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September 18, 2009

The Honorable Kimberly D. Bose
Secretary
Federal Energy Regulatory Commission
888 First Street, NE
Washington, DC 20426

Re: California Independent System Operator Corporation
Docket No. ER09-____-000
Amendment to ISO Tariff Provisions on Generator Interconnection Process Reform

Docket No. ER08-1317-___
Filing to Comply with September 2009 Order

Dear Secretary Bose:

The California Independent System Operator Corporation ("ISO") submits this amendment to the ISO tariff to modify the provisions of the ISO's Large Generator Interconnection Procedures for Interconnection Requests in a Queue Cluster Window (known as the "GIPR LGIP"), which was added as Appendix Y to the ISO tariff as a result of the Generator Interconnection Process Reform ("GIPR").[1] The ISO requests that these tariff changes be made become effective sixty-one days after the submittal of this filing, *i.e.*, November 18, 2009.

In addition, the ISO proposes tariff changes to comply with the directive in the Commission's September 17, 2009, order in Docket Nos. ER08-1317 that the ISO modify of the definition of "applicable reliability criteria" contained in the ISO's large generator interconnection agreements ("LGIAs") for both serial and

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[1] The ISO submits this filing pursuant to Section 205 of the Federal Power Act, 16 U.S.C. § 824d, and Section 35.13 of the Commission's regulations, 18 C.F.R. § 35.13. Capitalized terms not otherwise defined herein have the meanings set forth in Appendix A to the ISO tariff. The ISO is also sometimes referred to as the CAISO.

clustered interconnection projects (Appendices V and Z to the ISO tariff).[2] The ISO requests that these tariff changes be made effective as of September 26, 2008, consistent with the Commission's directives in the September 2009 Order.

Two extra copies of this filing are also enclosed. Please stamp these copies with the date and time filed and return them to the messenger.

I. Background and Need for Tariff Amendment and Compliance Filing

The purpose of GIPR is to reform the ISO's generator interconnection process, interconnection agreements, and related portions of the ISO tariff. In July 2008, the ISO submitted tariff revisions to implement GIPR in Docket No. ER08-1317. These revisions, which were aimed at clearing the backlog of interconnection projects in the queue and streamlining the interconnection process going forward, consisted of four major elements: (1) adoption of a clustering approach to processing interconnection requests within a queue cluster window; (2) consolidation of the studies associated with processing an interconnection request from three to two studies, called the Phase I interconnection study and the Phase II interconnection study; (3) implementation of a single study agreement for interconnection under the GIPR LGIP; and (4) an increase in the amount, and acceleration of the timing, of financial commitments required to participate in the interconnection process. The GIPR proposal also divided projects into three groups: (1) pending projects that would continue to be studied serially under the ISO's pre-GIPR interconnection provisions (the "serial group"); (2) pending projects that would be studied as a cluster under a slightly modified version of the GIPR provisions (the "transition cluster"); and (3) future projects that would be studied as part of a cluster under the GIPR provisions.

In September 2008, the Commission issued an order conditionally accepting the GIPR tariff revisions effective as of the date the order was issued.[3] In November 2008, the ISO submitted further tariff revisions to comply with the September 2008 Order.

In the September 2009 Order, the Commission accepted the ISO's November 2008 compliance filing, directed the ISO to make a change to the definition of the term "applicable reliability criteria" that the ISO had agreed to make earlier in the proceeding,[4] and denied requests that the ISO make further modifications to the GIPR tariff provisions.

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[2] *California Independent System Operator Corp.*, 128 FERC ¶ 61,247, at P 28 (2009) ("September 2009 Order").

[3] *California Independent System Operator Corp.*, 124 FERC ¶ 61,292 (2008) ("September 2008 Order"), *reh'g denied*, 127 FERC ¶ 61,177 (2009).

[4] See the discussion in Section III of this transmittal letter.

Many of the results of implementing the GIPR tariff provisions have been positive. However, after receiving their Phase I interconnection study results in early August of 2009, a number of interconnection customers in the transition cluster raised concerns about the current tariff requirements for posting interconnection financial security. Specifically, they expressed concern that, in light of the current constrained economic climate and high levels of regulatory risk, the amount of financial security required prior to the commencement of construction activities was overly burdensome and that too large a portion of that amount was required to be paid as part of the initial posting obligation. The interconnection customers asserted that these requirements could create an incentive for projects to withdraw their interconnection requests, particularly for those interconnection customers that had not yet received regulatory approval of their power purchase agreements. In addition, a number of interconnection customers stated that, under the current GIPR tariff provisions, too large a portion of the posted financial security amount would be non-refundable in the event that an interconnection customer withdrew its interconnection request for a reason that was beyond the interconnection customer's control.[5]

These concerns are driven in large part by the significant downturn in the U.S. economy that has occurred since the GIPR tariff provisions were proposed in July 2008. The economy is in the midst of a recession which has had a particularly serious impact on U.S. and international financial markets. This impact has increased the difficulty of gaining access to investment capital, which has made it harder for interconnection customers to provide the financial security required by the current GIPR tariff provisions.[6]

While the ISO remains committed to the fundamental requirement of GIPR that interconnection customers must provide sufficient and timely financial security so as to demonstrate project viability, the ISO also recognizes that the financial security obligations under the GIPR tariff provisions should be adjusted as appropriate based on experience and prevailing economic conditions and should not create disincentives for the interconnection of generation resources.[7] The need to avoid such disincentives is especially acute because, in November 2008, California Governor Arnold Schwarzenegger signed an executive order

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5 These concerns regarding the implementation of GIPR are discussed in a memorandum from the ISO's Vice President of External Affairs to the ISO Governing Board ("Board") dated September 2, 2009 ("September 2 Memorandum"). The September 2 Memorandum is available on the ISO's website at http://www.caiso.com/241e/241ebba3386e0.pdf.

6 *See id.* at 4.

7 *See* September 2008 Order at P 58 ("We find the increased study and site exclusivity deposits just and reasonable and not unduly discriminatory. Nevertheless, we will continue to monitor the CAISO's queue in order to ensure that the increased deposits do not become a barrier to entry.").

that calls for California's renewable portfolio standards target to increase from 20 percent by 2010 to 33 percent by 2020.[8]

Based on these considerations, the ISO held a stakeholder process to discuss possible changes to the GIPR tariff provisions relating to financial security. The ISO posted a draft proposal regarding the tariff changes on its website on August 18, 2009, and requested written comments from interested stakeholders by August 24. The ISO held a stakeholder conference call on August 27 to discuss the draft proposal. Based on the written comments and stakeholder discussion, the ISO issued a final proposal regarding the GIPR tariff changes on August 31 (as modified on September 2). On September 2, the ISO held a conference call to discuss the final proposal and tariff language with stakeholders. On September 8, the ISO posted several clarifications to the final proposal on its website. The ISO obtained Board approval to submit the instant tariff amendment at the Board meeting held on September 10-11, 2009.[9] After receiving Board approval, the ISO made several additional minor changes to the proposed tariff language, which it posted on its website on September 15.[10]

II. Proposed Tariff Changes

The tariff changes contained in this amendment are to the body of the GIPR LGIP and to Appendix 2 of the GIPR LGIP, which contains variations from the GIPR LGIP that apply to projects in the transition cluster.[11]

A. Changes to Tariff Provisions on the Assignment of the Costs of Short Circuit-Related Reliability Network Upgrades in the Phase I and Phase II Interconnection Studies

The ISO proposes to make modifications to the GIPR LGIP and Appendix 2 thereto concerning the assignment of the costs of short circuit-related reliability network upgrades identified in the Phase I and Phase II interconnection studies, in order to better align the cost causation of these upgrades with the allocation thereof. No stakeholder objected to these changes. Specifically, the ISO proposes to modify Sections 6.3.1 and 7.3 to provide that the estimated costs of short circuit related reliability network upgrades identified through a group study,

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8 *Id.* The California State Legislature has since passed legislation to enact the 33 percent renewable portfolio standards target. Moreover, on September 15, Governor Schwarzenegger signed a further executive order directing the California Air Resources Board to adopt regulations to implement a 33 percent renewable portfolio standards target as a central component of California's greenhouse gas reduction measures.

9 The Board materials, including the September 2 Memorandum, are available on the ISO's website at http://www.caiso.com/241e/241ea8bb13ed0.html.

10 The ISO materials and stakeholder comments discussed above are available on the ISO's website at http://www.caiso.com/1f42/1f42c00d28c30.html.

11 Except where otherwise noted, the section numbers referred to herein are references to sections of the GIPR LGIP.

either in Phase I or Phase II, will 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, rather than based on the maximum electrical output of the facilities 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.[12]

Because the ISO has already completed Phase I of the transition cluster study process, the ISO is proposing to limit the application of this change to subsequent clusters. Therefore, the ISO proposes to add new Sections 4.4 and 5.3 to Appendix 2 to make clear that for projects in the transition cluster, short circuit-related reliability network upgrades will continue to be assigned to all interconnection requests in the Phase I and Phase II studies *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.

B. Changes to Tariff Provisions on Interconnection Customer Modification to Interconnection Requests

The ISO proposes to rearrange and revise the provisions in Section 6.7.2 and Appendix 2 in order to clarify the timing and permissible scope of modifications to interconnection requests.

The ISO has re-designated the second paragraph of current Section 6.7.2 as new Section 6.7.2.1,[13] and has modified that paragraph to make it clear that, <u>at any time</u> during the course of the interconnection studies, the interconnection customer, the applicable Participating TO(s), or the ISO may identify changes to the planned interconnection that may improve the costs and benefits of the interconnection and the ability of the proposed change to accommodate the interconnection request.

The ISO has re-designated the first paragraph of current Section 6.7.2 as new Section 6.7.2.2, and has added language to the paragraph to clarify that, at the <u>Phase I interconnection study</u> results meeting, the interconnection customer should be prepared to discuss any desired modifications to the interconnection request. The ISO has also made clarifying changes to the paragraph to state

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12 The ISO does not propose any substantive changes to the current provisions in Section 6.3.1 for allocating the estimated costs of any other reliability network upgrades identified through a group study, or for allocating the estimated costs of reliability network upgrades identified as a result of an interconnection request studied separately.

13 New Section 6.7.2.1, and also new Section 6.7.2.2 discussed below, should not be confused with current Sections 6.7.2.1 and 6.7.2.2. As mentioned below, the ISO has deleted the section numbers of current Sections 6.7.2.1 and 6.7.2.2.

that, after the publication of the final Phase I interconnection study, but no later than five business days following the Phase I interconnection study results meeting, the interconnection customer must submit to the ISO, in writing, modifications to any information provided in the interconnection request.

The ISO has deleted the section numbers of current Sections 6.7.2.1 and 6.7.2.2, so that now the language in both of those sections is contained in the last two paragraphs of new Section 6.7.2.2. In addition, the ISO made non-substantive wording changes to that language to reflect the deletion of the section number of current Section 6.7.2.1, and has moved a sentence from the middle of new Section 6.7.2.2 to the end of new Section 6.7.2.2 and updated a section cross-reference in the sentence.

The ISO proposes to add new Section 4.3.1 to Appendix 2. Under this Section 4.3.1, for projects in the transition cluster, the expressly permitted modifications permitted under Section 6.7.2 are expanded to include the following: (i) an increase in the megawatt value above the generating facility capacity set forth in the interconnection request, not to exceed 30 percent of the original amount (*i.e.*, not to exceed 130 percent of the generating facility capacity set forth in the original interconnection request); and (ii) a change in the requested deliverability status set forth in the interconnection request from energy-only to full capacity.

The addition of the two new expressly permitted modifications for projects in the transition cluster in Section 4.3.1 of Appendix 2 is appropriate for two reasons. First, in some cases, generation efficiencies (such as turbine technology) have advanced since a particular interconnection request was submitted, allowing the generating facility to increase its output. Second, scoping meetings occurred before the creation of the transition cluster, and at that time some customers did not fully understand the ramifications of requesting energy-only rather than full capacity deliverability status (or vice versa) in their interconnection requests. In the stakeholder process, the ISO had originally proposed to make these modifications available to all interconnection requests, not just those for the transition cluster. However, the ISO ultimately determined that the most appropriate outcome would be to limit these expressly permitted modifications to projects in the transition cluster due to concerns that implementing the modifications universally could create gaming opportunities, such as the potential for interconnection customers submitting new interconnection requests to indicate an artificially low megawatt value or energy-only deliverability status in the interconnection application, with the intent of requesting a higher megawatt value or full capacity deliverability status after the final Phase I interconnection study was published.

Further, under Section 4.3.1 of Appendix 2, any modifications requested for projects in the transition cluster must be made within five business days of the effective date of the tariff sheet containing that Section 4.3.1. This provision will give interconnection customers time to make any modifications for projects in the transition cluster in light of the implementation of the new tariff provisions discussed above.

The ISO also proposes to add language to Section 4.3.1 stating that, to the extent that modifications made by interconnection customer(s) for either of the two new reasons specified in this section causes the need for additional upgrades within the applicable transition cluster study group beyond those identified in the Phase I interconnection study, the responsibility for financing such incremental upgrades will be assigned solely to those interconnection customers making such modifications on a *pro rata* basis. This additional language appropriately assigns the costs of the incremental upgrades to those interconnection customers that cause the upgrades to become necessary due to modifications made to their projects after the completion of the Phase I study.

C. Changes to Tariff Provisions on Interconnection Financial Security Posting Requirements

The ISO proposes to modify the requirements for initial and subsequent postings of interconnection financial security contained in Section 9.2, Section 9.3, and Appendix 2.

1. Initial Posting Requirements

Section 9.2 concerns the initial posting of interconnection financial security. Pursuant to current Section 9.2, within 90 calendar days after publication of the final Phase I interconnection study report, each interconnection customer is required to post, with notice to the ISO, two separate financial security instruments: (1) an instrument in the amount of (i) 20 percent of the total cost responsibility assigned to the interconnection customer in the final Phase I interconnection study for network upgrades, or (ii) $500,000, whichever is greater; and (2) an instrument in the amount of 20 percent of the total cost responsibility assigned to the interconnection customer in the final Phase I interconnection study for the Participating TO's interconnection facilities. If the interconnection customer fails to timely post the required financial security amount and to notify the ISO of the posting, the customer's interconnection request will be deemed withdrawn.

The ISO proposes to modify the amount of the first of the two interconnection financial security instruments that the interconnection customer is required to post. Under Section 9.2 as modified, interconnection customers must post financial security for network upgrades equal to the lesser of (i) 15 percent 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, including any requested modifications thereto, or (iii) $7.5 million, but in no event less than $500,000.[14] The modifications provide a more nuanced means of determining the required amount, by making that determination the result of three factors instead of two, and implement a limit ($7.5 million) on the maximum required amount. The modified percentage and dollar amounts in Section 9.2 are the result of discussions between the ISO and stakeholders. The modifications appropriately balance the need for required financial security amounts that are large enough to discourage speculative interconnection projects and yet not so large as to discourage the continuation of viable projects.[15]

The ISO proposes to modify Section 9.2 to specify that the interconnection customer must provide the ISO and the Participating TO with written notice that it has posted the required interconnection financial security no later than the final date for posting. This modification provides greater specificity than the similar provision in current Section 9.2, which only requires that the interconnection customer notify the ISO of the posting. The ISO also proposes to remove the language stating that an interconnection request will be deemed withdrawn if a customer fails to notify the ISO of its posting of financial security, as this result seems overly punitive for a relatively minor procedural misstep.

2. Subsequent Posting Requirements

Section 9.3 concerns the posting of interconnection financial security subsequent to the initial posting described in Section 9.2. Currently, Section 9.3 requires only a second posting of financial security. Pursuant to current Section 9.3, within 180 calendar days after publication of the final Phase II interconnection study report or at the start of construction activities of network upgrades or the Participating TO's interconnection facilities on behalf of the interconnection customer, whichever is earlier, the interconnection customer must post separate interconnection financial security instruments in the total amount of 100 percent of the total cost responsibility assigned to the interconnection customer (i) in the final Phase I interconnection study for network upgrades, if greater than $500,000, and (ii) in the final Phase II interconnection study for the Participating TO's interconnection facilities. The start date for construction activities of network upgrades or the Participating TO's

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14 The ISO also proposes to make non-substantive wording changes to the provisions in Section 9.2 regarding the posting of the second financial security instrument amount. These modifications do not alter the minimum required amount of the financial security instrument for Participating TO interconnection facilities, which remains at 20 percent of the total cost responsibility assigned to the interconnection customer in the final Phase I interconnection study for the Participating TO's interconnection facilities.

15 *See* September 2008 Order at P 60 (explaining the need for the GIPR tariff provisions to "strike an appropriate balance that will reduce the number of speculative projects clogging the interconnection queue without being excessively high so as to prevent legitimate projects from pursuing interconnection requests.").

interconnection facilities on behalf of the interconnection customer must be set forth in the interconnection customer's GIPR Large Generator Interconnection Agreement ("LGIA")[16] if that start date is prior to 180 calendar days after publication of the final Phase II interconnection study report. Failure of the interconnection customer to timely post the required financial security will constitute grounds for termination of the LGIA.

The ISO proposes to modify Section 9.3 to divide this second posting of interconnection financial security into two subsequent postings, and to revise the required posting amounts. The purpose of dividing the second posting requirement into two separate postings is to allow the interconnection customer to provide the required interconnection security on a more gradual basis, instead of all at once.

New Section 9.3.1 sets forth the provisions regarding the second posting requirement. Section 9.3.1 states that, within 180 days after publication of the final Phase II interconnection study report, the interconnection customer must post, with notice to the ISO, two separate interconnection financial security instruments, which together constitute the second posting of interconnection financial security. The first financial security instrument must be in an amount which brings the total amount of financial security posted by the interconnection customer for network upgrades to 30 percent of the total cost responsibility assigned to the interconnection customer for network upgrades in either the final Phase I interconnection study or the final Phase II interconnection study, whichever is lower, but in no event less than $500,000. The second financial security instrument must be in an amount which brings the total amount of financial security posted by the interconnection customer for Participating TO interconnection facilities to 30 percent of the total cost responsibility assigned to the interconnection customer in the final Phase II interconnection study for the Participating TO's interconnection facilities. Section 9.3.1 also provides that, if the start date for construction activities of network upgrades or the Participating TO's interconnection facilities on behalf of the interconnection customer is prior to 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 and the interconnection customer must make its second posting of interconnection financial security pursuant to new Section 9.3.2 rather than Section 9.3.1.

New Section 9.3.2 sets forth the provisions regarding the third posting requirement. Section 9.3.2 states that, on or before the start of construction activities for network upgrades or the Participating TO's interconnection facilities on behalf of the interconnection customer, whichever is earlier, the interconnection customer must modify the two separate interconnection financial

16 The *pro forma* GIPR LGIA is contained in Appendix Z to the ISO tariff.

security instruments posted pursuant to Section 9.3.1 as follows. The interconnection customer must modify the interconnection financial security instrument for network upgrades so that it equals 100 percent 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. The interconnection customer must also modify the interconnection financial security instrument for the Participating TO's interconnection facilities so that it equals 100 percent of the total cost responsibility assigned to the interconnection customer for those interconnection facilities in the final Phase II interconnection study. Failure of the interconnection customer to timely post the financial security required by either Section 9.3.1 or 9.3.2 will constitute grounds for termination of the interconnection customer's LGIA.

The ISO proposes to add language to Section 6 of Appendix 2 stating that the initial posting of interconnection financial security for projects in the transition cluster will be required on or before the later of ten business days after the effective date of the tariff sheet containing this revised tariff language, or 120 calendar days after publication of the Phase I interconnection study report for the transition cluster, but in no event later than December 15, 2009. This new tariff language affords interconnection customers in the transition cluster a grace period before they are required to make their initial postings of interconnection financial security, which the ISO believes is appropriate in light on the changes made to the GIPR LGIP that impact these customers. The ISO also proposes to modify Section 6 of Appendix 2 to state that any interconnection customer who has been permitted to modify its interconnection request for a project in the transition cluster pursuant to new Section 4.3.1 of Appendix 2[17] must make its initial posting of interconnection financial security for network upgrades pursuant to Section 9.2 in an amount equal to the lesser of $20,000 per megawatt of electrical output of the large generating facility (including any modifications thereto) or $7.5 million, but in no event less than $500,000, and must make its second and third postings of interconnection financial security for network upgrades pursuant to Section 9.3 based on the total cost responsibility assigned to the interconnection customer for network upgrades in the Phase II interconnection study.

These new provisions in Section 9.3 and in Section 6 of Appendix 2 are the result of discussions between the ISO and stakeholders. The provisions balance the need for required financial security amounts that are large enough to discourage speculative interconnection projects but not so large as to discourage viable interconnection projects.

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[17] See the discussion in Section II.B of this transmittal letter.

D. Changes to Tariff Provisions Regarding the Effects on Interconnection Financial Security of Withdrawing an Interconnection Request or Terminating an LGIA

The ISO proposes to modify the tariff provisions concerning the effects on interconnection financial security of withdrawing an interconnection request or terminating an LGIA, including the provisions regarding the schedule for determining what portion of the financial security is rendered non-refundable by the withdrawal or termination. These provisions are contained in Section 9.4 and the subsections thereto.

Pursuant to Section 9.4.1, a portion (but only a portion) of the interconnection financial security amount posted by an interconnection customer will be refunded to that customer if it withdraws its interconnection request or terminates its LGIA for any of the following reasons: (1) the interconnection customer fails to secure a power purchase agreement after a good-faith effort to do so; (2) the interconnection customer fails to secure a permit or other authorization necessary for the construction or operation of the large generating facility; (3) there is an increase in the estimated cost of the Participating TO's interconnection facilities of more than 30 percent or $300,000, whichever is greater, between the Phase I interconnection study and the Phase II interconnection study, provided that the increase is not due to the interconnection customer's modification to the interconnection configuration; or (4) there is a material change from the Phase I interconnection study in the point of interconnection for the large generating facility mandated by the ISO. All of these reasons are considered to be beyond the interconnection customer's control.

In the stakeholder process, interconnection customers expressed a desire to lower the amount of interconnection financial security that may be rendered non-refundable in these circumstances, while other stakeholders, including the Participating TOs, expressed a concern that interconnection customers must have enough "skin in the game" so that Phase II interconnection study results are not artificially inflated by interconnection customers who are not viable, or who may withdraw in the period between commencement of Phase II interconnection studies and the start of construction. The purpose of the modifications discussed below is to strike a reasonable balance between these stakeholder interests.

Section 9.4 authorizes 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. The section states that, to the extent the amount of liquidated financial security plus capital, if any, separately provided by the interconnection customer to satisfy an obligation to finance network upgrades exceeds the total cost responsibility for network upgrades assigned to the interconnection customer by the <u>Phase I interconnection study</u>, the applicable Participating TO(s) must remit the excess amount to the interconnection customer. The ISO proposes to modify this language by replacing the underlined words above with the words final Phase I or Phase II interconnection study, whichever is lower. This modification conforms the section to new Section 9.3.1, which provides for a second posting for the network upgrades that brings the interconnection customer's total financial security posting amount for network upgrades to 30% of the total cost responsibility assigned in either the Phase I interconnection study or the Phase II interconnection study, whichever is lower.[18]

Section 9.4.2 sets forth the schedule for determining what portion of interconnection financial security is rendered non-refundable by the withdrawal of an interconnection request or the termination of an LGIA. Currently, Section 9.4.2.1 concerns the time period up to 180 calendar days after publication of a final Phase II interconnection study report, Section 9.4.2.2 concerns the time period between 181 and 365 calendar days after publication of a final Phase II interconnection study report, and Section 9.4.2.3 concerns the time period between 366 and 545 calendar days after publication of a final Phase II interconnection study report. As explained below, the ISO is proposing to change this schedule from three to two periods, and to cap the maximum amount of non-refundable security based on the approved megawatt capacity of the project at issue.

Section 9.4.2.1 states that if an interconnection customer withdraws its interconnection request or terminates its LGIA within 180 calendar days after publication of the final Phase II interconnection study report, the applicable Participating TO(s) will liquidate the interconnection financial security for network upgrades under Section 9.2 and reimburse the interconnection customer in an amount equal to: (1) 50 percent of the value of the posted financial security for network upgrades; or (2) if the 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 financial security or the amount calculated under component (1) of this calculation. The ISO proposes to modify component (1) so that the amount of security returned to the interconnection customer equals any posted amounts less 50 percent of the value of the posted 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).

Section 9.4.2.2 states that if an interconnection customer withdraws its interconnection request or terminates its LGIA within 181 to 365 calendar days after publication of the final Phase II interconnection study report, the applicable Participating TO(s) will liquidate the interconnection financial security for network upgrades under Section 9.3 and reimburse the interconnection customer in an

18 See the discussion in Section II.C.2 of this transmittal letter.

amount equal to: (1) 50 percent of the value of the posted financial security for network upgrades; or (2) if the 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 financial security or the amount calculated under component (1) of this calculation. The ISO proposes to modify Section 9.4.2.2 to make it applicable to the time period between 181 calendar days after publication of the final Phase II interconnection study report and the commencement of construction activities for either network upgrades or the Participating TO's interconnection facilities. The ISO also proposes to modify component (1) of the calculation set forth in Section 9.4.2.2 so that the amount of security returned to the interconnection customer equals any posted amounts less 50 percent of the value of the posted 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).[19]

The change in the covered time period reflected in the modifications to Section 9.4.2.2 means that there is no reason to maintain the tariff provisions in current Section 9.4.2.3, which apply to the time period between 366 and 545 days after publication of the final Phase II interconnection study report. Therefore, the ISO proposes to delete Section 9.4.2.3 in its entirety. The ISO also proposes non-substantive wording changes to Section 9.4.2.6, which concerns notification to the ISO and accounting by the applicable Participating TO(s).

E. Changes to Tariff Language on the Provision of Financial Security in Favor of Applicable TO(s)

The first paragraph of Section 9.1 explains that the financial security posted by an interconnection customer may be any combination of six specified types of financial security provided in favor of the applicable Participating TO(s). However, language in the last two paragraphs of Section 9.1 erroneously suggests that in certain circumstances financial security is provided in favor of the ISO rather than the applicable Participating TO(s). The ISO proposes to modify that language to make it consistent with the language in the first paragraph of the section. No stakeholder objected to this change.

[19] Under existing Section 9.4.2.4, if an interconnection customer withdraws its interconnection request or terminates its LGIA because of a failure to secure a necessary permit or other authorization, then the provisions of Section 9.4.2.1 will generally apply, meaning, generally, that the customer will be subject to the $10,000 per MW "cap" that is part of the proposed changes to Section 9.4.2.1, rather than the $20,000 per MW cap of that is part of the proposed changes to Section 9.4.2.2.

III. Filing to Comply with September 2009 Order

In the September 2009 Order, the Commission directed the ISO to submit a compliance filing to revise the definition of the term "applicable reliability standards" in both the standard and GIPR versions of its LGIA (Appendices V and Z to the ISO tariff).[20] In compliance with this directive, contained in this filing are revised tariff sheets reflecting the required modifications to the definition of "applicable reliability criteria."

IV. Effective Dates

The ISO requests that the Commission make the tariff revisions discussed in Section II, above, effective sixty-one days after the submittal of the instant tariff amendment, *i.e.*, November 18, 2009.

The ISO requests that the Commission make the tariff changes submitted on compliance that are discussed in Section III, above, effective September 26, 2008. This effective date is consistent with the Commission's acceptance of the ISO's November 2008 compliance filing in Docket No. ER08-1317 effective as of September 26, 2008.[21]

V. Communications

Communications regarding this filing should be addressed to the following individuals, whose names should be put on the official service list established by the Commission with respect to this submittal:

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20 September 2009 Order at P 28.

21 *See id.* at Ordering Paragraph (A).

VI. Service

The ISO has served copies of this transmittal letter, and all attachments, on the California Public Utilities Commission, the California Energy Commission, all parties with effective Scheduling Coordinator Service Agreements under the ISO tariff, and all parties in Docket No. ER08-1317. In addition, the ISO is posting this transmittal letter and all attachments on the ISO's website.

VII. Attachments

The following attachments, in addition to this transmittal letter, support the instant filing:

Attachment A	Revised ISO tariff sheets that incorporate the proposed changes described above
Attachment B	The proposed changes to the ISO tariff shown in black-line format

VIII. Conclusion

For the foregoing reasons, the Commission should accept the proposed tariff changes as discussed above. Please contact the undersigned if you have any questions regarding this matter.

Respectfully submitted,

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Attachment A – Clean Sheets

Large Generator Interconnection Procedures (LGIP)

for Interconnection Requests in a Queue Cluster Window

GIPR (Appendix Y)

SLGIA (Appendix V)

LGIA (Appendix Z)

ER09-___-000

Fourth Replacement CAISO Tariff

September 18, 2009

The Phase I Interconnection Study will consist of a short circuit analysis, a stability analysis to the extent the CAISO and applicable Participating TO(s) reasonably expect transient or voltage stability concerns, a power flow analysis, including off-peak analysis, and an On-Peak and Off-Peak Deliverability Assessment(s), as applicable, in accordance with LGIP Section 6.3.2. The Phase I Interconnection Study will state for each Group Study or Interconnection Request studied individually (i) the assumptions upon which it is based, (ii) the results of the analyses, and (iii) the requirements or potential impediments to providing the requested Interconnection Service to all Interconnection Requests in a Group Study or to the Interconnection Request studied individually. The Phase I Interconnection Study will provide, without regard to the requested Commercial Operation Dates of the Interconnection Requests, a list of Network Upgrades to the CAISO Controlled Grid that are preliminarily identified as required as a result of the Interconnection Requests in a Group Study or as a result of any Interconnection Request studied individually and Participating TO's Interconnection Facilities associated with each Interconnection Request, and an estimate of any other financial impacts (i.e., on Local Furnishing Bonds).

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 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.

6.3.2 Delivery Network Upgrades.

6.7.2 Modifications.

6.7.2.1 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. 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.

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.

For any modification other than 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.

(iii) performance of sensitivities within the Transmission Planning Process, including cases considering Generating Facilities included in the Phase II Interconnection Study(ies) to the extent possible, to optimize transmission upgrades developed in the current Transmission Planning Process to achieve System Reliability, economic efficiency, and satisfy the Network Upgrade requirements to interconnect Generating Facilities included in the Phase II Interconnection Study;

(iv) consideration of future generation development potential in transmission upgrade designs pursuant to criteria developed as part of the Unified Planning Assumptions; and

(v) consideration of phased development and option value of transmission projects to address uncertainty.

Network Upgrades, apart from detail engineering and final cost determinations, identified in any Phase II Interconnection Study or as part of the Transmission Planning Process that must receive CAISO Governing Board approval under Section 24 of the CAISO Tariff may be subject to Section 24.2.5.2 of the CAISO Tariff.

Generation projects entering the Phase II Interconnection Study will also be considered in the Unified Planning Assumptions, as appropriate. Transmission projects proposed through the Phase II Interconnection Study that require CAISO Governing Board approval will be integrated into the stakeholder process under the Transmission Planning Process.

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.

7.4 Financing of Delivery Network Upgrades.

The responsibility to finance all Delivery Network Upgrades identified in the On-Peak Deliverability Assessment and Off-Peak Deliverability Assessment as part of Phase II Interconnection Study shall be assigned to all Interconnection Requests selecting Full Capacity Deliverability Status based on the flow impact of each such Large Generating Facility on each Delivery Network Upgrade as determined by the Generation distribution factor methodology set forth in the On-Peak and Off-Peak Deliverability Assessment methodologies. The financing responsibility shall be up to, but no greater than, the cost assignment for Delivery Network Upgrades for each Interconnection Request under LGIP Sections 6.3.2.1 and 6.3.2.2.

7.7 Meeting with the CAISO and Applicable Participating TO(s).

Within thirty (30) calendar days of providing the final Phase II Interconnection Study report to the Interconnection Customer, the applicable Participating TO(s), the CAISO and the Interconnection Customer shall meet to discuss the results of the Phase II Interconnection Study, including selection of the final Commercial Operation Date.

Section 8 [NOT USED]

Section 9 Interconnection Financial Security.

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 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 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.

9.2 Initial Posting of Interconnection Financial Security.

On or before ninety (90) calendar days after publication of the final Phase I Interconnection Study report, Interconnection Customers shall 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) fifteen percent (15%) 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 the amount of megawatt increase in the generating capacity of each existing Generating Facility as listed by the Interconnection Customer in its Interconnection Request, including any requested modifications thereto, or (iii) $7,500,000, but in no event less than $500,000.

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 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 the Interconnection Customer shall post, with notice to the CAISO, two separate Interconnection Financial Security instruments.

First, the Interconnection Customer shall post an Interconnection Financial Security instrument such that the total Interconnection Financial Security posted by the Interconnection Customer for Network Upgrades equals 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 such that the total Interconnection Financial Security posted by the Interconnection Customer for Participating TO Interconnection Facilities equals 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, 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.

The failure by an Interconnection Customer to timely post the Interconnection Financial Security required by this LGIP Section 9.3.1 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, 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.

9.4.1 Conditions for Partial Recovery of Interconnection Financial Security Upon Withdrawal of Interconnection Request or Termination of LGIA.

A portion of the Interconnection Financial Security shall be released to the Interconnection Customer, consistent with LGIP Section 9.4.2, if the withdrawal of the Interconnection Request or termination of the LGIA occurs for any of the following reasons:

(a) **Failure to Secure a Power Purchase Agreement.** At the time of withdrawal of the Interconnection Request or termination of the LGIA, the Interconnection Customer demonstrates to the CAISO that it has failed to secure an acceptable power purchase agreement for the Energy or capacity of the Large Generating Facility after a good faith effort to do so. A good faith effort can be established by demonstrating participation in a competitive solicitation process or bilateral negotiations with an entity other than an Affiliate that progressed, at minimum, to the mutual exchange by all counter-parties of proposed term sheets.

(b) **Failure to Secure a Necessary Permit**. At the time of withdrawal of the Interconnection Request or termination of the LGIA, the Interconnection Customer demonstrates to the CAISO that it has received a final denial from the primary issuing Governmental Authority of any permit or other authorization necessary for the construction or operation of the Large Generating Facility.

(c) **Increase in the Cost of Participating TO's Interconnection Facilities**. The Interconnection Customer withdraws the Interconnection Request or terminates the LGIA based on an increase of more than 30% or $300,000, whichever is greater, in the estimated cost of Participating TO's Interconnection Facilities between the Phase I Interconnection Study and the Phase II Interconnection Study, provided, however, that the Interconnection Financial Security shall not be released if this increase in the estimated cost is due to the Interconnection Customer's requested modification to the interconnection configuration.

(d) **Material Change in Interconnection Customer Interconnection Facilities Created by a CAISO Change in the Point of Interconnection.** The Interconnection Customer withdraws the Interconnection Request or terminates the LGIA based on a material change from the Phase I Interconnection Study in the Point of Interconnection for the Large Generating Facility mandated by the CAISO and included in the final Phase II Interconnection Study. A material change in the Point of Interconnection shall be where Point of Interconnection has moved to (i) a different substation, (ii) a different line on a different right of way, or (iii) a materially different location than previously identified on the same line.

9.4.2 Schedule for Determining Non-Refundable Portion of the Interconnection Financial Security for Network Upgrades.

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 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 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 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]

9.4.2.4 Special Treatment Based on Failure to Obtain Necessary Permit or Authorization from Governmental Authority.

If, at any time after the posting requirement under LGIP Section 9.3, the Interconnection Customer withdraws the Interconnection Request or terminates the LGIA, as applicable, in accordance with LGIP Section 9.4.1(b), and the Delivery Network Upgrades to be financed by the Interconnection Customer under LGIP Section 7.3 are also to be financed by one or more other Interconnection Customers, then LGIP Section 9.4.2.1 shall apply, except that the Interconnection Customer shall not be reimbursed for its share of any actual costs incurred or irrevocably committed by the applicable Participating TO(s) for Construction Activities.

9.4.2.5 After Commencement of Construction Activities.

Except as otherwise provided in LGIP Section 9.4.2.4, once Construction Activities on Network Upgrades on behalf of the Interconnection Customer commence, any withdrawal of the Interconnection Request or termination of the LGIA by the Interconnection Customer will be treated in accordance with this LGIP Section 9.4.

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

The applicable Participating TO(s) shall 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) shall 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.

Section 10 Engineering & Procurement ("E&P") Agreement.

Prior to executing an LGIA, an Interconnection Customer may, in order to advance the implementation of its interconnection, request and the applicable Participating TO(s) shall offer the Interconnection Customer, an E&P Agreement that authorizes the applicable Participating TO(s) to begin engineering and procurement of long lead-time items necessary for the establishment of the interconnection. However, the applicable Participating TO(s) shall not be obligated to offer an E&P Agreement if the Interconnection Customer is in Dispute Resolution as a result of an allegation that the Interconnection Customer has failed to meet any milestones or comply with any prerequisites specified in other parts of the LGIP. The E&P Agreement is an optional procedure. The E&P Agreement shall provide for the Interconnection Customer to pay the cost of all activities authorized by the Interconnection Customer and to make advance payments or provide other satisfactory security for such costs.

The Interconnection Customer shall pay the cost of such authorized activities and any cancellation costs for equipment that is already ordered for its interconnection, which cannot be mitigated as hereafter described, whether or not such items or equipment later become unnecessary. If the Interconnection Customer withdraws its application for interconnection or either Party terminates the E&P Agreement, to the extent the equipment ordered can be canceled under reasonable terms, the Interconnection Customer shall be obligated to pay the associated cancellation costs. To the extent that the equipment cannot be reasonably canceled, the applicable Participating TO(s) may elect: (i) to take title to the equipment, in which event the applicable Participating TO(s) shall refund the Interconnection Customer any amounts paid by Interconnection Customer for such equipment and shall pay the cost of delivery of such equipment, or (ii) to transfer title to and deliver such equipment to the Interconnection Customer, in which event the Interconnection Customer shall pay any unpaid balance and cost of delivery of such equipment.

4.2 Schedule.

The Phase I Interconnection Study, as described in LGIP Section 6, including the grouping and Interconnection Base Case Data development, for the Transition Cluster shall commence no later than December 1, 2008 or sixty (60) calendar days after the effective date of this Appendix 2 to the LGIP, whichever is later. Results of the Phase I Interconnection Study shall be provided to the Interconnection Customer within two hundred forty (240) calendar days after commencement under this Section.

4.3 Results Meeting.

Within sixty (60) calendar days after providing the Phase I Interconnection Study report to the Interconnection Customer, the applicable Participating TO(s), the CAISO and the Interconnection Customer shall meet to discuss the results of the Phase I Interconnection Study, including assigned cost responsibility.

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 (i) 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 Generation 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, and (ii) any modifications requested for projects in the Transition Cluster must be made within five (5) business days of the effective date of this tariff sheet.

To the extent that modifications made by one or more Interconnection Customers for either of the reasons specified in this Section 4.3.1 causes the need for additional upgrades within the applicable Transition Cluster study group beyond those identified in the Phase I Interconnection Study, the responsibility for financing such incremental upgrades shall be assigned solely to those Interconnection Customers making such modifications, pro rata in accordance with applicable provisions of the LIGP and this Appendix 2.

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. Phase II Interconnection Study.

5.1 Phase II Interconnection Study Procedures.

The Phase II Interconnection Study, as described in LGIP Section 7, for the Transition Cluster shall commence no later than one hundred twenty (120) calendar days after publication of the Phase I Interconnection Study report. Results of the Phase II Interconnection Study shall be provided to the Interconnection Customer within three hundred thirty (330) calendar days after commencement under this Section.

5.2 Coordination of the Phase II Interconnection Study with the Transmission Planning Process.

As part of the Uniform Planning Assumptions and Study Plan developed under Section 24 of the CAISO Tariff during calendar year 2009, the CAISO shall include technical analyses intended to identify, at a minimum, conceptual transmission upgrades that may access proposed Large Generating Facilities included in the Transition Cluster that are located in Energy Resource Areas.

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.

6. Interconnection Financial Security.

The provisions of LGIP Section 9 shall apply to the Transition Cluster, except that (i) the initial posting of Interconnection Financial Security under LGIP Section 9.2 in Appendix Y shall be required on or before the later of ten (10) business days after the effective date of this tariff sheet or one hundred twenty (120) calendar days after publication of the Phase I Interconnection Study report, but in no event earlier than November 30, 2009 or later than December 15, 2009; 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, including any modifications thereto, 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.

Affected System shall mean an electric system other than the CAISO Controlled Grid that may be affected by the proposed interconnection, including the Participating TO's electric system that is not part of the CAISO Controlled Grid.

Affiliate shall mean, with respect to a corporation, partnership or other entity, each such other corporation, partnership or other entity that directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with, such corporation, partnership or other entity.

Applicable Laws and Regulations shall mean all duly promulgated applicable federal, state and local laws, regulations, rules, ordinances, codes, decrees, judgments, directives, or judicial or administrative orders, permits and other duly authorized actions of any Governmental Authority.

Applicable Reliability Council shall mean the Western Electricity Coordinating Council or its successor.

Applicable Reliability Standards shall mean the requirements and guidelines of NERC, the Applicable Reliability Council, and the Balancing Authority Area of the Participating TO's Transmission System to which the Generating Facility is directly connected, including requirements adopted pursuant to Section 215 of the Federal Power Act.

Balancing Authority shall mean the responsible entity that integrates resource plans ahead of time, maintains load-interchange-generation balance within a Balancing Authority Area, and supports Interconnection frequency in real time.

Balancing Authority Area shall mean the collection of generation, transmission, and loads within the metered boundaries of the Balancing Authority. The Balancing Authority maintains load-resource balance within this area.

Base Case shall mean the base case power flow, short circuit, and stability data bases used for the Interconnection Studies.

Breach shall mean the failure of a Party to perform or observe any material term or condition of this LGIA.

Breaching Party shall mean a Party that is in Breach of this LGIA.

Business Day shall mean Monday through Friday, excluding federal holidays and the day after Thanksgiving Day.

Calendar Day shall mean any day including Saturday, Sunday or a federal holiday.

Commercial Operation shall mean the status of an Electric Generating Unit at a Generating Facility that has commenced generating electricity for sale, excluding electricity generated during Trial Operation.

Commercial Operation Date of an Electric Generating Unit shall mean the date on which the Electric Generating Unit at the Generating Facility commences Commercial Operation as agreed to by the applicable Participating TO and the Interconnection Customer pursuant to Appendix E to this LGIA.

Affected System shall mean an electric system other than the CAISO Controlled Grid that may be affected by the proposed interconnection, including the Participating TO's electric system that is not part of the CAISO Controlled Grid.

Affiliate shall mean, with respect to a corporation, partnership or other entity, each such other corporation, partnership or other entity that directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with, such corporation, partnership or other entity.

Applicable Laws and Regulations shall mean all duly promulgated applicable federal, state and local laws, regulations, rules, ordinances, codes, decrees, judgments, directives, or judicial or administrative orders, permits and other duly authorized actions of any Governmental Authority.

Applicable Reliability Council shall mean the Western Electricity Coordinating Council or its successor.

Applicable Reliability Standards shall mean the requirements and guidelines of NERC, the Applicable Reliability Council, and the Balancing Authority Area of the Participating TO's Transmission System to which the Generating Facility is directly connected, including requirements adopted pursuant to Section 215 of the Federal Power Act.

Balancing Authority shall mean the responsible entity that integrates resource plans ahead of time, maintains load-interchange-generation balance within a Balancing Authority Area, and supports Interconnection frequency in real time.

Balancing Authority Area shall mean the collection of generation, transmission, and loads within the metered boundaries of the Balancing Authority. The Balancing Authority maintains load-resource balance within this area.

Base Case shall mean the base case power flow, short circuit, and stability data bases used for the Interconnection Studies.

Breach shall mean the failure of a Party to perform or observe any material term or condition of this LGIA.

Breaching Party shall mean a Party that is in Breach of this LGIA.

Business Day shall mean Monday through Friday, excluding federal holidays and the day after Thanksgiving Day.

CAISO Controlled Grid shall mean the system of transmission lines and associated facilities of the parties to the Transmission Control Agreement that have been placed under the CAISO's Operational Control.

CAISO Tariff shall mean the CAISO's tariff, as filed with FERC, and as amended or supplemented from time to time, or any successor tariff.

Calendar Day shall mean any day including Saturday, Sunday or a federal holiday.

Attachment B - Blacklines

Large Generator Interconnection Procedures (LGIP)

for Interconnection Requests in a Queue Cluster Window

GIPR (Appendix Y)

SLGIA (Appendix V)

LGIA (Appendix Z)

ER09-___-000

Fourth Replacement CAISO Tariff

September 18, 2009

* * *

CAISO TARIFF APPENDIX Y

Large Generator Interconnection Procedures (LGIP)
for Interconnection Requests in a Queue Cluster Window

* * *

Large Generator
Interconnection Procedures (LGIP)

Table of Contents

* * *

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.~~

~~**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.

* * *

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. <u>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.</u> The responsibility to finance <u>all other</u> 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.

9.2 Initial Posting of Interconnection Financial Security.

On or before ninety (90) calendar days after publication of the final Phase I Interconnection Study report, Interconnection Customers ~~must~~ shall 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~~ fifteen percent (~~20~~15%) 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 the amount of megawatt increase in the generating capacity of each existing Generating Facility as listed by the Interconnection Customer in its Interconnection Request, including any requested modifications thereto, 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~~ shall post, with notice to the CAISO, two separate Interconnection Financial Security instruments.

First, the Interconnection Customer shall post an Interconnection Financial Security instrument such that the total Interconnection Financial Security posted by the Interconnection Customer for Network Upgrades equals 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 such that the total Interconnection Financial Security posted by the Interconnection Customer for Participating TO Interconnection Facilities equals 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.

~~one hundred percent (100%) of the total cost responsibility assigned to the Interconnection Customer (i) in the final Phase I Interconnection Study for Network Upgrades, if greater than $500,000, and (ii) in the final Phase II Interconnection Study for Participating TO's Interconnection Facilities.~~
If ~~T~~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 9.3.1~~2~~ 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 Schedule for Determining Non-Refundable Portion of the Interconnection Financial Security for Network Upgrades.

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. 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~~ shall 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~~ shall 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 (i) 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 Generation 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, and (ii) any modifications requested for projects in the Transition Cluster must be made within five (5) business days of the effective date of this tariff sheet.

To the extent that modifications made by one or more Interconnection Customers for either of the reasons specified in this Section 4.3.1 causes the need for additional upgrades within the applicable Transition Cluster study group beyond those identified in the Phase I Interconnection Study, the responsibility for financing such incremental upgrades shall be assigned solely to those Interconnection Customers making such modifications, pro rata in accordance with applicable provisions of the LIGP and this Appendix 2.

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.

6. Interconnection Financial Security.

The provisions of LGIP Section 9 shall apply to the Transition Cluster, except that (i) the initial posting of Interconnection Financial Security under LGIP Section 9.2 in Appendix Y shall be required on or before the later of ten (10) business days after the effective date of this tariff sheet or one hundred twenty (120) calendar days after publication of the Phase I Interconnection Study report, but in no event earlier than November 30, 2009 or later than December 15, 2009; 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, including any modifications thereto, 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.

* * *

CAISO TARIFF APPENDIX V

Standard Large Generator Interconnection Agreement

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ARTICLE 1. DEFINITIONS

* * *

Applicable Reliability Standards shall mean the requirements and guidelines of NERC, the Applicable Reliability Council, and the Balancing Authority Area of the Participating TO's Transmission System to which the Generating Facility is directly ~~inter~~connected, including requirements adopted pursuant to Section 215 of the Federal Power Act.

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CAISO TARIFF APPENDIX Z

Large Generator Interconnection Agreement

for Interconnection Requests in a Queue Cluster Window

* * *

ARTICLE 1. DEFINITIONS

* * *

Applicable Reliability Standards shall mean the requirements and guidelines of NERC, the Applicable Reliability Council, and the Balancing Authority Area of the Participating TO's Transmission System to which the Generating Facility is directly ~~inter~~connected, including requirements adopted pursuant to Section 215 of the Federal Power Act.

* * *

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing documents upon each entity listed in those documents as receiving service, in accordance with the requirements of Rule 2010 of the Commission's Rules of Practice and Procedure (18 C.F.R. § 385.2010).

Dated at Folsom, California on this 18th day of September, 2009.

Cayden Jenness BRM

Cayden Jenness