



Via Email

27 April 2018,

**Peak Reliability Funding Parties**  
**Peak Reliability Member Advisory Committee**  
**Peak Reliability Member Representatives**

The Western Interconnection requires a proven Reliability Coordinator (RC) that preserves the reliability of the Bulk Electric System (BES) and reduces compliance risk. A West-wide System Model (WSM) of the entire Interconnection, talented and experienced operators and sophisticated, mature tools are necessary to preserve and enhance reliability in the West. Over the past decade, in collaboration with its stakeholders, Peak Reliability (Peak) has built and operated that RC. CAISO has not. SPP has not.

Balancing Authorities (BA) and Transmission Operators (TOP) need what matters most to reliability – an RC provider that can deliver reliability, low-cost services, and quality. In the future, when there are wholesale market operators in the West, it is likely that BAs and TOPs will take their RC service from a market provider. That's because there are considerable economic benefits in leveraging a common infrastructure and resources for both markets and reliability. While markets enhance reliability and enable RC services at very low cost, when this will occur is up for debate. But until that time:

1. Every BA/TOP in the West has a compliance obligation to contribute to the overall reliability of the BES.
2. In the absence of market providers, an independent, stand-alone RC with final authority for the reliability of the majority of the West is the best option.
3. Peak's Transitional RC (TRC) offers a path that provides for reliability, cost certainty and transparency and unmatched quality.

The TRC ensures that BAs and TOPs receive quality RC services that reduce compliance risk until the market operators are established and operational. This allows you to make an informed and orderly transition, if necessary. To be clear, if you are interested in joining a wholesale energy market, picking the TRC does not limit you market choice. It's going to be a competitive situation for market operators in the West. Make them earn your business.

**TRC Cost Scenarios** – Scenario 1 (*see attached*) shows that if CAISO leaves the current Peak footprint and all other funders stay, Peak's total funding amount will be \$28.7 million. As a result, those entities will still receive Peak's proven high-quality services but each will pay 10 percent less starting in 2020. In contrast, the cost of the TRC, as illustrated in Scenario 2 (*see attached*), shows that if CAISO remains with Peak the total funding amount will increase to \$31.2 million. However all funders will benefit from a 30 percent reduction in their rates. Indeed, in this scenario CAISO will benefit from a \$3.8 million reduction in its RC

costs. When you look at cost and the level of reliability Peak offers, it is difficult to comprehend why CAISO would assume the risk in standing up a new RC.

Peak expects the TRC allocation process to remain as is today – based on load, with a simple, once-a-year billing. It will continue to be straightforward and easy to calculate. Also, unlike CAISO, Peak's rates do not require regulatory approval, and won't be subject to the scrutiny of other non-RC customers.

With Peak's TRC, funders get costs that are transparent and certain in the short, middle, and long term. And, why expend the resources associated with evaluating and switching when you can get the same exceptional RC service you have today and pay almost a third less?

**Services for Reliability** – The TRC at the reduced cost level will provide the same known, high-quality services Funders receive today. There will be no reduction in Peak's core situational awareness tools nor the proven tools that are critical to reliable and coordinated operations in the West such as the WECC Interchange Tool, Reliability Messaging Tool, the Enhanced Curtailment Calculator and Hosted Advanced Applications. The WSM, which has only improved with years of focus and refinement, will be preserved and updated for continued use by Peak and all BAs, TOPs and reliability entities in the West. You've got enough to focus on instead of wondering if your RC provider will perform at the level you expect with the appropriate tools and compliance expectations. So, why take on the risk of something unknown and unproven?

**Implementation Considerations** – To realize some of the cost reductions of the TRC will require changes to governance such as, reducing the size of the Board and eliminating manual and administrative processes. Clearly, these types of change require both member and Board approval, consistent with our bylaws. We look forward to openly engaging Members in these discussions.

Peak is the cost-effective choice that lowers your risk and maintains the high bar for reliability. Peak speaks for reliability in the West. It's our mission. It's our purpose. No one can match us in terms of experience, quality and cost transparency.

Sincerely



Marie Jordan

<b>SCENARIO 1 - ALL CURRENT FUNDERS MINUS CAISO</b>					
	<b>Current</b>				
	<b>Funding</b>		<b>TRC Funding</b>		
<b>ENTITY</b>	<b>Amount</b>	<b>Current NEL</b>	<b>Amount</b>	<b>TRC Savings</b>	<b>% reduction</b>
APS	\$ 1,707,042	30,659,115	\$ 1,536,422	\$ (170,620)	-10%
Arlington Valley, LLC - AVBA	\$ 6,044	-	\$ 4,305	\$ (1,739)	-29%
Avista Corporation	\$ 701,776	12,604,170	\$ 631,633	\$ (70,143)	-10%
BANC	\$ 972,378	17,464,253	\$ 875,187	\$ (97,191)	-10%
BPA	\$ 3,004,123	53,955,190	\$ 2,703,859	\$ (300,264)	-10%
City of Tacoma	\$ 268,218	4,817,291	\$ 241,409	\$ (26,809)	-10%
El Paso Electric Company	\$ 469,459	8,431,656	\$ 422,536	\$ (46,923)	-10%
Gridforce Energy Management	\$ 6,044	-	\$ 4,305	\$ (1,739)	-29%
Griffith Energy, LLC	\$ 6,044	-	\$ 4,305	\$ (1,739)	-29%
Idaho Power Company	\$ 954,703	17,146,830	\$ 859,280	\$ (95,423)	-10%
Imperial Irrigation District	\$ 205,734	3,695,059	\$ 185,171	\$ (20,563)	-10%
LADWP	\$ 1,590,673	28,569,093	\$ 1,431,684	\$ (158,989)	-10%
NaturEner Power Watch, LLC (GWA)	\$ 6,044	-	\$ 4,305	\$ (1,739)	-29%
NaturEner Wind Watch, LLC	\$ 6,044	-	\$ 4,305	\$ (1,739)	-29%
Nevada Power Company	\$ 2,028,256	36,428,240	\$ 1,825,530	\$ (202,726)	-10%
New Harquahala Generating Company	\$ 6,044	-	\$ 4,305	\$ (1,739)	-29%
NorthWestern Energy	\$ 601,468	10,802,594	\$ 541,351	\$ (60,117)	-10%
PacifiCorp	\$ 3,893,221	69,923,721	\$ 3,504,091	\$ (389,130)	-10%
Portland General Electric Company	\$ 1,128,277	20,264,288	\$ 1,015,505	\$ (112,772)	-10%
PSC of Colorado	\$ 2,411,949	43,319,545	\$ 2,170,875	\$ (241,074)	-10%
PSC of New Mexico	\$ 802,263	14,408,928	\$ 722,075	\$ (80,188)	-10%
PSE	\$ 1,339,114	24,050,996	\$ 1,205,269	\$ (133,845)	-10%
PUD No. 1 of Chelan County	\$ 94,802	1,702,674	\$ 85,326	\$ (9,476)	-10%
PUD No. 1 of Douglas County	\$ 88,627	1,591,767	\$ 79,768	\$ (8,859)	-10%
PUD. No. 2 of Grant County	\$ 262,725	4,718,649	\$ 236,466	\$ (26,259)	-10%
Seattle Department of Lighting	\$ 539,406	9,687,942	\$ 485,492	\$ (53,914)	-10%
SRP	\$ 1,645,126	29,547,087	\$ 1,480,695	\$ (164,431)	-10%
Sundevil	\$ 6,044	-	\$ 4,305	\$ (1,739)	-29%
TEP	\$ 824,327	14,805,219	\$ 741,935	\$ (82,392)	-10%
Turlock Irrigation District	\$ 145,774	2,618,160	\$ 131,204	\$ (14,570)	-10%
WAPA - Colorado Missouri	\$ 1,370,271	24,610,584	\$ 1,233,311	\$ (136,960)	-10%
WAPA - Upper Great Plains West	\$ 43,194	775,783	\$ 38,877	\$ (4,317)	-10%
WAPA, Lower Colorado Region	\$ 447,959	8,045,526	\$ 403,186	\$ (44,773)	-10%
MATL LLP	\$ 6,044	-	\$ 4,305	\$ (1,739)	-29%
International Entities	\$ 4,302,188	75,420,653	\$ 3,877,422	\$ (424,766)	-10%
<b>TOTAL</b>	<b>\$ 31,891,405</b>	<b>570,065,013</b>	<b>\$ 28,700,000</b>	<b>\$ (3,191,405)</b>	

<b>SCENARIO 2 - ALL CURRENT FUNDERS</b>					
	<b>Current</b>				
	<b>Funding</b>		<b>TRC Funding</b>		
<b>ENTITY</b>	<b>Amount</b>	<b>Current NEL</b>	<b>Amount</b>	<b>TRC Savings</b>	<b>% reduction</b>
APS	\$ 1,707,042	30,659,115	\$ 1,193,184	\$ (513,858)	-30%
Arlington Valley, LLC - AVBA	\$ 6,044	-	\$ 4,680	\$ (1,364)	-23%
Avista Corporation	\$ 701,776	12,604,170	\$ 490,526	\$ (211,250)	-30%
BANC	\$ 972,378	17,464,253	\$ 679,669	\$ (292,709)	-30%
BPA	\$ 3,004,123	53,955,190	\$ 2,099,815	\$ (904,308)	-30%
CAISO	\$ 12,702,906	228,149,059	\$ 8,879,048	\$ (3,823,858)	-30%
City of Tacoma	\$ 268,218	4,817,291	\$ 187,478	\$ (80,740)	-30%
El Paso Electric Company	\$ 469,459	8,431,656	\$ 328,141	\$ (141,318)	-30%
Gridforce Energy Management	\$ 6,044	-	\$ 4,680	\$ (1,364)	-23%
Griffith Energy, LLC	\$ 6,044	-	\$ 4,680	\$ (1,364)	-23%
Idaho Power Company	\$ 954,703	17,146,830	\$ 667,316	\$ (287,387)	-30%
Imperial Irrigation District	\$ 205,734	3,695,059	\$ 143,803	\$ (61,931)	-30%
LADWP	\$ 1,590,673	28,569,093	\$ 1,111,845	\$ (478,828)	-30%
NaturEner Power Watch, LLC (GWA)	\$ 6,044	-	\$ 4,680	\$ (1,364)	-23%
NaturEner Wind Watch, LLC	\$ 6,044	-	\$ 4,680	\$ (1,364)	-23%
Nevada Power Company	\$ 2,028,256	36,428,240	\$ 1,417,705	\$ (610,551)	-30%
New Harquahala Generating Company, L	\$ 6,044	-	\$ 4,680	\$ (1,364)	-23%
NorthWestern Energy	\$ 601,468	10,802,594	\$ 420,413	\$ (181,055)	-30%
PacifiCorp	\$ 3,893,221	69,923,721	\$ 2,721,274	\$ (1,171,947)	-30%
Portland General Electric Company	\$ 1,128,277	20,264,288	\$ 788,641	\$ (339,636)	-30%
PSC of Colorado	\$ 2,411,949	43,319,545	\$ 1,685,899	\$ (726,050)	-30%
PSC of New Mexico	\$ 802,263	14,408,928	\$ 560,763	\$ (241,500)	-30%
PSE	\$ 1,339,114	24,050,996	\$ 936,011	\$ (403,103)	-30%
PUD No. 1 of Chelan County	\$ 94,802	1,702,674	\$ 66,264	\$ (28,538)	-30%
PUD No. 1 of Douglas County	\$ 88,627	1,591,767	\$ 61,948	\$ (26,679)	-30%
PUD. No. 2 of Grant County	\$ 262,725	4,718,649	\$ 183,639	\$ (79,086)	-30%
Seattle Department of Lighting	\$ 539,406	9,687,942	\$ 377,033	\$ (162,373)	-30%
SRP	\$ 1,645,126	29,547,087	\$ 1,149,906	\$ (495,220)	-30%
Sundevil	\$ 6,044	-	\$ 4,680	\$ (1,364)	-23%
TEP	\$ 824,327	14,805,219	\$ 576,186	\$ (248,141)	-30%
Turlock Irrigation District	\$ 145,774	2,618,160	\$ 101,893	\$ (43,881)	-30%
WAPA - Colorado Missouri	\$ 1,370,271	24,610,584	\$ 957,789	\$ (412,482)	-30%
WAPA - Upper Great Plains West	\$ 43,194	775,783	\$ 30,192	\$ (13,002)	-30%
WAPA, Lower Colorado Region	\$ 447,959	8,045,526	\$ 313,114	\$ (134,845)	-30%
MATL LLP	\$ 6,044	-	\$ 4,680	\$ (1,364)	-23%
International Entities	\$ 4,302,188	75,420,653	\$ 3,033,065	\$ (1,269,123)	-30%
<b>TOTAL</b>	<b>\$ 44,594,311</b>	<b>\$ 798,214,072</b>	<b>\$ 31,200,000</b>	<b>\$ (13,394,311)</b>	