

August 19, 2009

**COMMENTS BY THE CITIES OF ANAHEIM, AZUSA, BANNING, COLTON,  
PASADENA, AND RIVERSIDE, CALIFORNIA  
ON EXPANSION OF SUPPLY BID POOL**

The Cities of Anaheim, Azusa, Banning, Colton, Pasadena, and Riverside, California (“Six Cities”) submit the following comments regarding proposals for expanding the pool of available supply bids when bid-in demand exceeds the ISO’s demand forecast.

On balance, the Six Cities support the Option 3 approach, *i.e.*, use of the greater of bid-in demand or forecast demand as the basis for the LMPM run in the IFM, subject to further review based on additional experience. Although the Cities recognize the ISO’s concern with the potential for over-mitigation under Option 3, there is a countervailing concern that unmitigated bids from resources that have local market power may set market clearing prices in the IFM under Option 1 or Option 2. Application of the Option 1 or Option 2 approaches effectively would abandon LMPM in circumstances where it might be most needed. The Option 3 approach preserves the application of LMPM and is consistent with FERC’s previous directive that the ISO consider use of bid-in demand for the IFM run. If experience demonstrates that the Option 3 approach does result in over-mitigation and price suppression, then a modification along the lines suggested by SCE may be warranted.

Submitted by

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