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July 29, 2010

Keith Casey, Ph.D.
Vice President
Market & Infrastructure Development
California Independent System Operator
151 Blue Ravine Road
Folsom, CA 95630

Re: Request to Connect the Existing Mesquite Gen-tie to the Hassayampa-North Gila Line

Interconnection Request

Sempra Generation, through its wholly owned subsidiary, Mesquite Power, LLC, owns and operates an existing 500 kV generation-tie (the “Mesquite Gen-tie”) that serves the existing 1,250 MW Mesquite Generating Station gas-fired combined cycle (“MGS”) and the planned 700 MW Mesquite Solar photovoltaic project. The Mesquite Gen-tie consists of two 500 kV circuits (one in-service and one under construction) connecting to the Hassayampa Switchyard. As replacement of this current configuration, Sempra Generation hereby requests to connect the Mesquite Gen-tie to the Hassayampa-North Gila 500 kV line at a point 1,300 feet west of the Hassayampa Switchyard fence. This requested point of interconnection is located (i) at the edge of the MGS site, (ii) 2,000 feet west of the Mesquite Gen-tie’s existing point of interconnection, and (iii) inside the CAISO Balancing Authority Area (BAA), as shown on Attachment 1.

Alternative that Would More Efficiently Meet the Objective of this Request

The objective of this request is to move MGS and Mesquite Solar into the CAISO BAA so that both facilities are Participating Generators under the CAISO tariff. As covered in our previous correspondence and discussions with the CAISO, this objective could also be achieved by simply including the Mesquite Gen-tie meters in the sum that defines the CAISO BAA boundary at PVWEST (i.e., our meters would comprise a third tie, in addition to the Palo Verde-Devers meter and the Hassayampa-North Gila meter). Sempra Generation proposes this metering arrangement because it would yield the same outcome as the physical connection requested hereby, but without need of the new 500 kV switchyard that the physical connection will require. Because the new switchyard will be a CAISO network facility, its cost (likely over \$30 million) ultimately will be borne by California power customers. However, to date the CAISO has posited that the metering arrangement would be classified as a “pseudo-tie”, despite the existing contiguity of Sempra Generation’s facilities and the CAISO grid. As pseudo-tie generators, MGS and Mesquite Solar would receive transmission service on the CAISO grid under terms that are substantially inferior to those provided to Participating Generators.

Sempra Generation is not the same company as the utility, SDG&E or SoCalGas, and the California Public Utilities Commission does not regulate the terms of Sempra Generation’s products and services.

Potential Withdrawal of this Request. In order to ensure that MGS and Mesquite Solar receive the same treatment as other Participating Generators, Sempra Generation is making this request to move the Mesquite Gen-tie's point of interconnection to the CAISO side of the BAA boundary. However, Sempra Generation will withdraw this request if the CAISO determines that, under the proposed metering arrangement, MGS and Mesquite Solar will be Participating Generators under the CAISO tariff, or if as Pseudo Participating Generators, MGS and Mesquite Solar will receive the same treatment as Participating Generators in all respects. Sempra Generation believes that this determination is warranted because of the existing contiguity of Sempra Generation's facilities and the CAISO grid.

Existing Contiguity of Sempra Generation Facilities and the CAISO Grid. The Mesquite Gen-tie is currently connected to the Hassayampa Switchyard. The Hassayampa-North Gila 500 kV line, which lies inside the CAISO BAA as shown on Attachment 1, is also connected to the Hassayampa Switchyard. In fact, the line's termination position is immediately adjacent to the Mesquite Gen-tie's two termination positions. Under the Hassayampa Interconnection Agreement (HIA), Sempra Generation has "ownership-like rights" to (i) facilities that touch the BAA boundary (i.e., the Hassayampa Switchyard), and (ii) the arrangement under which the switchyard facilities are operated (i.e., the "Common Bus Arrangement"). The HIA defines the Common Bus Arrangement and the Common Bus as follows:

"Common Bus Arrangement: The delivery, sale, purchase, receipt and/or exchange of power and energy at any point within the Common Bus without a transmission charge, transmission credit, reservation, or schedule for transactions or any portions thereof conducted within the Common Bus.

Common Bus: The ANPP Switchyard and the Hassayampa Switchyard, and the string bus facilities connecting them, and any Capital Improvements thereto."

The ownership-like rights described above allow Sempra Generation to move the output of MGS and Mesquite Solar across the Common Bus to the CAISO's Hassayampa-North Gila and Palo Verde-Devers 500 kV lines without need of transmission service.

Deliverability

Sempra Generation requests full deliverability of the output of MGS and Mesquite Solar, as described below.

MGS Background. MGS consists of two combined cycle blocks, with Block 1 in commercial operation since June 2003 and Block 2 since December 2003. Over its seven years of operation, nearly the entire output of MGS has been delivered to California customers under a power purchase agreement with CDWR, with deliveries to date totaling over 49 million MWh. Since June 2006, Sempra Generation has provided CDWR with year-ahead notification of hourly deliveries from MGS, as recited in Attachment 2. It is our understanding that Southern California Edison (SCE) as agent to CDWR counts all deliveries under the Sempra-CDWR agreement, including the output of MGS, as qualifying for System Resource Adequacy (System RA). Consistent with the conclusion that the current state of the CAISO grid supports the counting of deliveries from MGS as qualifying for System RA, SCE has affirmed in discussions with Sempra Generation and in public statements that SCE analyses indicate no need for expansion of transmission capacity from Palo Verde/Hassayampa into California, and

accordingly that SCE currently has no plans for moving forward with the Arizona portion of the Palo Verde-Devers 500 kV project.

Mesquite Solar Background. Mesquite Solar made its interconnection request to ANPP (owners of the Hassayampa and Palo Verde Switchyards, including SCE and six other parties) in May 2007 and received unanimous approval from ANPP in November 2009. The project received its final permitting approvals in January 2010. A power purchase agreement for 150 MW from Mesquite Solar has been executed with a California utility, and initial deliveries are planned for November 2011.

Based on the above facts, Sempra Generation believes that MGS alone (i.e., ignoring the Mesquite Solar component of the Mesquite Gen-tie) would be deemed fully deliverable as System RA, and that a deliverability analysis of MGS alone would find no need for system upgrades in order to reach the same conclusion. However, Sempra Generation recognizes that addition of the planned Mesquite Solar, although known to SCE and the other ANPP members since May 2007, may not be reflected in the current baseline of fully deliverable resources. Nevertheless, pursuant to the terms of the power purchase agreement executed with a California utility, Sempra Generation places high priority on full deliverability of the first 150 MW of Mesquite Solar. Therefore, Sempra Generation requests that the need for any system upgrades to provide full deliverability of MGS and Mesquite Solar be assessed in the following order:

- First: 150 MW from Mesquite Solar
- Second: 1,250 MW from MGS
- Third: 550 MW from Mesquite Solar

Expedited Processing of this Interconnection Request

We request expedited processing by the CAISO of this interconnection request and believe that such processing is warranted for several reasons. First and foremost, the requested point of interconnection is electrically indistinguishable (only 2,000 feet away) from the point of interconnection that has already been fully studied and approved. Interconnection of MGS was approved by ANPP in 2001, its interconnection facilities were energized in 2002, and the facility has been in operation since 2003, delivering nearly all of its output to California customers (over 49 million MWh). Interconnection of Mesquite Solar was approved by ANPP in November 2009, energization of its interconnection to Hassayampa is planned for October 2011, and the output of the first 150 MW has already been sold to a California utility.

Under the circumstances outlined in this request, expedited processing by the CAISO is also supported by the terms of the CAISO tariff. At a minimum, Sempra Generation's request should qualify for accelerated processing pursuant to tariff Section 7.6, which provides that Phase II Studies will be accelerated if (i) during the Phase I Study, the Interconnection Request is not grouped with any other interconnection requests or was identified as interconnecting to a point of available transmission; and (ii) the Interconnection Customer is able to demonstrate that the normal timeline is insufficient to accommodate the commercial operation date of its facility. As noted above, MGS is already operational and delivering almost exclusively to SCE, while Mesquite Solar is scheduled to commence deliveries in November 2011. As such, the requirements of tariff Section 7.6 relating to available transmission and commercial operation date would very likely be met.

Tariff Section 7.6 goes on to provide for a waiver of LGIP timelines to meet the schedule required by an order, ruling, or regulation of the Governor of the State of California, the CPUC, or the CEC. Such a waiver would be appropriate in the present circumstance, in that Sempra Generation's request to become a Participating Generator is driven by state regulatory pronouncements – in particular the CPUC's resource adequacy requirements – which require Sempra Generation's California utility customers to make purchases from facilities with Full Capacity Deliverability Status in order to qualify as System RA. With MGS operational since 2003 and Mesquite Solar's initial 150 MW planned for delivery in November 2011, the existing LGIP timelines will not accommodate the current and near-term operations of these facilities.

Inclusion of this Request in Cluster 2 with an Expedited Phase II Study. In addition to the above facts, this request is being made solely due to the CAISO's current positions that (i) the proposed metering arrangement would be classified a pseudo-tie, and that (ii) despite their existing contiguity with the CAISO grid, MGS and Mesquite Solar as Pseudo Participating Generators would receive transmission service on the CAISO grid under terms that are substantially inferior to those provided to Participating Generators. While Sempra Generation made its objective (Participating Generator treatment of MGS and Mesquite Solar) known to the CAISO well before the Cluster 2 request submittal deadline, the CAISO did not notify Sempra Generation of its current positions until well after the Cluster 2 request submittal deadline:

September 18, 2009	1 st CAISO/Sempra Generation meeting and presentation
October 19, 2009	2 nd CAISO/Sempra Generation meeting and presentation
November 3, 2009	3 rd Sempra Generation presentation sent to the CAISO
January 31, 2010	Cluster 2 interconnection request submittal deadline
March 10, 2010	CAISO issues its Dynamic Transfer Straw Proposal
April 21, 2010	3 rd CAISO/Sempra Generation meeting and 4 th presentation
May 18, 2010	CAISO e-mails its pseudo-tie position to Sempra Generation

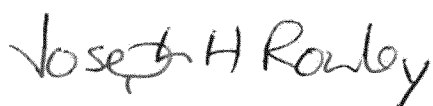
Based on all of the above, Sempra Generation requests that this interconnection request be included in Cluster 2, and that its Phase II study be expedited per tariff Section 7.6.

Sempra Generation is prepared to post a letter of credit in the amount of \$7.5 million, which is the maximum amount required of generators to cover any system upgrades identified in a Phase I study. Additionally, Sempra Generation is prepared to waive the Phase I cap that would otherwise apply to the cost of system upgrades identified in the Phase II study.

Contact Information

Please contact me if you have any questions regarding the information provided in this letter. For other matters involved in the processing of this interconnection request, please contact Leslie Padilla at (619) 696-4425 or LPadilla@SempraGeneration.com.

Sincerely,



Joseph H. Rowley

cc: Judy Brown (CAISO)
Steve Ruty (CAISO)
William Engelbrecht (Sempra Generation)
Leslie Padilla (Sempra Generation)

Attachments

Redacted

Redacted

Attachment 1
Mesquite Gen-tie
Requested and Existing
Points of Interconnection



Attachment 2 – Mesquite Generating Station (MGS) Deliveries under the Sempra-CDWR Agreement

CONFIDENTIAL

Year-Ahead Notice for Each Operating Hour from June 2006 through December 2010

ON-PEAK is HE07 through HE22, Monday through Saturday, except NERC Holidays.
 OFF-PEAK is all other hours.

Sunday and NERC Holiday dates are shown in yellow.
 Blue fields are scheduled plant outages

JUNE 2006	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	
ON-PEAK																															
Mesquite 1	445	445	445		445	445	445	445	445	445		445	445	445	445	445	445		445	445	445	445	445	445		445	445	445	445	445	
Mesquite 2	460	460	460		460	460	460	460	460	460		460	460	460	460	460	460		460	460	460	460	460	460	460		460	460	460	460	460
Mesquite Total	905	905	905	0	905	905	905	905	905	905	0	905	905	905	905	905	905	0	905	905	905	905	905	905	905	0	905	905	905	905	
OFF-PEAK																															
Mesquite 1	285	285	285	205	285	285	285	285	285	285	205	285	285	285	285	285	285	205	285	285	285	285	285	285	205	285	285	285	285	285	
Mesquite 2	300	300	300	220	300	300	300	300	300	300	220	300	300	300	300	300	300	220	300	300	300	300	300	300	300	220	300	300	300	300	
Mesquite Total	585	585	585	425	585	585	585	585	585	585	425	585	585	585	585	585	585	425	585	585	585	585	585	585	425	585	585	585	585	585	

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FEBRUARY 2008 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29

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 Mesquite 1 470
 Mesquite 2 485
 Mesquite Total 955

MARCH 2008 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31

ON-PEAK
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 Mesquite 1 460
 Mesquite 2 475
 Mesquite Total 935

MAY 2008 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31

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OFF-PEAK
 Mesquite 1 455
 Mesquite 2 470
 Mesquite Total 925

JUNE 2008 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30

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OFF-PEAK
 Mesquite 1 445
 Mesquite 2 460
 Mesquite Total 905

JULY 2009 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31

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AUGUST 2009 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31

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 Mesquite 1 460
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 Mesquite Total 900

SEPTEMBER 2009 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30

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 Mesquite 1 580 580 580 580 580 0 0 580 580 580 580 580 0 580 580 580 580 580 0 580 580 580 580 580 580 0 580 580 580
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 Mesquite 1 465
 Mesquite 2 450
 Mesquite Total 915

OCTOBER 2009 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31

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 Mesquite 1 470
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 Mesquite Total 925

NOVEMBER 2009 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30

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 Mesquite 1 0 0 0 0 0 0 0 0 475 475 475 475 475 475 0 485 485 485 485 485 485 0 485 485 485 0 485 485 0 485
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DECEMBER 2009 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31

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 Mesquite 2 475
 Mesquite Total 965

