

Comments Received and Peak Analysis - 2019 Budget Process

Comments Received from the Following	
Acronym	Entity
WAPA	Western Area Power Association
SRP	Salt River Project
APS	Arizona Public Service
BH	Black Hills
TP	Tacoma Power
EPE	El Paso Electric Company
NNSAL	NNSA Los Alamos
PGE	Portland General Electric
BPA	Bonneville Power Administration
IREA	Intermountain Rural Electric Association
TRI	Tri-State Generation and Transmission Association, Inc.
EWEB	Eugene Water & Electric Board
AVA	Avista Corp.
PAC	PacifiCorp
NAT	NaturEner USA, LLC

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Additional detail and transparency Comments	
WAPA, SRP, APS, BH, TP, EPE, NNSAL, PGE, BPA, IREA, TRI, EWEB, AVA, PAC, NAT	The primary theme of responding party comments for additional detail and transparency into the wind down budget, including the cost of employee retention and essential services and tool transition, while also addressing the need to maintain reliability.
APS	Requests clarification regarding the proposed budget timeline and enhanced engagement and transparency as Peak develops its overarching wind down plan.
BH	Will Peak create a team to review the wind down and transition process that will include representatives of the funding parties?

Peak's Initial Response	
	Peak Reliability remains committed to maintaining reliability, transparency and cooperation with the entities in the interconnection, while following the rules applicable to the wind down process and the contracts and commitments it has in place, including the Funding Agreement. While the full details of the wind down plan are still being developed, we are working to identify the skillsets that are crucial to maintaining our reliability mission, and plans to retain the people with those skillsets. In addition, Peak is developing plans for tool transitions with interested parties. Specific details will be released later, as they are refined.
	The 2019 Budget timeline is posted on the Peak website <a href="https://www.peakrc.com/whatwedo/2019BusinessPlan/Documents/2019%20Business%20Plan%20and%20Budget%20Timeline%20-revised%20.pdf">https://www.peakrc.com/whatwedo/2019BusinessPlan/Documents/2019%20Business%20Plan%20and%20Budget%20Timeline%20-revised%20.pdf</a> . Peak will form a team to review the wind down budget consisting of executive leadership within the Interconnection, as well as the operational leadership of alternative Reliability Coordinators (RC) and of the Balancing Authorities and Transmission Operators.
	Yes, Peak will form a team to review the wind down budget consisting of executive leadership within the Interconnection, as well as the operational leadership of alternative Reliability Coordinators (RC) and of the Balancing Authorities and Transmission Operators.

Reserve Level Comments	
APS	It is unclear as to why the operating reserves would be increasing under the wind down scenario and budget.
BH, EPE, PGE	Questions regarding the disbursement of balances that may exist at completion of wind down.

Peak's Initial Response	
	Peak is leveraging the reserve balance in order to fund a portion of the anticipated 2020 wind down costs.
	Peak will work toward an orderly wind down, following processes consistent with our fiduciary duty under Peak's articles of incorporation, Bylaws, Utah law and existing contractual obligations as Peak disperses any remaining assets.

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Cost based comments	
APS	APS respectfully suggests that Peak reconsider how previously proposed efficiencies can be applied to the 2019 budget as well as how natural attrition and software licensing cost allocations will or should reduce overall costs.
APS	APS suggests that the board reduction and other governance-related efficiencies proposed under the TRC scenario is an excellent step to engender some cost savings and would recommend its application to the 2019 budget year.
BH	2020 wind down budget appears to show costs of \$9.5 million and funding of \$6.0 million.
BH	Are the costs of exiting certain equipment maintenance and licensing agreements included in the wind down budget?

Peak's Initial Response	
	Peak has included efficiencies in the 2019 Wind Down plan consistent with those anticipated in the Transitional Reliability Coordinator (TRC) plan. Natural attrition will not negate the need for performance of core activities and as such could create the need for hiring of contractors to backfill key openings at an increased cost. Peak is working to identify specific details of the wind down plan, which will be released later as they are refined.
	The board size is governed by our current by-laws. There is an opportunity to capture the savings during the next cycle of board member openings in June 2019 along with voting on the changes to the by-laws in our annual meeting.
	The 2020 total expenses includes depreciation (a non-cash cost). This is removed to calculate 'Total Budget' which more closely tracks the amount of funding Peak requests.
	Peak is leveraging the reserve balance in order to fund a portion of the anticipated 2020 wind down costs which include maintenance and licensing agreements as well as existing lease agreements.

Assessment comments	
APS	APS requests clarification on how the minimum funders will be assessed a portion of Peak's wind down costs.
TRI	Regardless of the date of withdrawal from Peak, all Funding Parties should be responsible for their share of the wind down budget based upon their full year NEL.

Peak's Initial Response	
	Peak will address assessments during the development of the wind down plan.
	Peak will provide the cost of ongoing operations in 2019 and Wind down and closing costs separately.

Operational comments	
APS	Concerned about data sharing and retention requirements and Peak's intention relative to sharing, retention or transfer of data.
APS	Do you expect any impact on reliability under the wind down scenario? How does this impact compare to that (if any) associated with switching to another RC provider?

Peak's Initial Response	
	Peak remains committed to maintaining reliability, transparency and cooperation with the entities in the interconnection during the wind down process. While the full details of the wind down plan are still being developed, we are working to identify specific details related to data retention, sharing and transfer under our current contracts and applicable laws.

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Operations continuing into 2020	
APS	Recommends that Peak and the remaining RC services providers coordinate with the Western Electric Coordinating Council to determine feasible back up mechanisms or fall back plans for entities.
PGE	Requests that Peak RC provide a wind-down scenario that extends Peak RC operations to April, 2020

Peak's Initial Response	
	Peak currently has no funding mechanism beyond the 12/31/2019 based on the current notice of withdrawals received.
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