March 29, 2012

COMMENTS ON BEHALF OF THE CITIES OF ANAHEIM, AZUSA, BANNING, COLTON, PASADENA, AND RIVERSIDE, CALIFORNIA REGARDING THE COST ALLOCATION PRINCIPLES DRAFT FINAL PROPOSAL

In response to the ISO's request, the Cities of Anaheim, Azusa, Banning, Colton, Pasadena, and Riverside, California (collectively, the "Six Cities") submit the following comments on the ISO's March 15, 2012 Cost Allocation Guiding Principles Draft Final Proposal ("the Draft Final Proposal").

As indicated in their comments submitted on February 28, 2012, the Six Cities generally support the ISO's proposed guiding principles for cost allocation. With respect to the further discussion in the Draft Final Proposal, the Cities specifically support:

- The ISO's clarification of the principle supporting "Accurate Price Signals" to promote economically efficient achievement of state and federal policy goals. The Six Cities agree with the ISO that accurate price signals from the ISO's markets provide the most useful input to inform the development of policy goals in a manner most consistent with economic efficiency.

- The ISO's clarification of the principle "Incentivize Behavior" to recognize that even if a particular cost cannot be avoided by market participants in the immediate or near term, allocation of such costs consistent with cost causation nevertheless will be appropriate to encourage efforts to reduce the drivers for the costs over a longer-term time horizon.

- The ISO's recognition, in the discussion of the principle "Manageable," that transitional measures may be appropriate to allow market participants a reasonable period of time to align changes in cost allocation with pre-existing contractual commitments.

With respect to the ISO's request for input regarding priorities for applying the cost allocation principles to re-evaluate current cost allocation methodologies, the Six Cities encourage the ISO to prioritize the re-evaluation process based on the magnitudes of overall charges assessed to market participants.

Submitted by

Bonnie S. Blair
Thompson Coburn LLP
1909 K Street N.W., Suite 600
Washington, D.C. 20006-1167
bblair@thompsoncoburn.com
202-585-6905

Attorney for the Cities of Anaheim, Azusa, Banning, Colton, Pasadena, and Riverside, California