Stakeholder Comments Template
Subject: 2012 GMC Cost of Service Straw Proposal

Submitted by (Name and phone number)	Company or Entity	Date Submitted
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The California Municipal Utilities Association is pleased to have the opportunity to provide comments on the California Independent System Operator Corporation's ("CAISO") proposal for revisions to its Grid Management Charge ("GMC"), targeted to become effective January 1, 2012.

At the outset, CMUA applauds the CAISO's ability, in recent years and under current leadership, to control expenditures and hence the GMC. CMUA does not believe the CAISO to be a profligate spender, and no concerns expressed herein should be thus interpreted. Nevertheless, the CAISO budget must reflect the times, and the current CAISO proposal does not.

CMUA is concerned about the structure and duration of the CAISO's revenue requirement cap that would go into effect January 1, 2012, and last for five years, increasing one percent per year. Under the CAISO's proposal, the cap which the CAISO could not exceed without filing cost justification at the Federal Energy Regulatory Commission ("FERC") would increase from $197 million in calendar year 2012 to approximately $205 million in calendar year 2016.

The CAISO must view this proposal in light of continuing developments in the electric industry, of which the CAISO is a part. The economic downturn has significantly reduced electricity consumption and hence market volumes. CMUA members are reflecting these trends in their own revenue numbers. Moreover, there is no consensus, and quite a bit of skepticism, that historical load growth trends will return in the near future, or ever. This is because of fundamental changes to the California economy caused by the downturn, including the closure or permanent departure of significant large-load customers. Further, aggressive state-wide energy efficiency programs have the effect of lowering demand over the longer term.

In this environment, CMUA cannot support a built-in increase in the revenue requirement cap. While CMUA understands that the CAISO intends to budget below the revenue requirement cap, and has made efforts to do so in the past, an escalating cap flies in the face of budget cutting in virtually every other sector of the industry and the state. The CAISO must be cognizant of this fact, and reflect it in its own budget process.

CMUA is also concerned about the five-year locked in period in which parties would be forced to file a complaint at FERC to seek modifications to the GMC. With the significant financial milestone of 2008 Series bonds being retired within three years, proposing an increase over that period is counterintuitive and erodes the credibility and accountability of the budget process.

CMUA members agree that some certainty with respect to the CAISO GMC in future periods is valuable. Also, mechanisms to decrease administrative and legal costs associated with preparation and examination of the proposed GMC are also valuable. CMUA does not object in principle for a revenue requirement cap of some duration, and one that reflects the retirement of the 2008 Series bonds.

CMUA urges the CAISO to not proceed with its current 5-year, fixed escalator revenue requirement cap, which does not reflect the economic and industry environment in which the CAISO is operating, and erodes the credibility and accountability in budgeting that the CAISO has garnered over the last several years. Let’s not return to the “old days” where the GMC was a major point of contention between the CAISO and those serving load through CAISO markets.