

Stakeholder Comments Template

Subject: Generation Interconnection Procedures Phase 2 (“GIP 2”)

| Submitted by | Company | Date Submitted |
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| Jason Yan, JAY2@pge.com , 415-973-4004 | Pacific Gas and Electric | June 13, 2011 |

This template was created to help stakeholders structure their written comments on topics detailed in the May 27, 2011 *Draft Final Proposal for Generation Interconnection Procedures 2 (GIP 2) Proposal* (at <http://www.caiso.com/2b21/2b21a4fe115e0.html>). We ask that you please submit your comments in MS Word to GIP2@caiso.com no later than the close of business on June 10, 2011.

Your comments on any these issues are welcome and will assist the ISO in the development of the revised draft final proposal. Your comments will be most useful if you provide the reasons and the business case for your preferred approaches to these topics.

Your input will be particularly valuable to the extent you can provide comments that address any concerns you foresee implementing these proposals.

Please note there are new topics in this comments template that have been introduced for the first time in the draft final proposal - Item # 18, 19, 20, 25, 26 & 27

Comments on topics listed in GIP 2 Draft Final Proposal:**Work Group 1**

Based on the last round of work group meetings and our review of stakeholder comments, the ISO has determined that WG 1 topics should be taken out of GIP 2 scope and addressed in a separate initiative with its own timeline

Work Group 2

1. Participating Transmission Owner (PTO) transmission cost estimation procedures and per-unit upgrade cost estimates;

Comments:

PG&E agrees that this issue should be included in a Business Practice Manual (BPM). Further, PG&E is committed to working with the CAISO, other PTOs and stakeholders to implement a common format, develop common methodologies for cost factors, and provide adequate explanations of various components of the per-unit-cost process.

2. Generators interconnecting to non-PTO facilities that reside inside the ISO Balancing Area Authority (BAA);

Comments:

PG&E supports the CAISO's proposal and appreciates the CAISO's willingness to accommodate projects that are already in the study process, or have completed their studies with the host non-PTO in CAISO-BAA utility. Such allowances should include both timing and study deposit accommodations.

Following the discussion of the Friday, June 3, stakeholder meeting, PG&E agrees with the CAISO that a direct request from interconnection customer to participate in the deliverability assessment makes the most sense. This interface makes the most sense from a contracting perspective.

3. Triggers that establish the deadlines for IC financial security postings.

Comments:

PG&E generally supports the CAISO's proposal. It is a vast simplification compared to the straw proposal and strikes a good balance. However, as many stakeholders echoed at the Friday, June 3 stakeholder meeting, the threshold for "conditions warranting a revised report" is too low.

While PG&E supports the notion that if errors are found upon review of the interconnection customer such that those errors could affect the first financial security posting, then those errors should be fixed on a timely basis and reflected in the study report prior to a requirement for IC provision of IFS. However, PG&E agrees with the

comments of Southern California Edison that there is a difference between a dispute and an identification of an error. The time allotted for interconnection customers, PTOs and the CAISO to address disputes of the study results is insufficient. Further, it would not be practical to extend the study timeline to address such disputes.

PG&E proposes that generally a revised report should not be needed unless conditions are reached that would postpone interconnection financial security posting. Other errors may be noted and considered in the next phase of the GIP (e.g. for Phase I, and errors would be noted and addressed in Phase II. For Phase II, errors would be noted and addressed in the LGIA.)

Further, if the study results or error identified would have an impact on the COD of the generator, PG&E recommends that only if the change in COD would result in a change in the next required security posting should it qualify as a trigger for a revised report and postponing in interconnection financial security deadline.

Finally, on the CAISO's proposal to lengthen the negotiation limit from 90 days to 120 days after the draft Phase II report is released to the IC, PG&E supports the extension of time, but believes that this extended time must be enforced more stringently, including triggering withdrawal procedures. To the extent that the timeline is reached and parties agree to continue, procedures should be established to allow for the PTO to charge time and expenses.

4. Clarify definitions of start of construction and other transmission construction phases, and specify posting requirements at each milestone.

Comments:

PG&E supports the CAISO's simplification and clarification of this issue. It is important that the proposal acknowledges the need to determine whether network upgrades can be separated into two or more separate and discrete projects or project phases.

PG&E proposes that the following additional language (underlined) to the CAISO's proposed language on pages 26-27 of the draft final proposal:

If an Interconnection Customer's network upgrades can be separated into two or more separate and discrete projects or project phases (discrete components) and the Participating TO is able to identify and separate the costs of the identified discrete components, and if in the reasonable judgment of the PTO that such parsing will not have a material adverse impact on the PTO's assets, personnel resources, or work schedules, then the Participating TO, the ISO and the Interconnection Customer may negotiate parsing the third posting for Interconnection Financial Security into smaller deposit amounts and dates for each discrete component related to the Network Upgrades and/or Interconnection Facilities described in the Generator Interconnection Agreement.

It is also important to clarify that this proposal only affects the third security posting. Finally, PG&E agrees that it is important that this process provide clarity on the interaction between security or payment attached to an engineering and procurement agreement for early work and the third interconnection security posting.

5. Improve process for interconnection customers to be notified of their required amounts for IFS posting

Comments:

PG&E continues to support providing any process improvements needed to ensure timely and accurate notification of required amounts for IFS posting.

6. Information provided by the ISO (Internet Postings)

Comments:

PG&E looks forward to working with the CAISO and stakeholders on determining what further information may be helpful to stakeholders.

Work Group 3

7. Develop pro forma partial termination provisions to allow an IC to structure its generation project in a sequence of phases.

Comments:

PG&E maintains that allowing the option of such drastic changes in the ultimate build-out of a project at such a late stage in the interconnection process does not send the right signals to potential interconnection customers. Fundamentally, the process should encourage ICs to submit interconnection requests at the size and scope of the project they intend to build. The process should not encourage speculation and the over-sizing of projects that are unrealistic. The CAISO should encourage accurate sizing and scoping as early in the process as possible. PG&E notes that as more information becomes available to interconnection customers via scoping meetings, Phase I and Phase II studies, ICs have options to reduce the size of their projects, or make phasing decisions.

Should the CAISO continue to pursue the proposal to institute a pro-forma partial termination option in the generator interconnection agreements, PG&E generally supports the eligibility criteria in this proposal, as they seem largely sufficient to ensure that this option is not abused. However, PG&E continues to believe that allowing for partial termination up to 75% is far too much. Even in a multiple phase situation, a limit on partial termination of 25% should be sufficient to address the concerns of project developers who size their project in good faith, and ultimately face unforeseen issues with their project.

This smaller option for partial termination provides the proper incentives for potential ICs to submit more accurate interconnection requests, and to make use of the project reduction options earlier in the interconnection process. More accurate interconnection requests, and making use of early-in-the-process options to reduce or adjust project

sizes will provide more accurate study results and plans of service. On the other hand, allowing such large and late-in-the-process options to make project size changes threaten to make study results inaccurate.

PG&E believes that the multiplier should have a ceiling of 100%. In the case where no other generation in the queue could or would utilize the transmission capacity, then transmission customers or the transmission owner would be at risk of being responsible for those costs.

Lastly, as PG&E understands it, some analysis could be needed to determine the multiplier and for the interconnection customer to have all the information it needs to make the determination that will phase its project. PG&E notes that these steps have the potential to put pressure on the parties' ability to negotiate timely the generator interconnection agreement.

8. Reduction in project size for permitting or other extenuating circumstances

Comments:

PG&E fully supports this proposal.

9. Repayment of IC funding of network upgrades associated with a phased generation facility.

Comments:

PG&E supports the proposal to allow for repayment of IC funding of network upgrades associated with a phased generation facility. PG&E further supports the need for clarification around the transmission network upgrades being in service before refunds for such facilities may begin. PG&E would support clear unambiguous language around this issue.

10. Clarify site exclusivity requirements for projects located on federal lands.

Comments:

PG&E continues to support the CAISO's efforts to use the BPM to update Site Exclusivity requirements and guidelines.

11. CPUC Renewable Auction Mechanism

Comments:

PG&E looks forward to participating in solutions to accommodating RAM generators and agrees with the CAISO that such solutions should be worked out without requiring a unique solution within the GIP.

12. Interconnection Refinements to Accommodate QF conversions, Repowering, Behind the meter expansion, Deliverability at the Distribution Level and Fast Track and ISP improvements

a. Application of Path 1-5 processes

Comments:

PG&E supports the addition of tariff language to allow for ISO or PTO staff to charge for costs of review of repowering or converting projects.

Path 3: Fast Track

PG&E has expressed its support of the proposal to apply the Fast Track to existing repowering projects. However, as noted in the stakeholder meetings, PG&E has concerns about the applicability of the existing Fast Track screens to transmission facilities. The screens were intended to be applied to radial distribution circuits only. PG&E, in general, agrees with the spirit of the Fast Track process, but believes that a different set of screens need to be developed to be more appropriate to the transmission system. The screens must be able to adequately identify whether an expansion proposal could be installed without the need for a study for impacts to the grid or to other generators in the queue. PG&E looks forward to working with the CAISO and stakeholders to develop these screens as part of GIP 3.

The CAISO should clarify that expansion provisions only apply to projects that are already fully online.

b. Maintaining Deliverability upon QF Conversion

Comments:

PG&E generally supports maintaining the deliverability of a repowering generator.

c. Distribution Level Deliverability

Comments:

PG&E supports inclusion of distribution level project information provided by distribution utilities into its deliverability modeling analysis. PG&E continues to advocate for a safe harbor provision for projects pass the fast track screens.

13. Financial security posting requirements where the PTO elects to upfront fund network upgrades.

Comments:

PG&E supports the proposal subject to all the conditions outlined.

14. Revise ISO insurance requirements (downward) in the pro forma Large Generation Interconnection Agreement (LGIA) to better reflect ISO's role in and potential impacts on the three-party LGIA.

Comments:

PG&E does not oppose the CAISO's proposal, but has the following specific comments:

Provision 18.3.1 -- There appears to be a redundant typo in the second line "... commencement of any commencement."

Provision 18.3.3 -- Insurance coverage should be in place before any travel related to the project work begins, not just travel to the work site. For example, the following situations could incur auto accident liability before there is travel to the project site: travel to recruit local workers, buy or rent office trailers for the job site, other rentals, etc.,

Provision 18.3.4 -- Similar to 18.3.3, the insurance should be in place before any construction related activities begin, not just on site work.

15. Standardize the use of adjusted versus non-adjusted dollar amounts in LGIAs.

Comments:

PG&E will continue to participate in the working groups to come to a common understanding about a standardized use of adjusted and non-adjusted dollar amounts. SDG&E's proposal to use "as spent" dollar estimates has some merit.

16. Clarify the Interconnection Customers financial responsibility cap and maximum cost responsibility

Comments:

PG&E concurs with the CAISO's interpretation and clarification regarding the cost cap for network upgrades.

17. Consider adding a "posting cap" to the PTO's Interconnection Facilities

Comments:

PG&E supports the CAISO's proposal for a posting cap on the first and second interconnection financial security postings associated with PTO's interconnection facilities.

18. Consider using generating project viability assessment in lieu of financial security postings

Comments:

PG&E agrees with the CAISO's proposal not to consider as an alternative to financial security posting using generator viability criteria. However, the CAISO should consider using such criteria in addition to IFS to screen interconnection requests post Phase I study as a prerequisite to move on to Phase II. PG&E recommends that the CAISO consider this in its discussion of working group 1 issues.

19. Consider limiting interconnection agreement suspension rights

Comments:

PG&E tends to concur with the CAISO that such a change may not be necessary to pursue at this time, if at all.

20. Consider incorporating PTO abandoned plant recovery into GIP

Comments:

PG&E strongly supports SCE's proposal.

Work Group 5

21. Partial deliverability as an interconnection deliverability status option.

Comments:

PG&E supports the notion of partial deliverability as an option. PG&E appreciates the CAISO's clarification that if an interconnection customer applies for partial deliverability and all the necessary network upgrades are completed based on that application, that the interconnection customer will have an NQC that is based on that determined amount of deliverability, and is not advisory.

22. Conform technical requirements for small and large generators to a single standard

Comments:

PG&E generally supports conforming the requirements of small and large generators to a single standard. PG&E requests clarification regarding how to address differing requirements in Appendix H of the LGIA as compared to the PTO Interconnection Handbooks. In particular, the power factor requirement is more stringent in the PG&E Interconnection Handbook as compared to the CAISO requirement. PG&E would appreciate clarification on which requirement takes precedence and the reasoning behind this determination.

23. Revisit tariff requirement for off-peak deliverability assessment.

Comments:

PG&E supports retaining the off-peak deliverability assessment for informational purposes. This will provide valuable information to the IC and the procuring entities with regard to potential energy delivery issues.

24. Operational partial and interim deliverability assessment

Comments:

PG&E strongly supports the CAISO's updated proposal and appreciates the CAISO's responsiveness to stakeholder comments.

25. Post Phase II re-evaluation of the plan of service

Comments:

PG&E believes it is worth continuing a dialogue about this issue in work group 5. Post Phase II re-evaluation should be an option in the case of a large number of projects dropping out such that a major reduction in the plan of service might make sense. This will most likely benefit the remaining generators in the queue as well as transmission customers.

New Topics since straw proposal

26. Comments on the LS Power issue raised in their comments submitted May 9, 2011 – Re. Conforming ISO tariff language to the FERC 2003-C LGIA on the treatment of transmission credits in Section 11.4 of Appendix Z.

Comments:

More details are needed to explain LS Power's proposal before PG&E can make a determination or provide meaningful comment on this matter.

27. Correcting a broken link in the tariff regarding the disposition of forfeited funds.

Comments:

PG&E supports correcting the broken link that was identified.

Other Comments:

1. If you have other comments, please provide them here.

Page 13 of the Final Draft Proposal – End of second paragraph -- There should be tighter language and an objective standard to enforce the LGIA negotiation period. Perhaps the CAISO reviews the status of the negotiation efforts and objectively determines whether the PTO has unreasonable delayed the negotiations, otherwise the CAISO determine a one-time extension term and affirms the right of the PTO to charge for time and expenses incurred post the 120 day limit.