

**COMMENTS OF THE CITIES OF ANAHEIM, AZUSA, BANNING, COLTON,
PASADENA, AND RIVERSIDE, CALIFORNIA ON THE
VARIABLE OPERATIONS AND MAINTENANCE COST REPORT**

In response to the CAISO's request, the Cities of Anaheim, Azusa, Banning, Colton, Pasadena, and Riverside, California (collectively, the "Six Cities") provide their comments on the December 26, 2018 Variable Operations and Maintenance Cost Report ("Report").

From a process standpoint, stakeholders would benefit from at least one additional iteration of the Report before it is finalized on February 26th. During the stakeholder meeting to review the results of the initial Report and its proposed VOM recommendations, stakeholders raised concerns about whether the Report adequately captures all appropriate costs (for example, water or ammonia). Some of the proposed default VOM costs may require revision to reflect additional data or analysis. In order to ensure that stakeholders have an opportunity to provide comments on the proposed VOM cost levels if they are revised, it would be advisable to issue a revised report for stakeholder review and comment before issuing a final report. Alternatively, if subsequent revisions incorporated by the CAISO are limited, the CAISO could consider holding a technical workshop or stakeholder call to discuss changes to the cost levels prior to finalization. The timeline to complete this initiative will likely need to be extended to accommodate this additional review iteration.

The Six Cities observe that, for at least some of their resources, the CAISO's proposed revisions to the default VOM costs represent a significant reduction in eligible cost recovery. The proposed default values are not likely to include all properly-recoverable VOM costs; for example, the Six Cities observe that the proposed default values for natural gas resources are reported to have decreased by roughly 50%. At the same time, it is not the Six Cities' experience that the cost inputs into the VOM calculations for these resources have been reduced since the 2012 values were established. Although development of negotiated values remains an option for resources, the preferable course of action would be to develop properly-calibrated default VOM costs through a full and complete stakeholder process, especially given the CAISO's intent to revisit these costs only every three years.

The Six Cities question the proposed VOM cost associated with fuel cells, which is substantially in excess of the proposed costs for other technologies, and question whether this technology has a significant market presence in the interconnection such that the CAISO perceives that a default value is needed (as opposed to using a negotiated value).

The discussion during the stakeholder meeting about water costs and if the reference documents used in the Report adequately reflect higher California water costs raises a question about whether there should be a geographic component to certain VOM costs. This could be more efficient than negotiating VOM costs with a large number of resources that all may be similarly impacted by a higher cost item based on their location. The Six Cities share the concern expressed during the stakeholder meeting regarding the inadequacy of the proposed default VOM levels to cover water costs in California and request that the CAISO examine water costs as a component of the VOM more closely and revise the VOM costs to accurately capture the cost of water.

Finally, the stakeholder discussion confirmed that the CAISO does not currently include in its tariff the individual components that comprise its “definition” of VOM costs. It could be useful to incorporate such a definition in the tariff to provide enhanced clarity and facilitate future efforts to update these costs.

Submitted by,

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