

# ENGLEMAN FALLON, PLLC

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March 31, 2022

## VIA E-TARIFF

Kimberly D. Bose  
Secretary  
Federal Energy Regulatory Commission  
888 First Street, NE  
Washington, DC 20426

**Re: LS Power Grid California, LLC, Docket No. ER22-\_\_\_\_-000  
Order No. 864 Compliance Update**

Dear Secretary Bose:

Pursuant to Section 206 of the Federal Power Act,<sup>1</sup> Part 35 of the Federal Energy Regulatory Commission (“Commission”) regulations,<sup>2</sup> Order No. 864,<sup>3</sup> and the Commission’s June 29, 2021 Order in ER21-195-000, *et al.* (“Formula Rate Approval Order”),<sup>4</sup> LS Power Grid California, LLC (“LS Power Grid California”) submits these revisions in compliance with Order No. 864 (“Compliance Filing Update”). The filing includes revisions to LS Power Grid California’s formula rate template (“Formula Template”) set forth in Appendix III of LS Power Grid California’s Transmission Owner (“TO”) Tariff. In accordance with the Formula Rate Approval Order, the revisions included in this filing are consistent with those filed by LS Power Grid California’s affiliate, DesertLink, LLC (“DesertLink”),<sup>5</sup> filed in compliance with Order No. 864.<sup>6</sup>

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<sup>1</sup> 16 U.S.C. § 824e (2018).

<sup>2</sup> 18 C.F.R. Part 35 (2021).

<sup>3</sup> *Public Utility Transmission Rate Changes to Address Accumulated Deferred Income Taxes*, Order No. 864, 169 FERC ¶ 61,139 (2019) (“Order No. 864”), *order on reh’g and clarification*, Order No. 864-A, 171 FERC ¶ 61,033 (2020).

<sup>4</sup> *LS Power Grid California, LLC*, 175 FERC ¶ 61,256 at P 21 (2021) (“Formula Rate Approval Order”).

<sup>5</sup> DesertLink is also a participating TO in the California Independent System Operator Corporation (“CAISO”) region.

<sup>6</sup> DesertLink, LLC, Order No. 864 Compliance Filing, filed in Docket No. ER20-1573-000 on April 15, 2020. DesertLink, LLC, Order No. 864 Amendment Filing, filed in Docket No. ER20-1573-001 on February 23, 2021.

## I. BACKGROUND

On October 23, 2020, LS Power Grid California filed a TO Tariff, including a Formula Template and associated transmission formula rate implementation protocols to calculate its annual transmission revenue requirement (“Formula Rate Filing”). The filing was needed in order for LS Power Grid California to become a participating TO in the CAISO region. On December 8, 2020, LS Power Grid California requested that the Commission defer action on the Formula Rate Filing. On April 30, 2021, LS Power Grid California asked for reinstatement of its request for Commission action on the Formula Rate Filing (“Updated Filing”). LS Power Grid California also proposed several minor corrections to its Formula Template. In the Updated Filing, LS Power Grid California stated that its Formula Template included accumulated deferred income tax (“ADIT”) worksheets that were patterned off of the ADIT worksheets filed in Docket No. ER20-1573-000 by LS Power Grid California’s affiliate, DesertLink.<sup>7</sup> LS Power Grid California also noted that DesertLink had been working with Commission Staff on revisions to DesertLink’s Order No. 864 compliance filing and LS Power Grid California committed to update its own ADIT worksheets to the extent DesertLink revised its ADIT worksheets.<sup>8</sup> In its Formula Rate Approval Order, the Commission accepted LS Power Grid California’s proposed ADIT worksheets for filing, subject to the outcome of DesertLink’s Order No. 864 compliance proceeding in Docket No. ER20-1573-000.<sup>9</sup>

On December 23, 2021, following discussions with and recommendations by Commission Staff, DesertLink proposed additional revisions to its formula rate template and ADIT worksheets to comply with Order No. 864. On March 21, 2021, the Commission accepted for filing DesertLink’s revisions via delegated letter order.<sup>10</sup> The revisions described below for LS Power Grid California are modelled after the accepted DesertLink revisions.

## II. DESCRIPTION OF THE COMPLIANCE FILING

In this Compliance Filing, LS Power Grid California proposes changes to its Appendix III and Attachment 10<sup>11</sup> and proposes two new supporting worksheets, Attachments 10.1 and 10.2.<sup>12</sup> Attachment 10.1 contains sections for projected data and other sections for actual data. The sections for actual data remain blank when the Formula Rate is calculating a projected revenue requirement but will be populated with actual data for the Annual Update. The computations on this attachment apply the proration rules of Treasury Regulation Section 1.167(l)-1(h)(6)<sup>13</sup> to the annual activity of the portions of the deficient or excess ADIT recorded

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<sup>7</sup> Updated Filing at 2.

<sup>8</sup> *Id.* (citing *TransCanyon Western Development, LLC*, 75 FERC ¶ 61,007 at P 16 (2021)).

<sup>9</sup> Formula Rate Approval Order at P 21.

<sup>10</sup> *DesertLink, LLC*, Docket No. ER20-1573-001 (March 21, 2021) (unpublished delegated letter order accepting for filing DesertLink’s Order No. 864 compliance filing).

<sup>11</sup> Given the extensive revisions to Attachment 10, the prior version is shown entirely in red strikethrough while the new version is shown entirely in red underline.

<sup>12</sup> Attachments 10.1 and 10.2 are entirely new and therefore shown in red underline.

<sup>13</sup> 26 C.F.R. § 1.167(l)-1(h)(6) (2022).

in account 182.3 or 254 that are subject to the normalization requirements. Activity related to the portions of the account balances reflected in rate base but not subject to the proration requirement are averaged instead of prorated. Regulatory asset balances related to deficient deferred taxes and regulatory liability balances related to excess deferred taxes reflect tax gross-up. In addition, corresponding deferred tax assets and liabilities are averaged or prorated on other workpapers.

Attachment 10.2 will be used as needed to support the revenue requirement computation until the excess or deficient ADIT is fully amortized. A similar worksheet will be used for subsequent changes in tax law resulting in re-measurement of ADIT. Attachment 10.2 will indicate the ratemaking treatment of each item in terms of whether it is subject to the normalization requirements (i.e., P or “protected”) or not (i.e., U or “unprotected”) and included in rate base or not (i.e., RB or non-RB). The balances are measured at the composite tax rate in effect immediately before effective date of the change in tax law and remeasured immediately after the change in tax law. Each set of balances includes the appropriate income tax rates and tax gross-up factors (as computed in the specific note for this tax law change in Attachment 10). Finally, the journal entry to record the remeasurements (Line 16) is based on the differences in balances of accounts recorded prior to the change in law (columns (d)-(h)) and activity in other accounts resulting from the remeasurement (columns (i)-(n)).

### **III. COMMUNICATIONS**

Communications and correspondence with respect to this filing should be directed to:

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### **IV. CONTENTS OF THIS FILING**

In addition to this filing letter, LS Power Grid California’s Compliance Filing Update consists of the following:

- Exhibit A – Clean Tariff Sheets;
- Exhibit B – Redlined Tariff Sheets; and
- Exhibit C – Unpopulated Native Excel Version of the Formula Rate.

### **V. EFFECTIVE DATE**

In Order No. 864, the Commission stated that it expected public utilities to make their proposed tariff sheets effective on the effective date of the rule, January 27, 2020.<sup>14</sup> However, LS Power Grid California’s TO Tariff was not effective until December 23, 2020. Therefore,

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<sup>14</sup> Order No. 864 at P 100.

LS Power Grid California requests that revisions proposed in this filing be effective December 23, 2020, which is the earliest possible effective date for the proposed revisions.

## **VI. SERVICE**

Copies of this filing have been served on all parties to Docket No. 21-195-000, *et al.* as well as CAISO and the participating transmission owners that have transferred operational control over their transmission facilities and entitlement to CAISO.

## **VII. CONCLUSION**

For the reasons set forth above, LS Power Grid California requests that the Commission approve the revisions in this Compliance Filing Update, effective December 23, 2020, and find that LS Power Grid California has complied with the requirements of Order No. 864 and the Formula Rate Approval Order.

Respectfully submitted,

By: /s/ Christina R. Switzer

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