

July 23, 2007

Mr. Chris Gillis
Generation Interconnection Services
Mail Code N7L
245 Market Street
San Francisco, CA 94105-1702

DOCKET 06-AFC-10
DATE <u>JUL 23 2007</u>
RECD. <u>JUL 30 2007</u>

Subject: Starwood Power Midway, LLC Project Interconnection Facilities Re-Study

Dear Mr. Gillis:

Attached is the Interconnection Facilities Re-study Report (IFAR) for the Starwood Power Midway LLC (Starwood) Project. The Starwood Project has been proposed to interconnect to PG&E's Panoche Substation. The proposed commercial operation date is September 2009. The project's maximum net output to the CAISO Controlled Grid is 120 MW. The IFAR was performed by PG&E under the direction of CAISO. This re-study request is based on the Large Generator Interconnection Procedure (LGIP) Section 7.6 due to higher queued generation projects dropping out of the queue. The projects that have dropped out are identified as P0419, P0420, P0430, and P0436. Under LGIP, both CAISO and PG&E agreed that an Interconnection Facilities Re-study (ISIR) is required to re-evaluate the facilities to interconnect the Starwood Project to the CAISO Controlled Grid.

The following has been determined within the IFAR:

The Direct Assignment facilities work scope consists of the following:

- Provide transmission interconnection from the Project to the POI (the generator tie line to be built by the IC)
- Install a fully redundant, double-pilot current differential scheme
- Provide pre-parallel inspection, testing, SCADA, EMS setup, engineering support, etc.

The Network Upgrade facilities work scope consists of the following:

- Re-conductor the existing CalPeak Panoche Peaker generator tie line at Panoche Substation
- Install associated equipment at Panoche and other substations for protection and communication, and
- Install a special protection scheme (SPS) required to mitigate the Category "C" overload.

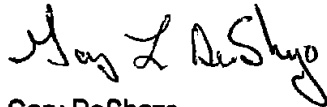
The cost of the Direct Assignment facilities to interconnect the Project is approximately **\$1.03 million** which includes ITCC¹. The cost of the Network upgrade facilities to interconnect the Project is approximately **\$0.76 million**. The total interconnection cost of the Project is approximately **\$1.8 million**.

Please note that this letter approving the interconnection of the project allows the project to connect to the ISO Controlled Grid and to be eligible to deliver the project's output using available transmission. However, it does not establish the generation project's level of deliverability for purposes of determining its Net Qualifying Capacity under the CAISO Tariff and in accordance with CPUC-adopted Resource Adequacy Rules. Therefore, this letter makes no representation, and the Interconnection Customer cannot rely on any statements herein, regarding the ability, or amount, of the output of the project to be eligible to sell Resource Adequacy Capacity. We encourage you to follow the deliverability studies ongoing at the CAISO. For more information on generation deliverability, please reference the following weblink:

<http://www.caiso.com/181c/181c902120c80.html>

Should you have any questions regarding the Study, please contact Larry Tobias at (916) 608-5763 (LTobias@caiso.com) or myself at (916) 608-5880 (GDeShazo@caiso.com).

Sincerely,



Gary DeShazo
Director of Regional Transmission – North
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cc:

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¹ Income Tax Component of Contribution (currently at 36%)