

Stakeholder Comments Template

Review TAC Structure Second Revised Straw Proposal

This template has been created for submission of stakeholder comments on the Review Transmission Access Charge (TAC) Structure Second Revised Straw Proposal that was published on June 22, 2018. The Second Revised Straw Proposal, Stakeholder Meeting presentation, and other information related to this initiative may be found on the initiative webpage at: <http://www.caiso.com/informed/Pages/StakeholderProcesses/ReviewTransmissionAccessChargeStructure.aspx>

Upon completion of this template, please submit it to initiativecomments@caiso.com.

Submitted by	Organization	Date Submitted
<p>Meg McNaul mmcnaul@thompsoncoburn.com 202.585.6940</p> <p>Bonnie Blair bblair@thompsoncoburn.com 202.585.6905</p>	<p>The Cities of Anaheim, Azusa, Banning, Colton, Pasadena, and Riverside, California (the "Six Cities")</p>	<p>July 19, 2018</p>

Submissions are requested by close of business on **July 18, 2018**.

Please provide your organization's comments on the following issues and questions.

Hybrid billing determinant proposal

1. Does your organization support the hybrid billing determinant proposal as described in the Revised Straw Proposal?

The Six Cities do not oppose the hybrid billing determinant proposal, subject to the CAISO's retention of the 12 coincident-peak demand measurement.

The Six Cities do not support, however, the proposal to utilize annual rate-case forecasts to implement the hybrid billing determinant proposal, consistent with the comments set forth below. Use of historical data to establish the demand-based TAC rate would resolve the Six Cities' concerns with the current proposal to use forecast data.

The Six Cities also continue to support a phase-in to the hybrid methodology, as is also discussed below.

Finally, the Six Cities' positions either supporting or not opposing certain aspects of the CAISO's proposal are contingent on (i) the CAISO's provision of additional information regarding the settlements analysis at Tables 6-10 and its impact analyses in the Second Revised Straw Proposal; and (ii) assurance of continued recovery of their TRRs.

2. Please provide any feedback on the proposal to utilize PTO-specific FERC rate case forecasts to implement the hybrid billing determinant proposal.

For context, under the second revised straw proposal, the ISO modified the proposal to use PTO specific rate case forecasts to set the HV-TRR bifurcation and resulting HV-TAC volumetric and demand rates. Does your organization support this modification to the proposal?

The Six Cities do not support this new aspect of the proposal, which appears to pose several implementation challenges.

First, not all Participating TOs file annual rate cases, and the CAISO's proposal seems to contemplate an annual update to the demand-based component of the TAC rates based on revised load forecasts. Participating TOs that have elected not to implement formula rates that are updated annually or that have not otherwise adopted the practice of filing and supporting revised stated cost rates each year should not be obligated to undertake significant new FERC filing obligations (and the associated cost, personnel time, and regulatory risk associated with doing so) to implement the hybrid TAC methodology.

If the CAISO's intention in the Second Revised Straw Proposal is to require Participating TOs to begin submitting to FERC annual "single issue" filings of annual forecast data for purposes of TAC rate development, the Six Cities likewise oppose the CAISO's proposal. The Six Cities have filed and supported their stated Gross Loads in their TRR filings, but, in general, they do not believe it is appropriate to revise only one aspect of a filed rate each year.

Second, even for Participating TOs that do submit annual rate case filings to FERC, the filings may not include coincident hourly forecasts. Thus, a modification to the filings would be required, and the load forecasts would be subject to potential challenge. For filings that result in a FERC order initiating hearing and settlement procedures, issues related to the load forecast would be among those addressed. Depending on the timing of the filings, it is probable that hearing and settlement procedures could last well beyond the beginning-of-year period when the CAISO would establish the TAC rates. Before the CAISO proceeds with adopting this aspect of its proposal, the Six Cities suggest that the CAISO consider whether there would be implementation challenges with mid-year adjustments to the TAC rates resulting from potentially multiple billing determinant changes throughout the year as TRR proceedings are settled and/or resolved through litigation.

Third, even if the CAISO does not intend to require an annual update by all Participating TOs to the hourly peak demand data, the Six Cities do not currently have such data "on file" and approved by FERC and surmise that other Participating TOs do not either. Thus, if the CAISO proceeds with its proposal to use FERC-filed forecast peak demand data, Participating TOs would need to make a filing to submit that information, thus raising questions about whether a full TRR filing is required at the same time or whether such data should (or even could) be filed on a single-issue basis.

Finally, the CAISO's proposed "iterative process" as described in the Second Revised Straw Proposal is unclear and requires further development. What would be the procedures and the timing for the iterative process? How would the CAISO propose to involve stakeholders

in the iterative process while managing any confidentiality concerns relating to the load forecast data?

- a. Please provide any feedback on the possibility that this proposal causes a need for PTO's FERC transmission rate case forecasts to be modified to include coincident hourly peak load forecasts.

Please refer to the comments above.

- b. Does your organization believe that the use of historic data from the prior annual period could be a viable alternative for this aspect of the proposal? Please explain your response; if you believe this would be more appropriate or potentially problematic please indicate support for your position.

Use of historic, prior period data would resolve the concerns identified above relating to the use of annual, FERC-filed forecasts. The Six Cities support changing the proposal to reflect that the data used to calculate the demand-based TAC component will be based on the most recent calendar year or, if timing concerns prevent the use of the most recent calendar year, a recent twelve month period. For example, the historic 12-CP peak load data used to calculate the demand-based component of the TAC during the 2020 rate year could be data from October 2018 through September 2019.

3. Please provide any additional feedback on any other aspects of the hybrid billing determinant proposal.

For the reasons described in their comments on the Revised Straw Proposal, the Six Cities continue to support a phase-in to the hybrid approach. The Six Cities' recommendation for a phased-in implementation period is based less on a desire to manage the rate impacts of moving to the hybrid proposal than it is to simply proceed incrementally with implementing this change in the TAC methodology to ensure that all affected parties understand how the new billing structure will work in practice.

Additional comments

4. Please offer any other feedback your organization would like to provide on the Review TAC Structure Second Revised Straw Proposal.

The Six Cities urge the CAISO to make available workpapers (in Excel or native format) showing the calculation of the impact and other analyses in the Second Revised Straw Proposal (including those in Tables 6-10). The Cities continue to be unable to replicate the CAISO's calculations and are particularly interested in understanding the source of the data for the current volumes and other inputs included in these analyses. Additionally, the Six Cities request confirmation from the CAISO that the transition to a hybrid TAC methodology will not adversely impact the ability of the Participating TOs to recover their TRRs.