From: Redacted

Sent: 12/21/2012 1:56:41 PM

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Bcc:

Subject: RE: Capacity At Risk of Retirement

Megha/Candice:

Happy Holidays!

Thanks for taking the time to talk with us this morning. If I have questions over the next several weeks, I'll reach out to you. Other than the usual holidays, I'm available to discuss further.

I've attached a link to the CEC cost data to which I referred this morning (see Table B-4 on page B5). The estimated fixed cost (insurance, ad valorem taxes and fixed O&M) for a CC is about $30 kW-year (2009 $s). But the avoided debt cost may have the potential to be much greater than this amount. The capital & financing cost ($175 kW-year) give us a rough order-of-magnitude feel of the debt cost of these resources assuming merchant plants are financed primarily by debt. We can discuss more over the next couple of weeks.

It would be helpful to have some bullets from you describing how you envision future CPUC proceedings will address the CAISO's risk-of-retirement concerns. FERC may be more sympathetic to the concerns discussed this morning if we can point to specific CPUC proceedings focused on delivering solutions addressing the CAISO's concerns in the near future.

Thanks, Kurt

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