



LS Power Grid California, LLC

2025 Projection Stakeholder Meeting

November 18, 2024

Outline

- Introductions
- General Information
 - Company and Projects
 - Key Regulatory Filings and Orders
 - Formula Rate
- 2025 Projection
 - Background
 - ARR Summary
 - Weighted Average Cost of Capital
- Discussion

General Information

Company, Project, and Formula Rate

General Information

Overview of the Company and Projects

- LS Power Grid California, LLC (LSPGC) is a transmission-only company formed to develop, own, and operate transmission facilities in the California Independent System Operator (CAISO) region.
- As part of separate FERC Order No. 1000-compliant competitive solicitation processes, CAISO has selected LSPGC to develop the following projects:
 - Gates 500 kV Dynamic Reactive Support Project (Orchard Substation)
 - Round Mountain 500 kV Area Dynamic Reactive Support Project (Fern Road Substation)
 - Manning 500/230 kV Substation Project
 - Collinsville 500/230 kV Substation Project
 - Newark-Northern Receiving Station HVDC Project (Power the South Bay Project)
 - Metcalf-San Jose B HVDC Project (Power Santa Clara Valley Project)
- Only the Gates Project is expected to be in service during the 2025 rate year.
- Each project is subject to certain cost, ROE, and equity capital structure commitments per Approved Project Sponsor Agreements (APSAs) with CAISO.
- More information is available at lspgridcalifornia.com

General Information – Regulatory

Selected Regulatory Filings and Orders

2020 – 2022

- June 18, 2020 – FERC grants certain transmission rate incentives for the Gates and Round Mountain Projects requested in a March 4, 2020, petition in Docket No. EL20-29:
 1. Regulatory asset incentive for deferred recovery of precommercial costs and accrual of carrying charges;
 2. 100% recovery of prudently-incurred costs associated with abandonment of the Project;
 3. Hypothetical capital structure (55% debt/45% equity) prior to commercial operation, then a 50% cap on equity;
 4. 50 bps RTO participation adder (subject to 9.8% maximum ROE, inclusive of adders).
- June 29, 2021 – FERC accepts transmission owner tariff (TO Tariff) and formula rate initially filed October 23, 2020, as deferred December 8, 2020, and reinstated and amended on April 30, 2021.

General Information – Regulatory

Selected Regulatory Filings and Orders

2023 – present

- March 27, 2023 – FERC grants certain transmission rate incentives for Collinsville, Manning, Newark, and Metcalf Projects requested January 24, 2023, as supplemented March 9, 2023, in Docket No. ER23-926.
 1. Regulatory asset incentive for deferred recovery of precommercial costs and accrual of carrying charges;
 2. 100% recovery of prudently-incurred costs associated with abandonment of the Project.
- October 15, 2024 – FERC accepts formula revisions and grants certain transmission rate incentives submitted August 1, 2024, as amended August 16, 2024, for the Collinsville, Manning, Newark, and Metcalf Projects.
 1. Cost containment mechanisms incorporated for each project;
 2. Hypothetical capital structure granted for new transmission projects and extended for Gates and Round Mountain: 55% debt/45% equity prior to commercial operation, then a 50% cap on equity.

FERC simultaneously initiated an FPA Section 206 investigative proceeding related to the LSPGC Protocols. LSPGC will respond by December 14, 2024.

General Information – Cost Commitments

Key Provisions

- Gates and Round Mountain Projects¹
 - Capital Cost Cap (subject to certain exclusions)
 - Gates capital costs may not exceed \$68.3 million.
 - Round Mountain capital costs may not exceed \$75.5 million.
 - ROE Cap – ROE shall not exceed 9.8%, inclusive of adders.
 - Equity Cap – equity percentage cap of 45% for the life of each project.
 - Revenue Requirement Cap – 15-year cap on ARR subject to adjustments, deviations, and exclusions defined in the APSAs
- Collinsville, Manning, Newark, and Metcalf Projects²
 - Schedule Guarantee
 - Annual Revenue Requirement Cap

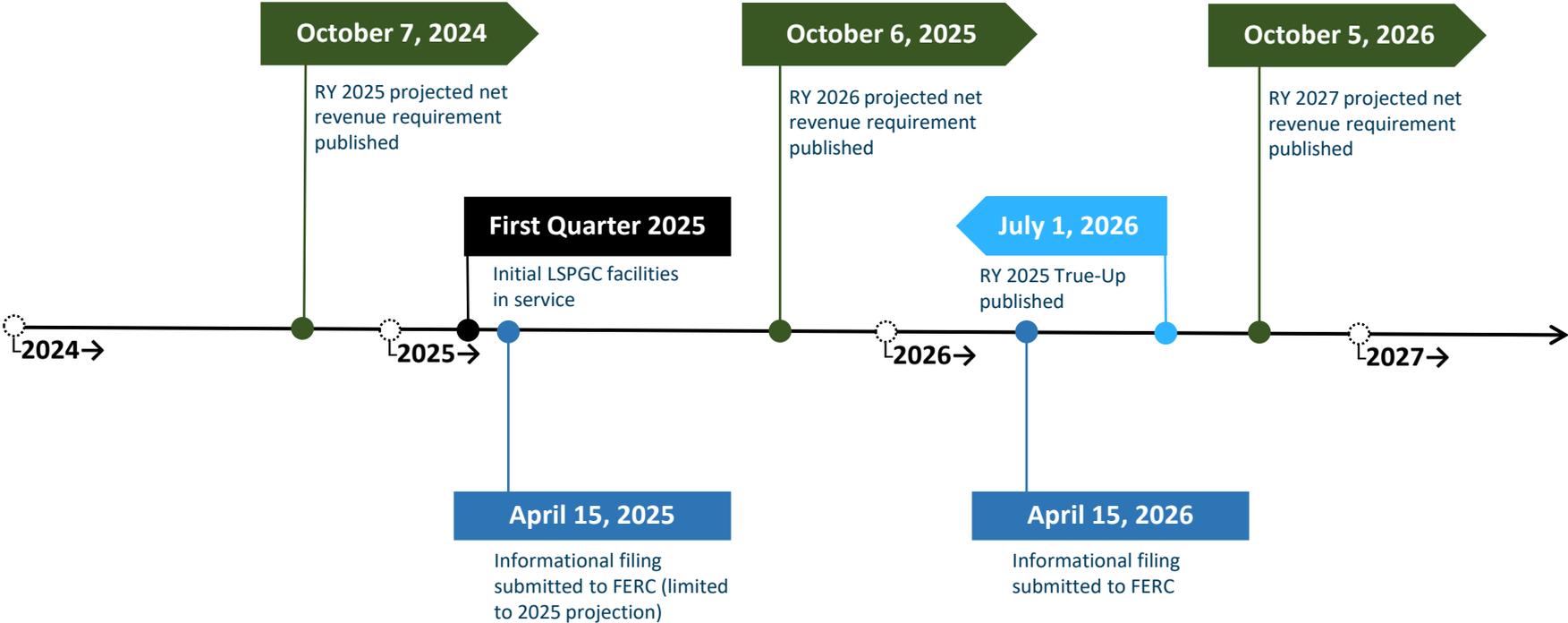
Specific cost commitments defined in and subject to the terms of the APSAs between LSPGC and CAISO.

¹ Refer to Attachment 11 included in the 2025 Projection template for additional details.

² These projects will *not* be in service during 2025. Refer to Attachment 12 for details on cost containment provisions.

Formula Rate Timeline

General Update Process



Formula Rate Timeline

Selected milestones

- October 7, 2024 – Publication of 2025 Projection
- November 18, 2024 – Stakeholder meeting for 2025 Projection
- December 1, 2024 – Last day to incorporate corrections into 2025 Projection
- January 1, 2025 – Scheduled end of information request period (based on full annual update cycle)

Annual Projected Net Revenue Requirement

2025 Rate Year

Projected Revenue Requirement

Background

- LSPGC's first transmission project, Gates (Orchard Substation), is expected to go into service during the 2025 rate year.
- Based on CAISO settlement practices, LSPGC has provided the projected 2025 net revenue requirement based on estimated annualized costs (*i.e.*, costs as if facilities were to be in service the full year).
 - CAISO will not collect and LSPGC will not receive any revenues until the project is in service.
 - LSPGC's 2025 Annual Update, to be published in July 2026 and including the calculation of the true-up adjustment for 2025, will compare actual partial year costs to the annualized 2025 projected annual revenue requirement weighted by actual days in service. LSPGC will include a workpaper showing this calculation as part of the 2025 Annual Update.
- The ARR Cap will apply beginning with a project's first full calendar year in service.
- The formula rate template used for the 2025 Projection includes certain revisions and new worksheets that had been pending before the FERC in Docket No. ER24-2668 at the time of publication and have since been accepted with an effective date of October 1, 2024.
 - The revisions are primarily related to the four new projects and do not affect the revenue requirement calculation or cost containment commitments related to the Gates (Orchard Substation) Project.
 - LSPGC is using one modified new worksheet, Attachment 1a, to provide monthly project-level detail for the 2025 Projection.
 - Refer to the Notice and Disclosures document published with the 2025 Annual Projection for more detail.

Projected Revenue Requirement Summary

2025 Rate Year Highlights

Appendix III Item	Appendix III Reference	2025 Projection
Average Rate Base	Page 2, Line 35	\$ 74,709,942
Rate of Return ¹	Page 4, Line 18	7.36%
Return on Rate Base	Page 3, Line 48	5,498,849
Income Taxes	Page 3, Line 46	1,280,233
Total Return & Income Taxes		6,779,083
Operating Expenses:		
O&M and A&G Expenses	Page 3, Line 17	4,257,702
Depreciation Expenses	Page 3, Line 22	3,973,563
Non-income taxes	Page 3, Line 32	1,294,285
Total Operating Expenses		7,128,856
Gross Revenue Requirement	Page 3, Line 49 (Page 1, Line 1)	13,907,939
Less: Revenue Credits	Page 1, Line 6	0
Less: Prior Period Adjustments (including True-up Adjustment) with Interest	Page 1, Line 8 + Line 9 (n/a)	0
Net Revenue Requirement	Page 1, Line 9	13,907,939

The derivation of this average rate base value of \$74.7 million from original plant values adjusted to meet the cost cap of \$68.3 million is explained on the next two slides.

¹ Weighted Average Cost of Capital (WACC) calculation for projection provided in a separate slide.

Application of Cost Cap

Data Inputs and Flow

- Workpaper 1a shows plant data unadjusted for cost cap
- Attachment 4, Page 1, Column k shows regulatory asset unadjusted monthly data and adjustment applied to 13-month average
- Attachment 11 calculates required adjustments to comply with cost cap
- Workpaper Gates Capital Cost Cap shows adjustments to plant and depreciation
- Attachment 1a shows adjusted data that flow into formula calculations

Attachment 11, Section 1 established gross plant and unamortized regulatory asset (precommercial costs) based on December values that would be reported in the Form No. 1.

Note that Line 1b shows excluded costs, as defined in the APSAs, that are not subject to the cost cap.

1 Categorization of Form No. 1 Gross Plant and Unamortized Regulatory Asset <i>LSPGC will report its regulatory asset and gross plant in service in FERC Form No. 1 page 232 line 44 column f and FERC Form No. 1 page 207 line 104 column g, respectively, which may include initial Project Costs and Excluded</i>			
Line No.	Description	Notes	Gates Amount
1	Total Gross Plant in Service (Line 1a + Line 1b)	A	\$ 94,414,266
1a	Gross Plant In Service – Project Costs (other than Excluded Costs)	C	\$ 81,474,190
1b	Gross Plant In Service – Excluded Costs	C	\$ 12,940,076
2	Total Unamortized Regulatory Asset (Line 2a + Line 2b)	B	\$ 1,919,951
2a	Unamortized Regulatory Asset – Project Costs (other than Excluded Costs)	C	\$ 1,919,951
2b	Unamortized Regulatory Asset – Excluded Costs	C	\$ -
Notes:			
A	Total reported in FERC Form 1, 207.104.g		
B	Total reported in FERC Form 1, 232.44.f		
C	Project Costs and Excluded Costs as defined in the APSAs		

← From Workpaper 1a [Unadjusted data] Forecasted Dec. 2025 value

← From Workpaper 1a but not subject to cost cap. Forecasted Dec. 2025 value

← From Att. 4, Page 1, Col. K Forecasted regulatory asset

Application of Cost Cap

Attachment 11

Section 2 calculates adjustments to gross plant and regulatory asset balances necessary to meet capital cost cap. Excluded Costs are not adjusted.

Calculated adjustments to meet the cost cap are applied in Att. 1a, Att. 4, and WP Gates Capital Cost Cap to calculated 13-month average values.

The adjusted 13-month average values flow into Appendix III, Page 2, Rate Base section where other components are added to yield the \$74.7 million rate base value.

2 Binding Capital Cost Cap			
Line No.	Description	Notes	Gates Amount
1	Actual Project Costs other than Excluded Costs (Line 1a + Line 1b)		\$ 83,394,141
1a	Gross Plant In Service – Project Costs (other than Excluded Costs)	A	\$ 81,474,190
1b	Unamortized Regulatory Asset – Project Costs (other than Excluded Costs)	A	\$ 1,919,951
2	Binding Capital Cost Cap	B	\$ 68,300,000
3	Project Costs in excess of Binding Capital Cost Cap, if any (Line 1 - Line 2)	C	\$ 15,094,141
4	Adjustment to Project Costs to meet Binding Capital Cost Cap if necessary (Line 4a + Line 4b)	D	\$ (15,094,141)
4a	Adjustment to Project Costs in Unamortized Regulatory Asset to comply with Binding Capital Cost Cap, if necessary	E	\$ (1,919,951)
4b	Adjustment to Project Costs in Gross Plant in Service to comply with Binding Capital Cost Cap, if necessary	F	\$ (13,174,190)
5	Project Costs other than Excluded Costs after adjustment (Line 5a + Line 5b)	G	\$ 68,300,000
5a	Adjusted Gross Plant In Service other than Excluded Costs (Line 1a + Line 4b)		\$ 68,300,000
5b	Adjusted Unamortized Regulatory Asset other than Excluded Costs (Line 1b + Line 4a)		\$ -
6	Total Project Costs included in rates after adjustment (Line 6a + Line 6b)		\$ 81,240,076
6a	Adjusted Gross Plant In Service included in rates, (Line 5a + Excluded Costs)	H	\$ 81,240,076
6b	Adjusted Unamortized Regulatory Asset included in rates, (Line 5b + Excluded Costs)	I	\$ -

→ Adjustment to Att. 4, Page 1, Col. K, Line 28 zeroes 13-month average.

→ Adjustment to Workpaper Gates Capital Cost Cap, Line 5

← Shows project costs meet cap after adjustments.

← Shows entire regulatory asset balance zeroed to meet cap.

→ Ties to Attachment 1a, Line 1 December sum of Gates values

Weighted Average Cost of Capital

Rate of Return Calculation

WACC Element	Weight	Cost	Weighted	
Long Term Debt	55%	5.36%	2.95%	
Preferred Stock	-	-	-	
Common Stock	45%	9.80%	4.41	
Total			7.36%	= Rate of Return

Refer to Attachment 5 (Return on Rate Base worksheet) in the published 2025 Annual Projection for more detail.

Discussion

Formula rate materials are posted on the 'Documents' page of the LSPGC website:

lspgridcalifornia.com/documents/

Direct inquiries, information requests, and challenges to:

rates@lspgridcalifornia.com

Disclaimer

Notwithstanding requirements and terms defined in LS Power Grid California, LLC's (LSPGC) formula rate implementation protocols and terms commonly used in FERC ratemaking (e.g., 'projected', 'projection'), this document and any related discussions may contain certain statements that describe LSPGC management's beliefs concerning future financial performance, future business conditions and prospects, growth opportunities and the outlook for the electric transmission industry based upon information currently available. Such statements are "forward-looking" statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements can be identified by the fact that they do not relate strictly to historical or current facts and are often identified by words such as "anticipates", "believes", "intends", "estimates", "expects", "projects", "projected", "shall", "will", "should", "could", "may" and similar phrases. Such forward-looking statements are based upon assumptions management believes are reasonable. Such forward-looking statements are subject to important risks, uncertainties and other factors which could cause actual results, performance and achievements to differ materially from those expressed in, or implied by, these statements. These important risks, uncertainties and other factors include: future economic conditions in regional, national and international markets and their effects on prices, costs and availability of required goods and services; market perception of the energy industry and LSPGC; changes in business strategy, operations or development plans; the outcome of contract negotiations for goods and services; effects of current or proposed state and federal legislative and regulatory actions or developments, including deregulation, re-regulation and restructuring of the electric utility industry; decisions of regulators regarding rates that LSPGC may charge; adverse changes in applicable laws, regulations, rules, principles or practices governing tax, accounting and environmental matters; financial market conditions and performance, including changes in interest rates and credit spreads and in availability and cost of capital; impairments of long-lived assets or goodwill; credit ratings; inflation rates; effectiveness of risk management policies and procedures and the ability of counterparties to satisfy their contractual commitments; impact of terrorist acts, including cyber terrorism; and weather conditions, including weather-related damage. Given these uncertainties, you should not rely on forward-looking information.