



## Terra-Gen Power, LLC

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August 27, 2014

Commissioner Michael R. Peevey, President  
Commissioner Michel Peter Florio  
Commissioner Carla J. Peterman  
Commissioner Michael Picker  
Commissioner Catherine J.K. Sandoval  
Public Utilities Commission of the State of California  
505 Van Ness Avenue  
San Francisco, CA 94102

Re: Public Agenda 3341 – Agenda Item 17

Dear Commissioners:

I am writing to urge you to consider an alternate or modification to the current Proposed Decision that addresses Terra-Gen Power's concerns and recommendation as summarized in our comments to the Proposed Decision to be considered by the Commission at the August 28, 2014 Commission meeting (agenda item 17). Over the last thirty-six months, Terra-Gen Power has been able to successfully site, permit, construct and bring into operations over 1,500MW of new wind generation in the Tehachapi region to help satisfy California's renewable objectives. The path to successful completion presented numerous challenges. We could not have achieved such an important accomplishment without first having a solid and stable regulatory foundation and transparent cooperation among the various state agencies.

Unfortunately, today we are faced with a much different story. Although Terra-Gen and other organizations have efficient and viable generation projects in development to meet Southern California's local capacity resource needs, we have encountered an inexplicable unwillingness to pursue transparency and cooperation among California stakeholders for the benefit of California ratepayers. The result of the 2012 LTPP Track 1 and Track 4 proceeding was to authorize a solicitation of local capacity resources within the western LA basin that are also effective at mitigating the most critical transmission contingency. Implicitly recognizing that different resources provide a variety of important attributes, the Commission's order was not to procure only the most effective resource but to take into consideration effectiveness in the final evaluation. The resulting solicitation was initially consistent with the Commission's intentions but midstream through the process, after bidders were shortlisted, SCE modified the process to make effectiveness an eligibility issue. The rationale for this drastic shift was that major changes in the electrical system due to the SONGS shutdown result in a material shift in the effectiveness

of nodes throughout the electrical grid. We do not contest this notion. What we take issue with is the midstream change in the evaluation process and the lack of transparency surrounding the determination of post-SONGs effectiveness factors.

At the forefront of our concern are two questions: (1) why is the Commission allowing an important procurement process to change course and exclude the consideration of a broader solution set of resources and (2) why is the Commission unwilling to consider some of the new and important information regarding location preferences? As a participant in the procurement process we do not have access to the full gamut of information available to the Commission but in all cases we assume the Commission would want better information and more competition. Further, we have completed detailed studies which demonstrate all resources approved in Tracks 1 and 4 do not need to be located in the Southwestern Zone of the Western LA Basin to resolve the identified post-SONGS contingency. Our studies show that generation sited in the Central Zone can help alleviate not only this but future contingencies.

Although maintaining the on-line dates for facilities selected in the RFO has been raised as a major concern, a short delay of one or two months to be assured of the least-cost / best-fit decision for ratepayers will not put in jeopardy any resource from coming on line by the end of 2020 (the required RFO on-line date). Further vetting of the process and locational preferences could very well change the final outcome in the selection of successful projects and it certainly provides assurances that the \$4 billion+ commitments on behalf of ratepayers are being made with the most complete and accurate information available. In fact we have in advanced development (access to emission reduction credits and reclaimed water plus in the final phases of the interconnection process) a very efficient, quick start, 7,000 btu/kWh project that is being denied the opportunity to compete. Just as importantly, further vetting of the process and consideration of a larger group of viable resources would reinforce the Commission's commitment to a fair and transparent process which is vital to fostering the necessary competitive forces to drive advances in technology and reduction in costs.

Our request is simple: (1) require SCE to obtain a best and final price from all shortlisted projects; (2) authorize SCE to conduct a validation of locational effectiveness at the node level using a legitimate third party consultant and (3) utilize the resulting nodal effectiveness in the resources selection process. The recommendations can be completed in parallel to avoid delays.

We appreciate your attention to our concern and willingness to act.

Sincerely,

A handwritten signature in black ink, appearing to read 'J. Pagano', written in a cursive style.

James Pagano  
President and Chief Executive Officer