



IMPERIAL IRRIGATION DISTRICT

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October 8, 2010

IID Stakeholder:

On October 5, 2010, Imperial Irrigation District's (IID) Board of Directors approved Amendment No. 6 to its Open Access Transmission Tariff (OATT). The updated tariff is posted on the IID's OASIS at www.westtrans.net.

IID released an initial draft of its proposed tariff revisions on August 18, 2010, and a stakeholders' meeting was held, on September 1, 2010, to explain the proposed tariff revisions and obtain feedback from stakeholders. Amendment No. 6 to the OATT focused on Attachment "J," the Standard Generator Interconnection Procedures (GIP) and the Generator Interconnection Agreement (GIA).

The proposed tariff revisions were designed to clarify and update IID's GIP and GIA. Given the large volume of interconnection requests IID has been receiving, reforms were necessary to better reflect the use of clustering and the construction of "common" upgrades necessary to provide interconnection service to multiple interconnection customers in a cluster. Currently, IID has a total of 48 interconnection requests in its queue. To meet demands for renewable energy, IID is seeking to move viable generation projects through its queue expeditiously and has taken steps to mitigate harm to customers remaining in its queue when other projects, which are not yet ready to move forward, drop from the queue.

IID received oral and written comments from stakeholders on its proposed tariff revisions. IID made numerous changes in response to this stakeholder input. Examples of changes include:

- IID substantially reduced the amount of financial security to be posted by interconnection customers, within thirty days after execution of the GIA. Only security for **50%**, of costs of "common upgrades" and not any other upgrades or interconnection facilities is now required within 30 days of execution.

- IID clarified the cost allocation principles for the sharing of common upgrade costs among multiple customers in a cluster using criteria also used by the California Independent System Operator Corporation (CAISO).

- IID added language in numerous places making clear that an interconnection customer would receive transmission rate credits for the amount of costs it pays for network upgrades. IID gave its customers more flexibility than FERC's pro forma tariff provides to enable them to have

the opportunity to use these credits anywhere on IID's transmission system. IID also increased the time period for recouping the credits from the proposed period of 20 years to a longer period of 25 years at the request of one potential project developer, and it added language allowing an equal opportunity for the credits to be applied against bills for transmission service under existing agreements in response to another potential project developer.

- IID returned a liquidated damages provision to the GIA in response to a stakeholder's comments; IID used a liquidated damages formula that provides cash and rate credits if IID unreasonably delays the construction of its interconnection facilities or network upgrades.

- IID clarified that the administrative costs paid from the study deposits of interconnection customers would be limited to those "reasonably related to the study process."

- IID removed the proposed requirement that an interconnection customer must show that it has a supply of cooling water when it executes a GIA.

- IID clarified that charges for balancing authority area services would not have to be paid if an interconnection customer puts its project in another balancing authority area or dynamically transfers in a way that relieves IID of responsibility for providing balancing authority area services (and, hence, does not require IID to incur costs)..

- IID clarified the definition of Governmental Authority to allay concerns of one commenter that the IID Board of Directors may itself create an event of Force Majeure to excuse IID from its contract obligations.

- IID clarified language regarding IID's recommendation of alternative interconnection points, at a scoping meeting, to make clear that a different interconnection point would be used only if it was acceptable to the interconnection customer.

- IID clarified that its determination of which upgrades constitute stand-alone network upgrades, for operational reliability purposes, would be based on its technical judgment, not based on discrimination among customers. Language was also added giving an interconnection customer the option to build IID's interconnection facilities and stand alone network upgrades if it needs such facilities built quickly.

- To address concerns about cost shifting among interconnection customers remaining in a cluster as well as to protect IID ratepayers from harm if an interconnection customer drops out after it has been allocated a share of necessary upgrade costs, IID added a process in Section 11 of the GIP designed to provide greater certainty regarding which projects are actually moving forward and which projects are dropping out prior to execution of the final GIA.

As is common in the industry, some developers of generation projects may be more ready than others to move forward. There are many factors which can affect the ability of a generation project developer to move its project forward, including whether it has obtained a Power Purchase Agreement (PPA) with a purchaser of the output of its proposed generation project. If

any developer is not ready to move its project forward, it has the option of submitting a new interconnection request if and when it is prepared to do so.

To the extent that an interconnection customer does move forward and contribute to the funding of network upgrades on IID's transmission system, it will later receive that money back from IID in the form of "credits" applied against the demand charge for reserved capacity in IID's bills for transmission service. In effect, IID will be providing free transmission service up to the dollar amount that the interconnection customer paid to fund the costs of network upgrades. Under IID's tariff, these credits can be reassigned to others, including, for example, the oftaker of the energy from a generation project.

Should you require additional information or have any additional questions regarding the tariff amendment, please contact IID's transmission and interconnection department at 760.482.3379.