standard, including a rebuttable presumption that the standard is met if: (1) the transmission project results from a fair and open regional planning process that considers and evaluates the project for reliability and/or congestion and is found to be acceptable to the Commission; or (2) a project has received construction approval from an appropriate state commission or state siting authority.²⁰

a. Citizens S-Line Filing

11. Citizens S-Line asserts that the Project satisfies Order No. 679’s rebuttable presumption because CAISO identified the Project in its 2017-2018 transmission planning process as necessary to alleviate limitations on the use of the CAISO system. Specifically, Citizens S-Line explains that CAISO determined the project will produce two primary benefits.²¹ First, CAISO stated that the Project is estimated to reduce local capacity needs in the combined San Diego-Imperial Valley areas by approximately 213 MW, which is estimated to result in a range of annual local capacity benefits of \$8.1 million to \$16.2 million. The present value of that annual revenue stream over 50 years, consistent with the derivation of the total cost-to-capital ratio of 1.45, is \$111.3 million to \$222.6 million. Second, CAISO identified the Project as reducing market congestion on the CAISO system. CAISO expects that the Project will produce \$2.82 million in annual ratepayer benefits, which over the 50-year life of the Project at a seven percent discount rate is approximately \$40 million.²²

¹⁸ See *Promoting Transmission Investment Through Pricing Reform*, 141 FERC ¶ 61,129 (2012) (2012 Incentives Policy Statement).

¹⁹ Order No. 679, 116 FERC ¶ 61,057 at P 76.

²⁰ *Id.* P 58.

²¹ CAISO 2017-2018 Transmission Plan at 253.

²² *Id.*

b. Commission Determination

12. We find that Citizens S-Line is entitled to the rebuttable presumption that the Project will either ensure reliability or reduce the cost of delivering power by reducing transmission congestion. The CAISO transmission planning process, through which the Project was approved, evaluates whether the identified transmission projects will enhance reliability and/or reduce congestion.²³ Here, CAISO determined that the Project will reduce congestion and power costs by: (1) reducing local capacity needs in the San Diego-Imperial Valley areas; (2) reducing market congestion in the CAISO system; and (3) increasing deliverability from the Imperial area. As noted above, CAISO estimates that the Project will reduce the capacity requirement in the San Diego-Imperial Valley areas by approximately 213 MW and will result in annual local capacity benefits of \$8.1 million to \$16.2 million. As also noted above, CAISO determined that the Project will reduce market congestion, resulting in \$2.82 million in annual ratepayer benefits. Overall, CAISO has estimated that the Project will produce total benefits of \$151.3 million.²⁴

2. Order No. 679 Nexus Test

13. In addition to satisfying the FPA section 219 requirements of ensuring reliability and/or reducing the cost of delivering power by reducing congestion, Order No. 679 also requires an applicant to demonstrate that there is a nexus between the incentive being sought and the investment being made.²⁵ In Order No. 679-A, the Commission clarified that the nexus test is met when an applicant demonstrates that the total package of incentives requested is “tailored to address the demonstrable risks or challenges faced by the applicant.”²⁶ The Commission requires a project-specific demonstration of the nexus between the requested incentives and the risks and challenges of the project.²⁷

²³ See *Cal. Indep. Sys. Operator Corp.*, 143 FERC ¶ 61,057 (2013), *order on clarification and compliance*, 146 FERC ¶ 61,198, *order on reh’g and compliance*, 149 FERC ¶ 61,249 (2014).

²⁴ Petition at 15-16 (citing CAISO 2017-2018 Transmission Plan at 253).

²⁵ Order No. 679, 116 FERC ¶ 61,057 at P 48.

²⁶ Order No. 679-A, 117 FERC ¶ 61,345 at P 27.

²⁷ 18 C.F.R. § 35.35(d) (2020).

a. Citizens S-Line Filing

14. Citizens S-Line asserts that there is a nexus between the incentives it requests and the risks and challenges of its participation in the Project. Citizens S-Line states that the requested rate treatments are narrowly tailored and necessary to address these risks and challenges.²⁸ Citizens S-Line states that it will finance the cost of the Project up to a maximum of \$40 million, and that the Project is a significant investment, even as compared to Citizens Energy, its parent, which has a net asset value of \$70 million.²⁹ Citizens S-Line explains that its requested rate methodology and recovery of abandoned plant costs are required by Citizens S-Line's lenders and the capital markets, and without which Citizens S-Line comments that it does not believe that it will be able to obtain the necessary financing to participate in the development of the Project.³⁰

b. Commission Determination

15. We find that Citizens S-Line has demonstrated that there is a nexus between the incentives it seeks and the investment being made. Specifically, we find that Citizens S-Line has demonstrated that its total package of requested incentives, which are individually discussed below, is tailored to address the demonstrable risks and challenges faced by Citizens S-Line with respect to its participation in the Project.

3. Citizens S-Line Proposed Cost Recovery Methodology

16. Citizens S-Line requests approval of its proposed rate methodology to recover its transmission operating costs and applicable overhead costs, to include: (1) a hypothetical capital structure of 50% debt and 50% equity; (2) a proxy ROE, inclusive of a 50 basis point adder for its participation in CAISO, subject to Citizens S-Line making future filings pursuant to FPA section 205; (3) a 30-year levelized filed rate for recovery of capital requirements; and (4) a formula rate to recover its actual operating costs.³¹ Citizens S-Line asserts that its proposed rate methodology will result in just and reasonable rates. Citizens S-Line also asserts that Commission approval of its proposed rate methodology is necessary for Citizens S-Line to successfully obtain financing. Further, Citizens S-Line asserts that its proposed levelized rate methodology will benefit

²⁸ Petition at 20.

²⁹ *Id.* at 21.

³⁰ *Id.* at 5-6.

³¹ *Id.* at 22-23.

consumers by providing rate stability and protection against potential capital cost increases over time.³²

17. Under its proposal, Citizens S-Line's rate base will be the capitalized lease cost of \$40 million, plus development and financing costs that are now estimated to be about \$4 million, less accumulated capitalized lease and development cost amortization costs, plus accumulated deferred income taxes and working capital. Citizens S-Line will use a levelized fixed capital requirements rates that will spread the recovery of Project costs over a 30-year term. The levelized capital requirements fixed rate would be determined by levelizing the net values of each of the 30 annual capital revenue requirement amounts.³³

18. Further, Citizens S-Line states that its requested 30-year period for the recovery of capital requirements is shorter than its 40-year lease rights to the S-Line Project's transfer capability and explains that 30 years is the longest duration of financing that it believes is available.³⁴ Therefore, Citizens S-Line is proposing to align the recovery of its capital costs with the duration of its financing, which it asserts is consistent with Commission precedent.³⁵ Citizens S-Line also explains that the Project will be its only asset and the ability to recover its capital investment over 30 years is necessary to secure financing.³⁶

19. The capital component of Citizens S-Line's rate will use its actual cost of debt, along with a proxy ROE. Citizens S-Line clarifies that it is not seeking Commission approval of any specific ROE in this Petition; rather, Citizens S-Line explains that historically it has used as a proxy the Commission approved ROE of its partner utility. However, because its partner for the Project, IID, is a non-jurisdictional utility without a Commission-approved ROE, Citizens S-Line explains that it will likely use the SDG&E proxy ROE approved by the Commission. According to Citizens S-Line, SDG&E is the dominant Commission-jurisdictional transmission owner in the region and co-owns the substation to which the Project interconnects.³⁷

³² *Id.* at 23, 28-29.

³³ *Id.* at 24.

³⁴ *Id.*

³⁵ *Id.* (citing *Central Transmission, LLC*, 135 FERC ¶ 61,145, at P 62 (2011); *Northeast Transmission Development, LLC*, 135 FERC ¶ 61,244, at P 62 (2011)).

³⁶ *Id.* at 24-25.

³⁷ *Id.* at 4, 25.

20. Citizens S-Line proposes to use a hypothetical capital structure of 50% debt and 50% equity, which it asserts is consistent with the Commission's approvals for other projects, including projects involving Citizens Energy's subsidiaries.³⁸ Citizens S-Line also proposes to use a proxy ROE, inclusive of a 50-basis point adder for participation in CAISO, subject to Citizens S-Line submitting appropriate filings pursuant to section 205 of the FPA. Citizens S-Line proposes to use a 30-year levelized fixed rate for recovery of capital requirements and a formula rate to recover its actual operating costs. Citizens S-Line explains that it will finance its interest in the Project using 100% debt and asserts that, as a result of this financing arrangement, it will not have a meaningful actual capital structure that is appropriate for rate making purposes.³⁹ Citizens S-Line explains that the use of a hypothetical capital structure will assist it in securing financing for the Project.⁴⁰

21. Citizens S-Line explains that the operating cost component of its proposed revenue requirement consists of costs associated with administering the leased capability and functioning as a CAISO Participating Transmission Owner. Citizens S-Line asserts that the formula rate will provide for adjustments to reflect actual operating and overhead costs and, accordingly, satisfies the just and reasonable standard.⁴¹

22. Further, Citizens S-Line is proposing to finance its participation in the development of the Project using 100% debt, which it argues is consistent with Commission precedent.⁴² Citizens S-Line also explains that it is seeking capital cost recovery based upon a hypothetical capital structure and a proxy rate of return method similar to that used by municipal electric utilities in CAISO, but that it is without end-use utility customers or a service territory in California. Instead, Citizens S-Line will recover its revenue requirement through the CAISO Transmission Access Charge mechanism. Citizens S-Line further explains that it will not be charging its costs directly to end-use "customers," but the liability it will be incurring in the expenditure of borrowed funds is virtually identical to charging its costs through to a customer on a current basis. Citizens S-Line proposes to finance its participation in the development of the Project as

³⁸ *Id.* at 25 & n.58 (citing Sycamore-Pensquitos Declaratory Order, 162 FERC ¶ 61,161 at PP 21-22; Sunrise Powerlink Declaratory Order, 129 FERC ¶ 61,242 at P 22; Morongo, 148 FERC ¶ 61,139 at P 19).

³⁹ *Id.* at 25.

⁴⁰ *Id.*

⁴¹ *Id.* at 26.

⁴² *Id.* (citing *Citizens Sunrise Transmission*, 138 FERC ¶ 61,129; *Citizens Sycamore-Penasquitos*, 164 FERC ¶ 61,149).

a stand-alone transmission project and, accordingly, must demonstrate that mechanisms are in place for it to achieve and maintain a strong cash flow.⁴³

23. Citizens S-Line asserts that its proposed levelized rate approach using a hypothetical capital structure will benefit consumers in two important ways. First, it will provide rate stability and protection against the likelihood of capital cost increases over time. Citizens S-Line comments that consumer benefits of assured rate stability over 30 years are likely to be substantial.⁴⁴ Also, Citizens S-Line asserts that consumers will benefit from the levelized rate approach because transmission benefits from the Project will be constant over time, even as the associated monetary benefits from the constant transmission availability will likely increase as utility costs rise. Without a levelized rate approach, Citizens S-Line argues that Project benefits and costs would be mismatched.⁴⁵

a. Commission Determination

24. We grant Citizens S-Line's proposed rate methodology. We find that Citizens S-Line's proposed capital cost recovery methodology using a hypothetical capital structure of 50% debt and 50 % equity is reasonable. We further find that Citizens S-Line's proposal for a 30-year levelized fixed rate of recovery for capital requirements is reasonable in this context, recovering a capital return for 30 years of the Project, and recovering only operating and administrative costs for the remaining 10 years of Citizens S-Line's leasehold. Similarly, we find that it is reasonable for Citizens S-Line to use a proxy ROE and formula rate. However, Citizens S-Line will need to submit a subsequent filing pursuant to section 205 of the FPA demonstrating the justness and reasonableness of the specific proxy ROE and formula rate it proposes to use, as discussed herein.

25. The Commission has previously approved a hypothetical capital structure of 50% debt and 50% equity for other transmission projects, including in cases involving similar arrangements by Citizens S-Line's affiliates.⁴⁶ The Commission has permitted entities to use a hypothetical capital structure for ratemaking purposes when they have relied upon non-equity financing to finance a transmission project, as Citizens S-Line

⁴³ *Id.* at 27.

⁴⁴ *Id.* at 28.

⁴⁵ *Id.* at 28-29.

⁴⁶ *See, e.g.,* Sycamore-Pensaquitos Declaratory Order, 162 FERC ¶ 61,161 at P 22; Sunrise Powerlink Declaratory Order, 129 FERC ¶ 61,242 at P 22; *see also Pioneer Transmission, LLC*, 126 FERC ¶ 61,281, at P 119 (2009).

proposes to do here.⁴⁷ We also find that Citizens S-Line's proposed capital cost recovery is expected to benefit consumers by providing rate stability and protection against potential capital cost increases over time.⁴⁸ The fixed return levels for both the debt and equity components of the hypothetical capital structure will be locked-in and will be maintained for the duration of Citizens S-Line's involvement in the Project. We also find that Citizens S-Line's proposed levelized approach is reasonable in the context of rate recovery for a single asset and will ensure a constant revenue stream, thereby matching the benefits of the Project that are constant over time with the cost recovery.⁴⁹

26. Citizens S-Line's specific ROE is not before us at this time. In this proceeding, Citizens S-Line explains that it intends to use a proxy ROE when it makes a filing under section 205 of the FPA for Commission approval of its rates. That future proceeding will evaluate the justness and reasonableness of the ROE that Citizens S-Line proposes at that time. Although we are not prejudging Citizens S-Line's ROE in this filing, we note that, in implementing its existing regulations, the Commission has typically granted requests for a 50-basis point adder for participating in a Transmission Organization, such as CAISO.⁵⁰ Therefore, consistent with Order No. 679 and prior Commission precedent, we grant Citizens S-Line's request for a 50-basis point adder for participation in CAISO, subject to Citizens S-Line turning over operational control of its interest in the Project to CAISO.⁵¹

⁴⁷ See *City of Vernon, Cal.*, Opinion No. 479, 111 FERC ¶ 61,092, at P 84, *order on reh'g*, Opinion No. 479-A, 112 FERC ¶ 61,207 (2005), *order denying reh'g*, Opinion No. 479-B, 115 FERC ¶ 61,297 (2006).

⁴⁸ Petition at 28 (citing Ex. CSL-2 at P 24).

⁴⁹ This approach is also consistent with the approach proposed by Citizens Energy with respect to the Sycamore-Pensquitos and Sunrise Powerlink transmission projects. See Sycamore-Pensquitos Declaratory Order, 162 FERC ¶ 61,161 at P 22; Sunrise Powerlink Declaratory Order, 129 FERC ¶ 61,242 at PP 23-24.

⁵⁰ See, e.g., *LS Power Grid Cal., LLC*, 171 FERC ¶ 61,222, at P 32 (2020); *DesertLink, LLC*, 156 FERC ¶ 61,118, at P 33 (2016) (*DesertLink*).

⁵¹ We note that the Commission is concurrently issuing a Supplemental Notice of Proposed Rulemaking in Docket No. RM20-10-000 addressing the Commission's policy regarding the availability of a Transmission Organization Incentive, 175 FERC ¶ 61,035 (2021).

4. Abandoned Plant Incentive

27. Citizens S-Line requests authority to recover 100% of prudently incurred development and construction costs in the event the Project is abandoned as a result of factors beyond Citizens S-Line's control.⁵² According to Citizens S-Line, developing and constructing transmission lines in California is a substantial financial undertaking and, as a result, Citizens S-Line faces the very real risk that the Project could fail solely because of actions beyond its control. Citizens S-Line asserts that the abandoned plant incentive is necessary to mitigate its risks should either the Project be cancelled or if portions of the Project are supplanted for reasons beyond its control.⁵³ Further, Citizens S-Line explains that, unlike a traditional utility, Citizens S-Line does not have an ongoing public utility operation that would allow it to absorb costs it had incurred should the Project be terminated for reasons beyond its control. The abandoned plant incentive would provide assurance that Citizens S-Line could recover its costs through the CAISO Transmission Access Charge mechanism.⁵⁴

a. Commission Determination

28. We grant Citizens S-Line's request for recovery of 100% of prudently incurred costs associated with the development and construction of the Project should it be abandoned for reasons beyond Citizens S-Line's control. As Citizens S-Line explains, it will finance the capital costs of the Project up to a maximum of \$40 million, plus development and financing costs of approximately \$4 million, all of which is a significant investment for Citizens S-Line, which was formed for the sole purpose of participating in the Project and which has no other assets.⁵⁵ The abandoned plant incentive will help Citizens S-Line secure needed financing for the Project, especially because of Citizens S-Line's business structure and its plans to dedicate 50% of its net after tax profits from the Project to low-income consumers in the Project's service territory.⁵⁶ The Commission has explained that the recovery of abandoned plant costs is an effective

⁵² Petition at 29.

⁵³ *Id.* at 30.

⁵⁴ *Id.* at 30-31.

⁵⁵ *Id.* at 21.

⁵⁶ *See* Sycamore Pensquitos Declaratory Order, 162 FERC ¶ 61,161 at P 25.

means to encourage transmission development by reducing the risk of non-recovery of costs.⁵⁷

29. We note that, if the Project is abandoned for reasons beyond Citizens S-Line's control, it would be required to make a filing under section 205 of the FPA to demonstrate that the costs for its work associated with the Project were prudently incurred before it could recover any abandoned plant costs.⁵⁸ In such a proceeding, abandoned plant recovery is available for 100% of prudently-incurred project costs expended on or after the issuance of this order.⁵⁹ In the event Citizens S-Line seeks abandoned plant recovery for the time period prior to the issuance of this order, Citizens S-Line would be eligible to seek recovery of 50% of its prudently-incurred costs consistent with prior precedent.⁶⁰

The Commission orders:

Citizens S-Line Petition is hereby granted, as discussed in the body of this order.

By the Commission.

(S E A L)

Nathaniel J. Davis, Sr.,
Deputy Secretary.

⁵⁷ Order No. 679, 116 FERC ¶ 61,057 at P 163; *see also, e.g., DesertLink*, 156 FERC ¶ 61,118 at P 28.

⁵⁸ Order No. 679, 116 FERC ¶ 61,057 at PP 165-166.

⁵⁹ *See, e.g., San Diego Gas & Elec. Co.*, 154 FERC ¶ 61,158 (*SDG&E*), *order denying reh'g*, 157 FERC ¶ 61,056 (2016) (*SDG&E Rehearing Order*), *aff'd*, *San Diego Gas & Elec. Co. v. FERC*, 913 F. 3d 127 (D.C. Cir. 2019) (*SDG&E v. FERC*); *New England Power Co.*, Opinion No. 295, 42 FERC ¶ 61,016, at 61,075-178, *order on reh'g*, Opinion No. 295-A, 43 FERC ¶ 61,285 (1988).

⁶⁰ *See SDG&E v. FERC*, 913 F.3d at 139; *see also SDG&E Rehearing Order*, 157 FERC ¶ 61,056 at P 15.