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Decision on Amendment to the Large Generation Interconnection Procedures

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Who Pays for Transmission?

	Generator Pays	Generator Finances / Repaid	PTO Finances
Generation Interconnection Facilities /Gen-Tie Line	100%		
PTO Interconnection Facilities	100%		
Network Upgrades (Reliability & Deliverability)		Generator Financed – Cost recovery begins at Commercial Operation	PTO Option to up-front Fund

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An example of 5 projects who share $100 million in total network upgrades ($20 Million each)

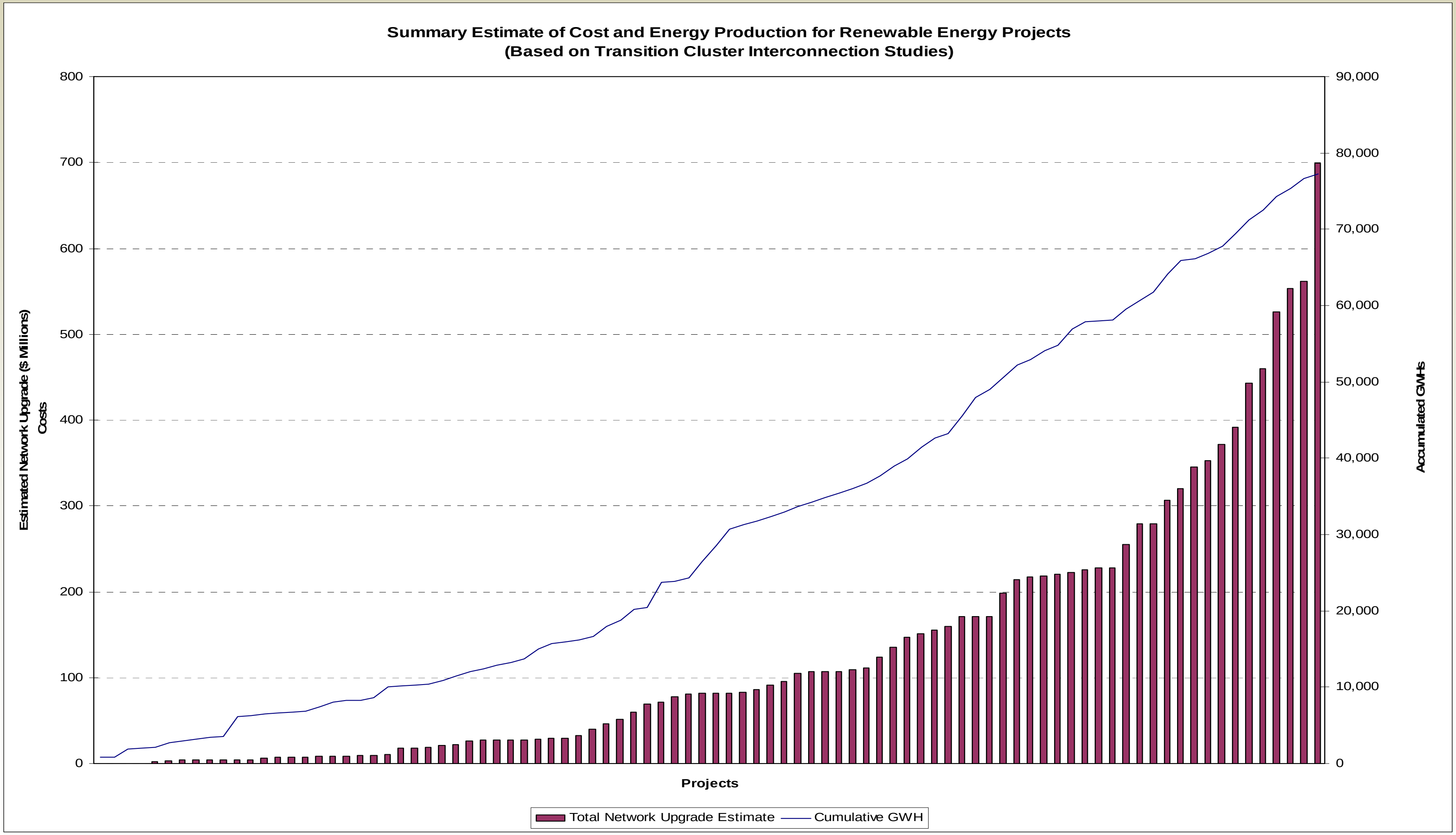
	Phase I studies	Phase II Studies	Start of Construction	Commercial Operation
Initial Financial Posting per project	$3 Million Letter of Credit (15% of share)			
2nd Financial Posting per project		$4.5 Million Letter of Credit (30% of share)		
Start of Construction			$20 Million Letter of Credit (100% of share)	Repaid over 5 years with interest

If projects drop out, financing obligations for these projects shift to the Participating Transmission Owners so the posting requirements and financial obligations remain unchanged for the remaining projects.

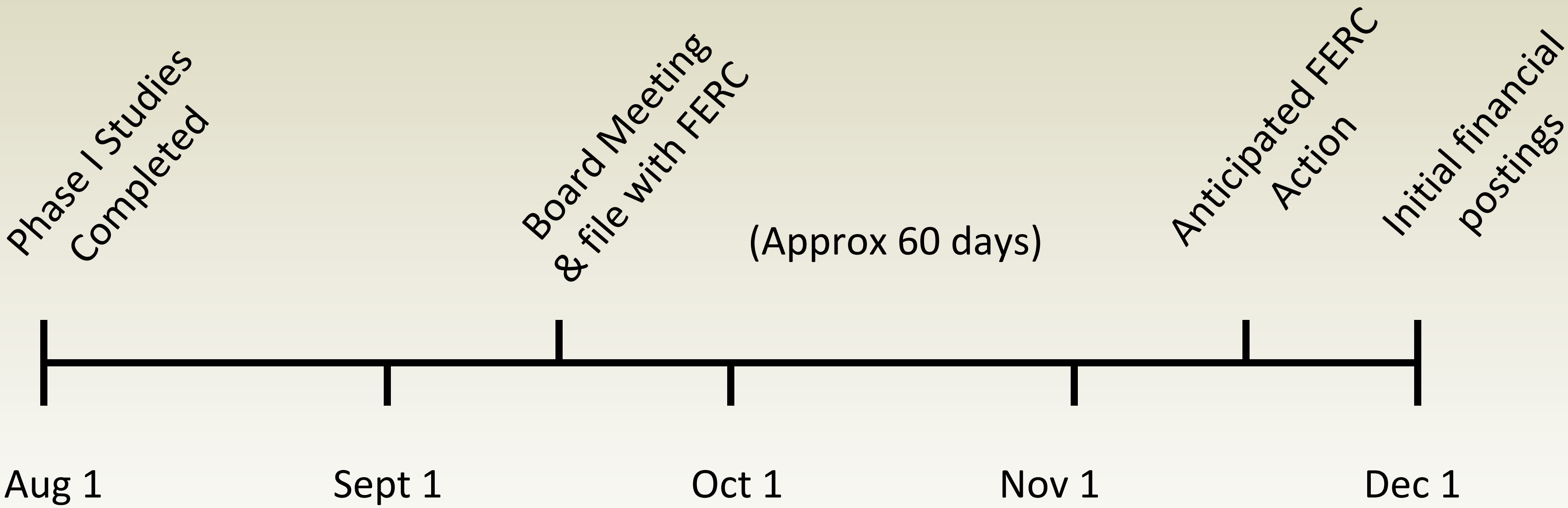
In 2008 the Board approved the reformed Large Generator Interconnection Procedures (LGIP).

- The goals of the LGIP reform are still valid today
- The reform is working as planned
- Phase 1 transition cluster studies published in August reflecting continuing high numbers of projects and MWs
- This proposal fine tunes the financial requirements to better reflect a balance between significant interconnection commitment and viable development
  - Lowers posting amounts and carrying costs
  - Adjusts deposit funds at risk in the event of project failure for reasons outside the developer’s control

Estimated network upgrade costs from Phase I studies varied widely.



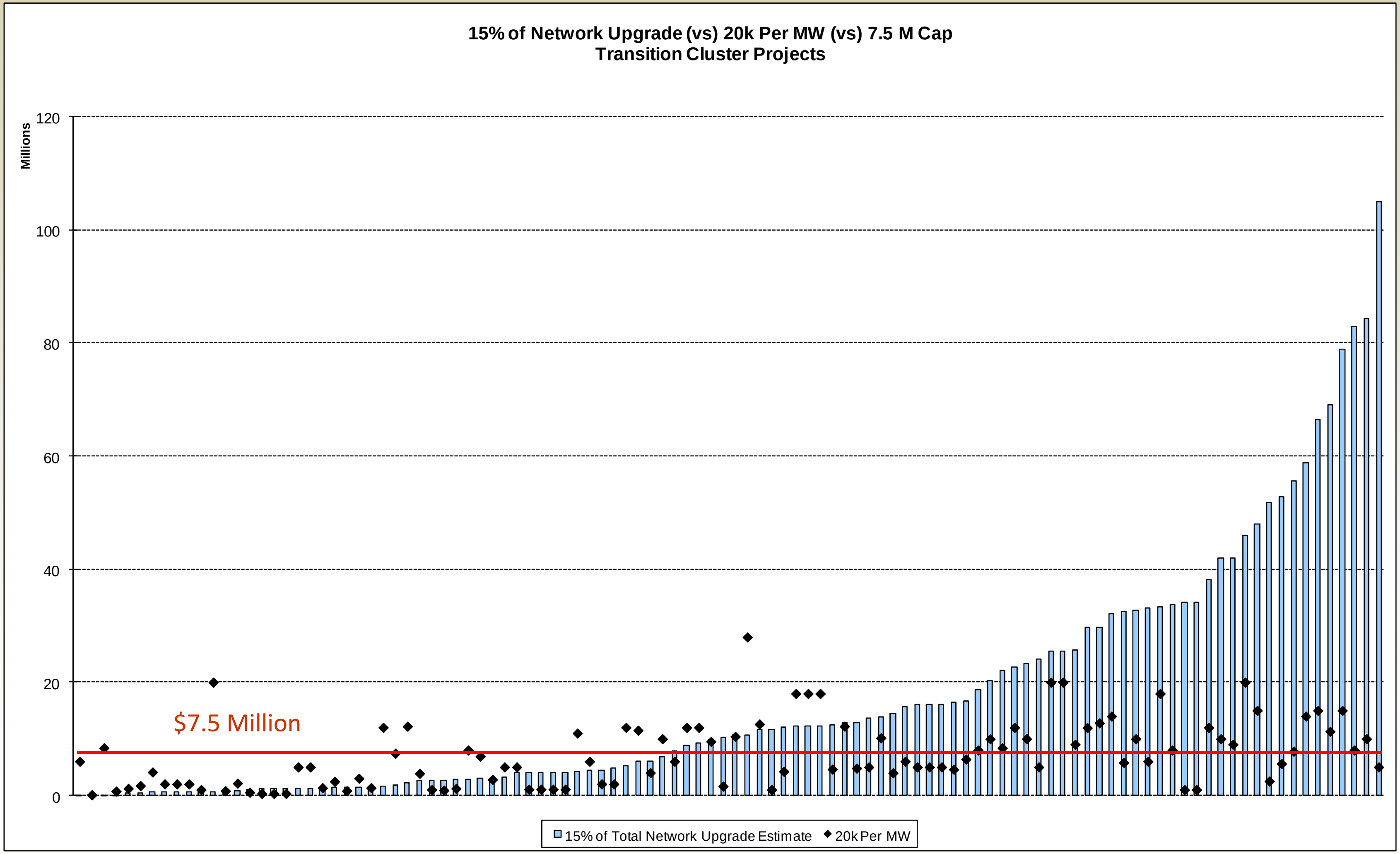
Accelerated process to meet process deadlines required limits on scope of changes.



Management is proposing to reduce the financial security requirements and timing for postings.

		Phase I Studies	Initial Posting	Phase II Studies (Annual Transmission Planning Process)	2nd Posting	3rd Posting Construction
Network Upgrades	Current		20%; No cap		100%	
	Proposed		Lesser of 15%; $20K/MW; Cap @ $7.5M		30%	100%
PTO Interconnection Facilities	Current		20%; No cap		100%	
	Proposed		No change		30%	100%

This illustrates how the proposal affects initial financial security postings for transition cluster projects.



Management is proposing to reduce the financial security at risk upon project withdrawal.

Amount of financial security at risk upon withdrawal for defined reasons		
Timeframe	**Existing Tariff**	**Proposal**
After Initial Posting	50% of posting (Posting=20% Network Upgrades)	50% of posting capped at $10K/MW * (Posting = $7.5 million or less)
After 2nd Posting	50% posting for 0 - 6 months 80% of posting for 6 -12 months 100% of posting after 1 year (Posting=100% Network Upgrades)	50% of posting capped at $20K/MW (Posting=30% Network Upgrades)
Start of Construction	100% (Posting=100% Network Upgrades)	No change

* This cap applies anytime prior to construction of network facilities if customers unable to secure a PPA or necessary permit.

This is an example of a financial security postings and amounts at risk for a 400 MW plant.

$100 Million in Phase I estimated Network Upgrades Assumes estimate unchanged in Phase II		
	Amount of security posted	Amount of financial security at risk
Initial Posting	$7.5 million (presently $20 million)	$3.75 million* (presently $10 million)
2nd Posting	Increase to $30 million (presently $100 million)	Increase to $8 million (presently $50 to $100 million)
Start of Construction	Increase to $100 million	Increase to $100 million

* This amount applies anytime prior to construction of network facilities if customer unable to secure a PPA or necessary permit.

Management proposes to add flexibility for projects in the transition cluster.

- Customers may request a capacity increase, not to exceed 30% more than original request.
- Customers may change deliverability status, from energy only to full capacity.

- Customers choosing either option
  - Must post $20,000 per MW of the revised total plant capacity, up to $7.5 million.
  - Risk higher future postings

Many stakeholder's support Management's proposal, but some have reservations.

- Some interconnection customers seek additional changes
  - Phase posting requirements to match construction schedule
  - Add loss of a Power Purchase Agreement or loss of a permit to valid reasons for withdrawal

- Transmission owners concerned that proposal lowers financial requirements too much

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- Proposal balances need for meaningful financial requirements with need for viable projects to move forward