May 2, 2008

Mr. Stephen J. Thome
J-Power USA Development Co, Inc.
1900 E. Golf Road
Schaumburg, IL 60173

Subject: Orange Grove IFAS

Dear Mr. Thome:

Attached is the Generator Interconnection Facilities Study (IFAS) Report for the Orange Grove Project (Orange Grove or the Project). The Project has been proposed by J-Power USA, the Interconnection Customer (IC), to interconnect their 99 MW combustion turbine Project to the California Independent System Operator Corporation (CAISO) Controlled Grid. The proposed In-Service Date is April 1, 2009 and the Commercial Operation Date is May 31, 2009. The proposed location of the Project is in San Diego County, California; along Highway 76 (Pala Road), east of Interstate 15. The Point of Interconnection is at the San Diego Gas and Electric (SDG&E) Pala 69 kV Substation. The Project occupies Queue Position #201 in the CAISO Controlled Grid Generation Queue.

Based on the proposed operating date and Point of Interconnection, the IFAS identified Interconnection Facilities, Reliability Network Upgrades and Delivery Network Upgrades needed to interconnect the Project. The IFAS looked at three likely scenarios associated with the higher-queued project, Q173 which will interconnect in the same area. The upgrades for these scenarios were identified as follows:

1. Orange Grove Interconnects After Q173: The total cost of the Interconnection Facilities and Delivery Network Upgrades for this scenario was identified as $15.639 million and the total time to construct was identified as 11-19 months. There were no Reliability Network Upgrades identified for this scenario.

2. Orange Grove Interconnects Before Q173: If Q173 delays its In-Service Date beyond Orange Grove's In-Service Date, the Orange Grove Project will be responsible for additional costs for PTO's Interconnection Facilities and Reliability Network Upgrades. The total cost of the Interconnection Facilities, Reliability Network Upgrades and Delivery Network Upgrades for this scenario was identified as $15.766 million and the total time to construct was identified as 11-19 months.

3. Q173 Withdraws from the Queue: If Q173 withdraws from the Queue, the Orange Grove Project will be responsible for additional upgrades. The total cost of the Interconnection Facilities, Reliability Network Upgrades and Delivery Network Upgrades for this scenario was identified as $15.704 million and the total time to construct was identified as 11-19 months.

The proposed In-Service Date of April 1, 2009 and Commercial Operation Date of May 31, 2009 do not appear to be feasible considering the time needed to complete the LGIA, and construction of the Interconnection Facilities and Network Upgrades (including potential environmental review, permitting, design, procurement, and construction). The IC has the option of expediting the construction schedule by executing an Engineering & Procurement (E&P) Agreement to begin the design and procurement phases for the Interconnection Facilities and Network Upgrades. Per Section 9 of the LGIP, an E&P Agreement may be utilized prior to executing an LGIA. The E&P Agreement authorizes the PTO to commence engineering and procurement of long lead-time items necessary for the interconnection.

The transient stability analysis concluded that the WECC transmission system remained stable for all contingency simulations but there were frequency/voltage deviation violations. The violations were also observed in the pre-project cases at the 69 kV Pala load bus if Q173 is interconnected. The pre-project frequency violation is attributed to Q173 and Q173 would be responsible for mitigation. If Q173 is not interconnected, frequency deviation violations are expected at the Orange Grove 69 kV, Orange Grove 13.8 kV, and Pala 69 kV buses. The study was performed with the data provided by the IC which were typical data for this kind of equipment. When and if more accurate data is available, another transient stability analysis must be performed to determine if the IC must mitigate the impact of the generator. If the detailed studies show criteria violations, or if more accurate data is not available, the IC will need to utilize its own equipment protection relays to trip the generators to eliminate frequency and voltage deviation violations on the SDG&E system. The tripping is needed for faults on the Pala 69 kV bus.

This Project does not appear to cause impairment of the tax-exempt status of the interest on Local Furnishing Bonds.

Please note that this letter approving the interconnection of the WP Pala Project allows the Project to be eligible to deliver the Project's output to the CAISO Controlled Grid using available transmission. However, it does not establish the 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. This letter makes no representation, and J-Power USA 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 J-Power USA to continue to follow the Deliverability Assessment studies ongoing at the CAISO. For more information on generation deliverability, please reference following web links: http://www.caiso.com/181c/181c902120c80.html and http://www.caiso.com/1c44/1c44b5c31cce0.html.

Should you have any questions regarding the Study, please contact Irina Green at (916) 608-1296 (igreen@caiso.com) or Judy Brown at (916) 608-7062 (jbrown@caiso.com).

Sincerely,

Original signed by Ali Chowdhury

Ali Asraf Chowdhury
Director of Regional Transmision South

cc:

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