

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

Before Commissioners: Norman C. Bay, Chairman;
Cheryl A. LaFleur, and Colette D. Honorable.

Spring Canyon Interconnection LLC

Docket No. ES16-45-000

ORDER AUTHORIZING ISSUANCES OF SECURITIES

(Issued October 20, 2016)

1. On July 20, 2016, Spring Canyon Interconnection LLC (SC Interconnection) filed an application pursuant to section 204 of the Federal Power Act (FPA)¹ (Application) seeking blanket authorization to issue securities and assume liabilities. We will grant the authorizations, as discussed below.

I. Application

A. Background

2. SC Interconnection explains that it previously requested blanket authorization under FPA section 204 and Part 34 of the Commission's regulations to issue securities and assume liabilities, but that the Commission denied its request, finding that such a request should be included in applications for market-based rate authority because it is associated with entities that own generation with the authority to sell electric power at market-based rates.² However, as discussed below, SC Interconnection further explains that since the issuance of *Spring Canyon*, the Commission has revisited its policy concerning the grant of blanket section 204 and Part 34 authorization and determined that it is appropriate to grant such blanket authorization to entities that are "interconnection-

¹ 16 U.S.C. § 824c (2012).

² Application at 4 (citing *Spring Canyon Energy, LLC*, 149 FERC ¶ 61,106, at PP 26-27 (2014) (*Spring Canyon*)).

only entities that serve only their own affiliates.”³ SC Interconnection argues that it is an interconnection-only entity that serves only its own affiliates, and therefore it requests waiver of the requirements of Part 34 of the Commission’s regulations⁴ pertaining to the contents of applications for authorization to issue securities and assume liabilities.

3. Spring Canyon Energy II LLC (Spring Canyon II) owns 54 percent of the membership interests in SC Interconnection, and Spring Canyon Energy III LLC (Spring Canyon III) owns the remaining 46 percent interests.

4. Spring Canyon II owns and operates an approximately 34 megawatt (MW) wind-powered generating facility (Spring Canyon II Project) in Logan County, Colorado. Spring Canyon III owns and operates an approximately 29 MW wind-powered generating facility (Spring Canyon III Project) in Logan County, Colorado. SC Interconnection was formed to facilitate the interconnection of the Spring Canyon II and Spring Canyon III Projects with the Public Service Company of Colorado transmission grid. SC Interconnection does not own or operate any generation or transmission facilities (the interconnection facilities themselves are owned by Spring Canyon II and Spring Canyon III), and is a public utility solely by virtue of having a rate schedule, a co-tenancy and shared facilities agreement between and among, as relevant here, Spring Canyon II, Spring Canyon III, and SC Interconnection (Shared Facilities Agreement) on file with the Commission. SC Interconnection states that, under the Shared Facilities Agreement, SC Interconnection provides coordination services to Spring Canyon II and Spring Canyon III to flow through generator interconnection service to them consistent with the terms of the interconnection agreement with the Public Service Company of Colorado.⁵

5. SC Interconnection states that, when the Commission accepted the Shared Facilities Agreement, it also addressed SC Interconnection’s request for waivers and blanket authorizations typically granted to market-based rate sellers.⁶ The Commission granted SC Interconnection’s requests for waiver of Part 141 (except sections 141.14 and 141.15), Part 101, and sections 41.10 through 41.12 of the Commission’s regulations, but denied SC Interconnection’s request for blanket authorization under FPA section 204

³ *Dominion Solar Gen-Tie, LLC*, 152 FERC ¶ 61,014, at P 9 (2015) (*Dominion Gen-Tie*); *Me. GenLead, LLC*, 152 FERC ¶ 61,015, at P 8 (2015) (*Maine GenLead*); *East Ridge Transmission, LLC*, 155 FERC ¶ 61,123 (2016) (*East Ridge Transmission*).

⁴ 18 C.F.R. pt. 34 (2016).

⁵ *Id.* at 3-4.

⁶ *Id.* at 4 (citing *Spring Canyon*, 149 FERC ¶ 61,106).

and Part 34 of the Commission's regulations to issue securities and assume liabilities. The Commission stated that the request for blanket authorization should be included in applications for market-based rate authority because it is associated with entities that own generation with the authority to sell electric power at market-based rates.⁷

B. Request for Blanket Authorization

6. SC Interconnection notes that, since the issuance of *Spring Canyon*, the Commission has revisited its policy concerning the grant of blanket authorization under section 204 and Part 34, and determined that it is appropriate to grant such blanket authorization to entities that are "interconnection-only entities that serve only their own affiliates."⁸ SC Interconnection further explains that it is such an entity because it does not own, operate or control generation facilities and was formed solely to facilitate the interconnection of its affiliates' generation with the transmission grid. SC Interconnection asserts that its role as an interconnection-only entity is even more limited than that of the interconnection-only entities in *Dominion Gen-Tie* and *Maine GenLead*, because, unlike those entities, SC Interconnection does not own, operate or control even limited interconnecting transmission facilities.⁹

7. SC Interconnection also argues that, as the Commission recognized in *Dominion Gen-Tie* and *Maine GenLead*, granting an interconnection-only entity, such as SC Interconnection, blanket authorization to issue securities and assume liabilities does not implicate the concerns underlying section 204 of the FPA, which was intended to protect the public from unsound financial choices by public utilities. SC Interconnection maintains that it is not a franchised public utility and does not provide service at cost-based rates to any non-affiliates. It explains that the consequences of its financial choices will be borne exclusively by itself and its investors, and there is no danger of any of its issuances of securities or assumptions of liabilities "put[ting] at risk [its] ability to provide service to customers that depend on that service."¹⁰

⁷ *Id.* (citing *Spring Canyon*, 149 FERC ¶ 61,106 at PP 26-27).

⁸ *Dominion Gen-Tie*, 152 FERC ¶ 61,014 at P 9; *Maine GenLead*, 152 FERC ¶ 61,015 at P 8; *East Ridge Transmission*, 155 FERC ¶ 61,123.

⁹ Application at 4-5.

¹⁰ *Id.* at 5 (quoting *Dominion Gen-Tie*, 152 FERC ¶ 61,014 at P 10; *Maine GenLead*, 152 FERC ¶ 61,015 at P 9).

C. Requests for Waiver

8. SC Interconnection requests waiver of the requirements of Part 34 of the Commission's regulations¹¹ pertaining to the contents of applications for authorization to issue securities and to assume obligations and liabilities, as well as ongoing reporting requirements for public utilities authorized to issue securities and assume liabilities. SC Interconnection asserts that the Commission routinely grants blanket authorizations in connection with applications for market-based rate authority without requiring applicants to provide the information and supporting documentation in Part 34 or to file reports concerning securities issuances and assumptions of obligations and liabilities. For the same reasons, SC Interconnection argues that the Commission should waive any such requirements here. SC Interconnection further states that it will notify the Commission of any material change in facts relevant to the requested blanket authorization, consistent with the conditions imposed in *Dominion Gen-Tie* and *Maine GenLead*.¹²

II. Notice of Filing

9. Notice of the Application was published in the *Federal Register*, 81 Fed. Reg. 50,696 (2016), with interventions and protests due on or before August 10, 2016. None was filed.

III. Commission Determination

10. FPA section 204(a) provides that requests for authorization to issue securities or to assume any obligation or liability as guarantor, indorser, surety, or otherwise in respect of any security of another person shall be granted if the Commission finds that the issuance or assumption: (1) is for some lawful object, within the corporate purposes of the applicant and compatible with the public interest, which is necessary or appropriate for or consistent with the proper performance by the applicant of service as a public utility and which will not impair its ability to perform that service; and (2) is reasonably necessary or appropriate for such purposes.¹³

¹¹ 18 C.F.R. pt. 34 (2016).

¹² Application at 5-6 (citing *Dominion Gen-Tie*, 152 FERC ¶ 61,014 at P 10; *Maine GenLead*, 152 FERC ¶ 61,015 at P 9).

¹³ 16 U.S.C. § 824c(a) (2012).

11. A review of the legislative history pertaining to section 204 of the FPA¹⁴ shows that the section was intended to protect the public from unsound financial choices by public utilities. As noted in Senate Report No. 621, “[c]ontrol over the capitalization of operating utilities is plainly an essential means of safeguarding the public interest against the unsound financial practices which make impossible the proper and most economical performance of public utility functions.”¹⁵ As the Commission previously noted, FPA section 204 serves to ensure that public utilities do not, by issuing securities or assuming obligations or liabilities, put at risk their ability to provide service to customers that depend on that service.¹⁶

12. Applying the foregoing principles here, we grant SC Interconnection’s request for blanket authorization for issuance of securities and assumptions of obligations and liabilities under Part 34. SC Interconnection is an interconnection-only entity whose sole customers will be its affiliates. However, SC Interconnection must notify the Commission if the circumstances providing the basis for the blanket authorization change.¹⁷ We also grant the requested waiver of Part 34 of the Commission’s regulations¹⁸ pertaining to the contents of applications for authorization to issue securities and to assume obligations and liabilities, as well ongoing reporting requirements for public utilities authorized to issue securities and assume obligations and liabilities.

¹⁴ 16 U.S.C. § 824c (2012).

¹⁵ S. Rep. No. 621, 74th Cong., 1st Sess. 50 (1935).

¹⁶ *Market-Based Rates for Wholesale Sales of Electric Energy, Capacity and Ancillary Services by Public Utilities*, Order No. 697, FERC Stats. & Regs. ¶31,252, at P 999, *clarified*, 121 FERC ¶ 61,260 (2007), *order on reh’g*, Order No. 697-A, FERC Stats. & Regs. ¶ 31,268, *clarified*, 124 FERC ¶ 61,055, *order on reh’g*, Order No. 697-B, FERC Stats. & Regs. ¶31,285 (2008), *order on reh’g*, Order No. 697-C, FERC Stats. & Regs. ¶ 31,31,305 (2010), *aff’d sub nom. Mont. Consumer Counsel v. FERC*, 659 F. 3d 910 (9th Cir. 2011), *cert. denied*, 133 S. Ct. 26 (2012).

¹⁷ We further note that if the Commission subsequently grants a request by a non-affiliated entity to use SC Interconnection’s facilities, SC Interconnection would no longer qualify for blanket authorization and the Commission may revoke the blanket authorization at that time.

¹⁸ 18 C.F.R. pt. 34 (2016).

The Commission orders:

(A) SC Interconnection's request for blanket authorization for issuance of securities and assumptions of obligations and liabilities under Part 34 is hereby granted, as discussed in the body of this order.

(B) SC Interconnection is hereby granted waiver from compliance with the Commission's requirements to provide information and reports at 18 C.F.R. pt. 34 (2016).

(C) SC Interconnection must notify the Commission if the circumstances providing the basis for the blanket authorization change.

By the Commission.

(S E A L)

Kimberly D. Bose,
Secretary.