



California ISO

**Tariff Amendment to Clarify
Definition of
“Pre-RA Import Commitment”**

May 26, 2017

Legal and Regulatory

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1. Executive Summary

The California Independent System Operator Corporation (CAISO) proposes to clarify the definition of the term “Pre-RA Import Commitment” in the CAISO Tariff. This clarification is necessary to recognize Congressional intent to honor the basic allocation of Boulder Canyon Project known as Hoover Dam (Hoover) hydroelectric power output that was allocated by federal statute for decades. The so-called Schedule A and Schedule B contractors to Hoover output meet the policy intent behind honoring Pre-RA Import Commitments in the 13-step Maximum Import Capability allocation process used in the resource adequacy process. This tariff clarification will remove any ambiguity that any congressionally authorized contracts for Hoover for the legacy contractors will continue to qualify as Pre-RA Import Commitments.

2. Plan for Stakeholder Engagement

Table 1 – Schedule for this Stakeholder Initiative

Date	Milestone
May 26, 2017	Issue market notice announcing this tariff clarification
May 26, 2017	Post explanation of clarification and tariff
June 2, 2017	Hold stakeholder call
June 5, 2017	FERC filing
July 10, 2017	Requested effective date from FERC

3. Background on Hoover Dam and Related Contracting Issues

The legislation authorizing construction of the Boulder Canyon Project included the dam and power plant made construction contingent on the Federal government executing contracts that ensured the construction costs would be recouped within 50 years. The Department of Interior did that by entering into 50-year contracts with The Metropolitan Water District of Southern California, cities of Los Angeles, Glendale, Pasadena and Burbank, Southern California Edison Company, the Arizona Power Authority, the Colorado River Commission of Nevada and the City of Boulder, Nevada (collectively, the Schedule A contractors). These contracts ran from 1937 to 1987.

As these contracts were expiring, Congress passed new legislation in 1984 that extended the rights of the Schedule A contractors for an additional 30 years and authorized funding for upgrades to the generation facilities. Payment for those upgrades were recouped over that new 30-year period, with the additional capacity created by those upgrades allocated to the parties funding them. These parties, known as the Schedule B contractors, include the cities of Glendale, Pasadena, Burbank, Anaheim, Azusa, Banning, Colton, Riverside and Vernon, and the States of Arizona and Nevada.¹ These contracts expire in September 2017.

In 2011, Congress passed legislation to address Hoover power allocations after 2017. This legislation extended the existing rights of the Schedule A and Schedule B contractors for an additional 50-year term (2017-2067), with five percent of the facility’s output set aside for Native

¹ The Cities of Glendale, Pasadena, and Burbank were eligible for Schedule B allocation because their Schedule A allocation was less than 20 MW.

American tribes and other small public entities in California, Nevada, and Arizona that did not previously have an allocation of Hoover's generation output.

4. Background on Pre-RA Import Commitments in the 13-step Maximum Import Capability Process

When the CAISO resource adequacy program began, the CAISO and stakeholders had to consider how to account for load-serving entities' existing commitments from generating resources outside the CAISO balancing authority area. It was necessary to strike a balance between recognizing the reality of sometimes scarce intertie capacity, while at the same time respecting existing commercial expectations and joint projects that were built out-of-state. The resolution involved granting Pre-RA Commitments preferred status in the maximum import capability process. The CAISO defined the term Pre-RA Import Commitment to be:

Any power purchase agreement, ownership interest, or other commercial arrangement entered into on or before March 10, 2006, by a Load Serving Entity serving Load in the CAISO Balancing Authority Area for the procurement of Energy or capacity from a resource or resources located outside the CAISO Balancing Authority Area. The Pre-RA Import Commitment shall be deemed to terminate upon the expiration of the initial term of the Pre-RA Import Commitment, notwithstanding any "evergreen" or other renewal provision exercisable at the option of the Load Serving Entity.

5. Pre-RA Import Commitment Status of post-2017 Hoover Capacity

Given the unique historical and legal circumstances surrounding the output from Hoover, the CAISO views the Schedule A and Schedule B contractors as holding a firm commitment from the Federal government to receive capacity from a resource external to the CAISO balancing authority area and that the commitment pre-dates the CAISO resource adequacy program. The CAISO understands that, as a legal formality, upon Congressional action to implement the firm commitment, parties enter contractual arrangements to effectuate the entitlement to Hoover's output that start immediately upon expiration of the old contracts. Therefore, the term of the contractual arrangements is not representative of the term over which the parties hold such entitlements to Hoover's output.

The current tariff definition specifies that the Pre-RA Import Commitment expires with the expiration of the initial term of the Pre-RA Import Commitment, which is presumably reflected in the *purchase power agreement* entered into by the parties. It does not specify conditions related to the term of ownership interest. In the case of the Schedule A and Schedule B contractors, the term of the rights to the output of the facility stem from the Congressional act, which are more akin to an ownership interest and not a *purchase power agreement*.

Accordingly, the CAISO proposes to clarify the current definition of the term Pre-RA Import Commitment in time for the 2018 annual maximum import capability process, run in July 2017, to ensure that the Schedule A and Schedule B contractors' rights at Hoover will continue to be honored as Pre-RA Import Commitments.

The CAISO proposes the following amendment to the existing definition:

Any power purchase agreement, ownership interest, or other commercial arrangement entered into on or before March 10, 2006, by a Load Serving Entity serving Load in the CAISO Balancing Authority Area for the procurement of Energy or capacity from a resource or resources located outside the CAISO Balancing Authority Area. The Pre-RA Import Commitment shall be deemed to terminate upon the expiration of the initial term of the Pre-RA Import Commitment, notwithstanding any “evergreen” or other renewal provision exercisable at the option of the Load Serving Entity. Notwithstanding the above, a contract for delivery entered under Schedule A or B of 43 USC § 619a is a Pre-RA Import Commitment, the term of which does not expire with the expiration of any contractual arrangements entered into to implement such entitlements.

6. Next Steps

The CAISO will discuss the proposed tariff definition change with stakeholders during a stakeholder call on June 2, 2017. Given the shortness in time, stakeholders are encouraged to participate in the call. Written comments can also be submitted to initiativecomments@caiso.com by June 2, 2017.