

generating facility, but the ISO does not object to the request by the Coso entities given their unique circumstances.

I. COMMENTS

As the Coso entities explain in their petition, the interconnection requests, which are part of the ISO's transition cluster (the first to be processed under the Cluster LGIP) seek to increase capacity for three existing geothermal facilities by a total of 45 MW. The unique facts of these interconnection requests are as follows:

1. The Coso facilities are existing converting Qualifying Facilities, which the interconnection customer asserted to the ISO, have previously operated at the increased levels of the interconnection requests. The customer and the Participating TO have also asserted that the facilities were previously studied at these megawatt levels.³ However, when the ISO asked for corroborating studies to validate the claim that the facilities had been originally studied at the claimed megawatt capacity levels, neither the Participating TO nor the customer produced copies of the previous studies—performed years ago. In addition, the interconnection customers performed certain upgrades to the facilities to increase efficiencies. Under these circumstances the ISO determined that interconnection studies were required for the increased megawatt levels. The historical circumstances are set forth in a September 23, 2010 letter from the Coso project sponsor to the assigned ISO interconnection project manager, wherein the project sponsor represented that:

³ Despite this claim, however, the contract amount of the previous Qualifying Facility contracts were established at a lower level and not the increased level for which the customer sought to interconnect.

In fact, the Coso Project units have generated and delivered energy historically at the capacity levels requested in the Interconnection Requests over their 20-year operation, and they were fully compensated by SCE (the Buyer) for that energy.

That capability was reduced somewhat over the last few years, due to the natural geothermal resource pressure decline. However the additional drilling and supplemental water injection needed to regain the higher production level are now complete - many years before the more significant transmission upgrades — e.g., those needed for RA deliverability - have even begun. Importantly, there have been no modifications to the electrical system within the plant.⁴

2. In addition, the interconnection customers have represented to the ISO in a September 23, 2010 letter to their assigned ISO interconnection project manager that the project sponsor has already completed the modifications to the generation facilities.⁵

Given these unique circumstances, the ISO does not object to the petition to waive the second posting. The ISO, however, would request that the Commission add two conditions to any waiver grant:

1. If the Participating TO incurs costs in connection with the network upgrades for the study group in which the Coso projects have been studied prior to the time of the third posting, that Coso be directed to pay to the Participating TO its pro rata share of costs; and

2. If the interconnection requests are withdrawn, that the amount due from the interconnection customers under Cluster Section 9.4 shall be calculated as if the interconnection customers had made the second financial security

⁴ September 23, 2010 letter from project sponsor Terra-Gen Power to ISO Project Manager Linda Wright, at p. 2. The September 23, 2010 letter is attached to this pleading as Attachment A.

⁵ September 23, 2010 letter at page 2 [noting that “TGP has already completed the generation facilities” and that the modifications were completed by a January 2010 COD.]

posting, and the interconnection customers be directed to pay to the Participating TO, in the event of withdrawal, immediately upon demand, the amount calculated under Section 9.4 as if the interconnection customer had made the waived second financial security deposit.

II. MOTION TO INTERVENE

The ISO is a non-profit public benefit corporation organized under the laws of the State of California, with a principal place of business at 151 Blue Ravine Road, Folsom, CA 95630. The ISO is a balancing authority responsible for the operation of transmission facilities placed under the ISO's operational control pursuant to a Transmission Control Agreement between the ISO and participating transmission owners. The ISO conducts a generator interconnection process pursuant to Commission-approved generator interconnection provisions of the ISO tariff.⁶

The Coso entities' filing requests a waiver of ISO tariff provisions applicable to three generation projects that are currently being evaluated under the ISO's generator interconnection process. The waiver would impact the ISO's administration of its generator interconnection process as it applies to the Coso entities' projects. No other party can adequately represent the ISO's interests. Accordingly, the ISO requests the Commission's permission to intervene with full rights of a party.

⁶ ISO tariff Section 25.1 and Appendices S, T, U, V, W, Y, Z, BB, and CC.

III. COMMUNICATIONS

Please address all communications concerning this proceeding to the following person:

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18 .F.R. §385.203(b)(3).

IV. CONCLUSION

The ISO respectfully requests that the Commission grant this motion to intervene, and allow the ISO to participate in the proceeding with full rights as a party. The ISO also requests that the Commission act on the Coso entities' filing in a manner consistent with the comments herein.

Respectfully submitted,

/s/ Baldassaro "Bill" Di Capo

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December 16, 2010

ATTACHMENT A



September 23, 2010

Ms. Linda Wright
Project Manager
California Independent System Operator
151 Blue Ravine Road
Folsom, CA 95630

Dear Ms. Wright:

Terra-Gen Power (TGP) would like to follow up on a matter discussed at the September 17th Phase II Results meeting – namely, the Interconnection Financial Security (IFS) posting requirements for Coso #1, #2, and #3 (collectively, the “Coso Projects”). TGP submitted these three Interconnection Requests into the CAISO’s LGIP Transition Cluster to add 45 MW to the current combined 242 MW project transmission capacity, with Commercial Operation Dates (CODs) listed as January 2010. TGP completed the facilities needed to meet those CODs.

TGP made the Initial IFS Postings for the Coso Projects in December 2009, pursuant to CAISO Tariff Appendix Y (LGIP), Section 9.2. Section 9.3.1 requires the Second IFS Postings in January 2011, and the Third IFS Postings “on or before the start of Construction Activities for Network Upgrades or PTO’s Interconnection Facilities on behalf of the Interconnection Customer, whichever is earlier...”

Our conversation at the meeting addressed the unique circumstances of the Coso Projects with respect to the current tariff provisions regarding financial-security posting, transmission expenditures, and Interconnection Customer (IC) refunds. As explained further below, TGP believes that the a waiver of these provisions would be appropriate for the Coso Projects, because: (1) the sequence of events here differs from that assumed in the Tariff; and (2) as a result, application of these provisions to the Coso Projects would result in unreasonable outcomes.

Sequence of events: The Tariff contemplates that, once transmission construction begins, the PTO will build the needed transmission facilities and bill the IC, the IC will fund the upgrades through either direct bill payment or conversion of the posted IFS to cash, and the PTO will refund the Network Upgrade costs after the generating plant comes on line, pursuant to Section 12.3.2:

Upon the Commercial Operation Date of the Large Generating Facility...the Interconnection Customer shall be entitled to a repayment for the Interconnection Customer’s contribution to the cost of Network Upgrades in accordance with its cost responsibility assigned under LGIP Sections 7.3 and 7.4. Such amount shall be paid to the Interconnection Customer by the applicable Participating TO(s) on a dollar-for-dollar basis either through (1) direct payments made on a levelized basis over the five-year period commencing on the Large Generating

Facility's Commercial Operation Date; or (2) any alternative payment schedule that is mutually agreeable to the Interconnection Customer and Participating TO, provided that such amount is paid within five (5) years of the Commercial Operation Date.

If the IC does not build the generating plant, it is not entitled to any Network Upgrade refunds. This provision, along with the increasing IFS postings throughout the process, helps ensure that only serious generation projects get to this point and that the upgrades that are built to accommodate them will be “used and useful” and not “stranded.”

However, as discussed at our meeting, these various Tariff provisions do not match well with the Coso Project circumstances. In fact, the Coso Project units have generated and delivered energy historically at the capacity levels requested in the Interconnection Requests over their 20-year operation, and they were fully compensated by SCE (the Buyer) for that energy.

That capability was reduced somewhat over the last few years, due to the natural geothermal resource pressure decline. However, the additional drilling and supplemental water injection needed to regain the higher production level are now complete- many years before the more significant transmission upgrades – e.g., those needed for RA deliverability – have even begun. Importantly, there have been no modifications to the electrical system within the plant.

Unreasonable outcomes: Strict application of the above Tariff provisions to the Coso Projects would require:

- **TGP to post IFS that serves no purpose:** As noted above, IFS postings help ensure that either: (1) the IC eventually builds the new generation capacity and the eventual transmission upgrades will be used; or (2) the IC funds the upgrades without building the generation capacity, so ratepayers are not at risk for unneeded transmission capacity. This would be unreasonable, because there is zero risk here that the capacity will not be used and useful – TGP has already completed the generation facilities.
- **SCE to begin refunding expenditures to TGP that TGP never paid:** Such refunds must begin at the January 2010 project CODs, according to the Tariff. This would be unreasonable, because SCE has not even begun to make such expenditures, nor to bill TGP for them. In fact, given the timelines in the Phase II Studies for the Coso Projects, SCE would be required to complete the “refund” to TGP before construction of many of the major transmission upgrades are even finished and operational.

TGP request: For the reasons outlined above, TGP asks the CAISO to waive the Second and Third IFS Posting requirements for the Coso Projects, and authorize SCE to release the Initial IFS Posting security. We understand that Coso Projects could be subject to curtailments based on operating procedures prior to the build-out of all network upgrades in the area. We also understand that these actions may require FERC approval and, if so, we request that the CAISO make the necessary filing as soon as possible, so that the waiver can become effective before the Second IFS Posting due date.

In support of our request for a waiver, we would be happy to provide, as needed:

- Any additional information needed to support the filing;
- Selective waivers of confidentiality provisions needed to support the filing; and
- An intervention in support of the CAISO's filing, after it is made.

Please let me know if you have any questions about this request. We would very much appreciate knowing within the next 30 days how the CAISO plans to proceed with this matter.

Sincerely,

Director, Business Management
Terra-Gen Power

CERTIFICATE OF SERVICE

I hereby certify that I have this day served a copy of this document upon all parties listed on the official service list compiled by the Secretary in the above-captioned proceedings, in accordance with the requirements of Rule 2010 of the Commission's Rules of Practice and Procedure (18 C.F.R. § 385.2010).

Dated this 16th day of December, 2010
at Folsom in the State of California.

/s/ Anna Pascuzzo
Anna Pascuzzo