Terra-Gen Power's Response to Changes in PIRP
CAISO Board Meeting – Public Comment
July 11, 2013

My name is Dinesh Salem-Natarajan and I come today to speak on Terra-Gen Power's behalf. Terra-Gen is concerned about changes to the PIRP program. As a result it responded to CAISO's request for information about projects seeking protective measures in a two page letter dated June 7th. While Terra-Gen received an acknowledgement of the letter's receipt, from our records no one at CAISO reached out to Terra-Gen to further discuss those concerns. Therefore, I will reiterate them here today.

Terra-Gen currently owns projects that make sales under (15) SO4 contracts with Edison, a majority of which expire in the next couple years. Those projects include 120 MW of stall regulated technology installed in 1999 and another 120 MW of capacity installed in the late 80s. The combined 240 MW either do not possess controller or SCADA technology necessary to follow market price signals or are unable to feather or change the pitch of the blades, such that adjusting project operations in response to market signals would cause excessive wear and tear and may even lead to a potential catastrophic turbine failure. This turbine technology was designed to generate power when the wind blows, not to be relied upon for responding to market signals or as a dispatchable resource.

All of these projects are debt financed, and none of them have been fully depreciated. As the projects age, maintenance costs increase, and at a rate beyond that of inflation. These maintenance and debt service costs have been included in the projects' financial proformas. Imbalance energy risk has not. This risk is significant for two reasons:

Repowering may not be a feasible option. Dating back to 2005, Terra-Gen and its predecessor have reviewed dozens of repower scenarios. To date, there has been no repower scenario that results in a reasonable economic outcome despite the review of several turbine models and layouts. As such, Terra-Gen will likely be faced with having to operate this fleet for some amount of additional time beyond the term of the existing PPAs.

Sufficient recontracting opportunities may not be available. A majority of Terra-Gen's legacy contracts expire in 2015 and 2016. Recontracting opportunities are slim as evidenced by the IOUs RPS procurement plans. For example, SCE skipped its RPS solicitation entirely in 2012, and SDG&E has indicated that it may do so in 2013. Should a PPA be awarded, it is unknown as to whether IOU's will agree to bear scheduling risk on a going forward basis with PIRP's monthly netting feature repealed.

Therefore, without viable repowering and recontracting scenarios Terra-Gen's legacy assets face the plausible reality of selling into the merchant market where it would not be able to respond to unfavorable or even negative pricing signals and incur unforeseeable costs; costs which do not exist today.

For the reasons set forth above, Terra-Gen requests that the CAISO adopt protective measures for the QFs. Thank you for your time.