

ALSTON & BIRD LLP

The Atlantic Building
950 F Street, NW
Washington, DC 20004-1404

202-756-3300
Fax: 202-756-3333

Michael E. Ward

Direct Dial: 202-756-3405

Email: michael.ward@alston.com

January 18, 2008

The Honorable Kimberly D. Bose
Secretary
Federal Energy Regulatory Commission
888 First Street, N.E.
Washington, D.C. 20426

**Re: California Independent System Operator Corporation,
Docket No. ER08-140 Compliance Filing**

Dear Secretary Bose:

The California Independent System Operator ("CAISO")¹ hereby submits an original and five copies of the instant filing in compliance with the Commission's "Order Conditionally Accepting Tariff Revisions," in Docket No. ER08-140, issued on December 21, 2007 ("December 21 Order").² As discussed below, the CAISO is submitting revisions to both the currently effective CAISO Tariff and the Market Redesign and Technology Upgrade ("MRTU") Tariff.

I. Background

On January 25, 2007, following an extensive stakeholder process, the CAISO filed a Petition for a Declaratory Order seeking Commission conceptual approval of a new financing mechanism to facilitate the construction of interconnection facilities for location constrained resources. The need for the new financing mechanism has been extensively discussed in the Petition and in the CAISO's tariff amendment filing in this docket.

¹ Capitalized terms not otherwise defined herein have the meanings set forth in the Master Definitions Supplement, Appendix A to the CAISO Tariff, and in the instant compliance filing.

² *Cal. Indep. Sys. Operator Corp.*, 121 FERC ¶ 61,286 (2007).

As proposed in the Petition, Participating Transmission Owners ("Participating TOs") would pay the up-front costs of constructing Location Constrained Resource Interconnection Facilities ("LCRIFs"). Participating TOs that construct LCRIFs would be permitted to reflect in their Transmission Revenue Requirement ("TRR") the costs of a LCRIF which are not being directly recovered from generators connected to the LCRIF. The TRR determines the CAISO's transmission Access Charge and Wheeling Access Charge (together, the "TAC"). Additional generation owners that connect to a LCRIF would be assigned a "pro rata" share of the costs; on a going-forward basis all costs would be directly assigned to such Generators. In the Petition, the CAISO proposed a number of specific eligibility criteria for its new financing mechanism.

On April 19, 2007, the Commission issued a Declaratory Order in which it granted the CAISO's Petition and accepted the design concepts proposed therein.³ In the Declaratory Order, the Commission determined that the CAISO's "proposed rate treatment is not unduly preferential or discriminatory and includes protections to customers that are just and reasonable"⁴ and that the proposal "strikes a reasonable balance that addresses the barriers to development of location-constrained resources and includes appropriate ratepayer protections."⁵ In the Declaratory Order, the Commission also identified certain issues that needed clarification in the CAISO's tariff filing.

After an extensive stakeholder process, the CAISO filed the LCRI Amendment on October 31, 2007. The LCRI Amendment was consistent with the concepts approved by the Commission in the Declaratory Order and addressed the issues that the Commission had identified. Seventeen parties intervened, a number of which submitted comments or protests.

In the December 21 Order, the Commission conditionally accepted the proposed tariff provisions, with certain modifications. First, the Commission directed a modification of one of the eligibility criteria for the additional interest showing requirement.

Among the eligibility criteria that the CAISO proposed was the requirement that the proponent of an LCRIF, at least 90 days before commencement of construction, demonstrate that the addition of the capital cost of the facility to the High Voltage TRR of a Participating TO will not cause the total net investment in all LCRIFs included in the High Voltage TRRs of all Participating TOs to exceed fifteen percent (15%) of the aggregate of the net investment of all Participating TOs in all High Voltage Transmission Facilities reflected in their High Voltage TRRs. The proponent must also demonstrate interest in the LCRIF equal to 60% or more of the capacity of the transmission facility. Of that 60%, Location Constrained Resource

³ *Cal. Indep. Sys. Operator Corp.*, 119 FERC ¶ 61,061 (2007) ("Declaratory Order).

⁴ Declaratory Order at P 62.

⁵ *Id.* at P 3.

Interconnection Generators ("LCRIGs") that have executed Large Generator Interconnection Agreements ("LGIAs") or Small Generator Interconnection Agreements ("SGIAs") would have to represent at least 25% of the capacity of the transmission line. In addition to capacity associated with executed LGIAs and SGIAs above the 25% level, the remainder of the 60% could constitute LCRIGs that (1) had executed a firm power sales agreement for the output of the LCRIG for a period of five years or longer; (2) were in the CAISO's interconnection queue and had paid a deposit to the CAISO equal to the sum of the minimum deposits required of an Interconnection Customer for all required interconnection studies; or (3) had paid a deposit to the CAISO equal to five percent of the LCRIG's pro rata share of the capital costs of a proposed LCRIF.

The Commission concluded that the standard for LCRIGs that had not executed LGIAs or SGIAs was insufficiently stringent. The Commission directed that, in addition to meeting one of the three tests described above, the LCRIG must also have obtained site control or paid a \$250,000 deposit to the CAISO.⁶

Second, the Commission directed that the CAISO revise certain sections of the proposed amendment to provide clarification that Southern California Edison had sought. Specifically –

- The Commission found that sections 24.1.3.1(b)(1) and 24.1.3.1(c) were unclear about whether generator contributions to the capital costs of LCRI facilities will be excluded from the investment cap calculation. It required the CAISO to modify its tariff language to clarify how generator contributions are to be treated in relation to determining the rate cap.⁷
- The Commission found that, with respect to Section 24.1.3.1(b)(2), the language from the transmittal letter which states: "Existing or prospective owners of LCRI [generators] have demonstrated their interest in connecting LCRI [generators] to the facility consistent with the requirements of section 24.1.3.2, which establishes the necessary demonstration of interest" is more precise than the language in the proposed amendment. The Commission required the CAISO to revise the tariff accordingly.⁸
- The Commission recognized Southern California Edison's concern that the CAISO's proposed modifications to the definition of Transmission Revenue Credit might imply that a revenue shortfall could result from the charge assessed to generators. However, the Commission found that this

⁶ December 21 Order at P 47.

⁷ *Id.* at P 69. In addition, the Commission directed the CAISO to correct its inadvertent omission in the proposed tariff sheets of the second parenthesis to close the statement "(net of the portion of the capital costs of LCRI [facilities] to be recovered by the Participating TOs pursuant to Section 26.6...."

⁸ *Id.* at P 70.

point could be clarified without the extensive edits that Southern California Edison proposed. It required the CAISO to modify the definition of "Transmission Revenue Credit" in its compliance filing to make clear that the charges assessed to generators connecting to LCRI facilities are not expected to result in revenue shortfalls for the purpose of calculating Transmission Revenue Credits.⁹

The Commission directed the CAISO to submit a compliance filing, within 30 days of this order, implementing the tariff clarifications discussed above.¹⁰

II. CAISO Tariff Revisions

This filing amends the CAISO Tariff, as modified by the CAISO's December 21, 2007 Order No. 890 compliance filing in Docket No. OA08-62, to comply with the Commission's December 21 Order in this proceeding. In the Order No. 890 compliance filing, the previously existing LCRI provisions were moved to an Appendix EE of the CAISO tariff to facilitate incorporation into the MRTU Tariff. Therefore, all sections identified below are sections within Appendix EE.

Consistent with the Commission's directive, the CAISO has revised Section 24.1.3.2, which establishes the criteria for the necessary demonstration of interest in a LCRIF. As revised, Section 24.1.3.2 provides that a proponent of a LCRIF must demonstrate interest in the LCRIF equal to 60% or more of the capacity of the transmission facility as follows:

- (a) the proponent must show that LCRIGs that would connect to the transmission facility and have executed LGIAs or SGIAs, as applicable, would have a combined capacity equal to at least 25% of the capacity of the transmission facility; and
- (b) to the extent the capacity represented by LGIAs and SGIAs constitutes less than 60% of the capacity of the LCRIF, the proponent must show that the LCRIGs representing the remainder of 60% --the required minimum level of interest -- must include a showing that additional LCRIGs
 - (1) have obtained control of the site for the LCRIG or have paid a \$250,000 deposit to the CAISO (which shall be refundable to the LCRIF if not approved or is withdrawn by the proponent), and
 - (2) have demonstrated interest in the LCRIF by any of the following methods:

⁹ *Id.* at P. 71.

¹⁰ *Id.* at Ordering Paragraph.

- (i) executing a firm power sales agreement for the output of the LCRIG for a period of five years or longer;
- (ii) being in the CAISO's interconnection queue and paying a deposit to the CAISO equal to the sum of the minimum deposits required of an Interconnection Customer for all studies performed in accordance with the Large Generator Interconnection Procedures ("LGIP") or Small Generator Interconnection Procedures ("SGIP"), as applicable to the LCRIG, less the amount of any deposits actually paid by the LCRIG for such studies. The deposit shall be credited toward such study costs; or
- (iii) paying a deposit to the CAISO equal to five percent of the LCRIG's pro rata share of the capital costs of a proposed LCRIF.

As directed by the Commission, the CAISO has added the requirement that LCRIGs that have not executed LGIAs or SGIAs must demonstrate site control or make a \$250,000 deposit. The entire \$250,000 deposit is refundable if the LCRIF is not approved or is withdrawn by the proponent.

As directed by the Commission, the CAISO is revising Sections 24.1.3.1(b)(1) and 24.1.1.1(c) consistent with SCE's recommendation. The revisions clarify that, in determining whether the 15% cap has been reached, the "amount of the capital costs of LCRIFs to be recovered from LCRIGs pursuant to Section 26.6" will be excluded from the calculation of both the total net investment by Participating TOs in LCRIF and the total net investment by Participating TOs in High Voltage Facilities included in their TRRs.¹¹ The CAISO has drafted the tariff language so that it is consistent across the two sections.

The Commission also directed the CAISO to revise Section 24.1.3.1(b)(2) as recommended by SCE to be consistent with the description of the section in the CAISO's transmittal letter. As revised, the section requires that "[e]xisting or prospective owners of LCRIGs have demonstrated their interest in connecting LCRIGs to the facility consistent with the requirements of Section 24.1.3.2, which establishes the necessary demonstration of interest."

The filing also revises Section 42.3, which addresses Participating TOs' obligations to construct facilities. Section 42.3 of Appendix EE is the successor to former Section 42. In the December 21 Order, the Commission approved a revision to former Section 42, which excluded from the obligation to construct those LCRIFs for which the CAISO had only made conditional approvals and determinations of need under Section 24.1.3.1(a). This revision was inadvertently omitted from

¹¹ The revision also adds the missing parenthesis, as directed by the Commission.

Section 42.3 in Appendix EE when the CAISO made its Order No. 890 compliance filing. The revision in this filing is necessary to bring Section 42.3 into conformity with the LCRF amendment as approved by the Commission.

Finally, in the December 21 Order, the Commission directed the CAISO to “modify the definition of ‘Transmission Revenue Credit’ in its compliance filing to make clear that the charges assessed to generators connecting to LCRF facilities are not expected to result in revenue shortfalls for the purpose of calculating Transmission Revenue Credits.”¹² The Commission did not state the specific language that it wanted the CAISO to file in its compliance filing. The filing revises the definition of Transmission Revenue Credit to clarify that the revenues that Participating TOs received from LCRIGs cannot result in a shortfall. The CAISO determined that it could accomplish that goal by simply deleting the phrase “the shortfall or surplus resulting from” that precedes the reference to the phrase “the proceeds received from any LCRIG with respect to an LCRIF.” The CAISO notes that it is using the term “revenues” in the definition – rather than proceeds – because revenues is the term used in Section 26.6.

III. Materials Provided in the Instant Compliance Filing

In addition to this transmittal letter, the instant compliance filing includes two sets of Tariff sheets, identified as Attachments A through D. As noted above, the first set revises the current CAISO Tariff, as modified by the CAISO’s Order No. 890 compliance filing in Docket No. OA08-62. In the compliance filing, the previously existing LCRF provisions were moved to an Appendix EE to facilitate incorporation into the MRTU Tariff. Attachment A contains clean CAISO Tariff sheets reflecting the modifications described in Section II, above. Attachment B shows these modifications in red-line format.

The second set revises the MRTU Tariff, as modified by the CAISO’s December 21, 2007 filing in Docket No. ER06-615. Attachment C contains clean CAISO Tariff sheets reflecting the modifications described in Section II, above. Attachment D shows these modifications in red-line format.

IV. Request for Waiver

To the extent necessary, the CAISO respectfully requests waiver of the requirements of the Commission’s Order No. 614¹³ with regard to the CAISO Tariff revisions contained in the instant compliance filing. In particular, the CAISO notes that it has made conforming changes to, and based the blacklines on, CAISO Tariff amendments submitted in the compliance filing for Order No. 890, which is pending Commission approval. In the Order No. 890 compliance filing, the CAISO moved

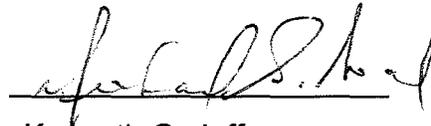
¹² December 21 Order at P 71.

¹³ *Designation of Electric Rate Schedule Sheets*, FERC Stats. & Regs., Regs. Preambles ¶ 31,096 (2000) (“Order No. 614”).

The Honorable Kimberly D. Bose
January 18, 2008
Page 7

the LCRI amendments (which the Commission approved on the same day that the CAISO made the Order No. 890 compliance filing) to Appendix EE to create more comprehensive and coherent documentation for the Transmission Planning Process. When incorporated into the MRTU Tariff, all revisions included in this filing will conform with Order No. 614.

Respectfully submitted,



Nancy Saracino, General Counsel
Anthony J. Ivancovich, Assistant
General Counsel-Regulatory
The California Independent System
Operator Corporation
151 Blue Ravine Road
Folsom, CA 95630
Tel: (916) 351-4400
Fax: (916) 351-4436
aivancovich@caiso.com

Kenneth G. Jaffe
Michael E. Ward
Alston & Bird LLP
The Atlantic Building
950 F Street, N.W.
Washington, DC 20004-1404
Tel: (202) 756-3300
Fax: (202) 756-3333
michael.ward@alston.com

Counsel for the California Independent
System Operator Corporation

ATTACHMENT A

Attachment A – Clean Sheets

Location Constrained Resource Interconnection Compliance Filing

January 18, 2008

Currently Effective ISO Tariff

26.6 Location Constrained Resource Interconnection Facilities.

The costs of an LCRIF shall be includable in a Participating TO's High Voltage Revenue Requirement. Any Participating TO that owns an LCRIF shall set forth in its TO Tariff a charge payable by LCRIGs connected to that facility. The charge shall require each LCRIG to pay on a going forward basis its pro rata share of the Transmission Revenue Requirement associated with the LCRIF which shall be calculated based on the maximum capacity of the LCRIG relative to the capacity of the LCRIF. Each Participating TO shall credit its High Voltage TRR with revenues received from LCRIGs with respect to such charges either by recording such revenues in its TRBA or through another mechanism approved by FERC.

26.6.1 Location Constrained Resource Interconnection Facilities that Become Network Facilities.

If the construction of a new transmission facility or upgrade causes an LCRIF to become a network facility, then, effective on the in-service date of such new transmission facility or upgrade, the LCRIGs connected to the LCRIF shall not be required to pay charges described in Section 26.6. The LCRIGs shall remain responsible for charges due prior to that date.

Transmission Ownership

Rights

A non-Participating TO ownership or joint ownership right to transmission facilities within the ISO Control Area that has not executed the Transmission Control Agreement and the transmission facilities are not incorporated into the ISO Controlled Grid.

Transmission Revenue

Credit

For an Original Participating TO, the proceeds received from the CAISO for Wheeling service, FTR auction revenue and Usage Charges, plus (a) the revenues received from any LCRIG with respect to an LCRIF, unless FERC has approved an alternative mechanism to credit such revenues against the Original Participating TO's TRR, and (b) the shortfall or surplus resulting from any cost differences between Transmission Losses and Ancillary Service requirements associated with Existing Rights and the CAISO's rules and protocols, minus any Low Voltage Access Charge amounts paid for the use of the Low Voltage Transmission Facilities of a Non-Load-Serving Participating TO pursuant to Section 26.1 and Appendix F, Schedule 3, Section 13. For a New Participating TO during the 10-year transition period described in Section 4 of Schedule 3 of Appendix F, the revenues received from the CAISO for Wheeling service and Net FTR Revenue, plus (a) the revenues received from any LCRIG with respect to an LCRIF, unless FERC has approved an alternative mechanism to credit such revenues against the New Participating TO's TRR, and (b) the shortfall or surplus resulting from any cost differences between Transmission Losses and Ancillary Service requirements associated with Existing Rights and the CAISO's rules and protocols, minus any Low Voltage Access Charge amounts paid for the use of the Low Voltage Transmission Facilities of a Non-Load-Serving Participating TO pursuant to Section 26.1 and Appendix F, Schedule 3, Section 13. After the 10-year transition period, the New Participating TO Transmission Revenue Credit shall be calculated the same as the Transmission Revenue Credit for the Original Participating TO.

TRBA (Transmission

Revenue Balancing

Account)

A mechanism to be established by each Participating TO which will ensure that all Transmission Revenue Credits and other credits specified in Sections 6, 8, and 13 of Appendix F, Schedule 3, flow through to transmission customers.

- (3) At the time of its in-service date, the facility will not be a network facility and would not be eligible for inclusion in a Participating TO's TRR other than as an LCRIF; and
 - (4) The facility meets Applicable Reliability Criteria and CAISO Planning Standards.
 - (b) The proponent of a facility that has been determined by the CAISO to meet the requirements of Section 24.1.3.1(a) of this Appendix EE shall provide the CAISO with information concerning the requirements of this subsection not less than ninety (90) days prior to the planned commencement of construction, and the facility shall qualify as a Location Constrained Resource Interconnection Facility if the CAISO determines that both of the following requirements are met:
 - (1) The addition of the capital cost of the facility to the High Voltage TRR of a Participating TO will not cause the aggregate of the net investment of all LCRIFs (net of the amount of the capital costs of LCRIFs to be recovered from LCRIGs pursuant to Section 26.6) included in the High Voltage TRRs of all Participating TOs to exceed fifteen percent (15%) of the aggregate of the net investment of all Participating TOs in all High Voltage Transmission Facilities reflected in their High Voltage TRRs (net of the amount of the capital costs of LCRIFs to be recovered from LCRIGs pursuant to Section 26.6) in effect at the time of the CAISO's evaluation of the facility); and
 - (2) Existing or prospective owners of LCRIGs have demonstrated their interest in connecting LCRIGs to the facility consistent with the requirements of Section 24.1.3.2 of this Appendix EE, which establishes the necessary demonstration of interest.

- (c) Each Participating TO shall report annually to the CAISO the amount of its net investment in LCRIFs (net of the amount of the capital costs of LCRIFs to be recovered from LCRIGs pursuant to Section 26.6), and its net investment in High Voltage Transmission Facilities reflected in its High Voltage TRR (net of the amount of the capital costs of LCRIFs to be recovered from LCRIGs pursuant to Section 26.6), to enable the CAISO to make the determination required under Section 24.1.3.1(b)(1) of this Appendix EE.

24.1.3.2 Demonstration of Interest in a Location Constrained Resource Interconnection Facility.

A proponent of an LCRIF must demonstrate interest in the LCRIF equal to sixty percent (60%) or more of the capacity of the facility in the following manner:

- (a) the proponent's demonstration must include a showing that LCRIGs that would connect to the facility and would have a combined capacity equal to at least twenty-five percent (25%) of the capacity of the facility have executed Large Generator Interconnection Agreements or Small Generator Interconnection Agreements, as applicable; and
- (b) to the extent the showing pursuant to Section 24.1.3.2(a) of Appendix EE does not constitute sixty percent (60%) of the capacity of the LCRIF, the proponent's demonstration of the remainder of the required minimum level of interest must include a showing that additional LCRIGs:
 - (1) have obtained control over their site or paid a deposit to the CAISO in the amount of \$250,000, which deposit shall be refundable if the LCRIF is not approved or is withdrawn by the proponent; and
 - (2) have demonstrated interest in the LCRIF by one of the following methods:
 - (i) executing a firm power sales agreement for the output of the LCRIG for a period of five years or longer; or

- (c) The Transmission Plan may not include the results of certain technical studies performed as part of the Transmission Planning Process cycle identified in the Unified Planning Assumptions and Study Plan that were scheduled for completion after publication of the Transmission Plan for the Transmission Planning Process cycle.

24.2.5.3 Approval by the CAISO Governing Board.

The CAISO will present the Transmission Plan to the CAISO Governing Board at the first meeting of the year following the year in which the Transmission Plan is prepared. The Transmission Plan will be considered final once it has been presented to the CAISO Governing Board and will be posted on the CAISO Website. Transmission upgrades and additions for which CAISO Governing Board approval is required may be presented to the CAISO Governing Board for approval separate from presentation of the Transmission Plan.

24.3 Obligation to Construct Transmission Projects Included in Transmission Plan.

A Participating TO that has a PTO Service Territory shall be obligated to construct all transmission additions and upgrades that are determined by the CAISO Governing Board or management, as applicable, to be needed in accordance with the requirements of Section 24 of this Appendix EE, not including conditional approvals and determinations of need under Section 24.1.3.1(a), and which: (1) are additions or upgrades to transmission facilities that are located within its PTO Service Territory, unless (a) it does not own the facility being upgraded or added and neither terminus of such facility is located within its PTO Service Territory or (b) it does not own the facility being upgraded or added and the Project Sponsor is a Participating TO that elects to construct the transmission upgrade; or (2) are additions to existing transmission facilities or upgrades to existing transmission facilities that it owns, that are part of the CAISO Controlled Grid, and that are located outside of its PTO Service Territory, unless the joint-ownership arrangement, if any, does not permit. A Participating TO's obligation

ATTACHMENT B

Attachment B – Blacklines

Location Constrained Resource Interconnection Compliance Filing

January 18, 2008

Currently Effective ISO Tariff

26.6 Location Constrained Resource Interconnection Facilities.

The costs of an LCRIF shall be includable in a Participating TO's High Voltage Revenue Requirement. Any Participating TO that owns an LCRIF shall set forth in its TO Tariff a charge payable by LCRIGs connected to that facility. The charge shall require each LCRIG to pay on a going forward basis its pro rata share of the Transmission Revenue Requirement associated with the LCRIF which shall be calculated based on the maximum capacity of the LCRIG relative to the capacity of the LCRIF. Each Participating TO shall credit its High Voltage TRR with revenues received from LCRIGs with respect to such charges either by recording such revenues in its TRBA or through another mechanism approved by FERC.

**ISO TARIFF APPENDIX A
Master Definitions Supplement**

**Transmission Revenue
Credit**

For an Original Participating TO, the proceeds received from the CAISO for Wheeling service, FTR auction revenue and Usage Charges, plus the ~~shortfall or surplus resulting from~~ (a) the ~~proceeds~~ revenues received from any LCRIG with respect to an LCRIF, unless FERC has approved an alternative mechanism to credit such ~~proceeds~~ revenues against the Original Participating TO's TRR, and (b) the shortfall or surplus resulting from any cost differences between Transmission Losses and Ancillary Service requirements associated with Existing Rights and the CAISO's rules and protocols, minus any Low Voltage Access Charge amounts paid for the use of the Low Voltage Transmission Facilities of a Non-Load-Serving Participating TO pursuant to Section 26.1 and Appendix F, Schedule 3, Section 13. For a New Participating TO during the 10-year transition period described in Section 4 of Schedule 3 of Appendix F, the ~~proceeds~~ revenues received from the CAISO for Wheeling service and Net FTR Revenue, plus (a) the ~~proceeds~~ revenues received from any LCRIG with respect to an LCRIF, unless FERC has approved an alternative mechanism to credit such

~~proceeds-revenues~~ against the New Participating TO's TRR, and (b) the shortfall or surplus resulting from any cost differences between Transmission Losses and Ancillary Service requirements associated with Existing Rights and the CAISO's rules and protocols, minus any Low Voltage Access Charge amounts paid for the use of the Low Voltage Transmission Facilities of a Non-Load-Serving Participating TO pursuant to Section 26.1 and Appendix F, Schedule 3, Section 13. After the 10-year transition period, the New Participating TO Transmission Revenue Credit shall be calculated the same as the Transmission Revenue Credit for the Original Participating TO.

* * *

ISO TARIFF APPENDIX EE
Transmission Expansion and Planning Process

* * *

24.1.3.1 Criteria for Qualification as a Location Constrained Resource Interconnection Facility.

- (a) The CAISO shall conditionally approve a facility as a Location Constrained Resource Interconnection Facility if it determines that the facility is needed and all of the following requirements are met:
- (1) The facility is to be constructed for the primary purpose of connecting to the CAISO Controlled Grid two or more Location Constrained Resource Interconnection Generators in an Energy Resource Area, and at least one of the Location Constrained Resource Interconnection Generators is to be owned by an entity(ies) that is not an Affiliate of the owner(s) of another Location Constrained Resource Interconnection Generator in that Energy Resource Area;
 - (2) The facility will be a High Voltage Transmission Facility;

- (3) At the time of its in-service date, the facility will not be a network facility and would not be eligible for inclusion in a Participating TO's TRR other than as an LCRIF; and
 - (4) The facility meets Applicable Reliability Criteria and CAISO Planning Standards.
- (b) The proponent of a facility that has been determined by the CAISO to meet the requirements of Section 24.1.3.1(a) of this Appendix EE shall provide the CAISO with information concerning the requirements of this subsection not less than ninety (90) days prior to the planned commencement of construction, and the facility shall qualify as a Location Constrained Resource Interconnection Facility if the CAISO determines that both of the following requirements are met:
- (1) The addition of the capital cost of the facility to the High Voltage TRR of a Participating TO will not cause the aggregate of the net investment of all LCRIFs (net of the ~~portion amount~~ portion amount of the capital costs of LCRIFs to be recovered from LCRIGs credited to Participating TOs' TRRs pursuant to Section 26.6) included in the High Voltage TRRs of all Participating TOs to exceed fifteen percent (15%) of the aggregate of the net investment of all Participating TOs in all High Voltage Transmission Facilities reflected in their High Voltage TRRs (net of the amount of the capital costs of LCRIFs to be recovered from LCRIGs pursuant to Section 26.6 in effect at the time of the CAISO's evaluation of the facility); and
 - (2) Existing or prospective owners of LCRIGs have demonstrated their interest in intention to connecting LCRIGs to the facility consistent with the requirements of Section 24.1.3.2 of this Appendix EE, which establishes the necessary demonstration of interest.
- (c) Each Participating TO shall report annually to the CAISO the amount of its net investment in LCRIFs (net of the amount of the capital costs of LCRIFs to be recovered from LCRIGs pursuant to Section 26.6), ~~the portion of the capital costs of LCRIFs credited to its TRR,~~ and its net investment in High Voltage Transmission Facilities reflected in its High Voltage TRR (net of the amount of the capital costs of LCRIFs to be recovered from

LCRIGs pursuant to Section 26.6), to enable the CAISO to make the determination required under Section 24.1.3.1(b)(1) of this Appendix EE.

24.1.3.2 Demonstration of Interest in a Location Constrained Resource Interconnection Facility.

A proponent of an LCRIF must demonstrate interest in the LCRIF equal to sixty percent (60%) or more of the capacity of the facility in the following manner:

- (a) the proponent's demonstration must include a showing that LCRIGs that would connect to the facility and would have a combined capacity equal to at least twenty-five percent (25%) of the capacity of the facility have executed Large Generator Interconnection Agreements or Small Generator Interconnection Agreements, as applicable; and
- (b) to the extent the showing pursuant to Section 24.1.3.2(a) of Appendix EE does not constitute sixty percent (60%) of the capacity of the LCRIF, the proponent's demonstration of the remainder of the required minimum level of interest must include a showing that additional LCRIGs:

(1) have obtained control over their site or paid a deposit to the CAISO in the amount of \$250,000, which deposit shall be refundable if the LCRIF is not approved or is withdrawn by the proponent; and

(2) have demonstrated interest in the LCRIF by one of the following methods:

- (i) executing a firm power sales agreement for the output of the LCRIG for a period of five years or longer; or
- (ii) being in the CAISO's interconnection queue and paying a deposit to the CAISO equal to the sum of the minimum deposits required of an Interconnection Customer for all studies performed in accordance with the Large Generator Interconnection Procedures or Small Generator Interconnection Procedures, as applicable to the LCRIG, less the amount of any deposits actually paid by the LCRIG for such studies. The deposit shall be credited toward such study costs. If the LCRIF is not approved or is withdrawn by the proponent, any deposit paid under this provision

shall be refundable to the extent it exceeds costs incurred by the CAISO for such studies; or

- (iii) paying a deposit to the CAISO equal to five percent (5%) of the LCRIG's pro rata share of the capital costs of a proposed LCRIF. The deposit shall be credited toward study costs performed in connection with the Large Generator Interconnection Procedures or Small Generator Interconnection Procedures, whichever is applicable. If the LCRIF is not approved or is withdrawn by the proponent, any deposit paid under this provision shall be refundable to the extent it exceeds the costs incurred by the CAISO for such studies.

* * *

24.3 Obligation to Construct Transmission Projects Included in Transmission Plan.

A Participating TO that has a PTO Service Territory shall be obligated to construct all transmission additions and upgrades that are determined by the CAISO Governing Board or management, as applicable, to be needed in accordance with the requirements of Section 24 of this Appendix EE, not including conditional approvals and determinations of need under Section 24.1.3.1(a), and which: (1) are additions or upgrades to transmission facilities that are located within its PTO Service Territory, unless (a) it does not own the facility being upgraded or added and neither terminus of such facility is located within its PTO Service Territory or (b) it does not own the facility being upgraded or added and the Project Sponsor is a Participating TO that elects to construct the transmission upgrade; or (2) are additions to existing transmission facilities or upgrades to existing transmission facilities that it owns, that are part of the CAISO Controlled Grid, and that are located outside of its PTO Service Territory, unless the joint-ownership arrangement, if any, does not permit. A Participating TO's obligation to construct such transmission additions and upgrades shall be subject to: (1) its ability, after making a good faith effort, to obtain all necessary approvals and property rights under applicable federal, state, and local laws and (2) the presence of a cost recovery mechanism with cost responsibility assigned in accordance with Section 24.7 of the CAISO Tariff. The obligations of the Participating TO to construct such transmission additions or upgrades will not alter the rights of any entity to construct and expand transmission facilities as those

rights would exist in the absence of a TO's obligations under this CAISO Tariff or as those rights may be conferred by the CAISO or may arise or exist pursuant to this CAISO Tariff.

* * *

ATTACHMENT C

Attachment C – Clean Sheets

Location Constrained Resource Interconnection Compliance Filing

January 18, 2008

**As Filed in CAISO Fourth Replacement Version of the FERC Electric Tariff
[Docket Nos. ER06-615 and ER08-367] on December 21, 2007**

- (b) The proponent of a facility that has been determined by the CAISO to meet the requirements of Section 24.1.3.1(a) shall provide the CAISO with information concerning the requirements of this subsection not less than ninety (90) days prior to the planned commencement of construction, and the facility shall qualify as a Location Constrained Resource Interconnection Facility if the CAISO determines that both of the following requirements are met:
- (1) The addition of the capital cost of the facility to the High Voltage TRR of a Participating TO will not cause the aggregate of the net investment of all LCRIFs (net of the amount of the capital costs of LCRIFs to be recovered from LCRIGs pursuant to Section 26.6) included in the High Voltage TRRs of all Participating TOs to exceed fifteen percent (15%) of the aggregate of the net investment of all Participating TOs in all High Voltage Transmission Facilities reflected in their High Voltage TRRs (net of the amount of the capital costs of LCRIFs to be recovered from LCRIGs pursuant to Section 26.6) in effect at the time of the CAISO's evaluation of the facility; and
- (2) Existing or prospective owners of LCRIGs have demonstrated their interest in connecting LCRIGs to the facility consistent with the requirements of Section 24.1.3.2, which establishes the necessary demonstration of interest.
- (c) Each Participating TO shall report annually to the CAISO the amount of its net investment in LCRIFs (net of the amount of the capital costs of LCRIFs to be recovered from LCRIGs pursuant to Section 26.6), and its net investment in High Voltage Transmission Facilities reflected in its High Voltage TRR (net of the amount of the capital costs of LCRIFs to be recovered from LCRIGs pursuant to Section 26.6), to enable the CAISO to make the determination required under Section 24.1.3.1(b)(1).

24.1.3.2 Demonstration of Interest in a Location Constrained Resource Interconnection Facility.

A proponent of an LCRIF must demonstrate interest in the LCRIF equal to sixty percent (60%) or more of the capacity of the facility in the following manner:

- (a) the proponent's demonstration must include a showing that LCRIGs that would connect to the facility and would have a combined capacity equal to at least twenty-five percent (25%) of the capacity of the facility have executed Large Generator Interconnection Agreements or Small Generator Interconnection Agreements, as applicable; and
- (b) to the extent the showing pursuant to Section 24.1.3.2(a) does not constitute sixty percent (60%) of the capacity of the LCRIF, the proponent's demonstration of the remainder of the required minimum level of interest must include a showing that additional LCRIGs:
 - (1) have obtained control over their site or paid a deposit to the CAISO in the amount of \$250,000, which deposit shall be refundable if the LCRIF is not approved or is withdrawn by the proponent; and

- (2) have demonstrated interest in the LCRIF by one of the following methods:
- (i) executing a firm power sales agreement for the output of the LCRIG for a period of five years or longer; or
 - (ii) being in the CAISO's interconnection queue and paying a deposit to the CAISO equal to the sum of the minimum deposits required of an Interconnection Customer for all studies performed in accordance with the Large Generator Interconnection Procedures (Appendix U) or Small Generator Interconnection Procedures (Appendix S), as applicable to the LCRIG, less the amount of any deposits actually paid by the LCRIG for such studies. The deposit shall be credited toward such study costs. If

CAISO Website. Transmission upgrades and additions for which CAISO Governing Board approval is required may be presented to the CAISO Governing Board for approval separate from presentation of the Transmission Plan.

24.3 Obligation to Construct Transmission Projects Included in Transmission Plan.

A Participating TO that has a PTO Service Territory shall be obligated to construct all transmission additions and upgrades that are determined by the CAISO Governing Board or management, as applicable, to be needed in accordance with the requirements of Section 24, not including conditional approvals and determinations of need under Section 24.1.3.1(a), and which: (1) are additions or upgrades to transmission facilities that are located within its PTO Service Territory, unless (a) it does not own the facility being upgraded or added and neither terminus of such facility is located within its PTO Service Territory or (b) it does not own the facility being upgraded or added and the Project Sponsor is a Participating TO that elects to construct the transmission upgrade; or (2) are additions to existing transmission facilities or upgrades to existing transmission facilities that it owns, that are part of the CAISO Controlled Grid, and that are located outside of its PTO Service Territory, unless the joint-ownership arrangement, if any, does not permit. A Participating TO's obligation to construct such transmission additions and upgrades shall be subject to: (1) its ability, after making a good faith effort, to obtain all necessary approvals and property rights under applicable federal, state, and local laws and (2) the presence of a cost recovery mechanism with cost responsibility assigned in accordance with Section 24.7. The obligations of the Participating TO to construct such transmission additions or upgrades will not alter the rights of any entity to construct and expand transmission facilities as those rights would exist in the absence of a TO's obligations under this CAISO Tariff or as those rights may be conferred by the CAISO or may arise or exist pursuant to this CAISO Tariff.

Transmission Reliability Margin (TRM)	A factor described in Appendix L.
Transmission Revenue Balancing Account (TRBA)	A mechanism to be established by each Participating TO which will ensure that all Transmission Revenue Credits and other credits specified in Sections 6, 8, and 13 of Appendix F, Schedule 3, flow through to transmission customers.
Transmission Revenue Credit	For an Original Participating TO, the proceeds received from the CAISO for Wheeling service, CRR Auction revenue and Congestion Charges, plus (a) the revenues received from any LCRIG with respect to an LCRIF, unless FERC has approved an alternative mechanism to credit such revenues against the Original Participating TO's TRR, and (b) the shortfall or surplus resulting from any cost differences between Transmission Losses and Ancillary Service requirements associated with Existing Rights and the CAISO's rules and protocols, minus any Low Voltage Access Charge amounts paid for the use of the Low Voltage Transmission Facilities of a Non-Load-Serving Participating TO pursuant to Section 26.1 and Appendix F, Schedule 3, Section 13. For a New Participating TO during the 10-year TAC Transition Period described in Section 4 of Schedule 3 of Appendix F, the revenues received from the CAISO for Wheeling service and IFM Congestion Credit pursuant to Section 4.3.1.2, plus (a) the revenues received from any LCRIG with respect to an LCRIF, unless FERC has approved an alternative mechanism to credit such revenues against the New Participating TO's TRR, and (b) the shortfall or surplus resulting from any cost differences between Transmission Losses and Ancillary Service requirements associated with Existing Rights and the CAISO's rules and protocols, minus any Low Voltage Access Charge amounts paid for the use of the Low Voltage Transmission Facilities of a Non-Load-Serving Participating TO pursuant to Section 26.1 and Appendix F, Schedule 3, Section 13. After the 10-year TAC Transition Period, the New Participating TO Transmission Revenue Credit shall be calculated the same as the Transmission Revenue Credit for the Original Participating TO.

ATTACHMENT D

Attachment D – Blacklines

Location Constrained Resource Interconnection Compliance Filing

January 18, 2008

**As Filed in CAISO Fourth Replacement Version of the FERC Electric Tariff
[Docket Nos. ER06-615 and ER08-367] on December 21, 2007**

24.1.3.1 Criteria for Qualification as a Location Constrained Resource Interconnection Facility.

- (a) The CAISO shall conditionally approve a facility as a Location Constrained Resource Interconnection Facility if it determines that the facility is needed and all of the following requirements are met:
 - (1) The facility is to be constructed for the primary purpose of connecting to the CAISO Controlled Grid two or more Location Constrained Resource Interconnection Generators in an Energy Resource Area, and at least one of the Location Constrained Resource Interconnection Generators is to be owned by an entity(ies) that is not an Affiliate of the owner(s) of another Location Constrained Resource Interconnection Generator in that Energy Resource Area;
 - (2) The facility will be a High Voltage Transmission Facility;
 - (3) At the time of its in-service date, the facility will not be a network facility and would not be eligible for inclusion in a Participating TO's TRR other than as an LCRIF; and
 - (4) The facility meets Applicable Reliability Criteria and CAISO Planning Standards.

- (b) The proponent of a facility that has been determined by the CAISO to meet the requirements of Section 24.1.3.1(a) shall provide the CAISO with information concerning the requirements of this subsection not less than ninety (90) days prior to the planned commencement of construction, and the facility shall qualify as a Location Constrained Resource Interconnection Facility if the CAISO determines that both of the following requirements are met:
 - (1) The addition of the capital cost of the facility to the High Voltage TRR of a Participating TO will not cause the aggregate of the net investment of all LCRIFs (net of the ~~portion~~ amount of the capital costs of LCRIFs to be

recovered from LCRIGs credited to Participating TOs' TRRs pursuant to Section 26.6] included in the High Voltage TRRs of all Participating TOs to exceed fifteen percent (15%) of the aggregate of the net investment of all Participating TOs in all High Voltage Transmission Facilities reflected in their High Voltage TRRs (net of the amount of the capital costs of LCRIFs to be recovered from LCRIGs pursuant to Section 26.6) in effect at the time of the CAISO's evaluation of the facility; and

- (2) Existing or prospective owners of LCRIGs have demonstrated their interest in intention to connecting LCRIGs to the facility consistent with the requirements of Section 24.1.3.2, which establishes the necessary demonstration of interest.
- (c) Each Participating TO shall report annually to the CAISO the amount of its net investment in LCRIFs (net of the amount of the capital costs of LCRIFs to be recovered from LCRIGs pursuant to Section 26.6), ~~the portion of the capital costs of LCRIFs credited to its TRR,~~ and its net investment in High Voltage Transmission Facilities reflected in its High Voltage TRR (net of the amount of the capital costs of LCRIFs to be recovered from LCRIGs pursuant to Section 26.6), to enable the CAISO to make the determination required under Section 24.1.3.1(b)(1).

24.1.3.2 Demonstration of Interest in a Location Constrained Resource Interconnection Facility.

A proponent of an LCRIF must demonstrate interest in the LCRIF equal to sixty percent (60%) or more of the capacity of the facility in the following manner:

- (a) the proponent's demonstration must include a showing that LCRIGs that would connect to the facility and would have a combined capacity equal to at least twenty-five percent (25%) of the capacity of the facility have executed Large Generator Interconnection Agreements or Small Generator Interconnection Agreements, as applicable; and

(b) to the extent the showing pursuant to Section 24.1.3.2(a) does not constitute sixty percent (60%) of the capacity of the LCRIF, the proponent's demonstration of the remainder of the required minimum level of interest must include a showing that additional LCRIGs:

(1) have obtained control over their site or paid a deposit to the CAISO in the amount of \$250,000, which deposit shall be refundable if the LCRIF is not approved or is withdrawn by the proponent; and

(2) _____ have demonstrated interest in the LCRIF by one of the following methods:

- (i) executing a firm power sales agreement for the output of the LCRIG for a period of five years or longer; or
- (ii) being in the CAISO's interconnection queue and paying a deposit to the CAISO equal to the sum of the minimum deposits required of an Interconnection Customer for all studies performed in accordance with the Large Generator Interconnection Procedures (Appendix U) or Small Generator Interconnection Procedures (Appendix S), as applicable to the LCRIG, less the amount of any deposits actually paid by the LCRIG for such studies. The deposit shall be credited toward such study costs. If the LCRIF is not approved or is withdrawn by the proponent, any deposit paid under this provision shall be refundable to the extent it exceeds costs incurred by the CAISO for such studies; or
- (iii) paying a deposit to the CAISO equal to five percent (5%) of the LCRIG's pro rata share of the capital costs of a proposed LCRIF. The deposit shall be credited toward study costs performed in connection with the Large Generator Interconnection Procedures (Appendix U) or Small Generator Interconnection Procedures

(Appendix S), whichever is applicable. If the LCRIF is not approved or is withdrawn by the proponent, any deposit paid under this provision shall be refundable to the extent it exceeds the costs incurred by the CAISO for such studies.

* * *

24.3 Obligation to Construct Transmission Projects Included in Transmission Plan.

A Participating TO that has a PTO Service Territory shall be obligated to construct all transmission additions and upgrades that are determined by the CAISO Governing Board or management, as applicable, to be needed in accordance with the requirements of Section 24, not including conditional approvals and determinations of need under Section 24.1.3.1(a), and which: (1) are additions or upgrades to transmission facilities that are located within its PTO Service Territory, unless (a) it does not own the facility being upgraded or added and neither terminus of such facility is located within its PTO Service Territory or (b) it does not own the facility being upgraded or added and the Project Sponsor is a Participating TO that elects to construct the transmission upgrade; or (2) are additions to existing transmission facilities or upgrades to existing transmission facilities that it owns, that are part of the CAISO Controlled Grid, and that are located outside of its PTO Service Territory, unless the joint-ownership arrangement, if any, does not permit. A Participating TO's obligation to construct such transmission additions and upgrades shall be subject to: (1) its ability, after making a good faith effort, to obtain all necessary approvals and property rights under applicable federal, state, and local laws and (2) the presence of a cost recovery mechanism with cost responsibility assigned in accordance with Section 24.7. The obligations of the Participating TO to construct such transmission additions or upgrades will not alter the rights of any entity to construct and expand transmission facilities as those rights would exist in the absence of a TO's obligations under this CAISO Tariff or as those rights may be conferred by the CAISO or may arise or exist pursuant to this CAISO Tariff.

* * *

**CAISO Tariff Appendix A
Master Definitions Supplement**

* * *

**Transmission Revenue
Credit**

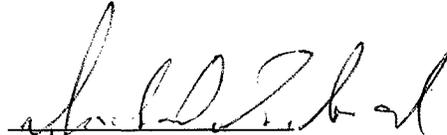
For an Original Participating TO, the proceeds received from the CAISO for Wheeling service, CRR Auction revenue and Congestion Charges, plus ~~the shortfall or surplus resulting from~~ (a) the proceeds-revenues received from any LCRIG with respect to an LCRIF, unless FERC has approved an alternative mechanism to credit such proceeds-revenues against the Original Participating TO's TRR, and (b) the shortfall or surplus resulting from any cost differences between Transmission Losses and Ancillary Service requirements associated with Existing Rights and the CAISO's rules and protocols, minus any Low Voltage Access Charge amounts paid for the use of the Low Voltage Transmission Facilities of a Non-Load-Serving Participating TO pursuant to Section 26.1 and Appendix F, Schedule 3, Section 13. For a New Participating TO during the 10-year TAC Transition Period described in Section 4 of Schedule 3 of Appendix F, the proceeds-revenues received from the CAISO for Wheeling service and IFM Congestion Credit pursuant to Section 4.3.1.2, plus (a) the proceeds-revenues received from any LCRIG with respect to an LCRIF, unless FERC has approved an alternative mechanism to credit such proceeds-revenues against the New Participating TO's TRR, and (b) the shortfall or surplus resulting from any cost differences between Transmission Losses and Ancillary Service requirements associated with Existing Rights and the CAISO's rules and protocols, minus any Low Voltage Access Charge amounts paid for the use of the Low Voltage Transmission Facilities of a Non-Load-Serving Participating TO pursuant to Section 26.1 and Appendix F, Schedule 3, Section 13. After the 10-year TAC Transition Period, the New Participating TO Transmission Revenue Credit shall be calculated the same as the Transmission Revenue Credit for the Original Participating TO.

* * *

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing documents upon each person designated on the official service list for the captioned proceeding, in accordance with Rule 2010 of the Commission's Rules of Practice and Procedure

(18 C.F.R. § 385.2010). Dated this 18th day of January, 2007, at Washington, D.C.

A handwritten signature in black ink, appearing to read "Michael E. Ward", written over a horizontal line.

Michael E. Ward
(202) 756-3076