



**BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF CALIFORNIA**

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Application of LS Power Grid California, LLC  
(U-247-E) for a Certificate of Public Convenience  
and Necessity Authorizing Construction of the  
Power Santa Clara Valley Project.

**APPLICATION OF LS POWER GRID CALIFORNIA, LLC  
(U-247-E) FOR A CERTIFICATE OF PUBLIC  
CONVENIENCE AND NECESSITY AUTHORIZING  
CONSTRUCTION OF THE POWER SANTA CLARA  
VALLEY PROJECT**

**[PUBLIC VERSION]**

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**[PUBLIC VERSION]**

Pursuant to the California Public Utilities Code, General Order (GO) 131-D, and the Commission’s Rules of Practice and Procedure, LS Power Grid California, LLC (LSPGC) respectfully submits this Application for a Certificate of Public Convenience and Necessity (CPCN) Authorizing Construction of the Power Santa Clara Valley Project (Project).

**I. INTRODUCTION**

The Power Santa Clara Valley Project, also known as the Metcalf - San Jose B HVDC Project, is a reliability-driven addition to the transmission system operated by the California Independent System Operator (CAISO). The CAISO identified the need for a high-voltage direct current (HVDC) connection from the Metcalf 500 kilovolt (kV) substation to the San Jose B 115 kV substation in its 2021-2022 Transmission Plan, approved by the CAISO’s Board of Governors on March 17, 2022. The CAISO awarded the primary scope of the HVDC connection, the Project, to LSPGC. In addition to the Project being undertaken by LSPGC,

certain Interconnection Facilities and Distribution Upgrades are necessary to implement the Project and will be the responsibility of Pacific Gas and Electric Company (PG&E). This Application seeks a CPCN for only the LSPGC portion of the HVDC connection.

## **II. PROJECT OVERVIEW**

### **A. Project Summary**

The Project consists of the following key elements:

- Two new HVDC terminals:
  - the new Skyline terminal adjacent to the existing PG&E San Jose B substation; and
  - the new Grove terminal in the vicinity of the existing PG&E Metcalf substation.
- One approximately 13-mile Grove to Skyline 320 kV direct current (DC) underground transmission line connecting the Skyline terminal to the Grove terminal;
- One approximately 100-foot overhead Skyline to San Jose B 115 kV alternating current (AC) station tie line connecting the new Skyline terminal to PG&E's San Jose B substation; and
- One approximately 1.2-mile Metcalf to Grove 500 kV AC underground transmission line connecting the new Grove terminal to the existing PG&E Metcalf substation.

Once constructed, the Project will become part of the transmission system controlled by the CAISO. LSPGC will finance, develop, construct, own, operate, and maintain the Project. The costs of the Project will be recovered solely through transmission rates as part

of the CAISO's Regional Transmission Access Charge, subject to review and approval by the Federal Energy Regulatory Commission (FERC),<sup>1</sup> which exercises jurisdiction over rates for interstate transmission service.

**B. CAISO Transmission Planning**

As part of the 2021-2022 Transmission Planning Process, the CAISO staff undertook a comprehensive evaluation of the CAISO transmission grid to address grid reliability requirements and to ensure compliance with applicable North American Electric Reliability Corporation (NERC) reliability standards and the CAISO planning standards and tariff requirements. The CAISO staff performed this analysis for a 10-year planning horizon, modeled a range of on-peak and off-peak system conditions, and considered facilities under CAISO operational control with voltages ranging from 60 kV to 500 kV. Where this analysis found reliability concerns, the CAISO identified transmission solutions to address these concerns. The 2021-2022 Transmission Plan identified the Project as a needed reliability-driven transmission project.

Transmission planning studies prepared by the CAISO included a significant load increase of approximately 500 megawatts (MW) in the Silicon Valley Power (SVP)<sup>2</sup> area as well as load increases in the San José area. As a result, multiple near-term and many more long-term overloads were identified in the San José area 115 kV system. Several mitigation alternatives were studied, and different technologies were also evaluated as part of the alternatives analysis.

Alternatives considered by the CAISO but rejected include:

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<sup>1</sup> LSPGC has an approved transmission formula rate as part of its transmission owner tariff on file at FERC but is preparing a filing that will propose revisions to incorporate cost containment provisions for the Project that are consistent with the terms of Appendix E of the Approved Project Sponsor Agreement between LSPGC and CAISO, attached hereto as Exhibit A.

<sup>2</sup> SVP is a municipal utility serving customers in the City of Santa Clara.

- 115 kV Lines Reconductoring: This alternative was not recommended because the forecasted overall San José area load is beyond the capacity of 115 kV lines.
- New 230 kV AC Lines from Newark and Metcalf: This alternative was not recommended because of imbalance in natural flows from the Newark and Metcalf sources.
- Energy Storage: This alternative was not recommended as previous studies have shown that the San José area system has far less charging capacity compared to the size of energy storage needed to address all reliability issues identified in the area.<sup>3</sup>

The San José/SVP area is primarily served from the Newark 230 kV substation in the north and the Metcalf 500/230 kV substation in the south. Due to the electrical proximity to the Newark substation of the bulk of the area load, specifically the SVP area load where much of the load increase is, the bulk of the power flows from the Newark side. However, overloads were also identified in the rest of the San José area 115 kV system in the mid- and long-term. Due to this imbalance between two primary sources in the AC connected network, the HVDC alternatives resulted in better performance from the power flow perspective as a result of controllability of the HVDC source.<sup>4</sup> The HVDC alternative also provides benefits by reducing local capacity requirements in the San José subarea and overall Greater Bay Area that reduces

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<sup>3</sup> 2021-2022 Transmission Plan, Appendix E, p. E-9. The CAISO's full 2021-2022 Transmission Plan Appendix E is available at <https://www.caiso.com/InitiativeDocuments/AppendixE-BoardApproved-2021-2022TransmissionPlan.pdf>.

<sup>4</sup> In a typical AC transmission network, the power flows along the path of least resistance, which in some cases can result in unequal distribution of power across the AC transmission network. An HVDC system allows the operator to precisely control the power flow across the HVDC system, which can help avoid issues on the AC transmission network.



reliance on the local gas-fired generation. Based on analysis of the alternatives, the CAISO recommended approval of two HVDC projects. One is the Project, which includes an HVDC connection from the Metcalf 500 kV substation to the San Jose B 115 kV substation. The other project, awarded separately to LSPGC by CAISO and the subject of its own CPCN application process, includes an HVDC connection from the Newark 230 kV substation to SVP's Northern Receiving Station 230 kV substation.<sup>5</sup>

**C. Competitive Solicitation**

Following approval of the Transmission Plan, the CAISO initiated an open, competitive solicitation on April 18, 2022, which provided project sponsors the opportunity to submit proposals to finance, construct, own, operate, and maintain the Project. The CAISO identified the following as the key selection factors:

- The current and expected capabilities of the Project Sponsor and its team to finance, license, and construct the facility and operate and maintain it for the life of the solution;
- The Project Sponsor's existing rights of way and substations that would contribute to the transmission solution in question;
- The experience of the Project Sponsor and its team in acquiring rights of way, if necessary, that would facilitate approval and construction, and in the case of a Project Sponsor with existing rights of way, whether the Project Sponsor would incur incremental costs in connection with placing new or additional

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<sup>5</sup> 2021-2022 Transmission Plan, p. 103. The CAISO's full 2021-2022 Transmission Plan is available at <https://www.caiso.com/InitiativeDocuments/ISOBoardApproved-2021-2022TransmissionPlan.pdf>.

facilities associated with the transmission solution on such existing right of way;

- The proposed schedule for development and completion of the transmission solution and demonstrated ability to meet the schedule of the Project Sponsor and its team;
- The financial resources of the Project Sponsor and its team;
- The technical and engineering qualifications and experience of the Project Sponsor and its team; and
- Demonstrated cost containment capability of the Project Sponsor and its team, specifically, binding cost control measures the Project Sponsor agrees to accept, including any binding agreement by the Project Sponsor and its team to accept a cost cap that would preclude costs for the transmission solution above the cap from being recovered through the CAISO's Transmission Access Charge.<sup>6</sup>

The CAISO evaluated five applications from four project sponsors. The CAISO found that all five proposals of the four project sponsors provided sufficient information to meet the minimum validation criteria as set forth in Section 24.5.2.4 of the CAISO Tariff. The CAISO found that all four project sponsors and their five validated proposals met the minimum qualification criteria as set forth in Section 24.5.3 of the CAISO Tariff. In selecting the approved project sponsor, the CAISO undertook a comparative analysis of the project sponsors' proposals with regard to the qualification criteria described in CAISO Tariff Section 24.5.3.1 and the selection factors in Section 24.5.4.

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<sup>6</sup> CAISO Tariff, § 24.5.4.

In addition to the key selection factors mentioned above, the CAISO considered:

- The previous record regarding construction and maintenance of transmission facilities, including facilities outside the CAISO-controlled grid, of the Project Sponsor and its team;
- Demonstrated capability to adhere to standardized construction, maintenance and operating practices of the Project Sponsor and its team;
- The demonstrated ability to assume liability for major losses resulting from failure of facilities of the Project Sponsor; and
- Any other strengths and advantages the Project Sponsor and its team may have to build and own the specific transmission solution, as well as any specific efficiencies or benefits demonstrated in their proposal.<sup>7</sup>

Through this competitive solicitation process, the CAISO selected LS Power Grid California, LLC, a wholly-owned subsidiary of LS Power Associates, L.P. (LSPA), as the Approved Project Sponsor to finance, construct, own, operate, and maintain the Project.<sup>8</sup> The CAISO and LSPGC entered into an Approved Project Sponsor Agreement (APSA), attached as Appendix A, on August 28, 2023.

The APSA requires the Project to be in service by no later than June 1, 2028. To meet this deadline, LSPGC respectfully asks the Commission to issue its final decision on this Application no later than December 31, 2025.

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<sup>7</sup> CAISO Tariff, § 24.5.4.

<sup>8</sup> The CAISO's full Project Sponsor Selection Report is available at <https://www.caiso.com/InitiativeDocuments/Metcalf-San-Jose-B-HVDC-Project-Project-Sponsor-Selection-Report.pdf>.

#### **D. Project Objectives**

The Project will:

- Meet the CAISO's reliability-driven need by addressing multiple near-, mid-, and long-term reliability issues in the existing San José area 115 kV system;
- Meet the technical specifications set forth by the CAISO for a Voltage-Sourced Converter (VSC) HVDC link in the San José area located near or adjacent to the existing PG&E San Jose B substation and Metcalf substation. Proximity to the existing PG&E San Jose B and Metcalf substations will reduce the length of the interconnection (115 kV and 500 kV) transmission lines, thereby reducing right-of-way requirements and the potential for significant environmental impacts;
- Improve and maintain the reliability of the transmission grid by providing dynamic reactive-power support and increase deliverability of renewable power, by building and operating a facility that will help keep transmission voltages within specified parameters, reduce transmission losses, increase reactive margin for the system bus, increase transmission capacity, provide a higher transient stability limit, increase damping of minor disturbances, and provide greater voltage control and stability;
- Facilitate deliverability of energy from existing and proposed renewable generation projects to the Greater Bay Area and corresponding progress toward achieving California's Renewables Portfolio Standard goals in a timely and cost-effective manner by California utilities;

- Comply with and assist the CAISO in meeting applicable Reliability Standards and Criteria developed by NERC, Western Electricity Coordinating Council, and the CAISO; and
- Be designed and constructed in conformance with LSPGC’s standards, the National Electric Safety Code, and other applicable national and state codes and regulations.

**III. SUPPORTING DOCUMENTS**

The following Appendices are attached to this Application:

<b>Appendix</b>	<b>Title</b>
A	Approved Project Sponsor Agreement
B	Proponent's Environmental Assessment
C	Map of the Project
D	Project Cost Estimate
E	Project Implementation Plan
F	Agency Position Statements
G	Electric and Magnetic Fields Management Plan
H	Form of Notice under Section XI of General Order 131-D

**IV. REQUIREMENTS OF GENERAL ORDER 131-D**

Section IX.A and Section X of GO 131-D set forth the requirements for applications for a CPCN. These requirements are addressed in the following sections.

**A. Description of the Project and Proposed Schedule (Section IX.A.1.a)**

The Project is more fully described in Section 3.0 of Appendix B (Proponent’s Environmental Assessment [PEA]). The main components of the Project are two new HVDC terminals and three new transmission lines. The proposed HVDC terminals’ primary function will be to convert AC bulk power to DC bulk power at the sending terminal and to convert DC bulk power back to AC bulk power at the receiving terminal. To facilitate this conversion, each new HVDC terminal will include VSC HVDC equipment, converter transformers, and an AC

switchyard. The approximately 13-mile Grove to Skyline 320 kV DC underground transmission line will connect the Skyline terminal to the Grove terminal. The approximately 100-foot overhead Skyline to San Jose B 115 kV AC station tie line will connect the new Skyline terminal to PG&E's San Jose B substation. Finally, the new approximately 1.2-mile Metcalf to Grove 500 kV AC underground transmission line will connect the new Grove terminal to the existing PG&E Metcalf substation.

Also described in the PEA, attached as Appendix B, are certain PG&E facilities that are separate and distinct from the Project and which are not a part of this Application but will be completed by PG&E to support the operation of the Project. The additional facilities include:

1. Interconnection Facilities – modifications to the existing PG&E Metcalf substation and expansion of the existing PG&E San Jose B substation.
2. Network Upgrades – PG&E is undertaking a facility scope requirements study and system studies to identify any required network upgrades. No network upgrades have been identified by PG&E or affected systems as of the date of the filing.
3. Distribution Upgrades – relocation and installation of distribution line facilities on and around the Skyline terminal and the Grove terminal.

The interconnection facilities were identified in the APSA, and responsibility for those facilities was assigned to PG&E. Analysis completed by PG&E after the APSA was signed identified the need for the distribution upgrades that will also be PG&E's responsibility. The impacts of these additional facilities were studied in the PEA but are not included in the scope of the authority LSPGC requests in this Application.

LSPGC estimates that issuance of the CPCN will take approximately 16 months, and construction of the Project will take approximately 24 months to complete once the CPCN is issued, depending upon unforeseen or unpredictable factors such as weather.<sup>9</sup> A more detailed proposed schedule is set forth in Section V.D.4, below.

**B. Map of the Project (Section IX.A.1.b)**

A map of the proposed Project is attached as Appendix C. Appendix C shows the city limits, parks, recreational areas, scenic areas, transmission lines, and other facilities within one mile of the Project.

**C. Why the Public Convenience and Necessity Require Construction and Operation of the Project (Section IX.A.1.c)**

As noted in Section II.B above, the CAISO's 2021-2022 Transmission Plan included a detailed analysis of why the Project is needed to maintain the reliability of the CAISO-controlled electrical grid. The Project resolves several reliability concerns that were identified, including multiple near-term and many more long-term overloads in the San José area 115 kV transmission system. Ultimately, the CAISO determined that the Project would result in better performance than several studied mitigation alternatives.

In addition, Assembly Bill 1373, enacted in 2022 and signed by Governor Newsom, added Section 1001.1 to the Public Utilities Code. That statute requires the Commission, in a CPCN proceeding, to establish a "rebuttable presumption with regard to need for the proposed transmission project in favor of an Independent System Operator governing board-approved need evaluation" if four conditions are met.

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<sup>9</sup> The construction schedule is dependent on the timing of the Commission's issuance of the CPCN and PG&E's completion of its associated facilities.

If the four conditions are met, the Commission is required to find that the Project is needed unless a party presents evidence sufficient to overcome the statutory presumption of need.

If the conditions are not met, the CAISO's finding that Project is needed for reliability provides a basis for the Commission's conclusion that the Project is needed. If a party presents sufficient evidence to overcome the presumption, LSPGC will present evidence demonstrating that the Project is needed and will provide significant benefits that will promote the public convenience and necessity.

**D. The Estimated Cost of the Project (Section IX.A.1.d, Public Utilities Code Section 1003(c))**

**1. Estimated Project Costs**

LSPGC estimates that the total capital cost of the Project is \$1,043,200,000. LSPGC agreed to cost containment provisions for the Project, summarized below, that are incorporated in the APSA and will be included in LSPGC's FERC-approved formula rates.

Under the APSA, LSPGC agreed that recovery of costs for the development, construction, commissioning, operations, and maintenance of the Project that will be included in LSPGC's FERC-approved formula rates is subject to a binding annual revenue requirement (ARR) cap for each of the first 40 full calendar years of Project operations, subject to certain exemptions and exceptions. As specified within the CAISO's Project Sponsor Selection Report, the ARR cap during year one will be \$110,610,000 and will decline to \$43,920,000 in year 40.

Under the ARR cap, if LSPGC's revenue requirement exceeds the cap, LSPGC will recover revenues in that year only up to the cap, unless related to costs specifically excluded from the cost cap. The unrecovered difference between the calculated revenue requirement and the calculated cap will be tracked by way of a deferred recovery account. Costs in the deferred



recovery account will not earn interest and could be recovered in future years only if LSPGC's revenue requirement is below the annual cap. The amount of any unrecovered costs remaining in the deferred recovery account at the end of the 40-year period will be forfeited, and LSPGC will be unable to recover them in rates. If LSPGC's revenue requirement is below the annual cap in a certain year and there is no balance in the deferred recovery account, only actual costs for that year will be recovered.

If FERC does not approve the proposed ARR cap, LSPGC will seek an alternative annual revenue requirement cap that will include the same costs as the ARR cap but will eliminate the deferred recovery account. Under this alternative proposal, LSPGC's cap in year one will be \$111,710,000 and will decline to \$44,360,000 in year 40. If the revenue requirement exceeds the annual cap in any year, LSPGC will recover revenues in that year only up to the cap, and any excess, unless related to costs specifically excluded from the cost cap, will be forfeited. If LSPGC's revenue requirement in any year is below the annual cap, the difference between the revenue requirement and the cap will be added to the cap in the following year, resulting in a revised cap.<sup>10</sup>

A detailed estimate of the cost of the Project is presented in confidential Appendix D. Because the detailed cost projections are confidential and commercially sensitive, LSPGC is concurrently filing a motion for leave to file Appendix D under seal.

**2. Maximum Reasonable and Prudent Cost (Public Utilities Code Section 1005.5)**

For projects with costs of over \$50 million, Public Utilities Code Section 1005.5 requires the Commission to specify a maximum cost determined to be reasonable and prudent.

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<sup>10</sup> The CAISO's full Project Sponsor Selection Report is available at <https://www.caiso.com/InitiativeDocuments/Metcalf-San-Jose-B-HVDC-Project-Project-Sponsor-Selection-Report.pdf>.

The Commission may increase the maximum cost after the CPCN is issued if it determines that costs have increased and the public convenience and necessity require the project to be constructed at the increased cost.

The statute does not distinguish between projects whose rates are set by the Commission and those, like the Project, whose rates are set by FERC. LSPGC respectfully asks the Commission to ensure that any maximum cost it may authorize is consistent with the estimate presented in Appendix D with an additional 20% contingency to account for route or scope changes, final engineering design, final environmental mitigation requirements, and other factors that may impact the final cost. Also, because the Project's rates are set by FERC, LSPGC respectfully asks the Commission to ensure that any maximum cost it may authorize is no less than FERC's findings of the just and reasonable costs of the Project.

**E. Reasons for Selecting the Route or Site (Section IX.A.1.e)**

LSPGC presents a description of alternatives and a comparison of alternatives in Sections 4.0 and 6.0, respectively, of the PEA, attached as Appendix B. Those discussions evaluate the advantages and disadvantages of the considered alternatives and provide rationale for the adoption of the selected route and terminal sites.

**F. Schedule of Right-of-Way Acquisition (Section IX.A.1.f)**

LSPGC presents a preliminary schedule for construction and right-of-way acquisition activities in the Project Implementation Plan, attached as Appendix E.

**G. List of Reviewing Government Agencies (Section IX.A.1.g)**

LSPGC met with several governmental agencies to solicit input on Project design and potential resource and land use issues in the vicinity of the Project site. Written position statements on the proposed Project were provided by the City of San José, County of Santa Clara Parks and Recreation Department, Santa Clara County Supervisors, Santa Clara Valley Open

Space Authority, and Santa Clara Valley Water District. In lieu of a written position statement from the Native American Heritage Commission, LSPGC has drafted a statement of its understanding of the Native American Heritage Commission's position. These statements are attached as Appendix F. The following summaries of the written statements provide LSPGC's understanding of each agency's position with respect to the Project:

- **City of San José.** The City of San José states it is essential to increase transmission capacity coming into San José. The City of San José supports the Project's goals to strengthen the grid and provide a highly reliable and stable electric transmission system for San José's residents and businesses.
- **County of Santa Clara Parks and Recreation Department (County Parks).** County Parks understands the Project will strengthen the electrical grid by providing a robust new connection between downtown San José and the PG&E Metcalf substation, which is located adjacent to County Parks' Coyote Creek Parkway. County Parks and LSPGC have discussed several transmission line alternatives for the Project to determine the preferred transmission line alignment that would cross Coyote Creek Parkway to terminate in the Metcalf substation.
- **Santa Clara County Supervisors.** As the President of the Santa Clara County Board of Supervisors representing District 4, Supervisor Ellenberg supports LSPGC and the Project and understands the Project is needed to meet electric reliability needs in the South Bay area and will allow for more efficient and increased transfer of electricity within the area. She is also pleased that the Project will provide jobs and economic stimulus during

Project construction as well as increases in tax revenues throughout the life of the new infrastructure.

- **Santa Clara Valley Open Space Authority (OSA).** The OSA understands and appreciates that the Project is critical to meeting the growing electric reliability needs of the South Bay by strengthening the electrical grid and providing a robust new connection between downtown San José and the southern portion of the City of San José. It is the OSA's position that the Project's proposed development site along Coyote Creek poses impacts to the Coyote Valley landscape that would be substantially greater than if an existing industrial or already developed infill site, such as the existing PG&E Metcalf substation, were used.
- **Santa Clara Valley Water District (Valley Water).** Valley Water is reviewing various proposed Project alignments which may impact Coyote Creek, Coyote Alamitos Canal, Coyote Canal, and Snell Pipeline. Valley Water looks forward to continuing to work with LSPGC on finalizing the Project alignment and details to ensure the Project is done in a manner protective of Valley Water assets and the environment and is in compliance with Valley Water's Water Resources Protection Manual and Ordinance.
- **Native American Heritage Commission (NAHC).** On May 16, 2023, LSPGC initiated coordination with the NAHC by submitting a Sacred Lands File (SLF) search request for the Project. The SLF search was returned by the NAHC on June 14, 2023, with instructions to contact the Muwekma Ohlone Indian Tribe of the San Francisco Bay Area and the Ohlone Indian Tribe. The

NAHC also provided a list of Native American contacts who may be able to supply information pertinent to the proposed Project area. Each of the 13 individuals listed was sent initial outreach letters in October 2023. As of the date of the filing of this Application, three responses have been received. Tamien Nation provided confidential Tribal information regarding resources in the Coyote Valley area and requested that Tribal monitors be present during pedestrian surveys and any ground-disturbing Project activities. The Ohlone Indian Tribe requested Project information and provided information regarding known Tribal resources along Coyote Creek near the southern end of the Project. The Amah Mutsun Tribal Band provided information on culturally significant sites that occur in the Project area and indicated a desire to be involved in future consultation for the Project. All NAHC correspondence is included in Appendices 5.18-A through 5.18-C of the PEA, attached as Appendix B.

**H. Proponent's Environmental Assessment (Section IX.A.1.h)**

A copy of the Project's PEA is attached as Appendix B.

**I. Measures Taken to Reduce Exposure to Electric and Magnetic Fields (Section X)**

The Commission has periodically considered the impact of exposure to electric and magnetic fields (EMF). In Decision (D.) 93-11-013, the Commission adopted an EMF policy for electric utility facilities and power lines. Because the Commission concluded there was no reliable scientific basis to conclude that adverse health effects resulted from exposure to power frequency EMF, the Commission declined to adopt a specific numerical standard for EMF

exposure.<sup>11</sup> The Commission instead established an EMF policy for California's regulated electric utilities that required new and upgraded facilities to implement no-cost or low-cost (4% or less of the total project cost) measures to mitigate EMF to the extent such measures were approved as part of the Commission's review process.

In D.06-01-042, the Commission affirmed its earlier finding that no direct link between exposure to EMF and adverse health effects had been proven despite numerous studies, including a research program ordered by the Commission and conducted by the California Department of Health Services.<sup>12</sup> The Commission reaffirmed its policy of requiring only low-cost/no-cost measures to mitigate EMF exposure for utility transmission and substation projects and set a target for low-cost mitigation measures: low-cost mitigation measures were to be designed to reduce exposure to EMF by 15% or more at the utility right-of-way.<sup>13</sup> The decision also addressed the mitigation measures to be required in different land-use contexts and determined that low-cost measures were not required in agricultural or undeveloped areas. Only no-cost mitigation measures are required in those areas, except for permanently occupied residences, schools, or hospitals located on these lands.<sup>14</sup>

The Commission has also adopted EMF design guidelines for utilities in California.<sup>15</sup>

Section X of GO 131-D requires all applications for a CPCN to include a description of the measures taken or proposed to reduce the potential for exposure to EMF

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<sup>11</sup> D.93-11-013.

<sup>12</sup> D.06-01-042, p. 19 (Finding of Fact 5).

<sup>13</sup> D.06-01-042, pp. 10, 21 (Finding of Fact 20).

<sup>14</sup> D.06-01-042, pp. 9, 20 (Finding of Fact 18).

<sup>15</sup> [https://www.cpuc.ca.gov/-/media/cpuc-website/divisions/energy-division/documents/infrastructure/emfs/ca\\_emf\\_design\\_guidelines.pdf](https://www.cpuc.ca.gov/-/media/cpuc-website/divisions/energy-division/documents/infrastructure/emfs/ca_emf_design_guidelines.pdf).

generated by a proposed project. The Commission has previously stated in D.06-01-042 that, “placing a transmission line underground should normally provide sufficient mitigation”<sup>16</sup>; The incremental cost for placing this segment underground is significantly greater than the 4% threshold for low-cost mitigation measures. However, the suburban, urban, and recreational nature of the adjacent land uses led to the decision in this case to propose all of the Grove to Skyline 320 kV DC transmission line and the Metcalf to Grove 500 kV AC transmission line to be placed underground, thereby providing significant magnetic field level mitigation compared to a similar overhead transmission line. Notwithstanding the significant magnetic field level mitigation provided by placing transmission lines underground, LSPGC evaluated additional EMF mitigation measures in its design and construction plan and adopted certain no-cost mitigation measures.<sup>17</sup> LSPGC’s management plan addressing the EMF mitigation measures that will be incorporated into the design of the Project is attached as Appendix G.

**J. Notice (Section XI.A)**

Applicants for a CPCN are required to give notice of the Application within 10 days of filing by direct mail, newspaper advertisement, and posting on- and off-site. LSPGC’s proposed form of notice is attached as Appendix H. LSPGC will give the required notice within 10 days of the date of this Application and will file the declaration of mailing and posting within five days of completion (Section XI.A.3).

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<sup>16</sup> D.06-01-042, p. 12, 20 (Finding of Fact 18).

<sup>17</sup> Certain no cost or low cost measures that will be incorporated into the design of the underground transmission lines include the reduction of conductor spacing and locating power lines closer to the centerline of the corridor. For the Grove and Skyline terminals, LS Power adopted the four standard substation checklist measures.

V. **REQUIREMENTS OF THE RULES OF PRACTICE AND PROCEDURE AND CERTAIN PROVISIONS OF THE PUBLIC UTILITIES CODE**

A. **Statutory Authority (Rule 2.1)**

This Application is filed pursuant to the provisions of GO 131-D and Public Utilities Code Sections 451, 701, 702, 761, 768, 770, and 1001, the relevant statutes that provide the statutory basis for GO 131-D.

B. **Applicant (Rule 2.1(a))**

The Applicant is LS Power Grid California, LLC. LSPGC was selected through the CAISO's competitive solicitation process to construct, own, and operate the Orchard Substation, approved in D.22-12-048 as part of the Gates 500 kV Dynamic Reactive Support Project, and the Fern Road Substation, approved in D.24-01-011 as part of the Round Mountain 500 kV Area Dynamic Reactive Support Project. LSPGC's principal place of business is in Chesterfield, Missouri. LSPGC is organized under the laws of the State of Delaware.

C. **Communications (Rule 2.1(b))**

Communications regarding this Application should be directed to:

LS Power Grid California, LLC  
Attn: Project Director  
16150 Main Circle Drive, Suite 310  
Chesterfield, MO 63017  
Telephone: (636) 532-2200  
Email: ccarroll@lspower.com

With a copy to:

LS Power Grid California, LLC  
Attn: Managing Counsel  
16150 Main Circle Drive, Suite 310  
Chesterfield, MO 63017  
Telephone: (636) 532-2200  
Email: cbrandt@lspower.com

and



Brian T. Cragg  
Downey Brand LLP  
455 Market Street, Suite 1500  
San Francisco, California 94105  
Telephone: (415) 848-4800  
Email: bcragg@DowneyBrand.com

**D. Category, Need for Hearing, Issues, and Proposed Schedule (Rule 2.1(c))**

**1. Category**

This Application does not involve an enforcement investigation or a complaint and thus does not meet the definition of an “adjudicatory” proceeding under Rule 1.3(a). This Application also does not establish policy or rules affecting a class of regulated entities and thus does not meet the definition of a “quasi-legislative” proceeding under Rule 1.3(f). FERC will set rates and determine the cost recovery for the Project through its approval of LSPGC’s formula rates;<sup>18</sup> because the Commission will not set rates or establish a mechanism that sets rates for LSPGC, this proceeding does not clearly fit within the “ratesetting” definition under Rule 1.3(g). This proceeding also does not qualify as a “catastrophic wildfire proceeding” under Rule 1.3(b). Under Rule 7.1(e)(2), when a proceeding does not clearly fit into any of the categories in Rules 1.3(a), (b), (f), and (g), the proceeding will be conducted under the rules applicable to the ratesetting category, and LSPGC therefore proposes this approach.

**2. Need for Hearing**

LSPGC does not anticipate that hearings will be needed for this proceeding.

LSPGC nevertheless proposes two alternative schedules below: one that allows time for

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<sup>18</sup> LSPGC has an approved transmission formula rate as part of its transmission owner tariff on file at FERC but is preparing a filing that will propose revisions to incorporate cost containment provisions for the Project that are consistent with the terms of Appendix E of the Approved Project Sponsor Agreement between LSPGC and CAISO, attached hereto as Exhibit A.

hearings, if needed, following issuance by Commission staff of a draft Environmental Impact Report (EIR) and one that proceeds directly to briefing, without hearings, after the EIR is issued.

### **3. Issues**

Based on Commission precedent, the issues anticipated to be considered in this proceeding are:

- (a)** Should LSPGC be granted a CPCN authorizing construction of the Project?
- (b)** Does the Project qualify for a rebuttable presumption of the need for the Project; or, if not, does the present or future public convenience and need require construction of the Project?
- (c)** What are the reliability, economic, public policy, and other benefits of the proposed Project?
- (d)** Is there substantial evidence that the proposed Project will have any significant impact on the environment? If there is substantial evidence of significant impacts:
  - (i)** What are the significant environmental impacts of the proposed Project within the Commission's jurisdiction?
  - (ii)** Are there mitigation measures that will eliminate or lessen such impacts?
  - (iii)** Are the mitigation measures or alternatives infeasible?
  - (iv)** Is there an environmentally superior Project alternative?
  - (v)** If the Project or environmentally superior alternative results in significant and unavoidable impacts, are there overriding considerations that warrant Commission approval?

- (e) What is the maximum prudent and reasonable cost for the Project?
- (f) Should the Commission grant LSPGC exemptions from certain affiliate transaction rules and reporting requirements?
- (g) Does the EIR comply with the California Environmental Quality Act (CEQA)? Did the Commission review and consider it? Does it reflect the Commission’s independent judgment and analysis?
- (h) Is the Project designed in compliance with the Commission’s policies governing the mitigation of EMF effects using low-cost and no-cost measures?
- (i) What are the Project’s impacts on environmental and social justice communities, including the extent to which it impacts achievement of any of the nine goals of the Commission’s Environmental and Social Justice (ESJ) Action Plan?

**4. Proposed Schedule**

Below is LSPGC’s proposed schedule for the proceeding. If hearings are needed, LSPGC proposes to hold the hearings on need and other issues while the draft environmental document is being prepared or is under review.

<u>EVENT</u>	<u>DATE NO HEARINGS</u>	<u>DATE WITH HEARINGS</u>
Application Filed; PEA Submitted	April 29, 2024	April 29, 2024
Publication in Daily Calendar	May 1, 2024	May 1, 2024
Notice of Filing of Application	May 9, 2024	May 9, 2024
Application Deemed Complete	May 29, 2024	May 29, 2024

<u>EVENT</u>	<u>DATE NO HEARINGS</u>	<u>DATE WITH HEARINGS</u>
Last Day for Protests and Responses	May 31, 2024	May 31, 2024
Reply to Protests and Responses	June 10, 2024	June 10, 2024
Prehearing Conference	June 28, 2024	June 28, 2024
Scoping Ruling and Memo	July 31, 2024	July 31, 2024
Draft Environmental Document Issued	March 2025	March 2025
Applicant’s Opening Testimony (if needed) (on all issues except environmental impacts)		September 9, 2024
Intervenors’ Opening Testimony (all parties)		October 9, 2024
Concurrent Rebuttal Testimony		October 23, 2024
Hearings (if needed)		November 12-15, 2024
Opening Briefs		December 16, 2024
Reply Briefs		January 13, 2025
Final Environmental Document; Proceeding Submitted	June 2025	June 2025
Proposed Decision	July 11, 2025	July 11, 2025
Commission Decision	August 2025	August 2025

**E. Organization and Qualification (Rule 2.2, Public Utilities Code Section 1004)**

Copies of LSPGC’s certificate of formation and current certificate of qualification to do business in California were previously submitted to the Commission in connection with Application (A.) 22-04-004 (Permit to Construct the 500 kV Fern Road Substation).

**F. Financial Statements (Rules 2.3, 3.1(g), 3.1(h))**

LSPGC and its parent, LSPA, are privately held companies that do not publish financial information and are not rated by credit rating agencies. LSPA's financial strength is demonstrated by the fact that LSPA has raised over \$54 billion in debt and equity capital to support its business activities, including raising over \$2 billion in the last dozen years for new high-voltage transmission facilities.

LSPA provided confidential financial information to the CAISO and a written guarantee to LSPGC to provide the CAISO with certainty that adequate capital is available to implement the Project.

In its Selection Report, the CAISO concluded that "all of the project sponsors [including LSPGC] have access to parent or affiliate funding to fulfill the balance of debt required to cover the cost of the project."<sup>19</sup> The CAISO added that, "Having the financial capacity to continue to bid on, win, and finance projects, although dependent in part on the financial resources of a company, also depends on the breadth and strength of a company's partners and banking relationships. ...LSPGC...[has] developed banking relationships as evidenced by various banks providing support for this project. Consequently, the [CA]ISO considers LSPGC...to have sufficient financial resources to complete this project..."<sup>20</sup>

The Commission can rely on the financial diligence performed by the CAISO prior to awarding six competitive transmission projects<sup>21</sup> to affiliates of LSPA in recent years and the successful completion of LSPA affiliate DesertLink's Harry Allen to Eldorado 500 kV

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<sup>19</sup> Metcalf-San Jose B HVDC Project, Project Sponsor Selection Report, p. 39.

<sup>20</sup> Ibid.

<sup>21</sup> In addition to the Orchard and Fern Road Substations mentioned in Section V.B, above, the CAISO awarded four transmission projects, including the Project, to LSPGC in competitive solicitations following the issuance of the 2021-2022 Transmission Plan.

Transmission Project in 2020. However, if the Commission requires additional financial information, LSPA's confidential financial information could be provided under seal for review with appropriate protections of the confidentiality of this sensitive information.

**G. Compliance with CEQA (Rule 2.4)**

**1. Proponent's Environmental Assessment**

Rule 2.4 requires applications for projects that are subject to CEQA to submit a PEA that complies with the Guidelines the Commission has developed for energy infrastructure projects. In compliance with Rule 2.4, LSPGC is submitting the Project's PEA as Appendix B to this Application. The environmental review required by CEQA will be overseen by the Commission's Energy Division.

**2. Project Refinements**

To avoid incurring significant costs before the Commission approves the Project, LSPGC will perform final engineering after the Commission has completed its CEQA review and approved the Project. Final engineering and construction can result in modifications to the Project design. If modifications are substantial enough, a supplemental environmental review might be required.

LSPGC asks the Commission to authorize Energy Division to determine whether a Project modification will result in new significant environmental effects or a substantial increase of the severity of previously identified environmental effects. If the modification results in a significant new environmental impact or a substantial increase in the severity of a previously recognized impact, then Energy Division will direct LSPGC to file a petition for modification of the decision granting a CPCN, and a supplemental environmental review will be performed. If the Project modifications do not result in a significant new environmental impact or a substantial

increase in the severity of a previously identified impact, then Energy Division will be authorized to approve the requested modifications.<sup>22</sup>

**H. Deposit for Costs for Environmental Review (Rule 2.5)**

With this Application, LSPGC will tender one-third of its total deposit of \$603,600, calculated according to the formula set forth in Rule 2.5. In accordance with Rule 2.5, LPSGC will pay an additional one-third no later than 120 days after the time the Application is filed and the remaining one-third no later than 180 days after the time the Application is filed.

**I. Competing Utilities (Rule 3.1(b))**

Because the CAISO's competitive solicitation process selects only one entity to construct each eligible facility, construction of the Project will not compete directly with any other public utility. The Project will be operated as part of the CAISO-controlled transmission system and will not compete with any other utility, corporation, person, or entity. The Project will render service within the service area of PG&E. PG&E also renders transmission service within its service territory. The Project will render service to all cities and counties within the CAISO control area, but the Project will be physically located in the City of San José and County of Santa Clara.

**J. Required Permits (Rule 3.1(d))**

The permits anticipated to be required for the construction of the Project are listed in Table 3-8 in Section 3.0 of the PEA, attached as Appendix B.

**K. Proposed Rates (Rule 3.1(h))**

LSPGC does not serve retail customers and does not ask the Commission to approve any retail rates. The Project's rates will be reviewed and approved by FERC and will be

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<sup>22</sup> The Commission granted a similar authorization in D.21-11-003, p. 98 (Ordering Paragraph No. 2).

collected from all customers served by the CAISO through the Regional Transmission Access Charge (TAC).

## **VI. SECTION 1003'S REQUIREMENTS**

Public Utilities Code Section 1003 requires additional information from applicants for a CPCN.<sup>23</sup>

### **A. Preliminary Engineering and Design Information (Section 1003(a))**

Section 1003(a) requires preliminary engineering and design information on the project to be included in an application for a CPCN. Preliminary engineering and design information for the Project required by Public Utilities Code Section 1003(a) is found in Section 3.0 of the PEA, attached as Appendix B.

### **B. Project Implementation Plan (Section 1003(b))**

Section 1003(b) requires applicants for a CPCN to include “[a] project implementation plan showing how the project would be contracted for and constructed. This plan shall show how all major tasks would be integrated and shall include a timetable identifying the design, construction, completion, and operation dates for each major component of the plant, line, or extension.” A Project Implementation Plan fulfilling the requirements of Section 1003(b) is attached as Appendix E.

### **C. Cost Estimate (Section 1003(c))**

Section 1003(c) requires a CPCN application to include “[a]n appropriate cost estimate, including preliminary estimates of the costs of financing, construction, and operation, including fuel, maintenance, and dismantling or inactivation after the useful life of the plant, line, or extension.” The cost estimate for the Project has been presented in Section IV.D.1 above.

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<sup>23</sup> Section 1003(d) applies to generation plants and utilities whose rates are regulated by the Commission and is inapplicable to the Project.



**D. Cost Control (Section 1003(e))**

Section 1003(e) requires a CPCN application to include “[a] design and construction management and cost control plan which indicates the contractual and working responsibilities and interrelationships between the corporation’s management and other major parties involved in the project.” The plan must also include “a construction progress information system and specific cost controls.” A Project Implementation Plan fulfilling the requirements of Section 1003(e) is attached as Appendix E.

**VII. SECTION 1002’S REQUIREMENTS**

Public Utilities Code Section 1002(a) requires the Commission to give consideration to four topics when it is considering granting a CPCN.

**A. Community Values**

As noted in Section II.D above, the Project will provide reliability benefits to California ratepayers and will help advance California’s policy goals. The Project will also provide economic benefits to communities in the vicinity of the Project in the form of increased employment, tax revenues, and development.

LSPGC considered community benefits and values in designing the Project. Consistent with the CEQA, the Project has been designed to avoid, minimize, and/or mitigate potential environmental impacts to the maximum extent practicable. Additionally, LSPGC has developed Project-specific Applicant Proposed Measures (APMs) to minimize impacts on the community, as discussed throughout Section 5.0 of the PEA, attached as Appendix B.

LSPGC recognizes that any new construction may result in temporary disruptions to the nearby communities. LSPGC will keep area residents and property owners, government officials, Native American tribes, and interested parties informed about the scope of the Project through printed materials, online materials, one-on-one meetings, and presentations to local

organizations. LSPGC is committed to working closely with nearby communities to identify and address any potential concerns.

LSPGC has already begun public outreach for the Project, meeting with several agencies and stakeholders in the early planning stages of the Project and throughout the development of the PEA to solicit input on Project design and potential resource and land use issues in the vicinity of the Project. Table 2-1 in Section 2.0 of the PEA, attached as Appendix B, summarizes the consultations and public outreach throughout the development of the PEA.

**B. Recreational and Park Areas**

LSPGC took recreational and park areas into consideration when it selected the route and terminal sites for the Project. A comprehensive comparison of alternatives is presented in Section 6.0 of the PEA, attached as Appendix B. One of the Project's transmission lines will require a crossing of the County of Santa Clara Parks and Recreation Department's (County Parks) Coyote Creek Parkway and Coyote Creek Trail. LSPGC and County Parks discussed several transmission line alternatives for the Project that would cross Coyote Creek Parkway and terminate in the Metcalf substation. The transmission line alignment within Coyote Creek Parkway is proposed to be located underground and predominately within portions of County Parks' Coyote Ranch Road and Coyote Creek Trail. The repaving of Coyote Ranch Road following underground construction as well as the proposed realignment of Coyote Ranch Road and the Coyote Creek Trail within Coyote Creek Parkway to help address existing safety and environmental matters will ultimately provide tangible benefits to Coyote Creek Parkway users.

As further discussed in Section 5.16 of the PEA, the Project may result in minor temporary impacts or restrictions within recreational and park areas during construction, and APMs have been proposed to minimize impacts on recreational and park areas. The Project's

impact on parks and recreational areas will be considered as part of the environmental review for the Project. If parks or recreational areas are significantly impacted, mitigation measures may be required, in compliance with CEQA.

**C. Historical and Aesthetic Values**

LSPGC considered historical values when it designed the Project and selected the route and terminal sites. As further discussed in Sections 5.5 and 5.18 of the PEA, attached as Appendix B, there are known historical resources located within the proposed Project area. As much as is practical, LSPGC will avoid known historical resources that could be affected by the construction of the Project. While unanticipated, the Project will involve excavation activities that have the potential to expose historical resources that may be determined to be significant. LSPGC has therefore developed Project-specific APMs to minimize impacts on historical resources, as discussed in Sections 5.5 and 5.18 of the PEA. Cultural impacts will be considered as part of the environmental review for the Project. If historical values are significantly impacted, mitigation measures may be required, in compliance with CEQA.

LSPGC also considered aesthetic values when it designed the Project and selected the route and terminal sites. The vast majority of the Project's transmission lines will be located underground. As such, once operational, the Project route will not affect the visual character of the surroundings or the quality of public views. The aesthetic values associated with the two proposed HVDC terminals and the short overhead station tie line are further discussed in Section 5.1 of the PEA. LSPGC has developed Project-specific APMs to minimize impacts on aesthetic resources, as discussed in Section 5.1 of the PEA. Aesthetic impacts will be considered as part of the environmental review for the Project. If aesthetic values are significantly impacted, mitigation measures may be required, in compliance with CEQA.

#### **D. Influence on the Environment**

The Project's influence on the environment will be considered and addressed during the environmental evaluation required by CEQA. The resulting environmental document will identify significant impacts, consider alternatives, and require mitigation measures, if needed.

#### **VIII. SAFETY**

LSPA and its affiliates, including LSPGC, continuously strive to establish and maintain a culture of safety throughout the organization. LSPGC holds safety paramount and considers safety practices and records as key selection criteria for contractors. LSPGC's contractors will be responsible for developing a Project-specific safety plan and ensuring adequate safety training is implemented. LSPGC will continuously monitor contractor safety measures to ensure they are adequate for the Project and protective of all site personnel and the public. All Project employees, contractors, and visitors must be committed to conduct themselves in a safe and responsible manner. All employees and contractors have the responsibility to follow established safety, health, and environmental requirements as well as enforcing accident prevention procedures within their function or responsibility. If a situation arises that will cause harm to personnel, loss of property, or damage to the environment, the first person, whether LSPGC personnel, construction contractor, or subcontractor, to realize such a situation is authorized and required to stop the work until the safety concerns have been addressed. If there is knowledge of any practice, condition, or information that is contrary to the policies and procedures authored by the construction contractor or subcontractors, it will be reported immediately to the appropriate supervisor and LSPGC representatives. The Project will be constructed, operated, and maintained in compliance with current safety requirements,

including GOs 95 and 128. Safety management is further discussed in the Project Implementation Plan, attached as Appendix E.

## **IX. IMPACT ON ENVIRONMENTAL AND SOCIAL JUSTICE COMMUNITIES**

In February 2019, the Commission adopted the ESJ Action Plan to serve as a roadmap for implementing the Commission’s vision to advance equity in its programs and policies for ESJ or disadvantaged communities. The Commission issued Version 2.0 of the ESJ Action Plan on April 7, 2022.

In the ESJ Action Plan Version 2.0, disadvantaged communities are defined as census tracts that score in the top 25% of the California Communities Environmental Health Screening Tool Version 3 (CalEnviroScreen 3.0), along with those that score within the highest 5% of CalEnviroScreen 3.0’s Pollution Burden but do not receive an overall CalEnviroScreen score.<sup>24</sup> The CPUC has aimed to target the following communities with their definition of disadvantaged communities:

1. Disadvantaged communities, as defined above;
2. All Tribal Lands;
3. Low-income households, defined as household incomes below 80% of the area median income; and
4. Low-income census tracts, defined as census tracts with aggregated household incomes less than 80% of area or state median incomes.

CalEnviroScreen 3.0 was updated by the Office of Environmental Health Hazard Assessment (OEHHA) to CalEnviroScreen 4.0 on October 13, 2021; however, the California

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<sup>24</sup> ESJ Action Plan Version 2.0, p. 2. Available at <https://www.cpuc.ca.gov/-/media/cpuc-website/divisions/news-and-outreach/documents/news-office/key-issues/esj/esj-action-plan-v2jw.pdf>.

Environmental Protection Agency (CalEPA) made a subsequent designation of “disadvantaged community” given the new data for the purpose of Senate Bill (SB) 535.<sup>25</sup> CalEPA now designates four types of communities as disadvantaged:

1. Census tracts with the highest 25% of CalEnviroScreen 4.0 overall scores;
2. Census tracts lacking overall scores due to data gaps, but with the highest 5% of CalEnviroScreen 4.0 cumulative Pollution Burden scores;
3. Census tracts recognized as disadvantaged in CalEPA’s 2017 disadvantaged communities designation; and
4. Areas under the control of federally recognized Tribes.<sup>26</sup>

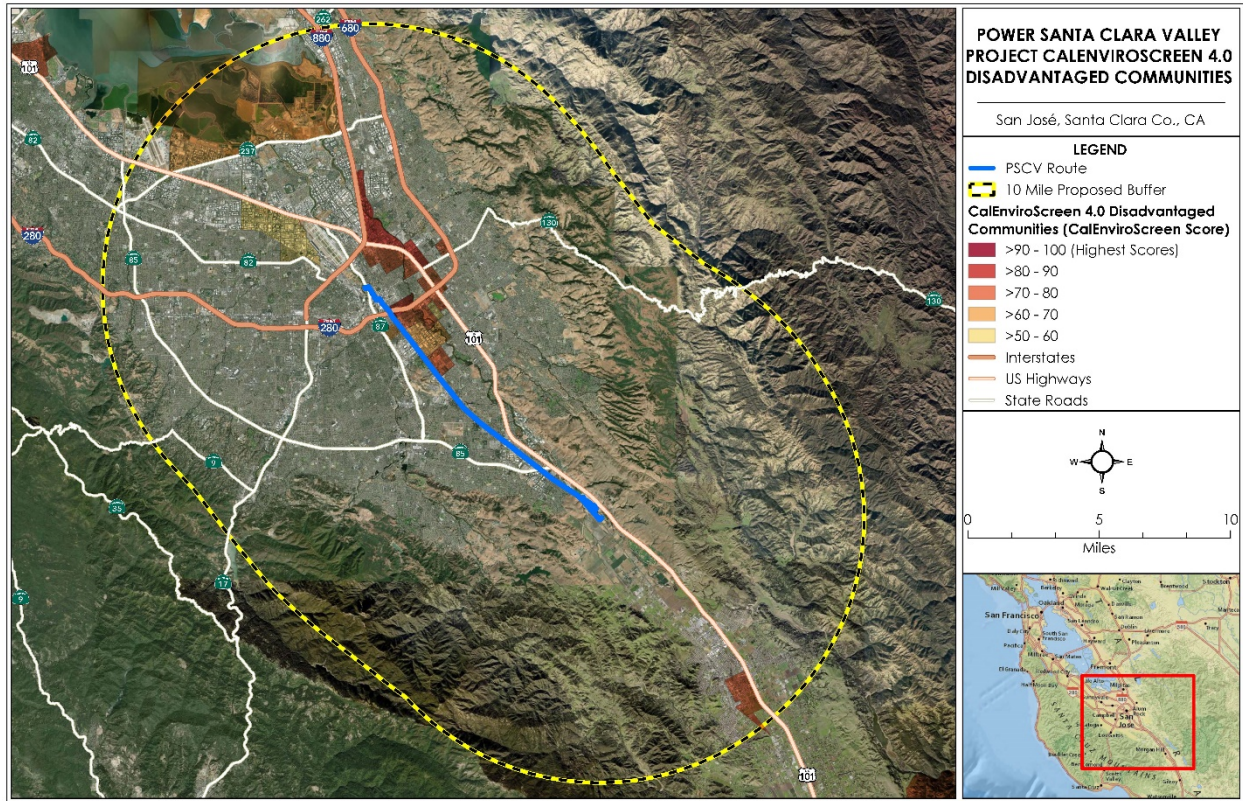
**Figure 1** below shows the CalEnviroScreen 4.0 scores for communities within 10 miles of the Project. Communities that score in the top 25% of CalEnviroScreen 3.0 or 4.0 are designated as disadvantaged communities.<sup>27</sup>

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<sup>25</sup> Stats. 2023, Ch. 830.

<sup>26</sup> Final Designation of Disadvantaged Communities Pursuant to Senate Bill 535, May 2022. Available at [https://calepa.ca.gov/wp-content/uploads/sites/6/2022/05/Updated-Disadvantaged-Communities-Designation-DAC-May-2022-Eng.a.hp\\_-1.pdf](https://calepa.ca.gov/wp-content/uploads/sites/6/2022/05/Updated-Disadvantaged-Communities-Designation-DAC-May-2022-Eng.a.hp_-1.pdf).

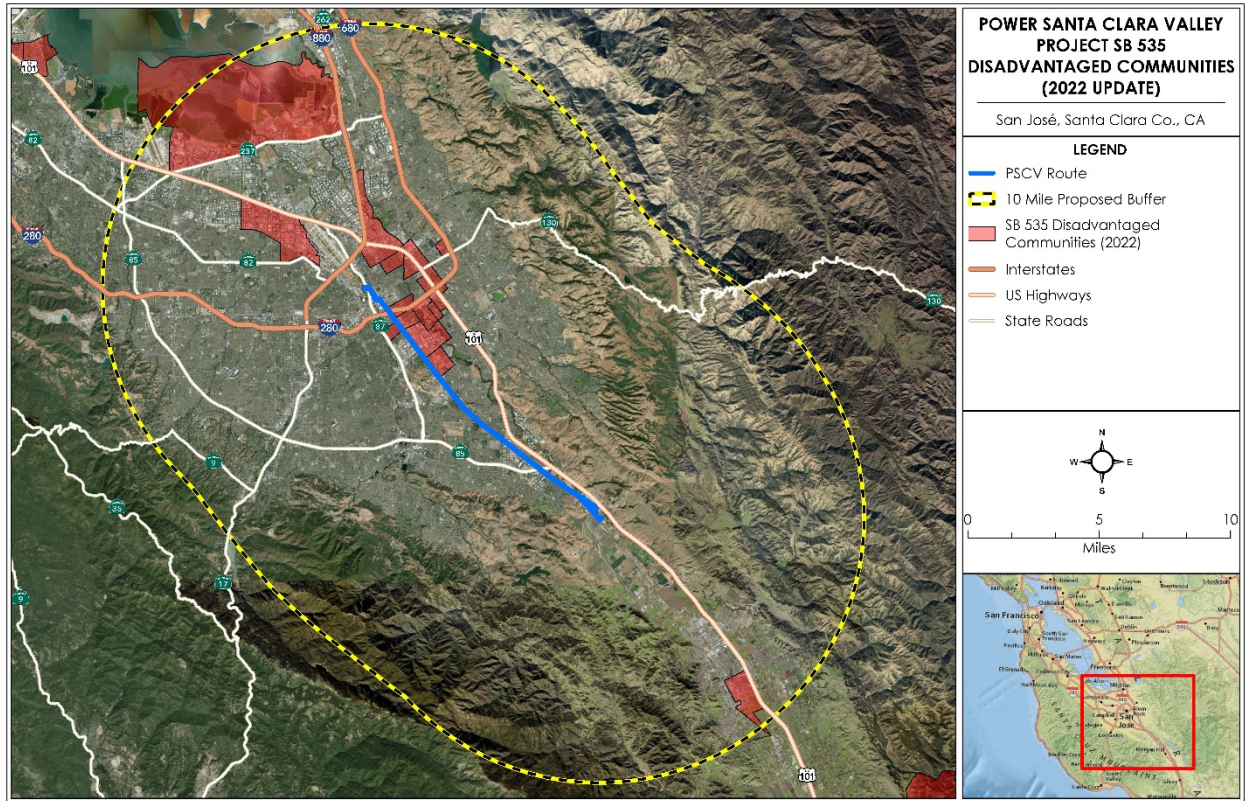
<sup>27</sup> CalEnviroScreen 3.0 is available at <https://oehha.ca.gov/calenviroscreen/report/calenviroscreen-30>. CalEnviroScreen 4.0 is available at [https://experience.arcgis.com/experience/11d2f52282a54ceebcac7428e6184203/page/CalEnviroScreen-4\\_0/](https://experience.arcgis.com/experience/11d2f52282a54ceebcac7428e6184203/page/CalEnviroScreen-4_0/).



**Figure 1: CalEnviroScreen 4.0 Map**

As shown by **Figure 2** below, additional communities within 10 miles of the Project are designated as disadvantaged communities according to SB 535’s 2022 Disadvantaged Communities Update.<sup>28</sup>

<sup>28</sup> Final Designation of Disadvantaged Communities Pursuant to Senate Bill 535, May 2022. Available at <https://oehha.ca.gov/calenviroscreen/sb535>.

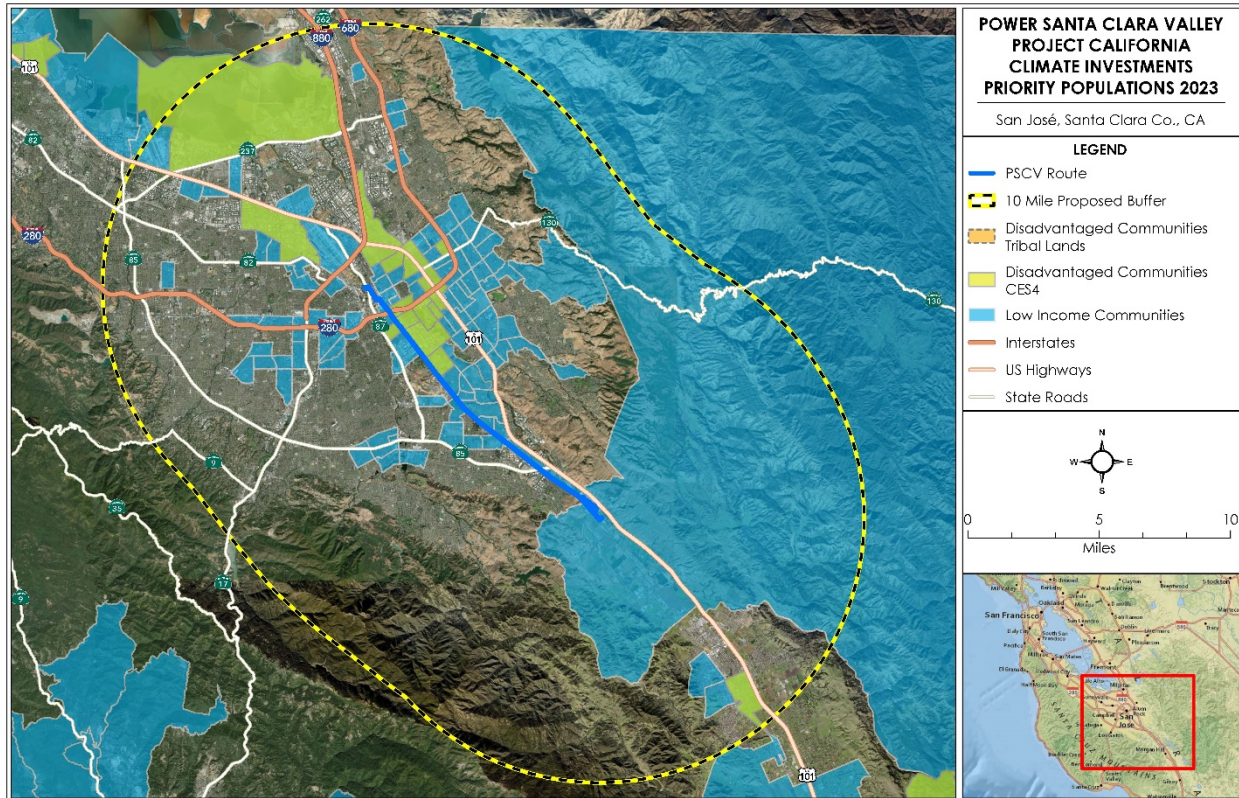


**Figure 2: SB 535 Disadvantaged Communities (2022 Update) Map**

Finally, as shown by **Figure 3** below, additional communities within 10 miles of the site of the Project, beyond the previously identified disadvantaged communities, are designated as low-income communities according to California Climate Investments.<sup>29</sup>

<sup>29</sup> California Climate Investments Priority Populations can be found at <https://gis.carb.arb.ca.gov/portal/apps/experiencebuilder/experience/?id=6b4b15f8c6514733972cabdda3108348>.





**Figure 3: California Climate Investments Priority Populations (2023) Map**

As analyzed in the PEA, attached as Appendix B, the Project will not create any significant impacts within any environmental justice community or for sensitive receptors. Because the Project's transmission lines will be underground near the identified disadvantaged communities, impacts from the transmission line will be minimal, limited to temporary traffic disruptions during construction and occasional maintenance activities. The proposed Skyline terminal is not located within or adjacent to an ESJ community. While the Grove terminal is located within an ESJ community, the impacts of the Grove terminal on the community will be negligible to minor, even at the location of the nearest sensitive receptors due to the low population density near the terminal, as well as the presence of an existing substation, numerous transmission lines, highways, other industrial uses, and railroad nearby. Furthermore, as discussed in Section 5.3 of the PEA, the Project will generate less-than-significant air quality direct impacts and will not expose sensitive receptors near the Project area to substantial pollutant

concentrations. Similarly, as further discussed in Section 5.8 of the PEA, the Project will not generate greenhouse gas (GHG) emissions, either directly or indirectly, that may have a significant impact on the environment or conflict with any plan, policy, or regulation adopted for the purpose of reducing GHG emissions.

Low-income and other members of disadvantaged communities may benefit from the economic stimulus due to Project construction activities and expenditures, long-term increases in tax revenues, and added capacity and reduced congestion for electrical transmission.

LSPGC will strive to ensure the Commission's ESJ Action Plan goals are enabled through the Project. LSPGC will communicate the workings of the Project, provide clear construction plans, and provide traffic plans to communities in the Project vicinity. The Project further meets the Commission's ESJ Action Plan goals by 1) increasing climate resiliency by facilitating the transmission of renewable and low-carbon energy, and 2) promoting economic and workforce development opportunities by employing members of nearby communities during the construction of the Project. Based on these considerations, construction of the Project aligns with the Commission's ESJ Action Plan.

## **X. REQUESTS FOR EXEMPTIONS**

In D.24-01-011 (approval of a Permit to Construct the Fern Road substation) and D.24-03-010, the Commission approved settlements between LSPGC and the Public Advocates Office (Cal Advocates) regarding exemptions from certain of the Commission's affiliate transaction rules adopted in D.97-12-088 and amended in D.98-08-035 and D.98-12-075<sup>30</sup> and

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<sup>30</sup> These are the "original" affiliate transaction rules that apply to utilities with gross annual operating revenues of \$1 billion or less. LSPGC's gross annual operating revenues are less than \$1 billion.

certain reporting requirements. Consistent with the terms of the approved settlements, LSPGC seeks the Commission's approval of the following:

1. LSPGC is exempted from Sections V.C, V.E, and V.G of the affiliate transaction rules.
2. LSPGC is authorized to submit the independent audit report required by Section VI.C of the affiliate transaction rules every five years, rather than annually, with the first audit report due by May 1 of the year after the calendar year when LSPGC first performs activities that are subject to the audit.
3. LSPGC's report required by Public Utilities Code Section 587 will be limited to reporting on affiliates with which it shares resources.
4. LSPGC is authorized to file FERC Form 1 and Form 3-Q as proxies for the reporting requirements of GO 65-A and GO 104-A.

D.24-03-010 granted these exemptions subject to certain conditions. First, LSPGC must make its FERC Form 1 and Form 3-Q available to Cal Advocates on request. LSPGC agrees to this condition. Second, Cal Advocates agreed not to protest LSPGC's request for these exemptions provided:

- The project was selected in a competitive solicitation conducted by the CAISO.  
The Project was selected in a competitive solicitation conducted by the CAISO in conjunction with the Transmission Plan for 2021-2022.
- The cost of the asset will be recovered through the TAC authorized by FERC, and the asset will be subject to the CAISO's Open Access Tariff.

The Project meets both of these requirements.

- LSPGC does not serve retail customers in California.

This condition remains satisfied.

Consistent with D.24-01-011 and D.24-03-010, LSPGC respectfully asks the Commission to approve these exemptions. In addition to the settlement with Cal Advocates and the Commission's approval of these exemptions, the requested exemptions are supported by additional considerations.

**A. Affiliate Transaction Rules**

LSPGC requests exemption from Sections V.C, V.E, and V.G of the affiliate transaction rules.

Section V.C of the rules provides: "A utility shall not share office space, office equipment, services, and systems with its affiliates, nor shall a utility access the computer or information systems of its affiliates or allow its affiliates to access its computer or information systems. . . ." Section V.E of the rules also prohibits a utility from sharing with its affiliates support services in the areas of engineering and system operations, among other prohibited areas. LSPGC respectfully requests exemption from Section V.C and Section V.E to allow the Project to benefit from the expertise of LSPGC's affiliates.

Section V.G of the rules provides:

[A] utility and its affiliates shall not jointly employ the same employees. This Rule prohibiting joint employees also applies to Board Directors and corporate officers, except for the following circumstances: In instances when this Rule is applicable to holding companies, any board member or corporate officer may serve on the holding company and with either the utility or affiliate (but not both). . . .

Because it has no direct employees, LSPGC proposes to use a variety of shared services from certain of its affiliates. Additionally, certain corporate officers who perform oversight activities for LSPGC's transmission assets perform similar oversight activities for LSPGC's affiliates, and certain officers with engineering duties are employed by an affiliate and

work as shared service employees to support LSPGC. To permit LSPGC to continue this approach, LSPGC respectfully requests exemption from Section V.G.

Granting these requested exemptions to LSPGC will not undermine the objectives of the affiliate transaction rules. The Commission's goals of fostering competition and protecting consumer interests will not be hindered by exempting LSPGC from Section V.C, Section V.E, and Section V.G of the affiliate transaction rules.

In D.18-09-030, the Commission granted exemptions from Section V.C, Section V.E, and Section V.G of the affiliate transaction rules to NextEra Energy Transmission West (NEET West) in connection with the Suncrest Dynamic Reactive Support Project.<sup>31</sup> Similar exemptions were granted to DCR Transmission in D.21-11-003 for the Ten West Link Project.<sup>32</sup> Because the Commission has granted exemptions from the affiliate transaction rules to similarly situated transmission developers in California, LSPGC requests that it be granted similar exemptions.

**B. Exemption from Annual Audit Requirement**

Section VI.C of the affiliate transaction rules requires utilities to have an independent auditor perform an annual audit of the utility's compliance with the affiliate transaction rules and to submit the auditor's report to Energy Division. LSPGC asks the Commission to exempt LSPGC from Section VI.C's requirement of an annual audit and audit report on affiliate transactions; instead, LSPGC would be required to engage an independent auditor to conduct an audit and to submit an audit report every five years after LSPGC's initial audit and audit report. The initial audit would be deferred until there are activities that could be

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<sup>31</sup> D.18-09-030, p. 48.

<sup>32</sup> D.21-11-003, p. 78.

subject to the audit. Subsequent audits would be performed every five years and would verify LSPGC's compliance with the affiliate transaction rules for the preceding five-year period.

The same exemption was granted to Horizon West Transmission, LLC (successor to NEET West) and Trans Bay Cable, LLC (an affiliate of Horizon West) in D.22-09-016. The Commission's justification for granting this exemption was very similar to the rationale for exemptions from the requirements of other sections:

Because their operations are under the control of CAISO, Joint Applicants do not have the opportunity to exercise market power to favor their affiliates. In addition, Joint Applicants recover their entire revenue requirement through rates that FERC regulates and do not have the opportunity to subsidize their affiliates or provide their affiliates with discriminatory, favorable rates. The Joint Applicants also do not serve customers directly, provide retail service, or have access to customer information or accounts. As such, there is no concern for customers to be confused between them and their affiliates, and there is also no risk of them disclosing confidential customer information.<sup>33</sup>

The same reasoning that justified the exemption for Horizon West and Trans Bay Cable also applies to LSPGC. The Commission also noted that Horizon West and Trans Bay Cable file FERC Form 1, which includes much of the information required by the affiliate transaction rules. LSPGC here proposes to submit FERC Form 1 and Form 3-Q to the Commission and to make Forms 1 and 3-Q available to Cal Advocates at any time.

Like Horizon West and Trans Bay Cable, LSPGC should be excused from the annual audits and reports required by Section VI.C and should be permitted to have an independent audit performed and an audit report submitted every five years, with the initial audit report expected to be submitted no later than May 1 of the year after the calendar year when LSPGC first performs activities that are subject to the audit. Other requirements of Section VI.C, including the requirement that the audit will be at shareholders' expense, will still apply.

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<sup>33</sup> D.22-09-016, pp. 5-6.

**C. Reporting Requirements**

LSPGC also requests to be authorized to file FERC Form 1 and Form 3-Q as proxies for the reporting requirements of GO 65-A and GO 104-A.

GO 65-A requires submission of “each financial statement prepared in the normal course of business” and the annual report and other financial statements issued to stockholders. Although these reports might be useful for the Commission’s oversight of the operations of utilities subject to rate regulation by the Commission, they are not warranted for LSPGC because LSPGC’s recovery of its cost of service is exclusively through LSPGC’s FERC-approved formula rates, which incorporate its cost containment commitments, including a cap on the annual revenue requirement. Interested stakeholders, including the Commission and its staff, will have the ability to review LSPGC’s annual reporting to FERC of its actual costs and revenue requirement for compliance with the cost containment commitments and to confirm the prudence of costs recorded in compliance with FERC accounting rules.

GO 104-A requires the filing of an annual report, and the form supplied by the Commission’s Energy Division requires information that informs the regulation of cost-based rates by the Commission, such as information on income statements, sales to residential customers (LSPGC has none), and similar topics. LSPGC will provide annual reports and other financial information to FERC, and this information will be publicly available through FERC’s processes.

For these reasons, LSPGC requests the Commission’s authorization to file FERC Form 1 and Form 3-Q as proxies for the reporting requirements of GO 65-A and GO 104-A.

**D. Reports on Affiliates**

Public Utilities Code Section 587 requires utilities to submit an annual report “describing all significant transactions, as specified by the commission, between the corporation

and every subsidiary or affiliate of, or corporation holding a controlling interest in” the utility. For entities like LSPGC, which has about 500 affiliates, this reporting requirement can become burdensome. In D.18-09-030, NEET West (now known as Horizon West), which has over 1,000 affiliates,<sup>34</sup> sought and obtained a limited exemption to this reporting requirement and was authorized to provide information relating to only those affiliates with which NEET West shared resources,<sup>35</sup> on the condition that NEET West would provide a copy of its FERC Form 1 to Commission staff and Cal Advocates’ predecessor upon request. The Commission granted a similar exemption to Trans Bay Cable, an affiliate of NEET West.<sup>36</sup>

LSPGC is similarly situated to NEET West in the sense that it has numerous affiliates, many of which do not share resources with the utility. It is reasonable to extend the limited exemption that the Commission granted to NEET West to LSPGC.

## **XI. CONCLUSION**

For the reasons stated in this Application, LS Power Grid California, LLC respectfully requests the Commission to issue a decision:

- Granting LSPGC a Certificate of Public Convenience and Necessity authorizing construction of the Project, as described in this Application and supporting documents;
- Certifying the EIR prepared in compliance with CEQA;
- Specifying a maximum reasonable and prudent cost for the Project no less than FERC’s findings of the just and reasonable costs of the Project;
- Granting the exemptions requested in this Application;

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<sup>34</sup> D.20-05-012, p. 7.

<sup>35</sup> D.18-09-030, pp. 48-49.

<sup>36</sup> D.20-05-012, pp. 7-8.



- Authorizing Energy Division to approve request by LSPGC for Project modifications that may be necessary during final engineering and construction, provided that Energy Division finds that the Project modifications will not result in a significant new environmental impact or a substantial increase in the severity of previously identified significant impacts; and
- Granting such other and further relief as the Commission deems just and reasonable.

Respectfully submitted this 29th day of April, 2024 at San Francisco, California.

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**VERIFICATION**

I, Casey Carroll, declare:

I am an officer of LS Power Grid California, LLC and am authorized to make this verification on its behalf. The statements in the foregoing Application are true of my own knowledge, except to matters stated to be on information and belief, and as to those matters, I believe them to be true.

I declare under penalty of perjury that the foregoing is true and correct.

Executed this 26th day of April, 2024 in Chesterfield, Missouri.



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