BEFORE THE PUBLIC UTILITIES COMMISSION

OF THE STATE OF CALIFORNIA

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Application of LS Power Grid California, LLC for a Permit to Construct the 500 kV Fern Road Substation.

APPLICATION OF LS POWER GRID CALIFORNIA, LLC FOR A PERMIT TO CONSTRUCT THE 500 kV FERN ROAD SUBSTATION

[PUBLIC VERSION]

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[PUBLIC VERSION]

Pursuant to General Order (GO) 131-D and Rules 2.1 through 2.5 of the Commission's Rules of Practice and Procedure, LS Power Grid California, LLC (LSPGC) submits this Application for a Permit to Construct (PTC) the 500 kV Fern Road Substation (Fern Road or Project).

I. INTRODUCTION

The 500 kV Fern Road Substation is a reliability-driven upgrade to the transmission system operated by the California Independent System Operator (CAISO). The CAISO identified the need for the Round Mountain 500 kV Area Dynamic Reactive Support Project in its 2018-2019 Transmission Plan, approved by the CAISO's Board of Governors on March 29, 2019. CAISO awarded the primary scope of the Round Mountain 500 kV Area Dynamic Reactive Support Project to LSPGC, which portion is now identified as Fern Road Substation. The remainder of the scope, which includes certain Interconnection Facilities,

Network Upgrades and Distribution Upgrades, will be the responsibility of Pacific Gas & Electric Company (PG&E). This Application seeks a PTC for only the Fern Road Substation.

Fern Road Substation will provide dynamic reactive power support to the regional 500 kV electric grid in the vicinity of the PG&E's Round Mountain substation. The analyses performed as part of the CAISO's 2018-2019 Transmission Planning Process found high voltages on the Northern California 500 kV system during non-peak conditions, resulting in limited line clearance opportunities for maintenance. CAISO also identified increasing voltage fluctuation frequency associated with the increased addition of solar resources on the system. Adding dynamic reactive support on the Round Mountain to Table Mountain 500 kV transmission lines will alleviate these problems.

Fern Road Substation consists of a 500 kV substation that includes approximately +/-529 million volt-amperes, reactive (MVAR) dynamic reactive capability to be provided by two, equally sized Static Synchronous Compensator (STATCOM) units. The substation will include three, three-phase main power transformers, one of which will be a preinstalled spare transformer shared between the two STATCOM units and separated by fire-blast walls. Fern Road Substation would be interconnected (*i.e.,* looped-in) with the PG&E electrical transmission system via the Round Mountain – Table Mountain #1 and #2 500 kV transmission lines. The existing transmission lines will be reconfigured by PG&E to connect to LSPGC bays located on the north and west sides of the proposed substation.

The CAISO solicited bids for development the Round Mountain 500 kV Area Dynamic Reactive Support Project through an open, competitive solicitation conducted in compliance with its tariff, as approved by the Federal Energy Regulatory Commission (FERC). On February 28, 2020, the CAISO announced that LSPGC had been selected to develop the Fern

Road Substation.[1] The CAISO and LSPGC entered into an Approved Project Sponsor Agreement (APSA), attached as Appendix A, on July 15, 2020.

The APSA requires the Project to be in service by no later than June 1, 2024. To meet this deadline, LSPGC respectfully asks the Commission to issue its final decision on this application no later than December 15, 2022.

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 Fern Road Substation, and will become a Participating Transmission Owner[2] in accordance with the CAISO's Tariff. The costs of the Project will be recovered solely through transmission rates as part of the CAISO's Regional Transmission Access Charge, subject to approval by the FERC,[3] which exercises jurisdiction over rates for interstate transmission service.

LSPGC respectfully asks the Commission, after reviewing this Application, to grant LSPGC a Permit to Construct the Fern Road Substation and to certify an appropriate environmental document under the California Environmental Quality Act (CEQA). LSPCG anticipates that, prior to issuance of the Permit to Construct requested above, the Commission will declare LSPGC to be an electrical corporation and a public utility under section 216(a) of the Public Utilities Code in its decision in A.21-02-018 (Application of LS Power Grid California, LLC for a Permit to Construct the Gates 500 kV Dynamic Reactive Support Project). If such declarations have not been made at the time the Commission reaches a decision on the

[1] At the time of selection of LSPGC to complete the substation component of the Round Mountain 500 kV Area Dynamic Reactive Support Project, the substation had not yet been named. CAISO subsequently approved the name Fern Road Substation.
[2] LSPGC is expected to become a PTO in connection with the approval of the Gates 500 kV Dynamic Reactive Support Project, the subject of Application (A.) 21-02-018.
[3] LSPGC's formula rate was approved by FERC on June 29, 2021 in Docket ER21-195.

Fern Road Substation, LSPGC respectfully asks the Commission, in its order, to declare that LSPGC is an electrical corporation and a public utility under section 216(a) of the Public Utilities Code. LSPGC further asks for exemption from certain of the Affiliate Transaction Rules and from reporting requirements that are inapplicable to LSPGC in this context.

II. SUPPORTING DOCUMENTS

The following Appendices are attached to this Application:

Appendix	Title
A	Approved Project Sponsor Agreement
B	Map of the Project
C	Siting Analysis
D	Proponent's Environmental Assessment
E	Electric and Magnetic Fields Management Plan
F	Form of notice under Section XI.A of General Order 131-D
G	Certificate of Formation and Certificate of Qualification to Do Business in California

III. PROJECT OVERVIEW

A. CAISO Transmission Planning

As part of the 2018-2019 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 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 2018-2019 Transmission Plan identified 11 reliability-driven transmission projects, all of which are located in PG&E's service territory. The identified projects included two dynamic voltage support

projects, designated as the Gates 500 kV Dynamic Reactive Support Project and the Round Mountain 500 kV Area Dynamic Reactive Support Project, that were eligible for a competitive solicitation under the CAISO's Tariff.

The Transmission Plan summarizes some of the conclusions of the study:

> Additional reactive support is required, preferably dynamic to both absorb reactive power under normal system conditions and supply reactive power with contingencies as needed. Dynamic reactive support in the northern part of the PG&E system also may be needed to avoid under-voltage load tripping in southern Oregon with three-phase faults in northern PG&E that was observed in dynamic stability studies. Dynamic reactive support in southern PG&E also may be needed to prevent momentary cessation of the inverters on the solar PV generators that was identified in the Gates area in the studies of momentary cessation of inverters.[4]
>
> * * *
>
> In addition to the identified thermal overloads, high voltages were observed on the 500 kV system in Central California after Diablo Canyon Power Plant retires. In the northern part of the 500 kV system high voltages were observed under normal system conditions, and low voltages observed with contingencies. To address voltage issues identified in central and northern PG&E bulk system two projects are recommended for approval.
>
> • Gates 500 kV Dynamic Voltage Support
> • Round Mountain 500 kV Dynamic Voltage Support.[5]

The studies identified that high voltage issues at the Round Mountain 500 kV substation bus occur frequently in real-time operation under non-peak conditions, and high voltage issues have resulted in limited clearance opportunities to do maintenance work on system elements, and in some cases the clearance had to be cancelled to bring the element back in

[4] 2018-2019 Transmission Plan, p. 80. The Board-approved Transmission Plan and other materials related to the 2018-2019 Transmission Planning Process are available at http://www.caiso.com/planning/Pages/TransmissionPlanning/2018-2019TransmissionPlanningProcess.aspx .
[5] 2018-2019 Transmission Plan, p. 93.

service to address voltage issues. The worst condition identified in the study occurs when the Round Mountain 500/230 kV transformer goes out of service resulting in a worsening of the high voltage conditions.[6]

The Plan concluded that after implementing the Round Mountain 500 kV Area Dynamic Reactive Support Project, the voltage in the area would be maintained within the acceptable range.[7]

B. Competitive Solicitation

Following approval of the Transmission Plan, the CAISO opened a bid solicitation window on April 22, 2019, which provided project sponsors the opportunity to submit proposals to finance, construct, own, operate, and maintain the Round Mountain 500 kV Area Dynamic Reactive Support Project. The CAISO identified the following as the key selection factors:

- The Project Sponsor's existing rights of way and substations that would contribute to the transmission solution in question.[8]
- The proposed schedule for development and completion of the transmission solution and demonstrated ability of the Project Sponsor and its team to meet that schedule .[9]
- 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

[6] 2018-2019 Transmission Plan, p. 81.
[7] 2018-2019 Transmission Plan, p. 82.
[8] CAISO Tariff, § 24.5.4(b).
[9] CAISO Tariff, § 24.5.4(d).

cost cap that would preclude costs for the transmission solution above the cap from being recovered through the CAISO's Transmission Access Charge.[10]

The CAISO evaluated fourteen applications from six project sponsors. The CAISO found that twelve of the fourteen proposals of the six 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 six project sponsors and their twelve 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.

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

- 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 experience of the Project Sponsor and its team in acquiring rights of way, if necessary, that would facilitate approval and construction;
- The financial resources of the Project Sponsor and its team;
- The technical and engineering qualifications and experience of the Project Sponsor and its team;
- The previous record regarding construction and maintenance of transmission facilities, including facilities outside the CAISO-controlled grid of the Project Sponsor and its team;

[10] CAISO Tariff, § 24.5.4(j).

- The demonstrated capability of the Project Sponsor and its team to adhere to standardized construction, maintenance and operating practices;
- 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.[11]

Through this competitive solicitation process, the CAISO selected LS Power Grid California, LLC, a wholly owned subsidiary of LS Power Associates, L.P., as the approved project sponsor to finance, construct, own, operate, and maintain the Round Mountain 500 kV Area Dynamic Reactive Support Project.[12]

IV. REQUIREMENTS OF GENERAL ORDER 131-D

Section IX.B and Section X of General Order 131-D set forth the requirements for applications for a Permit to Construct. These requirements are addressed in the following sections.

A. Description of the Project (Section IX.B.1.a)

As more fully described in Appendix D (Proponent's Environmental Assessment), Fern Road Substation consists of a 500 kV substation that includes approximately +/-529 million volt-amperes, reactive (MVAR) dynamic reactive capability to be provided by two, equally sized Static Synchronous Compensator (STATCOM) units. The substation will include three, three-phase main power transformers, one of which will be a preinstalled spare transformer shared

[11] CAISO Tariff, § 24.5.4.
[12] The CAISO's full Project Sponsor Selection Report is available at http://www.caiso.com/Documents/RoundMountain500kVAreaDynamicReactiveSupportProject-ProjectSponsorSelectionReport.pdf .

between the two STATCOM units and separated by fire-blast walls. Fern Road Substation would be interconnected (*i.e.,* looped-in) with the PG&E electrical transmission system via the Round Mountain – Table Mountain #1 and #2 500 kV transmission lines. The existing transmission lines would be reconfigured by PG&E to connect to LSPGC bays located on the north and west sides of the proposed substation. The point of ownership demarcation between LSPGC and PG&E would be the connection to LSPGC's take-off towers on LSPGC property. All facilities would be installed during the initial buildout; therefore, there is no anticipated ultimate buildout scenario beyond the proposed Project.

Also described in Appendix D (Proponent's Environmental Assessment (PEA) are certain PG&E facilities that are separate and distinct from the Fern Road Substation and which are not a part of this Application, but will be completed by PG&E to support the operation of Fern Road Substation. The additional facilities include:

1) Interconnection Facilities - short transmission line reconfigurations to connect PG&E's 500 kV Round Mountain to Table Mountain #1 and #2 transmission lines into Fern Road.
2) Network Upgrades – series capacitor and protection system modifications at PG&E's existing Round Mountain Substation and Table Mountain Substation, and microwave tower additions near Fern Road Substation, PG&E's Redding Service Center and PG&E's Cottonwood Substation.
3) Distribution Upgrades – pole replacements and reconductoring and new feeders on the distribution system near Fern Road Substation.

The interconnection facilities were identified in the APSA, and responsibility for those facilities was assigned to PG&E. Studies performed by the CAISO and PG&E after the APSA was signed identified the need for network and 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 requested in this Application.

LSPGC holds an option to purchase 40 acres or more within an approximately 426-acre parcel located directly adjacent to the Round Mountain – Table Mountain #1 and #2 500 kV transmission line corridor. The Fern Road Substation site, which is currently used as grazing land, is located east of Fern Road and east of the existing PG&E transmission right-of-way (ROW), approximately 1.6 miles northwest of the unincorporated community of Whitmore, approximately 9.3 miles north of State Highway 44, and about 20 miles east of Redding in unincorporated southern Shasta County. The Fern Road Substation site is located within the eastern half of Public Land Survey System (PLSS) Section 11 of Township 32 North and Range 1 West.

LSPGC estimates that construction of the Project would take approximately 20 months to complete, depending upon unforeseen or unpredictable factors such as weather.[13]

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

A map of the proposed Project is attached as Appendix B. Appendix B is at a scale that shows the Project in relation to the closest parks and open spaces. A map showing transmission lines and other facilities within 300 feet of the Project is shown at Figure 3-4 of the PEA, Appendix D.

C. Reasons for Selecting the Site (Section IX.B.1.c)

The Fern Road Substation site was selected primarily based on its proximity to the existing PG&E Round Mountain – Table Mountain transmission corridor, along with the site's compatible land use and favorable geotechnical conditions. With the site adjacent to the

[13] The construction schedule is dependent on the timing of CPUC's issuance of the PTC and PG&E's completion of its associated facilities.

existing PG&E Round Mountain – Table Mountain transmission corridor, the tie lines between the Fern Road Substation and interconnecting 500 kV lines are short, minimizing both costs and environmental impacts. In addition, the site is on previously disturbed grazing land, which reduces the environmental impacts of the Project. Moreover, the geotechnical characteristics of the site reflect a greater depth to rock relative to other sites in the area, reducing cost and facilitating construction. Appendix C contains a more detailed analysis of the siting considerations for the Project, including a comparison of alternative siting areas to the selected site.

D. List of Reviewing Government Agencies (Section IX.B.1.d)

LSPCG 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. While none of the governmental agencies provided written position statements on the proposed Project location, the following summaries of LSPGC's coordination with the governmental agencies provide LSPGC's understanding of each agency's position with respect to the Project's location:

- **California Department of Fish and Wildlife (CDFW).** On June 16, 2020, LSPGC met with CDFW staff to review the proposed Project location and description, potential permit requirements, and the need for biological surveys. CDFW expressed no objections to LSPGC's proposed siting of the Project. It was determined that bumble bee, nesting bird, botanical, and aquatic resources surveys should be conducted. No other biological concerns were raised during this coordination. Based on this information, the LSPGC team conducted surveys in the spring of 2020 and spring of 2021, the results of which are included in the Section 4.4, Biological Resources, of the PEA, attached as Appendix D.

- **Shasta County.** On July 25, 2019 and June 29, 2021, LSPGC met with Shasta County staff to discuss the proposed Project location and description, preliminary Project mapping, and planned public outreach. County staff expressed no objections to LSPGC's proposed siting of the Project. LSPGC will continue its coordination with Shasta County prior to and during construction.
- **Native American Heritage Commission (NAHC).** On March 12, 2021, LSPGC initiated coordination with the NAHC by submitting a Sacred Lands File (SLF) search request that included Project area locational information. In response, the NAHC provided a list of Native American contacts who may be able to supply information pertinent to the Project area. The single individual listed was contacted by email sent April 2, 2021. To date, there has been no response to outreach efforts, further described in Section 4.19, Tribal Cultural Resources of the PEA, attached as Appendix D. Throughout the coordination process described above, no objections to the siting of the Project were expressed by the NAHC or the tribes.

E. Proponent's Environmental Assessment (Section IX.B.1.e)

A copy of the Proponent's Environmental Assessment is attached as Appendix D.

F. 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.[14] 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.[15] 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.[16] 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.[17]

The Commission has also adopted EMF design guidelines for utilities in California.[18]

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[14] D.93-11-013.
[15] D.06-01-042, p. 19 (Finding of Fact 5).
[16] D.06-01-042, pp. 10, 21 (Finding of Fact 20).
[17] D.06-01-042, pp. 9, 20 (Finding of Fact 18).
[18] https://www.cpuc.ca.gov/-/media/cpuc-website/divisions/energy-division/documents/infrastructure/emfs/ca_emf_design_guidelines.pdf .

Section X(A) of General Order 131-D requires all applications for a PTC to include a description of the measures taken or proposed to reduce the potential for exposure to EMF generated by a proposed project. LSPGC evaluated EMF mitigation measures in its design and construction plan and adopted certain no-cost mitigation measures.[19] LSPGC's management plan addressing the no-cost EMF mitigation measures that will be incorporated into the design of the Project is attached as Appendix E.

G. Safety Is a Priority

LS Power Associates, L.P. 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. 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 would 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

[19] There are no schools or hospitals near the site of the Fern Road Substation, and the nearest permanently occupied residence is located approximately 1,400 feet from the substation's perimeter fencing. The Round Mountain-Table Mountain 500 kV AC transmission lines run between the substation and the residence. In these circumstances, no-cost mitigation measures are appropriate.

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.

H. Notice (Section XI.A)

Applicants for a Permit to Construct 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 F. LSPGC will file the declaration of mailing and posting within five days of completion (Section XI.A.3).

V. REQUIREMENTS OF RULE 2

A. Statutory Authority

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

B. Applicant

Applicant is LS Power Grid California, LLC, whose principal place of business is in Chesterfield, Missouri. LSPGC is organized under the laws of the State of Delaware.

C. Communications

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: mmilburn@lspower.com

With a copy to:

LS Power Grid California, LLC
Attn: Managing Counsel
16150 Main Circle Drive, Suite 310
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Telephone: (636) 534-3260
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D. Category, Need for Hearing, Issues, and Proposed Schedule

1. Category

LSPGC proposes to categorize this Application as a ratesetting proceeding. 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;[20] 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

[20] LSPGC's formula rate was approved by FERC on June 29, 2021 in docket ER21-195.

ratesetting category. LSPGC therefore proposes that this Application should be categorized as ratesetting.

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 hearings, if needed, following issuance of a draft Mitigated Negative Declaration or other required environmental document by Commission staff, and one that proceeds directly to briefing, without hearings, after the mitigated negative declaration or other environmental document is issued.

3. Issues

When the Commission adopted GO 131-D, it stated that "the permit-to-construct review focuses solely on environmental issues."[21] Based on Commission precedent, the issues anticipated to be considered in this proceeding are:

1. What are the significant environmental impacts of the proposed project, if any?

2. Are there potentially feasible mitigation measures that will eliminate or lessen the identified significant environmental impacts?

3. Are the mitigation measures infeasible?

4. To the extent that the proposed project results in significant and unavoidable impacts, are there overriding considerations that nevertheless merit Commission approval of the proposed project?

[21] D.94-06-014, 55 CPUC2d 87, 93.

5. Did the Commission review and consider the environmental document (EIR or MND), was the environmental document completed in compliance with CEQA, and does it reflect the Commission's independent judgment?

6. Is the proposed project designed in compliance with the Commission's policies governing the mitigation of EMF effects using low-cost and no-cost measures?

7. What are the proposed 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 Action Plan?

4. Proposed Schedule

Below is LSPGC's proposed schedule for the proceeding.

EVENT	**DATE NO HEARINGS**	**DATE WITH HEARINGS**
Application Filed; PEA submitted	April 6, 2022	April 6, 2022
Publication in Daily Calendar	April 8, 2022	April 8, 2022
Application deemed complete	May 6, 2022	May 6, 2022
Last Day for Protests and Responses	May 9, 2022	May 9, 2022
Reply to Protests and Responses	May 19, 2022	May 19, 2022
Prehearing Conference	May 26, 2022	May 26, 2022
Scoping Ruling and Memo	June 9, 2022	June 9, 2022
Mitigated Negative Declaration issued	Sept. 19, 2022	Sept. 19, 2022
Opening Testimony (if needed)		Sept. 30, 2022
Reply Testimony (all parties)		Oct. 12, 2022

Hearings (if needed)		Oct. 26, 2022
Opening Briefs		Nov. 7, 2022
Reply Briefs		Nov. 14, 2022
Proposed Decision	Nov. 16, 2022	Dec. 16, 2022
Commission Decision	Dec. 15, 2022	Jan. 19, 2023

E. Organization and Qualification

Copies of LSPGC's certificate of formation and certificate of qualification to do business in California are attached as Appendix G.

F. Financial Statements

LSPGC's parent, LS Power Associates, L.P., is a closely held private company that does not publish financial information and does not maintain a credit rating. As LS Power's subsidiary, LSPGC also does not publish financial information. However, LS Power's financial stability is demonstrated by the fact that LS Power has raised over $48 billion of 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.

In connection with the CAISO solicitation, LSPGC provided confidential LS Power financial information and a written guarantee upon execution of the APSA, providing CAISO with certainty that adequate capital is available to implement the Project. LSPGC explained to CAISO that since the capital required to energize the Project is available through existing credit facilities and cash on hand, there is no financial Project implementation risk to CAISO.

In its Selection Report, CAISO concluded that "all six project sponsors [including LSPGC] exhibit sufficient financial strength and resources to complete this particular project."[22] 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. Recent and past project financing experience indicates that . . . LSPGC… [has] developed banking relationships as evidenced by various banks providing support for this project. Consequently, the ISO considers LSPGC . . . to have sufficient financial resources to complete this project…."[23]

The Commission can rely on the financial diligence performed by CAISO prior to awarding three competitive transmission projects to affiliates of LS Power in recent years, and the successful completion of LS Power affiliate DesertLink's Harry Allen to Eldorado 500 kV Transmission Project in 2020. However, if the Commission requires additional financial information, LS Power'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

LSPGC is submitting a Proponent's Environmental Assessment with this Application and is tendering the original and three copies of the PEA to the Docket Office with this Application. The environmental review required by CEQA will be overseen by the Commission's Energy Division.

[22] Round Mountain 500 kV Area Dynamic Reactive Support Project, Project Sponsor Selection Report, p. 46.
[23] Round Mountain 500 kV Area Dynamic Reactive Support Project, Project Sponsor Selection Report, p. 46.

H. Deposit for Costs for Environmental Review

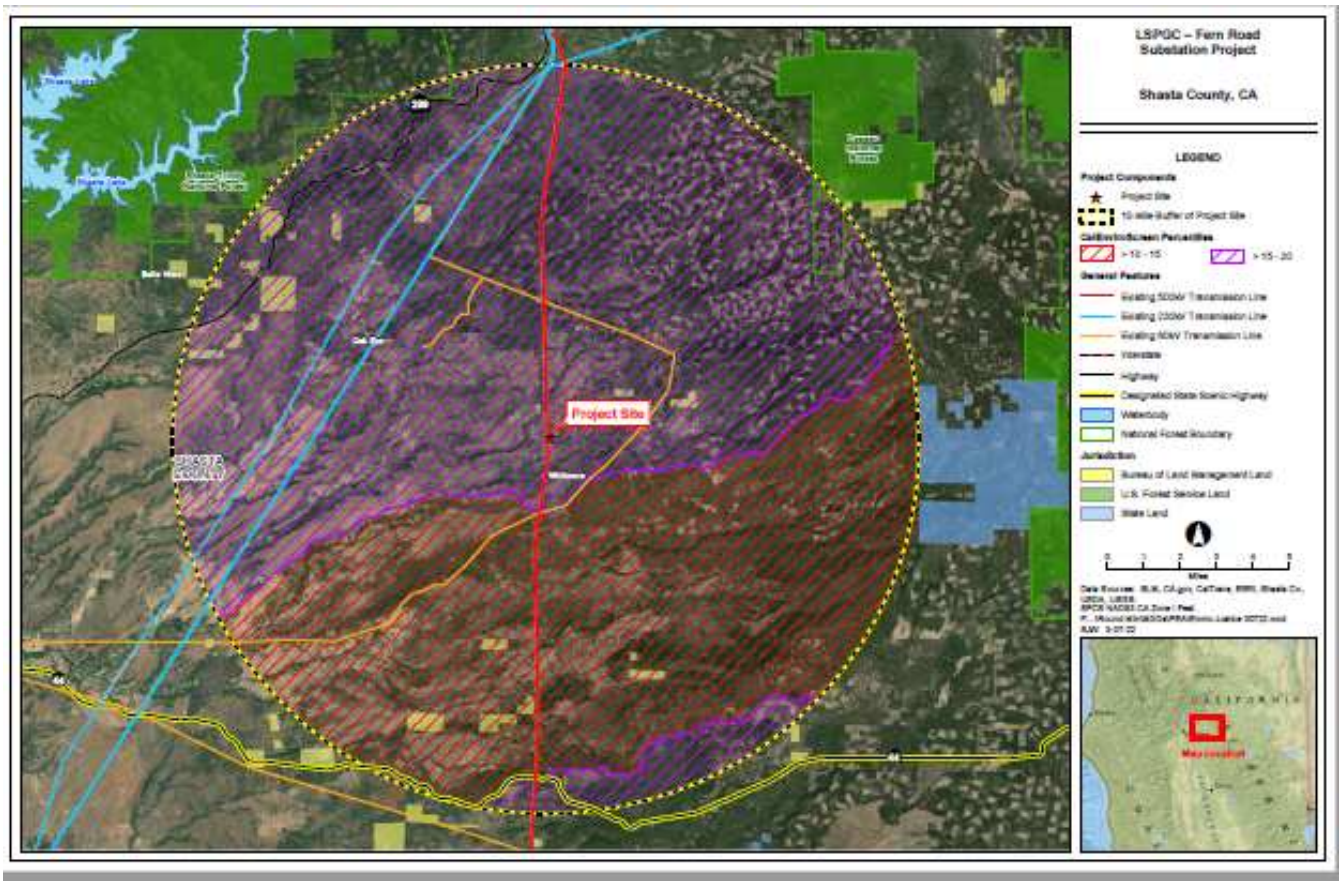
With this Application, LSPGC will tender its deposit of $75,500.00, calculated according to the formula set forth in Rule 2.5. Although Rule 2.5 allows applicants to pay the total deposit in three installments, LSPGC has elected to pay the full deposit with the filing of this Application.

VI. IMPACT ON ENVIRONMENTAL AND SOCIAL JUSTICE COMMUNITIES

In February 2019, the Commission adopted the Environmental and Social Justice (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 is in the process of developing a revision to the Environmental and Social Justice Action Plan.

In the Draft Environmental and Social Justice Action Plan 2.0, disadvantaged communities are defined as census tracts that score in the top 25% of CalEnviroScreen 3.0. As shown by Figure 1, below, the communities within 10 miles of the site of the Fern Road Substation score in the bottom 20% of CalEnviroScreen 3.0. According to the map developed for CalEnviroScreen 4.0,[24] the closest disadvantaged community is near Chico, around 90 miles away from the Project site by car.

[24] https://experience.arcgis.com/experience/11d2f52282a54ceebcac7428e6184203/page/Draft-CalEnviroScreen-4.0/ .



Any impact of the Fern Road Substation would likely be negligible to minor due to the predominantly low population density in this rural setting and the presence of existing transmission and utility lines nearby. The Project site is adjacent to existing transmission lines, to minimize new disturbance to either the natural or human environment.

Low-income and other members of disadvantaged communities may benefit from the short-term economic stimulus from construction activities and expenditures, short-term and longer-term increases in tax revenues, and added capacity and reduced congestion for electricity transmission.

The Fern Road Substation further meets the Commission's ESJ Action Plan goals to 1) to increase climate resiliency; and 2) promote economic and workforce development opportunities.

Based on these considerations, construction of the Fern Road Substation aligns with the Commission's ESJ Action Plan.

VII. A PERMIT TO CONSTRUCT IS THE APPROPRIATE PERMIT FOR THIS PROJECT

In 1994, the Commission adopted GO 131-D, which prescribed comprehensive rules governing the planning and construction of electric generation, transmission and distribution line facilities and substations in California. GO 131-D also established different procedures for different categories of transmission lines and substations. "[M]ajor electric transmission line facilities which are designed for immediate or eventual operation at 200 kV or more" were required to obtain a Certificate of Public Convenience and Necessity (CPCN) from the Commission. For "electric power line facilities or substations which are designed for immediate or eventual operation at any voltage between 50 kV or 200 kV or new or upgraded substations with high side voltage exceeding 50 kV," a different authorization, called a Permit to Construct (PTC), was required.

GO 131-D focused on two types of facilities: (1) lines used for the transmission and distribution of electricity and (2) substations. But the transmission system includes a variety of facilities that are neither transmission or distribution lines nor substations. GO 131-D's ambiguity about how to treat facilities that are neither transmission lines nor substations has led some parties to question whether a dynamic reactive support facility like the Round Mountain 500 kV Area Dynamic Reactive Support Project is closer in concept to a substation (PTC) or a major transmission line facility operating at 200 kV or more (CPCN).

The Assigned Commissioner's Scoping Memo and Ruling in A.21-02-018 (the Gates Scoping Memo) addressed that question and concluded that the Gates 500 kV Dynamic Reactive Support Project "was properly considered a substation for purposes of determining the

authority required for its construction."[25] The Gates Scoping Memo reasoned that the functions of the Gates project were similar to those of a substation: "The Gates Project will regulate voltage, modify the characteristics of electric energy, and perform other functions" that are consistent with technical definitions of a substation.[26]

The reasoning of the Gates Scoping Memo confirms that the component of the Round Mountain 500 kV Area Dynamic Reactive Support Project that is the subject of this Application, the Fern Road Substation, fits even more clearly within GO 131-D's definition of substation. Fern Road includes step-up transformers that change the voltage of the current, a typical key component for the function of a substation. Additionally, Fern Road includes a 500 kV 3-bay, 6-position breaker-and-a-half switchyard, which includes components such as switches, breakers, and bus work, which are also typical features present within a substation.

The components of the Round Mountain 500 kV Area Dynamic Reactive Support Project that will be constructed and owned by PG&E do not alter this conclusion. The Commission has determined that even though a substation may require short ancillary connecting lines, such lines are not "major transmission line facilities," even if their voltages exceed 200 kV. As the Gates Scoping Memo noted, treating the short tie lines as major transmission line facilities is inconsistent with the structure of GO 131-D. Under GO 131-D, Section III.B, the PTC procedure applies to new or upgraded substations with high-side voltages in excess of 50 kV, which includes substations with a high-side voltage in excess of 200 kV. Because substations with high-side voltages in excess of 200 kV will also require construction of an interconnecting transmission line segment in excess of 200 kV, substation projects that include

[25] Gates Scoping Memo, p. 3.
[26] Gates Scoping Memo, pp. 3-4.

minor connecting transmission line segments in excess of 200 kV are also eligible for the PTC procedure. Otherwise, any substation with a high-side voltage in excess of 200 kV would automatically require a CPCN, contrary to the plain language of GO 131-D.[27]

For the Fern Road Substation, four approximately 300 to 1,000-foot transmission interconnection lines, constructed, supplied, and owned by PG&E (and not a part of this Application) will connect the Project to the adjacent PG&E Round Mountain to Table Mountain #1 and #2 500 kV Lines. As the Commission has clarified, short connecting lines are not "major electric transmission line facilities."[28]

For these reasons, the Fern Road Substation should be treated as a "new or upgraded substation[ ] with high side voltage exceeding 50 kV"[29] and is eligible to receive the Commission's authorization by means of a PTC.[30]

A. The Need for and Cost of the Project Are Reviewed Elsewhere

When the Commission adopted GO 131-D, it contemplated that the PTC process would provide a streamlined environmental review of projects in which a utility would not need to establish the need for the project or the reasonableness of the proposed project's cost.[31] For the Fern Road Substation, this streamlined environmental review is appropriate, because the need for the Project and the reasonableness of the costs of the Project are reviewed by other entities.

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[27] Gates Scoping Memo, p. 5.
[28] See D.11-07-020, pp. 1-2.
[29] GO 131-D, § III.B.
[30] As noted in the introduction, LSPGC has requested a PTC in its application to construct the Gates 500 kV Dynamic Reactive Support Project, A.21-02-018. If granted, LSPGC would become a public utility as defined in Public Utilities Code section 216(a). LSPGC expects that a decision in A.21-02-018 will precede the decision in this proceeding.
[31] D.94-06-014, p. 22 ("As compared with the procedures for a CPCN currently required for over-200-kV transmission lines, the permit to construct procedure is more streamlined, since it does not address the need for and economic cost of a proposed facility").

The need for the Project was determined as part of the CAISO's Transmission Planning Process. As outlined above, the Transmission Planning Process is a two-year review of the needs of the CAISO-controlled transmission grid, and the 2018-2019 Transmission Plan determined that a dynamic reactive support facility was needed near the Round Mountain substation to mitigate excessive high voltage and dynamic stability issues that would otherwise result after PG&E retires the Diablo Canyon Nuclear Power Plant.

The reasonableness of the costs of the Fern Road Substation is supported by the fact that LSPGC's proposal was selected in a robust competitive solicitation conducted by CAISO, primarily based on its cost competitiveness and cost containment commitments which include a binding project cost cap, a binding return on equity cap, a binding equity percentage cap, and a 15-year binding annual revenue requirement cap.[32] These binding cost caps will protect ratepayers from cost overruns. As the CAISO concluded:

> One of the key selection factors for which the ISO identified material differences among the project sponsors' proposals is the cost containment selection factor, particularly the project sponsors' commitments to binding cost containment measures. As discussed above, this factor is one of the three key selection factors identified by the ISO at the outset of this procurement process. LSPGC proposed the strongest binding cost containment commitment proposal. In particular, it proposed more robust capital or construction cost, return on equity, and equity percentage caps that should result in lower costs and present less risk compared to the proposals of the other five project sponsors, for their eleven proposals, thus benefitting ratepayers. Further, LSPGC proposed a robust, 15-year annual revenue requirement cap that will provide lower cost, greater rate certainty, and less cost risk than the proposals of the other project sponsors.[33]

[32] Round Mountain 500 kV Area Dynamic Reactive Support Project, Project Sponsor Selection Report, p. 141.
[33] Round Mountain 500 kV Area Dynamic Reactive Support Project: Project Sponsor Selection Report, p. 185.

LSPGC's cost containment commitments are incorporated into the APSA as well as in LSPGC's FERC-approved formula rates.[34] Furthermore, LSPGC's recovery of its cost of service through the Regional Transmission Access Charge is subject to its FERC-approved formula rates which incorporate the cost containment commitments. Interested stakeholders, including the Commission, 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 prudency of the costs recorded in compliance with FERC accounting rules.

Thus, the Fern Road Substation is ideally suited for the streamlined environmental review that the Commission intended for projects qualifying for a PTC.

VIII. REQUESTS FOR EXEMPTIONS[35]

LSPGC has no direct employees and relies on services provided by LS Power. Consistent with LSPGC's approved formula rate filing in FERC Docket ER21-195, LSPGC intends to use resources and facilities within the LS Power corporate organization to facilitate the efficient and cost-effective financing, development, construction, ownership, operation, and maintenance of the Fern Road Substation. LSPGC is able to draw on talented and committed personnel from across the LS Power organization, and subject to the Commission's approval, LSPGC hopes to continue to draw on this expertise.

In particular, LSPGC proposes to use LS Power affiliate support for activities such as treasury and finance, accounting and financial reporting, tax accounting, legal, human resources, information technology, engineering and project oversight, executive management,

[34] LSPGC's formula rate was approved by FERC on June 29, 2021 in Docket ER21-195.
[35] LSPGC has asked for similar exemptions in A.21-02-018. If the decision in that proceeding grants the requested exemptions to LSPGC, this portion of the relief requested in this application would become moot.

operations and maintenance, and regulatory compliance. Services provided by affiliates will be provided to LSPGC at cost as detailed in FERC Docket ER21-195.

Allowing continued use of these shared resources will give LSPGC access to the highly experienced personnel within the LS Power organization and will allow LSPGC to provide service in the most cost-efficient manner possible.

A. Affiliate Transaction Rules

The Commission has established two sets of affiliate transaction rules. One set, referred to as the Original Rules, applies to public utility electrical corporations that have gross annual operating revenues in California of one billion dollars or less.[36] LSPGC's gross annual operating revenues in California are not expected to equal or exceed one billion dollars and the Original Rules on affiliate transactions would ordinarily apply to LSPGC. However, exemption of LSPGC from the affiliate transaction rules is justified because the Project already meets the two goals of the affiliate transaction rules: to foster competition and protect consumers' interests.[37]

Fostering competition has been addressed by LSPGC's successful participation in the CAISO's competitive solicitation. As noted above, the Project was subject to a highly competitive solicitation at the CAISO. The CAISO selected LSPGC as the Approved Project Sponsor to finance, develop, construct, own, operate, and maintain the Fern Road Substation. Fern Road Substation will become part of the CAISO-controlled transmission system that is open to nondiscriminatory access and use by transmission customers under the terms of the

[36] Adopted in D.97-12-088 and amended in D.98-08-035 and D.98-12-075, these rules are the Original Rules. The Commission adopted revised affiliate transaction rules that apply only to the major electric utilities with gross annual operating revenues of more than one billion dollars in D.06-12-029.
[37] D.97-12-088, p. 9.

CAISO Tariff. By enhancing the operation of the transmission grid, the Project will promote the competitive elements of the CAISO's market mechanisms.

With regard to the Commission's goal of protecting consumer interests, no harm will result to consumers from waiver of the affiliate transaction rules in this instance. LSPGC will not have any retail customers in California, and the services the Project provides are supplied to CAISO and the CAISO-controlled grid, not to any individual customers. In addition, the CAISO Regional Transmission Access Charge (TAC) through which LSPGC will exclusively recover its costs is authorized by FERC. LSPGC will be able to recover only the costs that are authorized through its FERC-approved formula rates in accordance with FERC's jurisdiction over rates for interstate transmission service. Moreover, further consumer protection is provided because LSPGC has committed to cost containment measures limiting the amount LSPGC will seek to recover. These protections ensure that LSPGC cannot operate its facilities in a manner that improperly benefits its affiliates to the detriment of California ratepayers. As a FERC-regulated public utility, LSPGC also will comply with FERC's standards of conduct for transmission utilities.

Furthermore, LSPGC's lack of retail customers or retail service prevents access to customer information or accounts and eliminates any "meaningful risk of consumer confusion" between LSPGC and its affiliates. Since LSPGC does not have any retail customers in California, there is no risk of customer confusion or privacy violations. Because the costs of the Project are subject to strict cost containment provisions, because recovery of those costs must be authorized by the FERC, and because LSPGC does not have any retail customers in California, the interests of California ratepayers are protected from the potential affiliate abuses that could

result in higher retail rates. In this situation, the purposes of the affiliate transaction rules have been met, and further restrictions are unnecessary.

For these reasons, LSPGC respectfully requests the Commission to exempt it from the affiliate transaction rules.

However, if a complete exemption from the affiliate transaction rules is not granted, LSPGC requests exemption from certain provisions of the affiliate transaction rules, as set forth below.

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) . . . .

As described above, 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 after public utility status has been obtained, LSPGC respectfully requests exemption from Section V.G.

Granting these requested exemptions to LSPGC would not undermine the objectives of the affiliate transaction rules. The Commission's goals of fostering competition and protecting consumer interests would 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 NEET West in connection with the Suncrest Dynamic Reactive Support Project.[38] Similar exemptions were granted to DCR Transmission in D.21-11-003 for the Ten West Link Project.[39] In addition, to the extent the Commission has granted other exemptions of the affiliate transaction rules to similarly situated public utilities in California, LSPGC requests that it be granted similar exemptions.

B. Reporting Requirements

LSPGC also requests exemptions from certain reporting requirements that are not necessary for a public utility that is subject to both rate regulation by FERC and strict restrictions on the costs that may be recovered through the TAC. Specifically, LSPGC requests exemptions from General Order 65-A, General Order 77-M, and General Order 104-A.

General Order 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-

[38] D.18-09-030, p. 48.
[39] D.21-11-003, p. 78.

approved formula rates, which incorporate its cost containment commitments including a cap on the annual revenue requirement. Interested stakeholders, including the Commission, will have the ability to review LSPGC annual reporting to FERC of its actual costs and revenue requirement for compliance with the cost containment commitments and to confirm the prudency of costs recorded in compliance with FERC accounting rules. Because the Commission does not set rates for LSPGC, the objectives served by General Order 65-A do not apply.

General Order 77-M requires submission of data on the compensation of officers and employees, dues and donations, and legal fees. Submission of this information is 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. Further, interested stakeholders, including the Commission, will have the ability to review LSPGC annual reporting to FERC of its actual costs and revenue requirement for compliance with the cost containment commitments and to confirm the prudency of costs recorded in compliance with FERC accounting rules. Finally, LSPGC is an operating company that will not have direct employees. All staff will be employed by LS Power Development, LLC, the manager of LSPGC. LSPGC's annual report to FERC will identify all costs incurred by LSPGC including labor, dues and donations, and legal fees. All affiliate charges to LSPGC will be in accordance with the FERC-approved affiliate allocation methods associated with LSPGC's formula rate.

General Order 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. LSPGC therefore requests exemption from the General Order 104-A requirement to file an annual report.

In D.00-12-030, the Commission granted exemptions from General Order 65-A and General Order 77-K to Wild Goose Storage Inc. (Wild Goose), and limited Wild Goose's filing requirements under General Order 104-A. Because Wild Goose operated under a regime of market-based rates and was not subject to cost-based ratemaking, many of the requirements of the annual reports served little purpose for the Commission's regulation of Wild Goose. The Commission explained that Wild Goose was not subject to a traditional cost-of-service, rate-of-return regulatory framework, that ratepayers bore no risk for Wild Goose's investment and operations, that Wild Goose operated at complete risk to its shareholders, that Wild Goose had no market power and negligible ability to engage in predatory pricing, and that it was unnecessary to place a high regulatory burden on a new entrant.[40]

In D.18-09-030 the Commission excused NEET West from these reporting requirements in connection with the Suncrest Dynamic Reactive Power Support Project.[41]

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[40] D.00-12-030, pp. 4-5. After Wild Goose expanded its operations, the Commission withdrew the exemptions because it could no longer clearly determine whether Wild Goose possessed the ability to exercise market power. The Commission decided that re-imposing these reporting requirements would allow the Commission to monitor the situation more fully in the future. (D.02-07-036.) Because LSPGC does not and cannot exercise market power and cannot engage in predatory pricing, the Commission's original reasoning is relevant to LSPGC's request for exemption from these reporting requirements.

[41] D.18-09-030, p. 48. In D.19-07-002 (Trans-Bay Cable) and D.21-11-003 (Ten West Link Project), the Commission allowed the applicants to use FERC Form 1 as a proxy for the filings required by General Order 65-A and General Order 104-A but did not grant an exemption from the requirements of General Order 77-M. Because LSPGC has no direct employees, it would be an idle act and serve no purpose to require LSPGC to file the report required by General Order 77-M (names, titles, and duties of all employees making more than $85,000 annually).

For the same reasons the Commission determined that the reporting requirements were not warranted for Wild Goose or NextEra Energy Transmission West, the Commission should exempt LSPGC from these reporting requirements because:

- LSPGC's formula rate through which LSPGC will recover costs associated with the Project is subject to FERC's approval and oversight,
- LSPGC has committed to binding cost caps that limit the costs that LSPGC can recover through the TAC,
- LSPGC does not serve retail customers in California and has no ability to recover costs directly from retail customers in California, and
- LSPGC does not have market power and does not have the ability to control access to its facilities or engage in predatory pricing for use of its facilities.

IX. CONCLUSION

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

- granting LSPGC a Permit to Construct the 500 kV Fern Road Substation, as described in this Application and supporting documents;
- certifying the Mitigated Negative Declaration or other environmental documents prepared in compliance with CEQA;
- declaring that LSPGC is an electrical public utility if LSPGC has not already attained this designation in A.21-02-018;
- granting the exemptions requested in this Application; and
- granting such other and further relief as the Commission deems proper.

Respectfully submitted this 6th day of April, 2022 at San Francisco, California.

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VERIFICATION

I, Mark D. Milburn, 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 6th day of April, 2022 in Chesterfield, Missouri.

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