

January 9, 2012

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

**Re: California Independent System Operator Corporation
Filing of ISO Service Agreement No. 1774; Large Generator
Interconnection Agreement for Blythe Solar Power Project;
Amendment to LGIA**

**Docket Nos. ER12-___-000
ER11-2318-___
ER11-2316-___
ER11-2329-___**

Am

Dear Secretary Bose:

The California Independent System Operator Corporation files for Commission acceptance an unexecuted amendment to the above-referenced non-conforming Large Generator Interconnection Agreement (“LGIA”) among the ISO, Southern California Edison Company (“SCE”), and Palo Verde Solar II, LLC (“Palo Verde” or “Interconnection Customer”), effective January 7, 2012. The parties to the LGIA have agreed to the amendment and authorized the ISO to make this statement.

Previously, the ISO filed the LGIA as a non-conforming service agreement under the ISO tariff in Docket No ER11-2318-000. SCE filed the identical LGIA in Docket No. ER11-2316-000 as SCE’s non-conforming service agreement No. 97 under SCE’s tariff. Also, the ISO filed errata to the LGIA in Docket No. ER11-2329-000. On February 4, 2011, the Commission issued its order conditionally accepting the LGIA in those proceedings effective December 9, 2010.¹

¹ *Southern California Edison Co. and California Independent System Operator Corp.*, 134 FERC ¶ 61,087 (2011) (February 4 order). In its February 4 order, the Commission conditioned acceptance of the LGIA on the pending Commission decision regarding SCE’s request for incentives and abandoned plant approval in Docket No. EL11-10-000. The Commission later granted SCE’s request by order dated March 11, 2011. *Southern California Edison Co.*, 134 FERC ¶ 61,181 (2011).

I. Discussion

Article 2.4.4 of the LGIA includes provisions permitting partial termination of the LGIA with respect to certain of the electric generating units of the entire generating facility, under certain conditions. One of these conditions is that the Interconnection Customer must post with the ISO financial security to cover the full amount of the partial termination charge ("Partial Termination Charge Security") for each generating unit that it wishes eligible for partial termination.

Pursuant to Section 12(b) of Appendix A of the LGIA, this posting must be made by thirty (30) calendar days following the later of (i) the financial closing relating to generating unit 1, or (ii) SCE's final receipt of abandoned plant approval, but in no event later than January 7, 2012. As the financial close relating to generating unit 1 has not yet occurred, the second trigger date of January 7 is the operative provision.

The Interconnection Customer has requested the ISO and SCE to give the Interconnection Customer an extension of ninety (90) calendar days to provide any Partial Termination Charge Security under Section 12(b) of Appendix A. The Interconnection Customer has explained that the additional time is needed because of a pending transaction which will result in a change to the ownership structure of the Interconnection Customer.

The ISO and SCE have considered the Interconnection Customer's requested extension of the date and have agreed to amend the second trigger date in Section 12(b) of Appendix A, to provide for such ninety-one (91) day extension, *i.e.*, a trigger date of April 7 rather than January 7, subject to acceptance of such amendment by the Commission.

II. Effective Date

The ISO respectfully requests that the Commission accept the LGIA amendment with an effective date of January 7, 2012. To permit that effective date, the ISO requests waiver, pursuant to Section 35.11 of the Commission's regulations (18 C.F.R. § 35.11), of the 60-day notice requirement contained in Section 35.3 of the Commission's regulations (18 C.F.R. § 35.3). Good cause exists to grant the ISO's request for waiver, because a January 7 effective date will enable the Interconnection Customer to preserve the contractual right under the LGIA to make up to three generating units of the generating facility eligible for partial termination and will facilitate the Interconnection Customer's ability to consummate its transaction and any associated funding of the Partial Termination Security Charge. Therefore, the request for waiver should be granted.

III. Service

Copies of this filing have been served upon Palo Verde, SCE, and the parties to Docket Nos. ER11-2318, ER11-2316, and ER11-2329. In addition, the filing has been posted on the ISO website.

IV. Communications

Communications regarding this filing should be addressed to the following individuals, whose names should be placed on the official service list for this proceeding:

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V. Attachments

The following documents, in addition to this transmittal letter, support this filing:

- | | |
|---------------------|---|
| Attachment A | Clean version showing the amendment to Section 12(b) of Appendix A to the Large Generator Interconnection Agreement in clean format |
| Attachment B | Marked revision to Section 12(b) of Appendix A of the Large Generator Interconnection Agreement |

VI. Conclusion

For the foregoing reasons, the Commission should accept the amendment to the LGIA discussed above effective as of January 7, 2012, as requested by the CAISO. Please contact the undersigned if you have any questions regarding this matter.

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Respectfully submitted,

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Attachment A – Clean Version
Amendment to the
Large Generator Interconnection Agreement

Appendix A To LGIA

Interconnection Facilities, Network Upgrades and Distribution Upgrades

* * *

12. Security Amount for Partial Termination Charge:

- a. Amount: The amount of the Partial Termination Charge Security shall equal \$ 6,136,025 for each 250 MW Electric Generating Unit that the Interconnection Customer elects to be eligible for Partial Termination. With respect to the Phased Generating Facility, Interconnection Customer shall be entitled (upon providing the Partial Termination Security to the CAISO) to secure Partial Termination rights with respect to Electric Generating Units 2, 3 and/or 4, which, if the Interconnection Customer secures Partial Termination rights to all three (3) Electric Generating Units comprising 750 MW, would result in a maximum Partial Termination Charge Security of \$ 18,408,075. The Interconnection Customer shall make its election and designation of the Electric Generating Unit(s) to be eligible for Partial Termination at the time of the Partial Termination Charge Security posting. The Parties acknowledge that Partial Termination shall not be available for Electric Generating Unit 1, and that Electric Generating Unit 1 shall not be the subject of a Partial Termination pursuant to this LGIA.

- b. **Timing for Posting of Partial Termination Charge Security:** The entire amount of the Partial Termination Charge Security for all Electric Generating Units for which the Interconnection Customer elects to secure eligibility for Partial Termination shall be posted no later than thirty (30) Calendar Days following the later of (i) the Financial Close for Electric Generating Unit 1 of the First Sequence or (ii) the Participating TO's final receipt of Abandoned Plant Approval; provided, however, that under no circumstances shall the Partial Termination Charge Security be delivered after 5:00 PM Pacific Standard Time on April 7, 2012. In the event that the Interconnection Customer fails to timely post the Partial Termination Charge Security, then, as specified in Article 2.4.4, the provisions of this LGIA permitting Partial Termination shall not be operative and termination of this LGIA may only occur with respect to the entire Generating Facility.

- c. **Reduction of Partial Termination Charge Security for Electric Generating Units that Achieve Commercial Operation Prior to Termination:** Within fifteen (15) Calendar Days following Commercial Operation of each 250 MW Electric Generating Unit for which Partial Termination has been secured and not exercised, the Partial Termination Charge Security shall be reduced by the amount \$ 6,136,025. If the Interconnection Customer had posted security in the form of a cash deposit, such cash funds shall be released and/or returned to the Interconnection Customer. If the Interconnection Customer posts another form of financial security of the type specified in CAISO Cluster LGIP (CAISO Tariff App. Y) Section 9.1, the Parties shall cooperate and execute such necessary documents as to accomplish a replacement security in the lower amount or take

other action necessary to accomplish the reduction in Partial Termination Charge Security.

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Attachment B - Marked Version
Amendment to the
Large Generator Interconnection Agreement

Appendix A To LGIA

Interconnection Facilities, Network Upgrades and Distribution Upgrades

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12. Security Amount for Partial Termination Charge:

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