



Process Map Proposal for the CAISO's Location Constrained Resource Interconnection (LCRI) policy

Timing of the Adequate Commercial Interest Criterion



Need for Clarification of the LCRI Process

- The process for Location Constrained Resource Interconnection Facility (LCRIF) project approval must be consistent with the CAISO's FERC Order 890-compliant Business Practice Manual
- The timing for the adequate commercial interest (Commercial Interest) needs to be clarified
- Two scenarios for the timing of Commercial Interest are on the table; PG&E submits the following descriptions and process maps for discussion purposes



Two Timing Scenarios for Commercial Interest

Scenario 1

- All criteria, including Commercial Interest, are required at the time the proposed LCRIF is submitted for CAISO approval
- Generally consistent with Section 24.1.3 (a) in the October 1, 2007 Draft LCRI Tariff

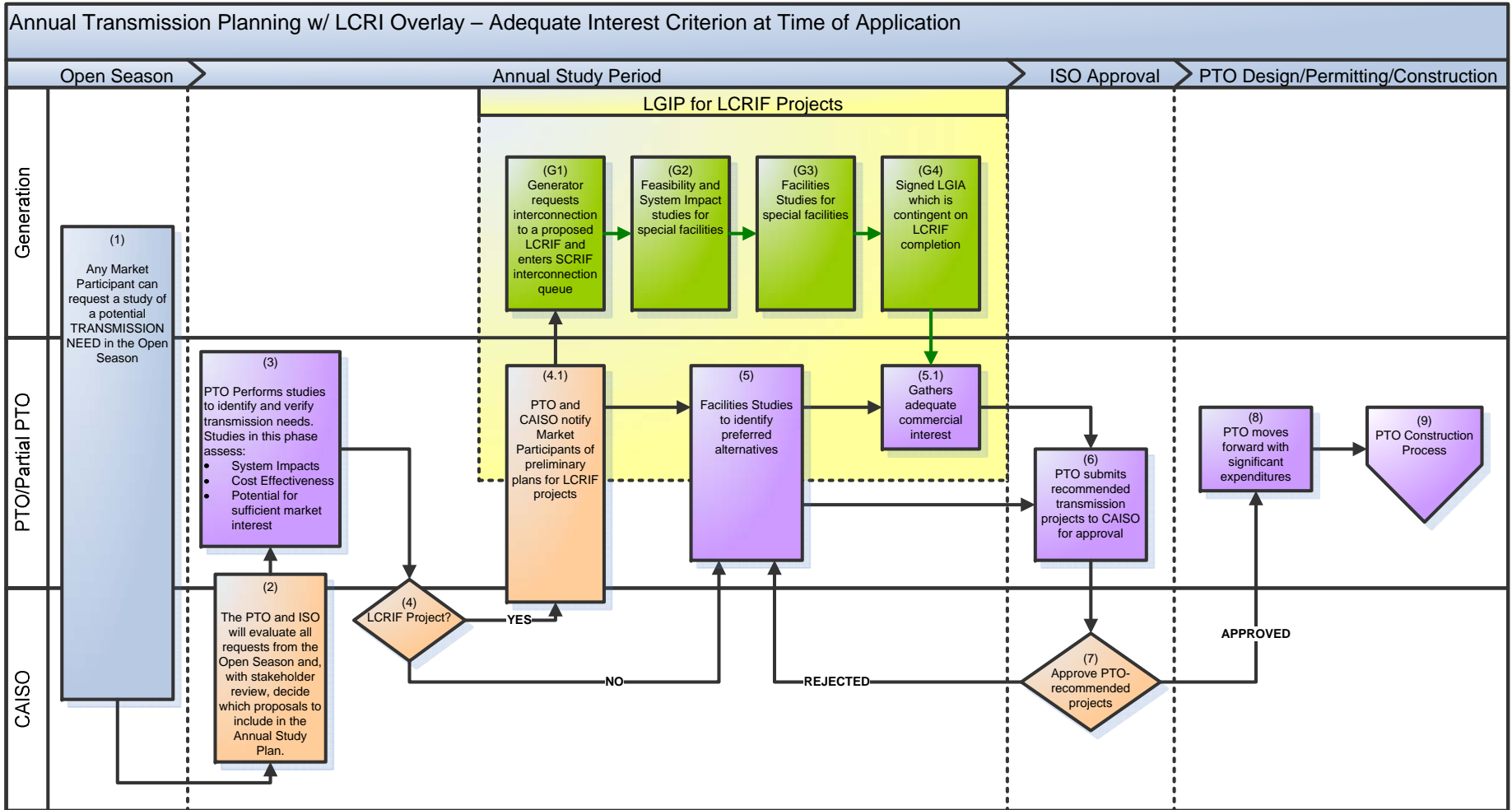
Scenario 2

- All criteria, **except** Commercial Interest, is required at the time the proposed LCRIF is submitted for CAISO approval
- The CAISO can provisionally approve LCRIF projects
- The PTO constructing the LCRIF shall not proceed with engineering design, environmental studies and permitting:
 - until Commercial Interest is met; or
 - unless the FERC or CPUC provides 100% cost recovery assurance for abandoned plant (including engineering design, environmental studies and permitting costs)
- The tariff should provide that Commercial Interest must be shown prior to land acquisition, procurement, and construction of the LCRIF
- Generally consistent with the CAISO's proposal for "conditional approval"



Scenario 1: All Criteria Required at Application

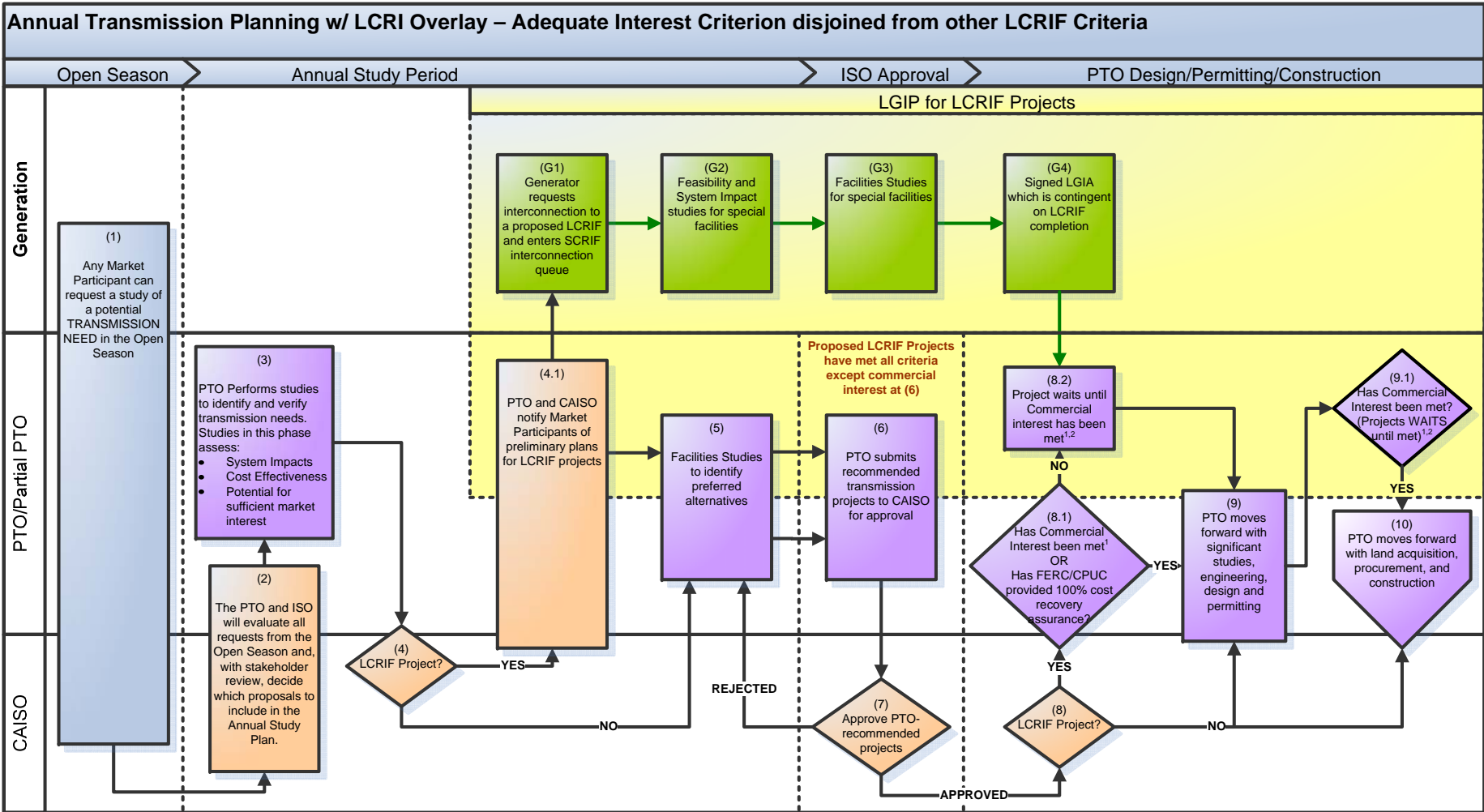
For discussion purposes only





Scenario 2: Commercial Interest Criterion Disjoined

For discussion purposes only



1 Commercial Interest must be ISO approved.

2 The LCRIF project cannot proceed until Commercial Interest criterion is met. If the planning analysis becomes stale while the project is on hold, the PTO, CAISO and stakeholders can review the project in the next annual planning cycle.



PG&E Supports Scenario 2

- PG&E supports the scenario that disjoins Commercial Interest from the other LCRIF criteria
- This framework provides the flexibility necessary to ensure LCRIF project success
- Concept must be further developed and refined by the CAISO and all stakeholders for inclusion in the LCRI tariff language