

September 10, 2009

Board of Governors
California Independent System Operator
151 Blue Ravine Road
Folsom, California 95630

Dear Chair Willrich, and Governors Capuano, Doll, and Page:

I am writing to express support for the proposed changes to the Large Generator Interconnection Process (LGIP), and also to urge your direction to Management to continue the process beyond the immediate modifications.

Solar Millennium appreciates the CAISO staff's recognition of the problems posed by the recent Transition Cluster Phase I Interconnection Studies, and its quick reaction to those problems. We especially applaud the staff's willingness to modify its initial proposal package to include mitigation of the initial financial-security posting in November and, while we would like to have seen the per-MW and per-project caps somewhat lower, we hope you will approve the revised CAISO proposal.

We doubt that generator interconnection-cost responsibility in the hundreds of millions of dollars per project were contemplated during the LGIP reform process last year, yet nearly 60 percent of the renewable generation capacity in the Transition Cluster was assigned costs over \$100 million. Further, we believe that the posting of financial security in the hundreds of millions of dollars after the Phase II studies also is not warranted given undetermined construction start dates for the transmission build-out. However, the proposed level of the initial financial-security will still provide a strong incentive for non-viable projects to drop out while enabling strong and viable projects to continue on to Phase II Studies.

With the current reforms, some of the immediate problems are addressed, but this action should be followed up immediately with a further stakeholder process focusing on the following areas:

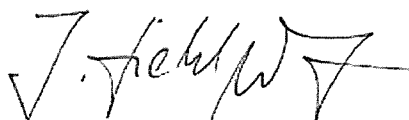
- **Expediting the process to allow Interconnection Agreements in 2010:** The federal government has made available billions of dollars in stimulus funds to support renewable generation projects by Treasury grants in lieu of the investment tax credits; however, California will lose access to this money under the current LGIP timelines if, for example, otherwise shovel-ready projects in 2010 must wait more than a year to execute an LGIA. If the construction timelines are even close to the 8-year timeframe that was apparently included, in boiler-plate fashion, in all of the recent Phase 1 studies, then likelihood that California will be able to meet its RPS is highly questionable.

- **Developing an efficient transmission-financing plan:** The CAISO transmission-planning process should include development of an efficient, PTO-financed system for the transmission build-out for California, similar to the framework adopted for the Tehachapi area. Transmission projects will end up in PTO rate base in any event, and therefore requiring generation developers to assume financing responsibility and risk for transmission, in addition to generation, will simply: (1) raise transmission costs to consumers; and (2) act as a barrier to entry into promising renewable areas, thereby reducing generation competition and preventing development of many of the most promising resources.

Thus, it is critical that work on reforming the LGIP continue after the immediate filing. We believe from recent conference calls that there is the need for an ongoing process, and that it should include consideration of the above points.

Thank you very much for your consideration. We will be represented at the September 11th CAISO Board meeting and would be happy to address your questions there, or please feel free to call me at any time.

Sincerely,



Josef Eichhammer
Chief Executive Officer
Solar Millennium, LLC