



California ISO,
P.O. Box 639014
Folsom, CA,
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Attn: ISO Board of Directors

September 8, 2011

California ISO Board meeting, August 25, 2011
VEA's membership in the California Independent System Operator

We refer to the decision taken by the Board, on August 25, to approve a Memorandum of Understanding (MOU) with Valley Electric Association (VEA), in a process which will ultimately lead to VEA becoming a full member of the CAISO.

While we are fully supportive of the regional integration of transmission and the Board's decision to admit a member from outside California, we do wish to bring to your attention that we believe the briefing provided by staff to the Board was incomplete in one very significant aspect.

As the Board is aware, FERC policy requires that regional transmission planning is conducted through open and transparent stakeholder processes. FERC policy is also to encourage non-traditional sources of capital into the sector and to facilitate a level playing field for new entrants. Such principals are embedded into the CAISO's Open Access Tariff and FERC's 1000 Order.

This is relevant as Solar Express is developing a multi-user gen tie line to connect new generation (primarily solar in Nye County, NV) with the CAISO at Eldorado as a first point of inter-connection. The project filed its Federal right of way application in January 2010; entered the Southwest Area Transmission (SWAT) planning process in July 2010; was subsequently included in the WECC TEPPC planning process; submitted its Plan of Development to the BLM in August 2010; signed an MOU with the Western Area Power Authority to access the TIP program in February 2011 and posted its first public open season announcement in April 2011.

We were therefore surprised to learn during the CAISO's August 12, 2011 stakeholder call (and in subsequent correspondence) that on April 28, 2011 (midway during the period that CAISO were negotiating the MOU), VEA filed a right of way application for a new line to Eldorado that would compete directly with Solar Express (e.g. a 500kV line connecting solar generation facilities, utilizing the same rights of way and with at least one substation with a similar location).

Solar Express Transmission, LLC. 9550 S, Eastern Avenue, Suite 253,
Las Vegas, Nevada, Zip 89123; Phone 702-952-9577; <http://www.solarexpresstrans.com/>

Clearly, as a private developer deploying 3rd party private capital, we have an interest and an obligation to understand the CAISO's intentions with regards to this new 500kV line and the plans for how future generator interconnections will be processed. These questions were raised in a letter to the CAISO August 18, 2011 and a response was provided August 24, 2011.

We believe that the briefing provided by staff to the CAISO Board, in preparation for it the August 25, 2011 decision, was deficient, in that it: (i) rationalized VEA's membership on the basis of being able to access new renewables, with statements such as "With Valley Electric as part of the ISO balancing authority, the ISO will be able to achieve efficiencies in providing renewable resources to California and enhance the transmission grid regionally" and "must be supplemented to provide the capability to move the large volume of renewable energy from Valley Electric into California"; (ii) made no mention of the fact that Solar Express, a non-incumbent solution, was advanced through the regional transmission planning processes, at no risk or cost to California's rate payers; (iii) did not contain any statement about the fact that VEA had elected, midway during the MOU negotiation process, to file for a directly competing line.

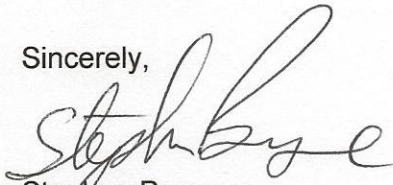
The primary purpose of stakeholder driven transmission planning processes is that all interested parties, including the CAISO and VEA, can accommodate developments planned by others. There is no evidence here that either party have acknowledged the existing planning process.

Moreover, independent transmission developers have repeatedly raised with both the FERC and the CAISO a belief that there is an institutional bias within the CAISO in favor of utility transmission. This was the subject of a letter from the Chair of the CPUC, dated April 29, 2011.

This would seem to be yet another example of such bias. The case presented to the Board should not have relied upon an argument that VEA's membership was necessary to access new sources of renewable energy and the Board should have been briefed on the fact that the independent sector was well advanced in providing a solution. We conclude that the failure of staff to so brief the Board is an example of inward looking thinking that we felt the CAISO Board should be alerted to and have the opportunity to address, consistent with FERC regulation.

We thank-you for your kind attention and appreciate all the good work you voluntarily provide to the rate payers of California and the region, by serving on the California ISO Board.

Sincerely,



Stephen Burnage
President

Copy:

Stephen Berberich, President and CEO, California ISO
Chairman and Commissioners, Federal Energy Regulatory Commission,
Chairman Peevey, California PUC,
Perry Cole, Managing Director, Energy Capital Partners II, LLC.

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