Proposed Changes to Large Generator Interconnection Procedures Cluster Processing

This document contains the California ISO’s (ISO) Final Proposal to change the CAISO Tariff (Fourth Replacement Tariff, August 18, 2009) Appendix Y, “Interconnection Requests in a Queue Cluster Window.”

The ISO posted its Draft Proposal on Tuesday, August 18, and asked for written comments by interested parties by Monday August 24. The ISO held a stakeholder conference call on Thursday, August 27, to discuss the Draft Proposal and to receive further stakeholder input.

After evaluating stakeholder input, the ISO has developed the Final Proposal, which is summarized below. The ISO intends to hold a further stakeholder conference call on Wednesday, September 2 at 1:00 p.m. (see Market Notice issued Monday August 31) to walk through the Final Proposal. ISO Management intends to present the Final Proposal to the ISO Board of Governors for consideration at the September 10-11 board meeting (consult Board Meeting Agenda for date and time).

The Final Proposal includes the following features:

1) Short Circuit Duty Allocation

The Final Proposal carries forward the Draft Proposal change in allocation of the cost responsibility for interconnection customers for short-circuit related network upgrades, to be first implemented with the cluster cycle after the transition cluster. This change will not affect the transition cluster.

- Proposal changes allocation from a MW based allocation to allocation based on project contribution to need for short-circuit related network upgrades;

Stakeholder input to Draft Proposal and impact on the Final Proposal

- No stakeholder opposed the revised allocation method; questions were asked as to when the new application will take effect. The Final Proposal provides that the changes in allocation of cost responsibility will be implemented starting with the First Queue Cluster and not applied to the Transition Cluster.

- One stakeholder made a comment pertaining to the proposed language, which is incorporated into the Final Proposal.
  - Stakeholder commented that ISO proposal's deletion of the following existing language in Section 6.3, "proposed new Large Generating Facility or the amount of megawatt increase in the generating capacity of each existing Generating Facility as listed by the Interconnection Customer in its Interconnection Request" would make it unclear as to how the allocation would be made. Upon consideration, the Final Proposal does not strike this portion of the existing language.

2) Customer Modifications to Interconnection Requests

The Final Proposal allows transition cluster customers only to request to increase in MW value (up to 130%) or to change deliverability status from Energy Only (EO) to Full Capacity (FC), during the Results Meeting phase of the LGIP process. The Draft Proposal had proposed this as a permanent change, but the Final Proposal applies it only to the transition cluster. The Draft Proposal’s proxy cost adder for the initial FSI posting, for customers electing to increase MWs or switch to FC, is eliminated from the Final Proposal. For those transition cluster customers electing either of the two new options, the initial FSI posting amount will be the lesser of $20K/MW or $7.5 (but never less than $500K for the network upgrades).

1 Appendix Y is posted on the CAISO Website at [http://www.caiso.com/240d/240dbf8a3c1d0.pdf](http://www.caiso.com/240d/240dbf8a3c1d0.pdf)
- Clarifies that modifications should be made during the Results Meeting Phase, within 5 days after the Results Meeting.
- Permits transition cluster customers only to make two additional modification requests:
  - increase in the MW value (not to exceed 30%, i.e. 130% of the original requested MW amount)
  - change in deliverability status from energy only (EO) to full capacity (FC) deliverability.
  - For customers that make these elections,
    - the initial FSI amount will be the lesser of $20K/MW or $7.5 mil (but in no event less than $500K for the network upgrades);
    - the second and third posting amounts are keyed off of the Phase II studies, instead of the Phase I studies.

Stakeholder input to Draft Proposal and impact on the Final Proposal
- Some stakeholders expressed potential gaming concerns with interconnection applications, if customers knew they had an opportunity to increase MW value or switch EO to FC at midpoint in the process.
- Some stakeholders (such as the CPUC) expressed concern that the proxy cost adder methodology was not fleshed out.
- Some stakeholders requested further embellishment for permitted modifications under the existing LGIP: namely, that the ISO consider a cost "subtractor" for the initial FSI posting amount when customers exercise the existing tariff options to either:
  - decrease MW value or
  - switch from FC to EO.

Stakeholders expressed concern for potential gaming, should customers submitting new interconnection requests try to "sandbag," by placing an artificially low MW value or EO deliverability status in the application, with the intent, at mid-point to request a higher MW number or FC deliverability after the Phase I studies have been concluded. Some parties also expressed that the draft Proposal did not spell out how the proxy cost would be determined.

Additional permitted modifications are limited to the transition cluster only. In response to stakeholder input, the ISO has limited the additional permitted exceptions to the transition cluster only (which means that the Final Proposal places these provisions in Appendix 2 to the LGIP, which applies to the transition cluster).

Proposed proxy cost adder (to initial FSI posting) customer electing MW increase has been removed from Final Proposal. For transition cluster customers who elect to increase MWs, the initial FSI posting amount is the lesser of $20K/MW or $7.5 mil. (but never less than $500K for the network upgrades). Whether to extend these options to interconnection customers in later clusters after the transition cluster will be deferred to a future stakeholder process for further LGIP refinements.

The ISO has not included a subtractor. The ISO explained that the subtractor idea contains an embedded assumption that there is always a downward cost effect for the group when a customer decides to lower the MW value or switch to EO, and that this assumption does not always hold true. The ISO has included a different feature in the Final Proposal which gives customers the financial relief that is the impetus behind the "subtractor." The Final Proposal changes the initial FSI posting amount, which results in a general lowering of the IFS posting amounts, through start of construction, for many interconnection requests. The ISO believes placing this feature in the Final Proposal affords interconnection customers the financial relief that is the impetus for requesting a "subtractor."

(3) Installment Structure And Amounts Of The Financial Security Instrument (FSI) Postings

Language clean up [Affects LGIP Section 9.1]
The Draft Proposal clean up language will be carried over to Final Proposal. Clean up language aligns all of this tariff section to reflect the fact that financial securities (including any cash deposits) are issued in favor of the applicable Participating TO rather than the CAISO.

**Stakeholder input to Draft Proposal and impact on the Final Proposal**
- No party objected to this change to the LGIP and the Participating TOs indicated their approval, since there is an ambiguity in the existing language.

Financial Security Instrument (FSI) installment structure and posting amounts
[Affects LGIP Sections 9.2 (initial posting) and 9.3 (second and third postings)]
- Draft Proposal did not change amount of initial FSI posting.
- Final Proposal changes the initial FSI posting amount for the network upgrades to the lesser of (i) 15%, (ii) $20K/MW or (ii) $7.5 mil 9 (but never less than $500K for the network upgrades).

**Stakeholder input to Draft Proposal and impact on the Final Proposal**
- While it was not part of the Draft Proposal, generator stakeholder comments vigorously sought a change lowering the initial FSI posting amount.
  - Some generator stakeholders recommended lowering the initial FSI posting amount further than what is contained in the Final Proposal.
- Participating TO response:
  - Edison concurred with the idea of lowering the initial FSI posting amount;
  - PG&E supported the three-installment approach (adding another posting installment with a 30% posting amount) in the draft Proposal, but did not support the generator call to lower the 20% posting FSI posting amount in the existing LGIP.
- Regarding start of Construction trigger for the third FSI posting (100% amount)
  - Some generator stakeholders asked that the ISO consider altering the application of the final FSI posting, triggered at time of construction
    - For example, by breaking apart the concept of start of construction into various subcomponents. (i.e. so that “start of construction,” for purposes of the final FSI posting relates to discrete construction activities, such as start of construction on network upgrades affecting the particular interconnection project, or start of construction of the particular project’s deliverability upgrades.
  - Participating TOs Edison and PG&E commented, in response to generators, that they were concerned with changing the current LGIP on this point, as the Participating TOs engage in preliminary activities (permitting, soft costs) prior to actual start of construction.

The Final Proposal retains the Draft Proposal’s structure of three financial security instruments (FSI). The Final Proposal has a new feature which lowers the amount of the initial FSI from the 20% level in the existing LGIP. The Final Proposal does not make inroads to the start of construction trigger for the third FSI posting, as some generator stakeholders requested. The ISO feels that there must be an initial analysis of how such changes would impact Participating TOs and interconnection customers when considering such a change, and that, accordingly, the subject is more appropriately treated in any later stakeholder process to refine the LGIP.

**Comparison of Existing LGIP and Final Proposal:**

<table>
<thead>
<tr>
<th>Postings and Timeframes</th>
<th>Existing LGIP</th>
<th>Final Proposal</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Legal & Regulatory Page 3 9/2/2009
<table>
<thead>
<tr>
<th>Stage</th>
<th>Initial Financial Security Posting (at 90 days after phase I studies are complete)</th>
<th>Second Posting (at 180 days after phase 2 studies are complete)</th>
<th>Third Posting (at start of construction)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>20% of network upgrades (min $500,000) and 20% of PTO interconnection facilities, both as identified in the phase I studies</td>
<td>100% of network upgrades (min $500,000) as identified in the phase I study and 100% of PTO interconnection facilities, as identified in the phase II studies</td>
<td>N/A (existing structure is two postings only)</td>
</tr>
<tr>
<td></td>
<td>Lesser of 15% of network upgrades as identified in the phase I study, $20,000/MW, or $7.5 million (min $500,000); and 20% of PTO interconnection facilities as identified in the phase I studies</td>
<td>30% of the lower of network upgrades, as identified in the phase I or as identified in phase II studies (min $500,000); and 30% of PTO interconnection facilities as identified in the phase II studies</td>
<td>100%</td>
</tr>
</tbody>
</table>

(4) Withdrawal for specified reasons and FSI Amount at Risk

[Affects LGIP Section 9.4]

- Final Proposal carries over the Draft Proposal features without change.
- Modifies the provisions pertaining to the effect of interconnection customer withdrawal (or termination) on the interconnection financial securities.
- Provisions apply generally as follows under Final Proposal:
  - Up to 180 days after final Phase II Study —retained amount is 50% of FSI value up to maximum of $10K per MW of the (approved) MW value of the interconnection request at the time customer requests to withdraw.
  - From 181 days after final Phase II Study and commencement of construction activities—retained amount is 50% of FSI value up to maximum of $20K per MW of the (approved) MW value of the interconnection request at the time customer requests to withdraw.

Stakeholder input to Draft Proposal and impact on the Final Proposal

- Various generator stakeholders offered proposals to cap the amount at risk.
- Some requested additional reasons to include in as reasons for partial return of FSI, such as the approval of a licensing permit with conditions rendering it uneconomic, in the developer’s judgment, to proceed to construction.

The proposal features contained in the Draft Proposal are carried over in the Final Proposal. As explained above, because the Final Proposal lowers the initial FSI posting amount, and as well as retaining the Draft Proposal feature that extends out the IFS posting from two to three installments, the effect is generally to reduce the carrying costs to the customer between the time for posting of the initial FSI and the start of construction (when the third FSI posting for 100% is due).

Accordingly, because, the Final Proposal ratchets down the overall FSI amounts beyond the Draft Proposal, the Final Proposal adds an even further measure of relief than the Draft Proposal did with respect to the retention amounts. (At least this can be said for withdrawing generators whose FSI amounts have been lowered by the lowering of the initial IFS posting amount.) The ISO feels that this approach strikes a reasonable balance between interconnection customer’s desire to lower the FSI amounts at risk and the Participating TO’s expressed concern that customers have enough “skin in the game” so that Phase II is not artificially inflated by customers who are not viable, or who may withdraw in the period between commencement of Phase II studies and the start of construction.
Large Generator Interconnection Procedures (LGIP)
for Interconnection Requests in a Queue Cluster Window
GIPR (Appendix Y)
Fourth Replacement CAISO Tariff
August 31, 2009
**CAISO TARIFF APPENDIX Y**

**Large Generator Interconnection Procedures (LGIP)**

for Interconnection Requests in a Queue Cluster Window

---

**Section 6 Interconnection Studies.**

**6.3 Identification and Cost Allocation Methods for Network Upgrades in Phase I Interconnection Study.**

**6.3.1 Reliability Network Upgrades.**

The CAISO, in coordination with the applicable Participating TO(s), will perform short circuit and stability analyses for each Interconnection Request either individually or as part of a Group Study to preliminarily identify the Reliability Network Upgrades needed to interconnect the Large Generating Facilities to the CAISO Controlled Grid. The CAISO, in coordination with the applicable Participating TO(s), shall also perform power flow analyses, under a variety of system conditions, for each Interconnection Request either individually or as part of a Group Study to identify Reliability Criteria violations, including applicable thermal overloads, that must be mitigated by Reliability Network Upgrades.

The cost of all Reliability Network Upgrades identified in the Phase I Interconnection Study shall be estimated in accordance with LGIP Section 6.4. The estimated costs of short circuit related Reliability Network Upgrades identified through a Group Study shall be assigned to all Interconnection Requests in that Group Study pro rata on the basis of the short circuit duty contribution of each Large Generating Facility. The estimated costs of Reliability Network Upgrades identified as a result of an Interconnection Request studied separately shall be assigned solely to that Interconnection Request.

The estimated costs of all other Reliability Network Upgrades identified through a Group Study shall be assigned to all Interconnection Requests in that Group Study pro rata on the basis of the maximum megawatt electrical output of each proposed new Large Generating Facility or the amount of megawatt increase in the generating capacity of each existing Generating Facility as listed by the Interconnection Customer in its Interconnection Request. The estimated costs of Reliability Network Upgrades identified as a result of an Interconnection Request studied separately shall be assigned solely to that Interconnection Request.

**6.7.2 Modifications.**

**6.7.2.1 Notwithstanding the above,** At any time, during the course of the Interconnection Studies, the Interconnection Customer, the applicable Participating TO(s), or the CAISO may identify changes to the planned interconnection that may improve the costs and benefits (including reliability) of the interconnection, and the ability of the proposed change to accommodate the Interconnection Request. To the extent the identified changes are acceptable to the applicable Participating TO(s), the CAISO, and Interconnection Customer, such acceptance not to be unreasonably withheld, the CAISO shall modify the Point of Interconnection and/or configuration in accordance with such changes without altering the Interconnection Request’s eligibility for participating in Interconnection Studies.

**6.7.2.2 At the Phase I Interconnection Study Results Meeting,** the Interconnection Customer should be prepared to discuss any desired modifications to the Interconnection Request.
Within After the publication of the final Phase I Interconnection Study, but no later than five (5) Business Days following the Phase I Interconnection Study Results Meeting, the Interconnection Customer shall submit to the CAISO, in writing, modifications to any information provided in the Interconnection Request. The CAISO will forward the Interconnection Customer’s modification to the applicable Participating TO(s) within one (1) Business Day of receipt. The Interconnection Customer shall remain eligible for the Phase II Interconnection Study if the modifications are in accordance with LGIP Sections 6.7.2.1 or 6.7.2.2.

Notwithstanding the above, during the course of the Interconnection Studies, the Interconnection Customer, the applicable Participating TO(s), or the CAISO may identify changes to the planned interconnection that may improve the costs and benefits (including reliability) of the interconnection, and the ability of the proposed change to accommodate the Interconnection Request. To the extent the identified changes are acceptable to the applicable Participating TO(s), the CAISO, and Interconnection Customer, such acceptance not to be unreasonably withheld, the CAISO shall modify the Point of Interconnection and/or configuration in accordance with such changes without altering the Interconnection Request’s eligibility for participating in Interconnection Studies. [THIS SECTION HAS BEEN MOVED ABOVE]

6.7.2.1 Modifications permitted under this Section 6.7.2 shall include specifically: (a) a decrease in the electrical output (MW) of the proposed project; (b) modifying the technical parameters associated with the Large Generating Facility technology or the Large Generating Facility step-up transformer impedance characteristics; and (c) modifying the interconnection configuration.

6.7.2.2 For any modification other than those specifically permitted by LGIP Section 6.7.2.1 these, the Interconnection Customer may first request that the CAISO evaluate whether such modification is a Material Modification. In response to the Interconnection Customer's request, the CAISO, in coordination with the affected Participating TO(s) and, if applicable, any Affected System Operator, shall evaluate the proposed modifications prior to making them and the CAISO shall inform the Interconnection Customer in writing of whether the modifications would constitute a Material Modification. Any change to the Point of Interconnection, except for that specified by the CAISO in an Interconnection Study or otherwise allowed under this LGIP Section 6.7.2, shall constitute a Material Modification. The Interconnection Customer may then withdraw the proposed modification or proceed with a new Interconnection Request for such modification.

The Interconnection Customer shall remain eligible for the Phase II Interconnection Study if the modifications are in accordance with this LGIP Section 6.7.2.2.

* * *

7.3 Financing of Reliability Network Upgrades.

The responsibility to finance final Reliability Network Upgrades identified in the Phase II Interconnection Study of an Interconnection Request studied separately shall be assigned solely to that Interconnection Request up to the cost assignment for Reliability Network Upgrades under LGIP Section 6.3.1. The responsibility to finance final short circuit related Reliability Network Upgrades identified through a Group Study in the Phase II Interconnection Study shall be assigned to all Interconnection Requests in that Group Study pro rata on the basis of short circuit duty contribution of each Large Generating Facility up to the cost assignment for Reliability Network Upgrades under LGIP Section 6.3.1. The responsibility to finance all other final Reliability Network Upgrades identified through a Group Study in the Phase II Interconnection Study shall be assigned to all Interconnection Requests in that Group Study pro rata on the basis of the maximum
megawatt electrical output of each proposed new Large Generating Facility or the amount of megawatt increase in the generating capacity of each existing Generating Facility, as listed by the Interconnection Customer in its Interconnection Request, up to the cost assignment for Reliability Network Upgrades under LGIP Section 6.3.1.

***

9.1 Types of Interconnection Financial Security.

The Interconnection Financial Security posted by an Interconnection Customer may be any combination of the following types of Interconnection Financial Security provided in favor of the applicable Participating TO(s):

(a) an irrevocable and unconditional letter of credit issued by a bank or financial institution that has a credit rating of A or better by Standard and Poors or A2 or better by Moody’s;

(b) an irrevocable and unconditional surety bond issued by an insurance company that has a credit rating of A or better by Standard and Poors or A2 or better by Moody’s;

(c) an unconditional and irrevocable guaranty issued by a company has a credit rating of A or better by Standard and Poors or A2 or better by Moody’s;

(d) a cash deposit standing to the credit of the applicable Participating TO(s) in an interest-bearing escrow account maintained at a bank or financial institution that is reasonably acceptable to the applicable Participating TO(s);

(e) a certificate of deposit in the name of the applicable Participating TO(s) issued by a bank or financial institution that has a credit rating of A or better by Standard and Poors or A2 or better by Moody’s; or

(f) a payment bond certificate in the name of the applicable Participating TO(s) issued by a bank or financial institution that has a credit rating of A or better by Standard and Poors or A2 or better by Moody’s.

Interconnection Financial Security instruments as listed above shall be in such form as the CAISO and applicable Participating TO(s) may reasonably require from time to time by notice to Interconnection Customers or in such other form as has been evaluated and approved as reasonably acceptable by the CAISO and applicable Participating TO(s).

The CAISO shall publish and maintain standardized forms related to the types of Interconnection Financial Security listed above on the CAISO Website. The CAISO shall require the use of standardized forms of Interconnection Financial Security to the greatest extent possible. If at any time the guarantor of the Interconnection Financial Security fails to maintain the credit rating required by this LGIP Section 9.1, the Interconnection Customer shall provide to the CAISO applicable Participating TO(s) replacement Interconnection Financial Security meeting the requirements of this LGIP Section 9.1 within five (5) Business Days of the change in credit rating.

Interest on a cash deposit standing to the credit of the CAISO applicable Participating TO(s) in an interest-bearing escrow account under subpart (d) of this LGIP Section 9.1 will accrue to the Interconnection Customer’s benefit and will be added to the Interconnection Customer’s account on a monthly basis.

On or before ninety (90) calendar days after publication of the final Phase I Interconnection Study report, Interconnection Customers must post, with notice to the CAISO, two separate Interconnection Financial Security instruments.

First, the Interconnection Customer shall post an Interconnection Financial Security instrument in an amount equal to the lesser of (i) in the amount of twenty-one percent (21%) of the total cost responsibility assigned to the Interconnection Customer in the final Phase I Interconnection Study for Network Upgrades, (ii) $20,000 per megawatt of electrical output of the Large Generating Facility, or (iii) $7,500,000, but in no event less than $500,000, or $500,000, whichever is greater, and (ii) in the

The Interconnection Customer shall also post an Interconnection Financial Security instrument in the amount of twenty percent (20%) of the total cost responsibility assigned to the Interconnection Customer in the final Phase I Interconnection Study for Participating TO’s Interconnection Facilities.

The failure by an Interconnection Customer to timely post, and notify the CAISO of the posting of, the Interconnection Financial Security required by this LGIP Section 9.2 shall result in the Interconnection Request being deemed withdrawn and subject to LGIP Section 3.8. The Interconnection Customer shall provide the CAISO and the Participating TO with written notice that it has posted the required Interconnection Financial Security no later than the applicable final day for posting.

9.3 Second and Third Posting of Interconnection Financial Security.

9.3.1 Second Posting of Interconnection Financial Security.

On or before one hundred eighty (180) calendar days after publication of the final Phase II Interconnection Study report or at the start of Construction Activities of Network Upgrades or Participating TO’s Interconnection Facilities on behalf of the Interconnection Customer, whichever is earlier, the Interconnection Customer must post, with notice to the CAISO, two separate Interconnection Financial Security instruments.

First, the Interconnection Customer shall post an Interconnection Financial Security instrument in the amount of thirty percent (30%) of the total cost responsibility assigned to the Interconnection Customer for Network Upgrades in either the final Phase I Interconnection Study or final Phase II Interconnection Study, whichever is lower, but in no event less than $500,000.

The Interconnection Customer shall also post an Interconnection Financial Security instrument in the amount of thirty percent (30%) of the total cost responsibility assigned to the Interconnection Customer in the final Phase II Interconnection Study for Participating TO’s Interconnection Facilities.

If the start date for Construction Activities of Network Upgrades or Participating TO’s Interconnection Facilities on behalf of the Interconnection Customer is prior to one hundred eighty (180) calendar days after publication of the final Phase II Interconnection Study report, that start date must be set forth in the Interconnection Customer’s LGIA if that start date, and the Interconnection Customer shall make its second posting of Interconnection Financial Security pursuant to LGIP Section 9.3.2 rather than LGIP Section 9.3.1 is prior to one hundred eighty (180) calendar days after publication of the final Phase II Interconnection Study report.
The failure by an Interconnection Customer to timely post the Interconnection Financial Security required by this LGIP Section 9.3.12 shall constitute grounds for termination of the LGIA pursuant to LGIA Article 2.3.

9.3.2 Third Posting of Interconnection Financial Security.

On or before the start of Construction Activities for Network Upgrades or Participating TO's Interconnection Facilities on behalf of the Interconnection Customer, whichever is earlier, the Interconnection Customer shall modify the two separate Interconnection Financial Security instruments posted pursuant to LGIP Section 9.3.1 as follows. With respect to the Interconnection Financial Security Instrument for Network Upgrades, the Interconnection Customer shall modify this Instrument so that it equals one hundred percent (100%) of the total cost responsibility assigned to the Interconnection Customer for Network Upgrades in either the final Phase I Interconnection Study or Phase II Interconnection Study, whichever is lower, but in no event less than $500,000. With respect to the Interconnection Financial Security Instrument for Participating TO Interconnection Facilities, the Interconnection Customer shall modify this instrument so that it equals one hundred percent (100%) of the total cost responsibility assigned to the Interconnection Customer for Participating TO Interconnection Facilities in the final Phase II Interconnection Study.

The failure by an Interconnection Customer to timely post the Interconnection Financial Security required by this LGIP Section 9.3.2 shall constitute grounds for termination of the LGIA pursuant to LGIA Article 2.3.

9.4 General Effect of Withdrawal of Interconnection Request or Termination of the LGIA on Interconnection Financial Security.

Except as set forth in LGIP Section 9.4.1, withdrawal of an Interconnection Request or termination of an LGIA shall allow the applicable Participating TO(s) to liquidate the Interconnection Financial Security, or balance thereof, posted by the Interconnection Customer for Network Upgrades at the time of withdrawal. To the extent the amount of the liquidated Interconnection Financial Security plus capital, if any, separately provided by the Interconnection Customer to satisfy its obligation to finance Network Upgrades in accordance with LGIP Section 12.3 exceeds the total cost responsibility for Network Upgrades assigned to the Interconnection Customer by the final Phase I or Phase II Interconnection Study, whichever is lower, Phase I Interconnection Study, the applicable Participating TO(s) shall remit to the Interconnection Customer the excess amount.

Withdrawal of an Interconnection Request or termination of an LGIA shall result in the release to the Interconnection Customer of any Interconnection Financial Security posted by the Interconnection Customer for Participating TO's Interconnection Facilities, except with respect to any amounts necessary to pay for costs incurred or irrevocably committed by the applicable Participating TO(s) on behalf of the Interconnection Customer for the Participating TO's Interconnection Facilities and for which the applicable Participating TO(s) has not been reimbursed.

* * *


9.4.2.1 Up to One Hundred Eighty Days After Final Phase II Interconnection Study Report.
If, at any time after the initial posting of the Interconnection Financial Security for Network Upgrades under LGIP Section 9.2 and on or before one hundred eighty (180) calendar days after the date of issuance of the final Phase II Interconnection Study report, the Interconnection Customer withdraws the Interconnection Request or terminates the LGIA, as applicable, in accordance with LGIP Section 9.4.1, the applicable Participating TO(s) shall liquidate the Interconnection Financial Security for Network Upgrades under LGIP Section 9.2 and reimburse the Interconnection Customer in an amount of (i) any posted amounts less fifty percent (50%) of the value of the posted Interconnection Financial Security for Network Upgrades (with a maximum of $10,000 per requested and approved megawatt value of the Generating Facility Capacity at the time of withdrawal being retained by the Participating TO(s)), or, (ii) if the Interconnection Financial Security has been drawn down to finance Pre-Construction Activities for Network Upgrades on behalf of the Interconnection Customer, the lesser of the remaining balance of the Interconnection Financial Security or the amount calculated under (i) above. If the Interconnection Customer has separately provided capital apart from the Interconnection Financial Security to finance Pre-Construction Activities for Network Upgrades, the applicable Participating TO(s) will credit the capital provided as if drawn from the Interconnection Financial Security and apply (ii) above.

9.4.2.2 Between One Hundred Eighty-One Days and Three Hundred Sixty-Five Days After Final Phase II Interconnection Study Report and the Commencement of Construction Activities.

If, at any time between one hundred eighty-one (181) calendar days and three hundred sixty-five (365) calendar days after the date of issuance of the final Phase II Interconnection Study report and the commencement of Construction Activities for either Network Upgrades or Participating TO’s Interconnection Facilities, the Interconnection Customer withdraws the Interconnection Request or terminates the LGIA, as applicable, in accordance with LGIP Section 9.4.1, the applicable Participating TO(s) shall liquidate the Interconnection Financial Security for Network Upgrades under LGIP Section 9.3 and reimburse the Interconnection Customer in an amount of (i) any posted amounts less fifty percent (50%) of the posted value of the posted Interconnection Financial Security for Network Upgrades (with a maximum of $20,000 per requested and approved megawatt value of the Generating Facility Capacity at the time of withdrawal being retained by the Participating TO(s)), or, (ii) if the Interconnection Financial Security has been drawn down to finance Pre-Construction Activities for Network Upgrades on behalf of the Interconnection Customer, the lesser of the remaining balance of the Interconnection Financial Security or the amount calculated under (i) above. If the Interconnection Customer has separately provided capital apart from the Interconnection Financial Security to finance Pre-Construction Activities for Network Upgrades, the applicable Participating TO(s) will credit the capital provided as if drawn from the Interconnection Financial Security and apply (ii) above.

9.4.2.3 [Not Used] Between Three Hundred Sixty-Six Days and Five Hundred Forty-Five Days After Final Phase II Interconnection Study Report.

If, at any time between three hundred sixty-six (366) calendar days and five hundred forty-five (545) calendar days after the date of issuance of the final Phase II Interconnection Study report, the Interconnection Customer withdraws the Interconnection Request or terminates the LGIA, as applicable, in accordance with LGIP Section 9.4.1, the applicable Participating TO(s) shall liquidate the Interconnection Financial Security for Network Upgrades under LGIP Section 9.3 and reimburse the Interconnection Customer in an amount of (i) twenty percent (20%) of the posted value of the Interconnection Financial Security for Network Upgrades, or, (ii) if the Interconnection Financial Security has been drawn down to finance Pre-Construction Activities for Network Upgrades on behalf of the Interconnection Customer, the lesser of remaining balance of the Interconnection Financial Security or the amount calculated under (i) above.
above. If the Interconnection Customer has separately provided capital apart from the
Interconnection Financial Security to finance Pre-Construction Activities for Network
Upgrades, the applicable Participating TO(s) will credit the capital provided as if drawn
from the Interconnection Financial Security and apply (ii) above.

* * *

9.4.2.6 Notification to CAISO and Accounting by Applicable Participating TO(s).

The applicable Participating TO(s) must notify the CAISO within one (1) Business
Day of liquidating any Interconnection Financial Security. Within twenty (20) calendar
days of any liquidating event, the applicable Participating TO(s) must provide the
CAISO and Interconnection Customer with an accounting of the disposition of the
proceeds of the liquidated Interconnection Financial Security and remit to the CAISO all
proceeds not otherwise reimbursed to the Interconnection Customer or applied to costs
incurred or irrevocably committed by the applicable Participating TO(s) on behalf of the
Interconnection Customer in accordance with this LGIP Section 9.4. All non-refundable
portions of the Interconnection Financial Security remitted to the CAISO in accordance
with this LGIP Section 9.4 shall be treated in accordance with CAISO Tariff Section
37.9.4.

* * *

Appendix 2 to
Large Generator Interconnection Procedures (LGIP)
Relating to the Transition Cluster

* * *

4.3.1 Modifications.

Proposed modifications to the Interconnection Request shall be evaluated as set forth in LGIP
Section 6.7.2, except that for projects in the Transition Cluster, the modifications permitted under
this Section shall also include: (d) an increase in the MW value above the Generating Facility
Capacity set forth in the Interconnection Request, not to exceed thirty percent (30%) of the
original amount (i.e. not to exceed 130% of the Generating Facility Capacity set forth in the
original Interconnection Request); and (e) a change in the requested deliverability status set forth
in the Interconnection Request from Energy Only to full capacity.

4.4 Cost Allocation Methods for Reliability Network Upgrades in Phase I Interconnection
Study.

The estimated costs for Reliability Network Upgrades identified in the Phase I Interconnection
Study for the Transition Cluster shall be allocated as set forth in LGIP Section 6.3.1, except that
the estimated costs of short circuit related Reliability Network Upgrades identified through the
Phase I Interconnection Study shall be assigned to all Interconnection Requests in that Study pro
rata on the basis of the maximum megawatt electrical output of each proposed new Large
Generating Facility or the amount of megawatt increase in the generating capacity of each
existing Generating Facility as listed by the Interconnection Customer in its Interconnection
Request.

* * *

5.3 Financing of Reliability Network Upgrades Identified in Phase II Interconnection Study

The responsibility for financing final Reliability Network Upgrades identified in the Phase II
Interconnection Study for the Transition Cluster shall be determined as set forth in LGIP Section
7.3, except that the responsibility for financing final short circuit related Reliability Network
Upgrades identified in the Phase II Interconnection Study shall be assigned to all Interconnection

* * *
Requests in that Study pro rata on the basis of the maximum megawatt electrical output of each proposed new Large Generating Facility or the amount of megawatt increase in the generating capacity of each existing Generating Facility as listed by the Interconnection Customer in its Interconnection Request, up to the cost assignment for Reliability Network Upgrades under LGIP Section 6.3.1 and Section 4.4 of this Appendix 2.

* * *


The provisions of LGIP Section 9 shall apply to the Transition Cluster, except that the initial posting of Interconnection Financial Security under LGIP Section 9.2 in Appendix Y shall be required on or before one hundred twenty (120) calendar days after publication of the Phase I Interconnection Study report; and (ii) any Interconnection Customer who has been permitted a modification for either of the reasons specified in Section 4.3.1 of this Appendix 2 shall make its first posting of Interconnection Financial Security for Network Upgrades pursuant to LGIP Section 9.2 in an amount equal to the lesser of $20,000 per megawatt of electrical output of the Large Generating Facility or $7,500,000, but in no event less than $500,000, and shall make its second and third postings of Interconnection Financial Security for Network Upgrades pursuant to LGIP Section 9.3 based on the total cost responsibility assigned to the Interconnection Customer for Network Upgrades in the Phase II Interconnection Study.

* * *