

157 FERC ¶ 62,079  
UNITED STATES OF AMERICA  
FEDERAL ENERGY REGULATORY COMMISSION

Quantum Pasco Power, LP  
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Rockland Pasco Holdings, LLC

Docket No. EC16-187-

ORDER AUTHORIZING DISPOSITION  
AND ACQUISITION OF JURISDICTIONAL FACILITIES

(Issued October 31, 2016)

On September 23, 2016, as supplemented on October 17, 2016, Quantum Pasco Power, LP (Pasco) and Rockland Pasco Holdings, LLC (Rockland) (collectively, Applicants) filed an application under section 203(a)(1) of the Federal Power Act (FPA)<sup>1</sup> requesting authorization for the indirect disposition of jurisdictional facilities resulting from the transfer from Quantum (Pasco) Utility Investments, LLC (Quantum Investments) of 100 percent of the issued and outstanding ownership interests in each of Quantum Pasco GP, LLC and Quantum Pasco LP to Rockland and the subsequent transfer (if necessary) of Rockland from Rockland Power Partners II, LP (Rockland Partners II) to Rockland Power Partners III, LP (Rockland Partners III) (Proposed Transaction). The jurisdictional facilities affected by the Proposed Transaction consist of Pasco's market-based rate tariff, generator interconnection facilities, wholesale power sales agreements and related books and records.

According to Applicants, Pasco owns an approximately 121 megawatt generation facility (Pasco Facility) located in Florida, within the Tampa Electric Company (Tampa Electric) balancing authority area (BAA). Pasco is an exempt wholesale generator to which the Commission has granted market-based rate authority. Pasco sells all of the output of the Pasco Facility to Tampa Electric pursuant to a long-term tolling agreement that expires at the end of 2018. According to Applicants, the Tampa Electric BAA is the relevant market.

Applicants state that Quantum Investments is a limited liability company managed by Quantum Utility Generation, LLC, a company owned by Quantum Energy Partners, LLC (Quantum Partners) and members of a management team (QUG Management). Investment funds managed by Quantum Partners or its affiliates, not including QUG Management, provide the majority of the capital for Quantum Investments. QUG Management and CPP Investment Board Pasco Inc. provide the remaining capital for Quantum Investments.

Applicants state that Rockland is a newly formed limited liability company that will become a public utility holding company solely as to Pasco upon

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<sup>1</sup> 16 U.S.C. § 824b (2012).

consummation of the Proposed Transaction. Rockland is currently a wholly owned subsidiary of Rockland Partners II, an equity fund with investors that include endowments and foundations within the United States, funds of funds, pension plans and family offices, and groups of investors. Rockland Power Partners II GP, LLC (Rockland II GP) is Rockland Partners II's General Partner. According to Applicants, Rockland II GP is the only entity that holds a 10 percent or greater voting interest in Rockland Partners II. Rockland Capital, LLC (Rockland Capital) manages Rockland II GP. Rockland Capital also manages: (1) Rockland Power Partners GP, LLC, (Rockland Partners GP), which is the General Partner of Rockland Power Partners, LP, which is an equity fund with a similar investor base to Rockland Partners II; and (2) Rockland Capital Energy Investments, LLC, which is a private energy investment company. According to Applicants, no investor in Rockland Partners GP or Rockland II GP holds a 10 percent or greater voting interest in public utilities in the Tampa Electric BAA.

Applicants state that Rockland Capital is in the process of funding Rockland Partners III. Rockland Partners III's General Partner will be Rockland Power Partners III GP, LLC (Rockland III GP). Rockland Capital will manage Rockland III GP. According to Applicants, no investor in Rockland III GP will hold a 10 percent or greater voting interest in public utilities. Applicants anticipate that Rockland Partners III will close its funding prior to the consummation of the Proposed Transaction. If Rockland Partners III has closed by that time, Rockland will be a subsidiary of Rockland Partners III as of the time of closing. In such case, Pasco will be an indirect subsidiary of Rockland Partners III upon consummation of the Proposed Transaction. However, in the event that there is a delay in the closing of Rockland Partners III's funding, Applicants request authorization to allow Rockland Partners II to indirectly acquire Pasco through Rockland and to transfer Rockland to Rockland Partners III when that fund has closed. Applicants state that, in the Notice of Consummation relating to the Proposed Transaction, they will inform the Commission of the name of the upstream acquirer of Pasco and, if Rockland Partners II is the acquirer, Rockland Partners II will subsequently inform the Commission when the transfer of Rockland from Rockland Partners II to Rockland Partners III has occurred.

Applicants state that Quantum Investments and Rockland have entered into a Purchase Agreement to effectuate the Proposed Transaction. Pursuant to the Proposed Transaction, Rockland will acquire 100 percent of the partnership interests in Pasco that Quantum Investments presently indirectly holds. As a result, Pasco will become a wholly owned, indirect subsidiary of Rockland. Quantum Investments will not hold any ownership interests in Pasco following the consummation of the Proposed Transaction.

Applicants state that the Proposed Transaction is consistent with the public interest because it will not have an adverse effect on competition, rates, or regulation and will not result in cross-subsidization or the pledge or encumbrance of utility assets for the benefit of an associate company.

According to Applicants, the Proposed Transaction will have no adverse impact on horizontal competition because Rockland is currently not affiliated with any generation capacity in the Tampa Electric BAA. Further, Pasco sells all of

the output of the Pasco Facility to Tampa Electric under long-term contract. Thus, Applicants state that the Proposed Transaction will not result in any new affiliation or combination of electric generating assets in the relevant geographic market, and will have no impact on horizontal competition.

Applicants state that the Proposed Transaction will have no adverse impact on vertical competition. Applicants submit that the Proposed Transaction does not involve any transmission facilities, other than the limited interconnection equipment necessary to connect the Pasco Facility to the grid, or any essential inputs to electricity products or electric power production. Further, none of Pasco, Rockland, or any of Rockland's affiliates own, operate, or control any electric transmission facilities in the United States, other than limited interconnection facilities necessary to connect individual generating facilities to the grid. In addition, in the relevant market none of Pasco, Rockland, or their respective affiliates own, operate, or control intrastate natural gas transportation facilities, intrastate natural gas storage or distribution facilities, physical coal supplies, or facilities used in the transportation of coal supplies, such as barges or rail cars, which could be used as a means of restricting market entry by competing suppliers. Therefore, Applicants submit that the Proposed Transaction will have no adverse effect on vertical competition.

According to Applicants, the Proposed Transaction will have no adverse impact on rates. Applicants state that, after consummation of the Proposed Transaction, Pasco will continue to sell power pursuant to either its long-term power purchase agreement with Tampa Electric or its market-based-rate authority. Further, neither Pasco, Rockland, nor any of Rockland's affiliates own, operate, or control any electric transmission facilities in the United States that provide third-party transmission service. As a result, Applicants state that the Proposed Transaction will not have any effect on transmission rates or transmission customers. Accordingly, Applicants submit that the Proposed Transaction will have no adverse effect on wholesale ratepayers or transmission customers.

Applicants state that the Proposed Transaction will not impair the ability of the Commission or any state regulatory authority to regulate the Applicants. Applicants submit that the Commission will continue to exercise the same jurisdiction over sales of electricity by Pasco after Applicants consummate the Proposed Transaction as it exercises currently. Applicants add that the Proposed Transaction is not subject to approval by any state commission.

According to Applicants, the Proposed Transaction falls within one of the "safe harbors" established by the Commission for which detailed explanation and evidentiary support to demonstrate a lack of cross-subsidization is not required. Specifically, Applicants state that the Proposed Transaction falls within the "safe harbor" for transactions that do not involve a franchised public utility with captive customers.

Applicants verify that, based on facts and circumstances known to them or that are reasonably foreseeable, the Proposed Transaction will not result in, at

the time of the Proposed Transaction or in the future, any cross-subsidization of a non-utility associate company or pledge or encumbrance of utility assets for the benefit of an associate company, including: (1) any transfer of facilities between a traditional public utility associate company that has captive customers or that owns or provides transmission service over jurisdictional transmission facilities, and an associate company; (2) any new issuance of securities by a traditional public utility associate company that has captive customers or that owns or provides transmission service over jurisdictional transmission facilities, for the benefit of an associate company; (3) any new pledge or encumbrance of assets of a traditional public utility associate company that has captive customers or that owns or provides transmission service over jurisdictional transmission facilities, for the benefit of an associate company; or (4) any new affiliate contract between a non-utility associate company and a traditional public utility associate company that has captive customers or that owns or provides transmission service over jurisdictional transmission facilities, other than non-power goods and service agreements subject to review under sections 205 and 206 of the FPA.

The filings were noticed on September 23, 2016, and October 18, 2016, with comments, protests, or interventions due on or before October 14, 2016 and October 27, 2016. None were filed.

Information and/or systems connected to the bulk system involved in these transactions may be subject to reliability and cybersecurity standards approved by the Commission pursuant to FPA section 215. Compliance with these standards is mandatory and enforceable regardless of the physical location of the affiliates or investors, information database, and operating systems. If affiliates, personnel or investors are not authorized for access to such information and/or systems connected to the bulk power system, a public utility is obligated to take the appropriate measures to deny access to this information and/or the equipment/software connected to the bulk power system. The mechanisms that deny access to information, procedures, software, equipment, etc., must comply with all applicable reliability and cybersecurity standards. The Commission, North America Electric Reliability Corporation or the relevant regional entity may audit compliance with reliability and cybersecurity standards.

When a controlling interest in a public utility is acquired by another company, whether a domestic company or a foreign company, the Commission's ability to adequately protect public utility customers against inappropriate cross-subsidization may be impaired absent access to the parent company's books and records. Section 301(c) of the FPA gives the Commission authority to examine the books and records of any person who controls, directly or indirectly, a jurisdictional public utility insofar as the books and records relate to transactions with or the business of such public utility. The approval of the Proposed Transaction is based on such examination ability.

Order No. 652 requires that sellers with market-based rate authority timely report to the Commission any change in status that would reflect a departure from the characteristics the Commission relied upon in granting market-based

rate authority.<sup>2</sup> To the extent that a transaction authorized under FPA section 203 results in a change in status, sellers that have market-based rates are advised that they must comply with the requirements of Order No. 652.

After consideration, it is concluded that the Proposed Transaction is consistent with the public interest and is hereby authorized, subject to the following conditions:

- (1) The Proposed Transaction is authorized upon the terms and conditions and for the purposes set forth in the application;
- (2) Applicants must inform the Commission of any material change in circumstances that departs from the facts or representations that the Commission relied upon in authorizing the Proposed Transaction within 30 days from the date of the material change in circumstances;
- (3) The foregoing authorization is without prejudice to the authority of the Commission or any other regulatory body with respect to rates, service, accounts, valuation, estimates or determinations of costs, or any other matter whatsoever now pending or which may come before the Commission;
- (4) Nothing in this order shall be construed to imply acquiescence in any estimate or determination of cost or any valuation of property claimed or asserted;
- (5) If the Proposed Transaction results in changes in the status or upstream ownership of Applicants' affiliated qualifying facilities, an appropriate filing for recertification pursuant to 18 C.F.R. § 292.207 (2016) shall be made;
- (6) The Commission retains authority under sections 203(b) and 309 of the FPA to issue supplemental orders as appropriate;
- (7) Applicants shall make any appropriate filings under section 205 of the FPA, as necessary, to implement the Proposed Transaction; and
- (8) Applicants shall notify the Commission within 10 days of the date that the disposition of jurisdictional facilities has been consummated.

This action is taken pursuant to the authority delegated to the Director, Division of Electric Power Regulation - West, under 18 C.F.R. § 375.307 (2016).

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<sup>2</sup> *Reporting Requirement for Changes in Status for Public Utilities with Market-Based Rate Authority*, Order No. 652, FERC Stats. & Regs. ¶ 31,175, order on reh'g, 111 FERC ¶ 61,413 (2005).

This order constitutes final agency action. Requests for rehearing by the Commission may be filed within 30 days of the date of issuance of this order, pursuant to 18 C.F.R. § 385.713 (2016).

Steve P. Rodgers, Director  
Division of Electric Power  
Regulation - West