

**COMMENTS OF THE CITIES OF ANAHEIM, AZUSA, BANNING,  
COLTON, PASADENA, AND RIVERSIDE, CALIFORNIA  
ON THE STRAW PROPOSAL IN THE MAXIMUM IMPORT CAPABILITY  
STABILIZATION AND MULTI-YEAR ALLOCATION INITIATIVE**

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 Straw Proposal in the Maximum Import Capability ("MIC") Stabilization and Multi-Year Allocation stakeholder initiative.

The CAISO's proposed modifications to its existing MIC allocation represent incremental improvements in several respects. In particular, the Six Cities support the proposal for multi-year allocation of MIC and agree that allowing load-serving entities using MIC for import resource adequacy ("RA") resources to retain their allocated MIC over a multi-year period will achieve stability, and it is reasonable to conclude that such stability will help facilitate longer-duration RA contracts. The Six Cities also support the CAISO's proposal to continue allocating MIC to load-serving entities and to defer consideration of an auction proposal.

The Six Cities do not support other elements of the CAISO's proposals at this time, at least based on the information and reasoning set forth in the Straw Proposal.

First, the CAISO's proposal to retain use of a historical look-back in establishing MIC values is insufficiently supported and does not assure that MIC values will reasonably reflect forward-looking use of the interties. The Straw Proposal makes a marginal improvement to the existing methodology, whereby rather than using the most recent two years of data (Straw Proposal at 3) to establish MIC values, the CAISO proposes to expand its look-back to five years and to select the two years with the highest imports when load is at or above 90% of the year's peak (*id.* at 8). Although this approach broadens the range of years relied upon and may provide some degree of improved accuracy in MIC assessments, the Straw Proposal fails to meaningfully evaluate the results of this approach against a generally applicable forward-looking methodology, which the CAISO concedes some stakeholders (including the Six Cities) support and the CAISO already uses for some branch groups.<sup>1</sup> The Straw Proposal instead makes the conclusory observation that the current approach is "still appropriate" based on the CAISO's "initial review," seemingly because it was established through a stakeholder process and FERC technical conference in 2005. (Straw Proposal at 3-4.)

The Six Cities urge the CAISO to give serious consideration to adoption of a methodology to establish MIC values that is forward looking, particularly as it considers permitting load-serving entities to retain MIC for longer durations. The CAISO's proposal raises the strong possibility that MIC may be understated for at least some interties if historical

---

<sup>1</sup> As the CAISO explains, a forwarding looking MIC assessment methodology is already available for use with respect to selected branch groups that are studied in the Transmission Planning Process and are identified as requiring upgrades or other measures to accommodate policy goals. *See* Straw Proposal at 3.

information is the basis for the MIC values, which is especially problematic as the RA market tightens. The CAISO's preference for prioritizing multi-year allocations should not come at the expense of fully and accurately evaluating how MIC values are set. The fact that stakeholders developed the current methodology through a FERC technical conference held fifteen years ago is not particularly relevant to current and future circumstances, and neither the CAISO nor stakeholders are bound by the existing approach if a change is needed.

Second, the Straw Proposal gives short shrift to the very real need to evaluate and address the potential for unused MIC allocations, claiming that addressing this problem might somehow "detract" from developing the multi-year allocation process. (Straw Proposal at 6.) It is critical that this initiative report and analyze data on a branch group basis as to quantities of MIC allocated versus MIC that is associated with RA capacity included on load-serving entity RA showings. At least one City has needed and not received a MIC allocation enabling it to use external resources not associated with pre-RA contracts for meeting its RA requirements. This City has experienced challenges in attempting to acquire MIC from other load-serving entities, even on a short-term basis.

Although the CAISO currently has voluntary procedures to accommodate transfers of MIC, as the Six Cities explained in their prior comments, the CAISO should address the potential for unutilized MIC by adopting a more formalized, mandatory process for MIC reassignment. This is especially important given the CAISO's concerns that reduced quantities of MIC may be available in the future. Under such a process, MIC that is not associated with a specific contract or resource being used by an LSE to meet RA needs would be released or reassigned for use by another LSE. To evaluate the need for such a process, the Six Cities reiterate their request that the CAISO provide information about the extent to which all MIC is or is not fully utilized at the various interties.

Third, the CAISO's proposal does not sufficiently address problems relating to the availability and allocation of useful quantities of MIC. Because residual MIC is allocated according to load ratio share, smaller load serving entities end up receiving either no MIC allocations at all at their selected interties or quantities of MIC that are too small to have value for purposes of contracting for RA capacity resources on a short or long term basis. This places load-serving entities without MIC or with *de minimis* MIC allocations in the position of having to scramble on a month-to-month basis to either obtain residual MIC (which, as stated above, may have limited success) or alternative RA resources to ensure that their RA requirements can be met. This is both impractical and unduly burdensome. Faced with the prospect of decreasing MIC, at least in the near term, the CAISO should consider implementing measures to ensure that LSEs receive meaningful allocations of MIC that, irrespective of relative load share, are sufficiently large to enable use for purposes of long-term contracting.

Submitted by,

Meg McNaul  
Bonnie Blair  
Thompson Coburn LLP  
1909 K Street N.W., Suite 600  
Washington, D.C. 20006-1167  
[bblair@thompsoncoburn.com](mailto:bblair@thompsoncoburn.com)  
[mmcnaul@thompsoncoburn.com](mailto:mmcnaul@thompsoncoburn.com)  
202-585-6900

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