

# Memorandum

**To:** ISO Board of Governors  
**From:** Neil Millar, Vice President, Infrastructure and Operations Planning  
**Date:** November 5, 2024  
**Re:** **Decision on Participating Transmission Owner Application of Citizens Pacific Transmission LLC**

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***This memorandum requires ISO Board of Governors action.***

## EXECUTIVE SUMMARY

Management recommends that the ISO Board of Governors approve the ISO's acceptance of the Citizens Pacific Transmission LLC ("Citizens Pacific") application to become a Participating Transmission Owner (PTO) pursuant to section 4.3.1.1 of the California Independent System Operator Corporation ("ISO") tariff and section 2.2.1 of the Transmission Control Agreement (TCA), with respect to its interest in a Transmission Investment Program (Investment Program) with Pacific Gas and Electric Company (PG&E). Citizens Pacific is a wholly owned subsidiary of Citizens Pacific Corporation (Citizens Pacific), a Massachusetts non-profit corporation, and filed its application with the ISO on July 15, 2024.

On February 20, 2024, Citizens Pacific and PG&E entered into the Development, Coordination, and Option Agreement (DCOA), which identifies the terms for Citizens Pacific's involvement in the Investment Program. Under the DCOA, PG&E may offer Citizens Pacific up to five separate options to lease entitlements in a portfolio of identified projects (Entitlements Lease), with a total investment of up to \$1 billion. These investments will increase electric system safety, capacity, reliability, asset health, and interconnection of generation (including renewables) that further support California's renewable portfolio and decarbonization goals. Citizens Pacific will use an escalating portion of its after-tax profits from the Investment Program to provide support to disadvantaged communities and low-income families in the PG&E service area. In accordance with the procedures established by the TCA and the tariff, Management reviewed the Citizens Pacific application and now recommends that the ISO Board of Governors approve the ISO's acceptance of the Citizens Pacific application. Citizens Pacific satisfies all elements of the process to become a participating transmission owner

applicable at this time and is expected to satisfy all others prior to execution of the TCA. Approval of Citizens Pacific's application at this time will allow the Entitlements Lease to progress in its development, including execution of applicable Applicant Participating Transmission Owner Agreement with the ISO and other regulatory approvals.

Citizens Pacific will not execute the TCA until the first Entitlements Lease is ready for execution in advance of when the Entitlements are turned over to ISO operational control. The ISO and Citizens Pacific will commence negotiation of the Applicant Participating Transmission Owner Agreement to bridge the timeframe from now until execution of the TCA. This agreement will allow Citizens Pacific to perform critical tasks similar to projects approved in the ISO's transmission planning process, including, among other requirements, providing status reports to the ISO. Approval of Citizens Pacific as a future PTO allows Citizens Pacific to execute the Applicant Participating Transmission Owner Agreement and become a PTO upon fulfillment of the conditions cited in the motion below, and allows the ISO to file the Applicant Participating Transmission Owner Agreement in February 2025 with an expected FERC decision in April 2025.

***Moved, that the ISO Board of Governors approve the ISO's acceptance of the application of Citizens Pacific Transmission LLC for Participating Transmission Owner status, conditioned on (1) Citizens Pacific Transmission LLC executing the Transmission Control Agreement and (2) the Federal Energy Regulatory Commission's acceptance of a Transmission Owner Tariff, as set forth in the memorandum dated November 5, 2024.***

## DISCUSSION AND ANALYSIS

PG&E will be responsible for the development, design, permitting, engineering, procurement, and construction of each project, and will bear all costs for the development and construction of each project. PG&E will retain full ownership of the projects and Citizens Pacific's interest in any project will be limited to a leasehold interest in entitlements to each project.

For the first Entitlements Lease, Citizens Pacific expects to lease entitlements to the following projects:

- 1) Rio Oso – the installation of a 230 kV modular protection, automation, and control building.
- 2) Rio Oso – installation of a 230 kV gas insulated switchgear and in a breaker and a half configuration.

- 3) Gates – 500 kV T-Line.
- 4) Gates – 500 kV dynamic voltage support.
- 5) Monta Vista – installation of a 230 kV modular protection, automation, and control building.
- 6) Table Mountain – modify 500kV series capacitors 1&2.
- 7) Arco – 230 kV control building network upgrade.
- 8) Tesla 500 kV – replacement of circuit breaker 542 and 642.
- 9) Q1277 Tesla substation reliability network upgrade.

The list of projects identified for inclusion in the first Entitlements Lease remains subject to change and may be modified as permitted under the terms of the Development, Coordination, and Option Agreement to ensure PG&E and Citizens Pacific have the flexibility to respond to transmission planning needs as well as potential regulatory delays. Citizens Pacific will provide the ISO with a final list of projects in advance of executing the first Entitlements Lease. For each subsequent Entitlements Lease, PG&E will provide a project list to Citizens Pacific prior to the start of the applicable Entitlements Lease which sets forth each additional project comprised therein. Each Entitlements Lease will be associated with a distinct set of projects, will be for a 30-year term, and will be subject to review by FERC pursuant to Federal Power Act sections 203 and 205. Citizens Pacific will enter into all Entitlements Leases under the Investment Program and will be required to turn over operational control of its entitlements to the ISO.

In accordance with the procedures established pursuant to section 4.3 of the tariff and section 2 of the TCA, Citizens Pacific submitted an application to the ISO on July 15, 2024 that proposed Citizens Pacific join the ISO as a participating transmission owner. In order for an applicant to become a participating transmission owner, sections 2.2.3 and 2.2.5 of the TCA require that the ISO consider comments and determine whether to accept the application. Section 2.2.3 of the TCA states that the ISO shall permit a party to become a participating transmission owner if it determines that:

1. The applicant's transmission lines and associated facilities, including entitlements, that are to be placed under the ISO's operational control can be incorporated into the ISO controlled grid without any material adverse impact on its reliability;
2. Incorporating such transmission lines and associated facilities and entitlements into the ISO controlled grid will not put the ISO in breach of applicable reliability criteria and its obligations as a member of Western Electricity Coordinating Council;

3. Objections by the ISO under Section 4.1.3 shall have been withdrawn or determined by the ISO Governing Board to be invalid;
4. All applicable regulatory approvals of the applicant's TO Tariff have been obtained, which approvals shall specify that the effective date of the TO Tariff is the date that the ISO assumes operational control of the applicant's transmission lines and associated facilities and entitlements; and
5. The applicant is capable of performing its obligations under this Agreement.

Citizens Pacific satisfies the first and second elements because the transmission lines and associated facilities will be an addition to the ISO controlled grid and the PG&E transmission system.

Citizens Pacific satisfies the third element because no comments were received on its application and no objections were raised by the ISO.

Citizens Pacific satisfies the fourth element as it is addressed through the conditional nature of the Board's approval.

Citizens Pacific also satisfies the fifth element because they have demonstrated in their application that they have the ability to perform the obligations under the TCA for their entitlements. Citizens Pacific has been responsive to the ISO during the participating transmission owner application process and has demonstrated its willingness to perform obligations associated with the TCA.

Citizens Pacific provided with their application a draft transmission owner tariff, which will be filed with FERC closer to the date of transfer of operational control of the first Entitlements Lease. The draft transmission owner tariff included in the application is similar to other existing participating transmission owners' tariffs. Citizens Pacific will also need to execute the TCA closer to the date of transfer of operational control of the first Entitlements Lease. Accepting Citizens Pacific's application subject to these conditions at this time is necessary to support the implementation timeline of Citizens Pacific and timely transferring operational control of the entitlements to the ISO.

## **POSITIONS OF THE PARTIES**

As required by section 2.2.2 of the TCA, the ISO posted Citizens Pacific's application for participating transmission owner status on the ISO website for 60 days to give interested parties an opportunity to review the application and submit comments to the ISO. No comments were received by the ISO.

## **CONCLUSION**

Based on the criteria set forth in the TCA, Management has concluded that the application submitted by Citizens Pacific satisfies all of the requirements for acceptance applicable at this time and recommends that the Board approve the ISO's acceptance of Citizens Pacific's application for participating transmission owner status conditioned on (i) Citizens Pacific's execution of the TCA, and (ii) FERC's acceptance of Citizens Pacific's transmission owner tariff.