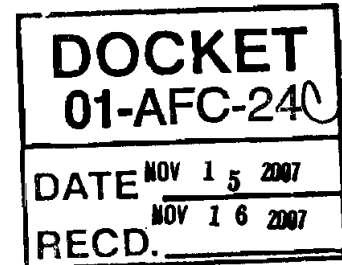


November 15, 2007

Via Electronic Mail

Paula David, Compliance Project Manager
California Energy Commission
1516 Ninth Street
Sacramento, CA 95814-5512



Re: Palomar Energy Center – CEC Docket No. 01-AFC-24C

Dear Ms. David:

The California Independent System Operator Corporation (“CAISO”) wishes to comment on the proposed modifications to condition TSE-10 of the certification for the Palomar Energy Center (“PEC”) set forth in the Transmission System Engineering Analysis, dated October 17, 2007 (“TSE”), in the above-referenced docket.

In this matter, San Diego Gas & Electric Company (“SDG&E”) has submitted a petition to allow the installation and operation at the PEC of a centralized chiller to improve the cooling of the inlet air the gas combustion turbines to increase the facility’s summertime output. The TSE notes that the installation of the chillers is anticipated to increase the net electrical output of the PEC during summertime about 40 MW to 565 MW. At the present time, the CAISO has approved the interconnection of PEC at a maximum output of 545 MW under optimal winter conditions and 521 under summer conditions. Section 25.1 of the CAISO Tariff requires the submission of an Interconnection Request for any modification to an existing generating unit connected to the CAISO Controlled Grid that increase the total capability of the power plant. On November 5, 2007, the CAISO received an Interconnection Request from SDG&E to assess the impacts on the CAISO Controlled Grid of the proposed increase in PEC’s output.

CEC staff should be commended for the TSE. In particular, the CAISO strongly supports the TSE’s recommendation to conditionally approve the chillers to allow construction to begin before the completion of the CAISO’s Interconnection Studies and therefore mitigate the risk of a delay that prevents the availability of the additional power from the PEC during the 2008 summer. Nevertheless, the CAISO believes there are several aspects of proposed condition TSE-10 that must be modified to prevent potential conflict with the CAISO’s administration of its Large Generator Interconnection Procedures and its authority to maintain grid reliability.

First, the initial sentence of TSE-10, which unconditionally prohibits the PEC from operating in excess of 545 MW is inappropriately ridged and potentially conflicts with the CAISO’s authority to direct the operation of Participating Generating Units, such as PEC, during system emergencies. Section 7.4 of the CAISO Tariff permits the CAISO to take such actions in accordance with Good Utility Practice, including the control of the output of any Participating Generating Unit, to preserve the stable operations of the CAISO Controlled Grid or otherwise address a threatened or actual System Emergency. Conditions may arise that reasonably demand output from PEC in excess of 545 MW and SDG&E should not be in a position of choosing between violating an CAISO instruction and its CEC authorization. This issue also affects the verification. Indeed, references to the 565 MW amount should be stricken from TSE-10 given the Interconnection Customer’s right to seek modification of its Interconnection Request, i.e., output increase, and to the extent the modification is not deemed material may be studied as part of the original Interconnection Request and without losing its Queue Position.

Second, the CAISO also believes requirement (d) should be eliminated or modified. That item requires SDG&E to provide as a condition of approval that SDG&E provide an executed new Facility Interconnection Agreement, Large Generator Interconnection Agreement, or modification of an existing Large Generator Interconnection Agreement as

approved by the CAISO. A generating facility with a pre-existing interconnection agreement that proceeds through the interconnection process, depending on whether transmission facilities or other operational changes are required, may or may not be required to execute the current *pro forma* Large Generator Interconnection Agreement, but rather may rely on modifications as necessary to its existing documentation. The PEC is in this situation. Thus, the unequivocal requirement to execute a Large Generator Interconnection Agreement may be inconsistent with CAISO practice.

A final point is to suggest that the time set in the verification for notification by SDG&E to the CEC of compliance with the condition be shortened to 10 days from 30 so that the chillers can be put into operation relatively soon after the conditions have been satisfied.

Based on the foregoing, the CAISO recommends the following amendments to TSE-10:

The PEC owner shall interconnect and operate the PEC in accordance with applicable interconnection and operating requirements of the California Independent Operator Corporation (California ISO). The PEC owner shall not operate the facility in excess of the net 545 MW power output as originally permitted in the certification by the Commission until such time that the PEC has and shall provide to the CPM:

- a) A copy of the Interconnection Request to the California ISO in accordance with the Amendment petition for the a proposed increase in the PEC generating capacity to 565 MW resulting from installation of gas turbine inlet air chillers.
- b) The System Impact Study (SIS) and/or final Facility Study (FS) reports performed by SDG&E and/or California ISO based on the net 565 PEC generation output under 2008 system conditions. The reports must include the final selected mitigation plan including a description of facility upgrades, operational mitigation measures, and/or Special Protection System (SPS) sequencing and timing, as applicable.
- c) A letter from the California ISO stating that the mitigation measures or projects, if any, selected by SDG&E and/or California ISO for each identified criteria violation are acceptable.
- d) The executed new Facility Interconnection Agreement or Large Generator Interconnection Agreement (LGIA), as applicable, or a modification of the existing interconnection documentation Large Generator Interconnection Agreement as approved by the California ISO.

Verification: At least 310 days prior to the operation of the facility in excess of net 545 MW power output with the gas turbine inlet air chillers, the project owner shall provide to the CPM the documentation as mandated in a through c inclusive above.

Thank you for your consideration in this matter. If there is anything further we can do, please let us know.

Sincerely,

/s/

Grant Rosenblum
Senior Counsel

Cc: Dale Edwards, CEC via e-mail
Mark Hesters, CEC via e-mail
James F. Walsh, SDG&E
Steve Rutty, CAISO
Sidney Davies, CAISO