190 FERC ¶ 61,034
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Mark C. Christie, Chairman;
Willie L. Phillips, David Rosner,
Lindsay S. See and Judy W. Chang

California Independent System Operator Corporation Docket No. ER25-543-000

ORDER ACCEPTING PROJECT DEVELOPMENT AGREEMENT

(Issued January 21, 2025)

1. On November 22, 2024, California Independent System Operator Corporation (CAISO) filed, pursuant to Federal Power Act (FPA) section 205[1] and Part 35 of the Commission's regulations,[2] the Southwest Intertie Project—North (SWIP-North) Development Agreement (Development Agreement) between CAISO and Great Basin Transmission, LLC (Great Basin).[3] In this order, we accept the Development Agreement, effective November 23, 2024, as requested.

I. Background

A. Overview of the SWIP-North Project

2. CAISO states that Great Basin, an indirect, wholly owned subsidiary of LS Power Associates, L.P., is developing SWIP-North, which is comprised of the SWIP-North Transmission Line and upgrades to the existing One Nevada Transmission Line (ON Line) (collectively, Project).[4] CAISO states that the Project will span Idaho and Nevada and connect to the CAISO balancing authority area by tying to the transmission system owned by DesertLink LLC, a CAISO Participating Transmission Owner (PTO). CAISO explains that upon completion, the Project will provide approximately 2,000 MW of firm,

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[1] 16 U.S.C. § 824d.

[2] 18 C.F.R. pt. 35 (2024).

[3] CASIO, CAISO Non-Conforming Service Agreements, Service Agreement No. 8453 (Development Agreement re SWIP-North between Great Basin & CAISO) (0.0.0).

[4] CAISO Transmittal at 3.

bidirectional transmission capacity from Idaho to the CAISO region. Great Basin plans to complete the Project by mid-2028.

B. CAISO Board Approval of SWIP-North Project

3. CAISO explains that it has determined the Project is the only active transmission solution that will give load-serving entities in California direct access to Idaho wind-powered generation, thereby benefiting California ratepayers. According to CAISO, each of the three most recent integrated resource planning portfolios provided by the California Public Utilities Commission (CPUC) as inputs to CAISO's transmission planning process called for over 1,000 MW of Idaho wind power.[5] In accordance with CAISO's Open Access Transmission Tariff section 24.4.6.6, CAISO determined in its 2022-2023 transmission planning process that the Project was the most cost-effective, efficient, and timely solution to meet an identified public policy need (and provide additional benefits).[6] The 2022-2023 CAISO transmission plan specified that CAISO would continue economic studies to conduct a detailed assessment of the Project as a transmission alternative to interconnect Idaho wind generators as proposed in CPUC's resource planning portfolio and as an alternative to mitigate congestion on the California-Oregon Intertie. CAISO states that, on December 14, 2023, the CAISO Board of Governors (CAISO Board) approved including the Project as a transmission solution in an addendum to the 2022-2023 transmission plan, subject to the satisfaction of four conditions, the first of which was subsequently updated by the CAISO Board on October 4, 2024.

4. CAISO states that the first condition for the CAISO Board's updated approval is the acceptance of the U.S. Department of Energy (DOE), in place of Idaho Power, funding the non-CAISO portion of the cost of the Project.[7] CAISO explained that DOE will initially hold and fund 22.831% of the Project as a backstop to another utility's involvement, i.e., the DOE grant is to fund the Project if Idaho Power does not commit or if it does but does not receive approval from the Idaho Public Utilities Commission (Idaho Commission). CAISO states that on April 25, 2024, DOE announced that it had selected Great Basin to negotiate a capacity contract under DOE's Transmission Facilitation Program. CAISO further states that DOE later signed a Facilitation Agreement with Great Basin Northbound, LLC (GBT Northbound), a Great Basin affiliate, agreeing to fund 22.831% of the total Project cost and receive entitlements

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[5] *Id.* at 6 (citing CAISO's transmission plans for the years 2022-2023, 2023-2024, 2024-2025).

[6] *Id.* at 7.

[7] *Id.* at 10.

to 500 MW of the SWIP-North Transmission Line and ON Line transmission capacity south to north.[8]

5. CAISO states that the second condition the CAISO Board set is that CPUC reaffirm the need for out-of-state wind power generation in CPUC's 2024-2025 transmission planning process portfolio decision.[9] CAISO states that in CPUC's 2024-2025 integrated resource portfolio, CPUC reaffirmed California's need for approximately 1,000 MW of Idaho wind power.

6. CAISO states that the third condition is that Great Basin submit and receive CAISO Board approval of an application to become a PTO. CAISO asserts that on June 18, 2024, Great Basin submitted an application to become a PTO with respect to: (1) 1,117.5 MW of entitlements that Great Basin holds on the planned SWIP-North Transmission Line and the existing ON Line transmission capacity north to south; and (2) 572.5 MW of entitlements that Great Basin holds on the SWIP-North Transmission Line and the ON Line transmission capacity south to north. CAISO further states that on October 4, 2024, the CAISO Board found that Great Basin has met or plans to meet all of the requirements to become a PTO and approved Great Basin as a PTO subject to Great Basin executing the Transmission Control Agreement[10] and satisfying the fourth condition described immediately below.

7. CAISO states that the fourth condition for the CAISO Board's approval of the SWIP-North Transmission Line in CAISO's 2023-2024 transmission plan is Great Basin filing, and the Commission accepting, Great Basin's transmission owner tariff and associated transmission rate structure. CAISO explains that these actions will be taken closer to the energization of the Project, which is expected in 2028.[11]

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[8] *Id.* at 11. CAISO notes that, if Idaho Power does commit and receive timely approval from the Idaho Commission, the expectation is that the DOE facilitation agreement would no longer be necessary and would be terminated. *Id.*

[9] *Id.*

[10] The Transmission Control Agreement describes how CAISO and each PTO will discharge its respective duties and responsibilities with regard to the operation of the facilities and entitlements placed under CAISO operational control. *Id.* at 9 n.23.

[11] *Id.* at 13.

II. Instant Filing

A. Development Agreement

8. CAISO states that the Development Agreement establishes certain requirements during construction of the Project. CAISO modeled the Development Agreement largely upon CAISO's *pro forma* Approved Project Sponsor Agreement (APSA).[12]

9. CAISO states that, according to the Development Agreement, Great Basin will own and construct 77.169% of the Project and GBT Northbound will own and construct the remaining 22.831%.[13] CAISO states that it agreed to provide funding for the Project equal to Great Basin's 77.169 ownership percentage of the total Project cost in exchange for CAISO receiving operational control of the entitlements listed in Great Basin's application to become a PTO. CAISO asserts that these entitlements will provide benefits to customers in the region and that costs will be recovered through the regional transmission access charge.[14] CAISO states that upon Great Basin becoming a PTO, and after execution of a Transmission Control Agreement, the costs of the Project will be applied to Great Basin's Transmission Revenue Requirement (TRR). CAISO explains that it will then include Great Basin's TRR in the calculation of CAISO's transmission access charge, which is charged to both load and exports, as it does for all other PTOs.

10. CAISO notes that the Development Agreement contains cost containment provisions in order to reduce uncertainty and mitigate the risks of cost escalation.[15] The cost containment provisions include providing that: (1) cost-related decisions for the Project will be consistent with good utility practice and be subject to prudence review at the Commission pursuant to a Commission-approved formula rate structure; (2) Great Basin will not seek to recover construction work in progress in rate base during development or construction of the Project; and (3) if the projected capital cost is 10% or more of the Project cost estimate, then Great Basin will provide a written report to CAISO detailing the reasons for the projected cost increase and steps Great Basin plans to take to manage future capital costs, and CAISO will confer with Great Basin regarding

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[12] *Id.* at 14. CAISO notes that a similar entitlement agreement modeled on the *pro forma* APSA between CAISO and Citizens S-Line Transmission LLC was accepted in 2020. *Id.* (citing *Cal. Indep. Sys. Operator Corp.*, Docket No. ER21-196-000 (Dec. 14, 2020) (delegated order)).

[13] *Id.* at 13.

[14] *Id.* at 13-14.

[15] *Id.* at 17.

the report and review the projected increase to evaluate if Great Basin's estimate is reasonable.[16]

B. Voluntary Agreement Approach

11. CAISO explains that it is pursuing the Project under the Development Agreement as a voluntary entitlements agreement to further the state of California's public policy for procurement of out-of-state wind in the most cost-effective way, and in the context of the Commission's *Policy Statement Regarding State Voluntary Agreements to Plan and Pay for Transmission Facilities*.[17] CAISO states that, because of the unique circumstances surrounding the Project, it was not appropriate to meet the policy objective served by the Project through a competitive solicitation process.[18]

12. First, CAISO states that it is only pursuing entitlements for a portion of the Project, which includes entitlements both on new construction (i.e., SWIP-North) and on the existing ON Line. CAISO asserts that this is unlike transmission solutions that CAISO typically approves in the transmission planning process where it approves building an entirely new transmission line, and the entire facility is under CAISO's operational control and within CAISO's balancing authority area. CAISO notes that the Project will not be in the CAISO balancing authority area and CAISO will not have operational control of the entire Project. In addition, CAISO expects the DOE funding for 22.831% of the Project's costs to serve as temporary backstop funding to another utility's participation, which may ultimately be Idaho Power. CAISO states that, given the nature of CAISO's participation in the Project and the parties involved, a voluntary agreement approach, pursuant to the Policy Statement, is the appropriate means for effectuating the arrangement.[19]

13. Second, CAISO states that the Project is the most cost-effective and efficient solution to meet the public policy need identified in the transmission planning process, in large part because it uses capacity on existing transmission facilities, i.e., the ON Line, versus building a new 516-mile, 500 kV transmission line. CAISO asserts that any alternative solution would require the construction of an entirely new transmission line to replace the existing capacity on the ON Line, which would be significantly more

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[16] CASIO, CAISO Non-Conforming Service Agreements, Service Agreement No. 8453 (Development Agreement re SWIP-North between Great Basin & CAISO) (0.0.0), app. E.

[17] 175 FERC ¶ 61,225 (2021) (Policy Statement).

[18] CAISO Transmittal at 15.

[19] *Id.*

costly than the Project. In addition, CAISO explains that DOE's agreement to receive a portion of the capacity in the Project allows CAISO to receive only the amount of capacity it needs to meet the public policy objective and not more.[20]

14. Third, CAISO explains that the cost-sharing arrangement and reduction in risk associated with costs makes the Project the least-cost approach to meeting CPUC's identified resource needs. CAISO states that DOE is not participating in or funding any other transmission project that might bring Idaho wind-powered generation to the CAISO balancing authority area.[21]

15. Fourth, CAISO states that the Project is near-shovel-ready and has already achieved key milestones such as a Bureau of Land Management (BLM) Right-of-Way Grant, a BLM-approved Construction, Operation, and Maintenance Plan, and a Conditional BLM Notice-to-Proceed. Thus, CAISO asserts, the Project can become operational far sooner than any other alternative solution. CAISO also states that Great Basin has already taken action to secure major equipment and associated manufacturing slots to mitigate against schedule delays and cost increases, directly benefiting CAISO ratepayers.[22]

16. Finally, CAISO states that it needed to pursue the Project to support the CPUC resource planning portfolio calling for 1,000 MW of Idaho wind-powered generation to be procured by load-serving entities in California. CAISO notes that, as the Commission recognized in the Policy Statement, "Voluntary Agreements may allow state-prioritized transmission facilities to be planned and built more quickly than would comparable facilities that are planned through the regional transmission planning process(es)."[23] CAISO states that it determined that the Project is the only active transmission solution that will give load-serving entities in California direct access to Idaho wind-powered generation. CAISO also notes that, apart from meeting the CPUC resource planning portfolio in the most cost-effective way, the Project also provides certain additional economic benefits such as resource diversity, creation of a parallel path to, and reduction of congestion costs on, the California-Oregon Intertie, reduced renewable resource curtailment, and the ability to export excess solar-powered generation from the state.[24]

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[20] *Id.* at 15-16.

[21] *Id.* at 16.

[22] *Id.*

[23] *Id.* (quoting Policy Statement, 175 FERC ¶ 61,225 at P 2).

[24] *Id.* at 8, 16.

17. CAISO states that, because it is not conducting an open solicitation process, it is pursuing the Development Agreement through a voluntary agreement approach.[25] In support of this approach, CAISO cites three Commission orders: (1) Order No. 1000;[26] (2) the Policy Statement;[27] and (3) a Commission order accepting an executed State Agreement Approach Agreement (SAA Agreement) between PJM Interconnection, L.L.C. and the New Jersey Board of Public Utilities (PJM Order).[28]

18. First, CAISO argues that Order No. 1000 allows for the negotiation of voluntary alternative cost sharing arrangements, particularly to support transmission needs driven by public policy requirements.[29] Second, CAISO, citing the Policy Statement, states that neither the FPA nor the Commission's rules prohibit voluntary agreements to plan and pay for new transmission facilities.[30] Third, CAISO cites the PJM Order, noting that the Commission recognized that the voluntary agreement approach "is a supplementary transmission planning and cost allocation mechanism" to transmission planning and cost allocation under Order No. 1000.[31]

C. <u>Effective Date and Requested Waiver</u>

19. CAISO requests that the Commission accept the Development Agreement effective November 23, 2024, one day after the Development Agreement was submitted to the Commission. Pursuant to section 35.11 of the Commission's regulations,[32] CAISO

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[25] *Id.* at 2.

[26] *Transmission Planning & Cost Allocation by Transmission Owning & Operating Pub. Utils.*, Order No. 1000, 136 FERC ¶ 61,051 at PP 561, 724 (2011), *order on reh'g*, Order No. 1000-A, 139 FERC ¶ 61,132, at PP 728-729, *order on reh'g & clarification*, Order No. 1000-B, 141 FERC ¶ 61,044 (2012), *aff'd sub nom. S.C. Pub. Serv. Auth.* v. *FERC*, 762 F.3d 41 (D.C. Cir. 2014).

[27] Policy Statement, 175 FERC ¶ 61,225 at P 3.

[28] *PJM Interconnection, L.L.C.*, 179 FERC ¶ 61,024 (2022).

[29] CAISO Transmittal at 14 (citing Policy Statement, 175 FERC ¶ 61,225 at P 3, Order No. 1000, 136 FERC ¶ 61,051 at PP 209 n.189, 561, 724, *order on reh'g & clarification*, Order No. 1000-A, 139 FERC ¶ 61,132 at PP 728-729).

[30] *Id.* at 15 (citing Policy Statement, 175 FERC ¶ 61,225 at P 3).

[31] *Id.* at 16 n.40 (citing PJM Order, 179 FERC ¶ 61,024 at P 2).

[32] 18 C.F.R. § 35.11.

requests waiver of the prior notice requirement set forth in section 35.3(a)(1) of the Commission's regulations.[33] CAISO states that good cause exists to grant the requested waiver in order to allow the Development Agreement to go into effect as soon as possible. CAISO states that permitting the Development Agreement to become effective expeditiously will facilitate state planning portfolios and will allow ratepayers to receive the benefits of the Project identified by CAISO.

III. Notice of Filing and Responsive Pleadings

20. Notice of CAISO's filing was published in the *Federal Register*, 89 Fed. Reg. 95202 (Dec. 2, 2024), with interventions and protests due on or before December 13, 2024. Timely motions to intervene were filed by Pacific Gas and Electric Company, Great Basin, NV Energy, Inc., California Department of Water Resources State Water Project, Southern California Edison Company, and Northern California Power Agency. CPUC filed a notice of intervention and comments.

21. CPUC urges the Commission to accept the Development Agreement between CAISO and Great Basin.[34] CPUC affirms the public policy benefits from the timely energization of the Project,[35] stating that it has identified, through its integrated resource planning process, out-of-state wind power, specifically wind resources in Idaho, as an important part of the state's future generation mix.[36] CPUC notes that this was part of its most recent Preferred System Plan portfolio adopted in 2024, which sets a goal of 113% clean energy by 2045.[37]

22. CPUC asserts that, but for the policy benefits from the CPUC portfolios of generation and storage resources that have been utilized in CAISO's transmission planning process, CPUC would not support CAISO seeking the entitlements detailed in

[33] CAISO Transmittal at 21 (citing 18 C.F.R. § 35.3(a)(1)).

[34] CPUC Comment at 2.

[35] *Id.* CPUC states that the Development Agreement is consistent with California's policy goals to reduce greenhouse gas emission from the electric sector. *Id.* at 5.

[36] *Id.* at 3 (noting that the base portfolio for CAISO's transmission planning process included over 1,000 MW of out-of-state wind resources from Idaho for the past three planning cycles).

[37] *Id.* at 3-4 (noting that the clean energy level can exceed 100% because it is based on retail sales and includes exported energy).

the Development Agreement.[38] CPUC states that it supports the Development Agreement because Idaho wind power has been consistently included in CPUC's portfolios, and CAISO identified the Project as the most cost-effective, timely, and efficient solution to bring Idaho wind power to California. Additionally, CPUC urges the Commission and the developer to maximize cost controls to the benefit of California ratepayers in order to develop the Project at the lowest possible cost and yield greater benefits to Californians.[39]

IV. Discussion

A. Procedural Matters

23. Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.214 (2024), the notice of intervention and timely, unopposed motions to intervene serve to make the entities that filed them parties to this proceeding.

B. Substantive Matters

24. We find that the Development Agreement is just and reasonable and not unduly discriminatory or preferential and therefore we accept it, effective November 23, 2024, as requested.[40] As CAISO explains, the Development Agreement is modeled largely upon CAISO's *pro forma* APSA and establishes certain requirements during construction of the Project.[41] The Development Agreement also memorializes CAISO's agreement to provide funding for the Project equal to Great Basin's 77.169 ownership percentage of the total Project cost in exchange for CAISO receiving operational control of the entitlements listed in Great Basin's application to become a PTO (i.e., voluntary cost sharing agreement).[42] As discussed below, we find CAISO's proposed voluntary cost sharing agreement to be just and reasonable. We also note that CPUC supports the Development Agreement, stating that Idaho wind power has been consistently included

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[38] *Id.* at 4.

[39] *Id.* at 5.

[40] We grant CAISO's request for waiver of the Commission's 60-day prior notice requirement for good cause shown. *See Cent. Hudson Gas & Elec. Corp.*, 60 FERC ¶ 61,106, at 61,339, *order on reh'g*, 61 FERC ¶ 61,089 (1992).

[41] CAISO Transmittal at 14.

[42] CAISO , CAISO Non-Conforming Service Agreements, Service Agreement No 8453 (Development Agreement re SWIP-North between Great Basin & CAISO) (0.0.0), app. A, § 1.

in CPUC's resource planning portfolios and that CAISO has identified the Project as the most cost-effective, timely, and efficient solution to bring Idaho wind power to California.[43]

25. We agree with CAISO that Order No. 1000 allows for voluntary cost sharing arrangements like the arrangement set forth in the Development Agreement.[44] Specifically, Order No. 1000 allows for the negotiation of voluntary alternative cost sharing arrangements separate from the applicable regional cost allocation method(s),[45] and it does not limit the opportunity for a transmission developer to voluntarily assume the costs of a new transmission facility.[46] We also find that the voluntary cost sharing arrangement set forth in the Development Agreement is consistent with the Policy Statement. As the Commission stated in the Policy Statement, neither the FPA nor the Commission's rules prohibit or exclude voluntary agreements among "two or more public utility transmission providers to plan and pay for new transmission facilities."[47] Moreover, the Policy Statement providers that voluntary agreements can be used to pay for transmission facilities that are not being developed according to a regional transmission planning process required by Order No. 1000.[48]

26. Finally, we find that the cost allocation under the voluntary cost sharing arrangement proposed in the Development Agreement is just and reasonable and not

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[43] CPUC Comments at 1-2.

[44] *See, e.g.*, *PJM Interconnection, L.L.C.*, 179 FERC ¶ 61, 024 (2022) (accepting an executed State Agreement Approach Agreement between PJM and the New Jersey Board of Public Utilities, pursuant to which the New Jersey Board of Public Utilities agreed voluntarily to be responsible for the allocation of all costs of proposed transmission expansions or enhancements to address public policy requirements identified by the state).

[45] Order No. 1000, 136 FERC ¶ 61,051 at P 561 (stating that the cost allocation requirements "do[] not undermine the ability of market participants to negotiate alternative cost sharing arrangements voluntarily and separately from the regional cost allocation method or methods").

[46] *Id.* P 724 (stating that the required cost allocation principles "do not in any way foreclose the opportunity for a transmission developer, a group of transmission developers, or one or more individual transmission customers to voluntarily assume the costs of a new transmission facility").

[47] Policy Statement, 175 FERC ¶ 61,225 at PP 1, 3.

[48] *Id.* P 2.

unduly discriminatory or preferential because it allocates the approximately $950 million in costs associated with the Project that will be allocated to CAISO ratepayers in a manner that is at least roughly commensurate with the estimated benefits those ratepayers will receive from the Project.[49] Specifically, CAISO will use its transmission capacity entitlements on the Project to obtain power from wind resources in Idaho, which is a regional transmission need that CAISO identified based on CPUC's inclusion of 1,000 MW of Idaho wind resources in its integrated resource plan for the state of California. In addition, CAISO notes other benefits to ratepayers from the acquisition of the entitlements, such as creating a parallel path to the California-Oregon Intertie, reducing congestion costs on the California-Oregon Intertie, reducing renewable resource curtailment, and enabling the export of excess solar-powered generation from California.[50]

<u>The Commission orders</u>:

The Development Agreement is hereby accepted for filing, effective November 23, 2024, as requested, as discussed in the body of this order.

By the Commission.

(S E A L)

Debbie-Anne A. Reese,
Secretary.

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[49] *See Ill. Commerce Comm'n v. FERC,* 576 F.3d 470, 476-477 (7th Cir. 2009).

[50] CAISO Transmittal at 7.