From: Simon, Sean A.
Sent: 1/27/2010 1:47:02 PM
To: Allen, Meredith (/O=PG&E/OU=Corporate/cn=Recipients/cn=MEAe)
Cc:
Bcc:
Subject: RE: NextLight Meeting

Meredith,

Thanks for following up on this. Your agenda looks fine. I am particularly interested in the transmission issues as they are described in the Appendix D of the advice letter for the Aqua Caliente project. (Inserting section here for your convenience)

Regards,
Sean

Excerpt from AL 3538-E, Appendix D at D-5 to D-7

TRANSMISSION

A. Provide any confidential information on gen-tie and network upgrades and costs that is not provided in public testimony

The project will interconnect with the Palo Verde - North Gila 500 kV transmission line, which is located along the southern property boundary, and is jointly owned by APS, IID and SDG&E. APS will build a facility known as the APS Q43 Switchyard, through which the transmission line will be looped, on the project site. The Project will construct and own a substation adjacent to the APS Q43 Switchyard and a short gen-tie line will connect the project substation and the APS Q43 Switchyard. Beyond these interconnection facilities, some minimal transformer protections may be required if the second Palo Verde - North Gila 500kv #2 line is built.
The project is dependent upon completion of the APS Q43 Switchyard. The switchyard is expected to be operational in time for the phase-in period; however, if interconnection cannot be achieved within 540 days (approximately 18 months) of the Guaranteed Commercial Operation Date, then either party may terminate without penalty. In that event, PG&E will have the right to purchase generation under the terms of the PPA (Right of First Offer or "ROFO") if the Project becomes operational within 24 months of termination.

B. Explain any congestion risk, impact on RMR, resource adequacy requirements, and other locational attributes associated with contract

There is a potential for congestion from Palo Verde. Although congestion has not historically been a concern, congestion risk could grow if more resources attempt to deliver energy from the CAISO, and network upgrades are not built. PG&E estimates that congestion cost could increase overall costs of energy from the project up to $7/MWh. PG&E will manage the Project within its overall portfolio and may procure congestion revenue rights if congestion risk increases.
The resource may contribute to PG&E resource adequacy requirements. See Section C below.

C. If applicable, how did the IOU clarify the cost, timing & other obstacles regarding transmission needs of the RPS Project outside of IOU's territory and/or outside CA? Does this Project additionally require upgrades WITHIN the IOU's system, and how does this reflect the approach to alternative delivery points/commercial arrangements?

The Project will connect to the CAISO - controlled transmission grid in APS's service territory. APS issued a draft Interconnection Agreement for review by ACS and the other transmission owners and completion of the Interconnection Agreement is anticipated in late 2009. Based on the status of the interconnection arrangements, PG&E does not anticipate any obstacles to connecting to the APS system.
A CAISO LGIP study and a finding of full capacity deliverability is required in order for the project to be counted for Resource Adequacy. The results of that study are not expected until 2011. Under the terms of the PPA, ACS must first seek upfront funding of network upgrades from the transmission owner, which is expected to be SCE. If SCE chooses not to provide upfront funding, and the network upgrades needed for full capacity deliverability cost no more than $50 million, PG&E may direct ACS to proceed with the CAISO LGIP process and pursue the network upgrades necessary for the project to provide full capacity deliverability. Upon Commercial Operation, PG&E will repay ACS for the upgrade costs and ACS will assign PG&E its right to refunds from the CAISO/Transmission Owner. ACS is obligated to pursue direct (upfront) funding from the Participating Transmission owners. Any direct funding will reduce the amount funded by ACS, and reduce the amount reimbursed by PG&E.
When the project achieves commercial operation, ACS will include the costs in its invoice to PG&E for power purchase costs, and PG&E will recover those PPA expenses through ERRA. PG&E will credit the refunds received over the 5 year refund period, including the interest paid by the transmission provider, to ERRA. This provision allows ACS to be reimbursed for the full costs of transmission upgrades upon commercial operation, rather than wait for the 5 year reimbursement period. This transaction does not change any obligation by ACS to fund

the network upgrade costs prior to commercial operation if not funded by SCE, nor does it change SCE's ultimate recovery of those costs through the Transmission Access Charge (TAC).

If PG&E does not exercise this option, the project may deliver energy without providing Resource Adequacy credit.
Since the project is CAISO-jurisdictional, the delivery point is the project P-Node, and alternate delivery points/commercial arrangements are not needed.

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-----Original Message-----
From: Allen, Meredith [mailto:MEAe@pge.com]
Sent: Wednesday, January 27, 2010 12:12 PM
To: Simon, Sean A.
Subject: NextLight Meeting

Sean,

I want to make sure that the meeting tomorrow addresses the information that you would like to cover.

We are planning to provide a very brief overview of each project and then an update on the project status for each. We will also respond to Anne's question on the transmission.
The team will be available to answer questions.

Please let me know if that general game plan works or if we should add other items.

Thanks,
Meredith