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COMMENTS OF 8MINUTENERGY RENEWABLES ON DRAFT FINAL PROPOSAL FOR INTEGRATION OF TRANSMISSION PLANNING AND GENERATION INTERCONNECTION PROCEDURES, FEBRUARY 15, 2012

8minutenergy Renewables, Inc. (8me) appreciates the opportunity to submit these comments on the CAISO's ***Draft Final Proposal for Integration of Transmission Planning and Generation Interconnection Procedures issued on February 15, 2012***. We commend CAISO staff for significantly improving the proposal from its initial draft through stakeholder processes, especially by paying keen attention to stakeholder concerns. 8minutenergy strongly believe there are rooms from further improvement to this draft proposal before it can be presented to the Board of Governors in March Board meeting. This draft lacks clarity for the definition of "new Generation" subject to NQC reduction in future years. 8minutenergy would like provide following comments/suggestions to CAISO staff revising the definition of "new" generation that is subject to NQC adjustment.

8minutenergy believes that projects in Serial Group, Clusters 1, 2, 3 and 4 should be considered as existing generation having TPP based deliverability in their signed GIA, and should not be subjected to NQC adjustments. Projects in Cluster 5 and beyond could be considered as "new" generation and could be subject to NQC adjustments in future years due to situation when TPP based deliverability is not available in over generation situation in a particular service area. Projects in Serial Group and Clusters 1 thru 4 can only lose their TPP based deliverability if these projects cannot meet GIA milestones towards COD such as their PPA is terminated by LSE or not approved by CPUC, a permit is rejected, could not secure or loss of control of a project site, and GIA is cancelled at customer's fault.

The proposed allocation of NQC reductions for one or more years in the current draft final proposal will make projects non-financeable and/or non-competitive. The value of renewable energy delivered to an off-taker under a PPA includes the energy delivered, renewable energy attributes and capacity attributes that include resource adequacy (RA). The RA value can account for up to 30% or more of the value. If there is a reduction in the PPA RA value due to the NQC reduction allocation there can be a corresponding reduction in RA value to an off-taker. During recent discussions, off-takers have expressed considerable concerns as to the value provided under a PPA that is subject to recent CAISO proposed NQC reduction risk in this draft proposal as well as in several technical bulletins dealing with Clusters 1 and 2 projects deliverability and Clusters 1-4 assessment methodology for delivery network upgrade assessments.

Off-takers have stated that they will not sign a PPA that exposes the off-taker customers to a potential diminution of RA value, unless the PPA requires the developer/Seller to make the off-taker whole for any RA value that may be lost as a result of an NQC reduction. The final

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proposal for integrating transmission planning and generation interconnection procedures going to the CAISO Board for approval should resolve this serious NQC reduction concern as faced by Off-takers (buyers) and generation developers (sellers) in regard to existing projects (Serial Group to Cluster 4 projects).

This make-whole requirement, in turn, results in an uncertain project cash flow stream for an uncertain number of years. Potential lenders will not take the risk that the project will need to make the off-taker whole and not be able to service the project debt. Moreover, if the PPA price is increased to compensate for the reduction in RA value the project will no longer be economic to the off-taker. Conversely, if the PPA price is reduced to account for the reduction in RA value, the project will not be economic to the developer and will not be financeable.

Recommend at a minimum, the allocation of NQC reduction methodology not be applicable to projects that are shortlisted by an off-taker and serial cluster projects because these are the most viable projects. Many of these projects are shortlisted, currently in PPA negotiations. Furthermore, the NQC allocation methodology will also likely cause Cluster 1 thru 4 projects to be uneconomic and/or not financeable as well. Projects with good standing GIA and going forward to meeting COD goal should not be subjected to NQC adjustments.